

VOYAGER ENTERTAINMENT INTERNATIONAL INC  
Form 10QSB  
November 23, 2004

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington DC 20549

FORM 10-QSB

Quarterly report under Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended: September 30, 2004

Transition report under Section 13 or 15(d) of the Exchange Act

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 000-33151

VOYAGER ENTERTAINMENT INTERNATIONAL, INC.

-----  
(Exact Name of Small Business Issuer as Specified in Its Charter)

Nevada

-----  
(State of incorporation)

54-2110681

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

4483 West Reno Avenue, Las Vegas, NV 89118

-----  
(Address of Principal Executive Offices)

(702) 221-8070

-----  
(Issuer's Telephone Number, Including Area Code)

-----  
Name, Former Address and Former Fiscal Year, if Changed Since Last Report.)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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

There were 64,691,126 shares of Common Stock issued and outstanding 500,000 shares of Series A Preferred Stock and 4,000,000 shares of Series B Preferred Stock issued and outstanding as of the latest practicable date.

Transitional Small Business Disclosure Format (check one) Yes  No

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PART I - FINANCIAL INFORMATION

VOYAGER ENTERTAINMENT INTERNATIONAL, INC. AND SUBSIDIARY  
(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED BALANCE SHEET - SEPTEMBER 30, 2004  
(UNAUDITED)

ASSETS

Current asset:	
Cash and cash equivalents	\$ 22,552
Property and equipment, net of accumulated depreciation	9,913 -----
Total assets	\$ 32,465 =====

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LIABILITIES AND STOCKHOLDERS' DEFICIT

Current liabilities:

Accounts payable and accrued expenses	\$ 187,140
Accrued expenses - related party	125,000
Loans and settlement payable and accrued interest of \$161,558	1,039,797
Notes payable and accrued interest of \$605,000	1,210,000
	-----

Total current liabilities \$ 2,561,937

Stockholders' deficit:

Preferred stock - Series A; \$.001 par value; 1,500,000 shares authorized, 500,000 shares outstanding	500
Preferred stock - Series B; \$.001 par value; 10,000,000 shares authorized, 4,000,000 shares outstanding	4,000
Common stock; \$.001 par value; 200,000,000 shares authorized, 63,191,128 shares issued and outstanding	
Issued and outstanding	63,191
Additional paid-in capital	25,480,409
Deferred construction cost	(18,304,135)
Deficit accumulated during development stage	(9,773,437)
	-----

Total stockholders' deficit (2,529,472)

Total liabilities and stockholders' deficit \$ 32,465

=====

The accompanying notes form an integral part of these consolidated financial statements

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VOYAGER ENTERTAINMENT INTERNATIONAL, INC. AND SUBSIDIARY  
(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	Three Months Ended		Nine Months
	September 30, 2004	September 30, 2003	September 30, 2004
	-----	-----	-----
Net revenue	\$ --	\$ --	\$ --
	-----	-----	-----
Operating expenses:			
Professional and consulting fees	158,949	156,059	1,686,385
Stock discount expense	--	--	--
Project costs	465	7,822	2,943
Rent expense	6,975	7,083	20,925
Settlement expense	--	--	--

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Other operating expenses	35,722	70,457	124,742
	-----	-----	-----
	202,111	241,421	1,834,995
	-----	-----	-----
Interest (income) expense, net	(840)	46,996	51,595
	-----	-----	-----
Loss from operations before income taxes	(201,271)	(288,417)	(1,886,590)
	-----	-----	-----
Income taxes	--	--	--
	-----	-----	-----
Net loss	(201,271)	(288,417)	(1,886,590)
	=====	=====	=====
Preferred stock dividends from amortization of beneficial conversion feature	--	(100,000)	--
	=====	=====	=====
Net loss attributed to common stockholders	\$ (201,271)	\$ (388,417)	\$ (1,886,590)
	=====	=====	=====
Net loss per share - basic and diluted	\$ (0.00)	\$ (0.01)	\$ (0.03)
	=====	=====	=====
Weighted average common stock shares outstanding - basic and diluted	62,853,000	37,078,000	59,764,000
	=====	=====	=====

The accompanying notes form an integral part of these consolidated financial statements

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VOYAGER ENTERTAINMENT INTERNATIONAL, INC. AND SUBSIDIARY  
(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED STATEMENT OF STOCKHOLDERS' DEFICIT (UNAUDITED)  
FOR THE PERIOD SINCE INCEPTION ON MARCH 1, 1997 TO JUNE 30, 2004

	Preferred Stock Series A		Preferred Stock Series B	
	Shares	Amount	Shares	Amount
	-----	-----	-----	-----
For the period since inception on March 1, 1997 to December 31, 2000 (as restated for reorganization)	--	\$ --	--	\$ --
Net loss for the year ended December 31, 2001	--	--	--	--
	-----	-----	-----	-----
Balance at December 31, 2001	--	--	--	--

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Issuance of stock for cash and services (pre-merger)	2,160,000	2,160	--	--
Conversion of preferred stock to common stock	(660,000)	(660)	--	--
Acquisition of net assets of Dakota	--	--	--	--
Issuance of common stock for cash - February 15, 2002	--	--	--	--
Issuance of common stock for services - April 2002	--	--	--	--
Issuance of common stock for Architectural agreement - May 2002	--	--	--	--
Issuance of common stock for cash - June 2002	--	--	--	--
Issuance of common stock for Architectural agreement - October 2002	--	--	--	--
Issuance of common stock for financing costs - November 2002	--	--	--	--
Issuance of stock for services - October 2002	--	--	--	--
Net loss for the year ended December 31, 2002	-----	-----	-----	-----
Balance at December 31, 2002	1,500,000	1,500	--	--
Issuance of common stock for financing costs - June 2003	--	--	--	--
Issuance of preferred stock for cash - June 2003	--	--	1,000,000	1,000
Issuance of preferred stock for cash - August 2003	--	--	500,000	500
Issuance of common stock for cash September 2003	--	--	--	--
BCF associated with preferred stock	--	--	--	--
Amortization of beneficial conversion feature in a manner similar to preferred stock dividends	--	--	--	--
Issuance of common stock for services September 2003	--	--	--	--
Issuance of common stock for cash December 2003	--	--	--	--
Issuance of common stock for cash - December 2003	--	--	--	--
Issuance of common stock for cash - December 2003	--	--	--	--

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Issuance of common stock for cash - December 2003	--	--	--	--
Issuance of common stock for cash - December 2003	--	--	--	--
Issuance of preferred stock for service RP - December 2003	--	--	2,500,000	2,500
Issuance of common stock for services - December 2003	--	--	--	--
Net loss for the year ended 12/31/03	--	--	--	--
	-----	-----	-----	-----
Balance at December 31, 2003	1,500,000	\$1,500	4,000,000	\$4,000
	=====	=====	=====	=====
Issuance of common stock for cash January 2004	--	--	--	--
Issuance of common stock for cash February 2004	--	--	--	--
Issuance of common stock for cash February 2004	--	--	--	--
Issuance of common stock for cash February 2004	--	--	--	--
Issuance of common stock for services February 2004	--	--	--	--
Issuance of common stock for services February 2004	--	--	--	--
Issuance of common stock for services February 2004	--	--	--	--
Conversion of preferred stock to common stock March 2004	(500,000)	(500)	--	--
Conversion of preferred stock to common stock March 2004	(500,000)	(500)	--	--
Issuance of common stock for cash March 2004	--	--	--	--
Issuance of common stock for services June 2004	--	--	--	--
Issuance of common stock for cash September 2004	--	--	--	--
Net loss for the nine months ended September 30, 2004	--	--	--	--
	-----	-----	-----	-----
Balance at September 30, 2004	500,000	\$ 500	4,000,000	\$4,000
	=====	=====	=====	=====

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	Additional paid-in capital	Deferred construction costs	Defici accumul during develop stag
	-----	-----	-----
For the period since inception on March 1, 1997 to December 31, 2000 (as restated for reorganization)	\$ 20,000.00	\$ --	\$ (87,19
Net loss for the year ended December 31, 2001	--	--	(101,
	-----	-----	-----
Balance at December 31, 2001	20,000	--	(188,
Issuance of stock for cash and services (pre-merger)	25,840	--	
Conversion of preferred stock to common stock	(5,940)	--	
Acquisition of net assets of Dakota	(11,615)	--	
Issuance of common stock for cash - February 15, 2002	399,200	--	
Issuance of common stock for services - April 2002	399,800	--	
Issuance of common stock for Architectural agreement - May 2002	18,138,722	(18,141,535)	
Issuance of common stock for cash - June 2002	149,950	--	
Issuance of common stock for Architectural agreement - October 2002	162,000	(162,600)	
Issuance of common stock for financing costs - November 2002	162,500	--	
Issuance of stock for services - October 2002	74,750	--	
Net loss for the year ended December 31, 2002	--	--	(1,754,
	-----	-----	-----
Balance at December 31, 2002	19,515,207	(18,304,135)	(1,942,
Issuance of common stock for financing costs - June 2003	309,400	--	
Issuance of preferred stock for cash - June 2003	99,000	--	
Issuance of preferred stock for cash - August 2003	49,500	--	

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Issuance of common stock for cash September 2003	99,231	--	
BCF associated with preferred stock	130,000	--	
Amortization of beneficial conversion feature in a manner similar to preferred stock dividends	(130,000)	--	
Issuance of common stock for services September 2003	99,375	--	
Issuance of common stock for cash December 2003	297,692	--	
Issuance of common stock for cash - December 2003	198,462	--	
Issuance of common stock for cash - December 2003	198,462	--	
Issuance of common stock for cash - December 2003	24,808	--	
Issuance of common stock for cash - December 2003	49,615	--	
Issuance of preferred stock for service RP - December 2003	2,347,500	--	
Issuance of common stock for services - December 2003	847,827	--	
Net loss for the year ended 12/31/03	--	--	(5,943,
	-----	-----	-----
Balance at December 31, 2003	\$ 24,136,079	\$ (18,304,135)	\$ (7,886
	=====	=====	=====
Issuance of common stock for cash January 2004	24,808	--	
Issuance of common stock for cash February 2004	49,615	--	
Issuance of common stock for cash February 2004	99,750	--	
Issuance of common stock for cash February 2004	199,500	--	
Issuance of common stock for services February 2004	318,325	--	
Issuance of common stock for services February 2004	119,850	--	
Issuance of common stock for services February 2004	119,850	--	
Conversion of preferred stock to common stock			



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February 2004	(4,500)	--	
Conversion of preferred stock to common stock March 2004	(4,500)	--	
Issuance of common stock for cash March 2004	49,615	--	
Issuance of common stock for services June 2004	322,350	--	
Issuance of common stock for cash September 2004	49,667	--	
Net loss for the nine months ended September 30, 2004	--	--	(1,886)
Balance at September 30, 2004	\$ 25,480,409	\$ (18,304,135)	\$ (9,773)

The accompanying notes form an integral part of these consolidated financial statements

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VOYAGER ENTERTAINMENT INTERNATIONAL, INC. AND SUBSIDIARY  
(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Nine Months Ended September 30, 2004	Nine Months End September 30, 2003
	-----	-----
Cash flows provided by (used for) operating activities:		
Net loss	\$ (1,886,590)	\$ (1,641,381)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	3,887	1,556
Issuance of common stock for services	881,750	100,000
Interest expense from the issuance of common stock	--	425,150
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Prepaid expenses	--	(35,000)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	117,042	26,328
Accrued payable - related parties	(54,000)	--
Accrued settlement obligation	--	711,854
Net cash used for operating activities	(937,911)	(411,493)

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Cash flows used for investing activities - payments to acquire property and equipment	(3,641)	(7,186)
	-----	-----
Cash flows provided by (used for) financing activities:		
Proceeds from notes payable	--	105,000
Proceeds from sale of preferred stock	--	250,000
Proceeds from issuance of common stock	475,000	-
	-----	-----
Net cash provided by financing activities	475,000	355,000
	-----	-----
Net increase (decrease) in cash	(466,552)	(63,679)
Cash, beginning of period	489,104	112,186
	-----	-----
Cash, end of period	\$ 22,552	\$ 48,507
	=====	=====
Cash paid during the period for:		
Interest expense	\$ --	\$ --
	=====	=====
Income taxes	\$ --	\$ --
	=====	=====
Non cash financing activity:		
Common stock issued for services	\$ 881,750	\$ 100,000
	=====	=====
Common stock issued for financing costs and services	\$ --	\$ 312,000
	=====	=====
Common stock issued for Architectural Agreement	\$ --	\$ --
	=====	=====
Conversion of preferred stock to common stock	\$ --	\$ --
	=====	=====

The accompanying notes form an integral part of these consolidated financial statements

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

NINE MONTHS ENDED SEPTEMBER 30, 2004

(1) Summary of Significant Accounting Policies:

Business Activity:  
-----

The Company is in the entertainment development business and is plans to develop the world's tallest Ferris Wheels on the Las Vegas Strip and in other locations inside and outside the United States. The Company is currently a development stage enterprise reporting under the provisions of Statement of Financial Accounting Standards ("SFAS") No. 7.

Plan of Reorganization and Basis of Presentation:  
-----

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The accompanying consolidated financial statements include the accounts of Voyager Entertainment International, Inc. (the "Company"), formerly known as Dakota Imaging, Inc., ("Dakota"), incorporated under the laws of the state of North Dakota on January 31, 1991 and its subsidiaries:

a) Voyager Ventures, Inc. ("Ventures"), incorporated under the laws of the State of Nevada on January 15, 2002 (owned 100% by the Company); b) Outland Development, LLC ("Outland"), a limited liability company formed under the laws of the State of Nevada on March 1, 1997(owned 100% by Ventures); and c) Voyager Entertainment Holdings, Inc. ("Holdings"), incorporated under the laws of the State of Nevada on May 2, 2002 (owned 100% by the Company).

### Interim Financial Statements:

-----  
The accompanying consolidated financial statements include all adjustments (consisting of only normal recurring accruals) which are, in the opinion of management, necessary for a fair presentation of the results of operations for the periods presented. Interim results are not necessarily indicative of the results to be expected for the full year ending December 31, 2004. The consolidated financial statements should be read in conjunction with the consolidated financial statements included in the annual report of Voyager Entertainment International, Inc. and its subsidiaries (the "Company") on Form 10-KSB for the year ended December 31, 2003.

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### Going Concern

-----  
The Company's consolidated financial statements have been presented on the basis that the Company will continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company has no established source of revenue, and as of September 30, 2004, has an accumulated deficit of \$9,773,437 has a working capital deficit of \$2,539,385 and has incurred significant net loss and used cash for operating activities of \$937,911 during the nine months ended September 30, 2004, all of which raise substantial doubt about its ability to continue as a going concern. The Company's large losses are attributed mainly to the issuance of common stock for services and professional fees.

The Company has limited operations and is still in the development stage. The Company will need to raise a substantial amount of capital in order to continue its business plan. This situation raises substantial doubt about its ability to continue as a going concern. The accompanying consolidated financial statements do not include any adjustments relative to the recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might result from the outcome of this uncertainty. Management is currently initiating their business plan and in the process raising additional capital. The company is currently indebted to two creditors and will not have the ability to repay either of the creditors if significant project funding is not received. If repayment does not occur, it is possible that a creditor could foreclose on the assets of the company causing the Company to be insolvent.

### Accounting Policies:

-----  
There has been no change in "accounting" policies used by the Company during the nine months ended September 30, 2004. There were no stock options granted or exercised during the nine months ended September 30, 2004.

#### (2) Loan Payable:

Loans payable had no stated interest rate, were due on demand and unsecured. Interest has been accrued at an estimated market interest rate of 8% and is

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included with the principal balance. The original balance was \$228,239 and the proceeds were received and used for operating capital during the year ended December 31, 2002. In March 2003, a claim of \$1,460,000 was asserted by the lender. Although management believed the claims were frivolous, due to the additional resources needed by management to defend against these claims and the likely distraction of management's efforts from moving forward with the business plan, a settlement agreement was executed with the lender in August 2003.

Pursuant to the Settlement Agreement, the Company agreed to pay a settlement amount of an additional \$650,000, without claiming any fault or wrong doing. As of September 30, 2004, the total obligation including loans of \$228,239 in principal the settlement obligation of \$650,000, and accrued interest of \$161,558 amounted to an aggregate of \$1,039,797. One half of this amount, or \$519,898 is due and payable at the closing of the first round of project funding and the remaining balance is due and payable at the closing of any subsequent project funding.

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### (3) Note Payable:

On November 19, 2002, the Company entered into a line of credit financing agreement which entitled the Company to borrow of from Dan Fugal 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 has 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 is 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 with the principal balance in the accompanying consolidated financial statements. As of September 30, 2004, the total obligation including loans of \$605,000, and accrued interest of \$605,000, amounted to \$1,210,000. Mr. Fugal 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 Mr. Fugal. As collateral for the Loan and Security Agreement with Mr. Fugal, Mr. Fugal filed a UCC-1 against the assets and intellectual property of the company which gives Mr. Fugal the right to institute foreclosure proceedings against the Company. Mr. Fugal could institute foreclosure proceedings at any time if he believes that he will not be repaid. As of the date of this Quarterly Report on Form 10-QSB, Mr. Fugal has not indicated any intentions to institute foreclosure proceedings. However, management can not guarantee that Mr. Fugal will not attempt to institute foreclosure proceedings against the Company.

### (4) Related Party Transactions:

During February 2004, the Company paid \$300,000 in cash to Western Architectural Services, LLC, an entity owned by an officer-stockholder and director of the Company pursuant to a Contractor Agreement between Western Architectural Services and the Company to design and build a car for the Voyager project and conduct a feasibility study.

During the year ended December 31, 2003, the Company and its board of directors approved a bonus of \$189,000 payable to Synthetic Systems, LLC, an entity wholly owned by its Chief Executive Officer. At September 30, 2004 accounts payable and accrued expenses, related party consists of the \$100,000 unpaid bonus balance. During the nine months ended September 30, 2004, the Company paid consulting fees of \$25,000 per month to Synthetic Systems, LLC. The Company also paid for furniture rental expenses of approximately \$3,450 and office rent expenses of

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approximately \$6,975 to Synthetic Systems for the three months ending September 30, 2004 and a total of \$10,350 and \$20,925 for the nine months ended September 30, 2004.

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### (4) Litigation

On May 3, 2004, the Company filed a complaint in the U.S. District Court for the District of Nevada (Case No. CV-S-04-0558) against Donald and Nancy Tyner, who are significant stockholders of the Company, alleging that Mr. and Mrs. Tyner are liable to the Company pursuant to Section 16(b) of the Securities Exchange Act of 1934 for short-swing profits realized by Mr. and Mrs. Tyner in connection with their sales and purchases of the Company's Common Stock between December 3, 2003 and February 4, 2004. While the complaint was filed in this matter, Mr. And Mrs. Tyner have not been served.

In June 2004 the Company withdrew the complaint filed on May 3, 2004 in the U.S. District Court for the District of Nevada (Case No. CV-S-04-0558) against Donald and Nancy Tyner.

### (5) Stockholders' Deficit

On March 5, 2004, Richard L. Hannigan, Sr. an officer and director converted 500,000 Series A Preferred shares into 5,000,000 Common shares of the Company.

On March 31, 2004, Gregg Giuffria, a former officer and director converted 500,000 Series A Preferred shares into 5,000,000 Common shares of the Company.

### Common Stock Issuances

-----

In December 2003, an investor entered into an agreement to purchase 1,346,154 additional shares of Common Stock for cash proceeds of \$175,000. During the three months ended March 31, 2004, this investor had acquired 961,535 Common shares for total proceeds of \$125,000 as follows:

In January 2004, \$25,000 was received from the sale of 192,307 Common shares pursuant to a purchase agreement from December 2003,

In February 2004, \$50,000 was received from the sale of 384,614 common shares pursuant to a purchase agreement from December 2003,

In March 2004, \$50,000 was received from the sale of 384,614 common shares pursuant to a purchase agreement from December 2003,

The Common Stock was offered in reliance upon the private offering exemptions contained in Sections 3(b) and 4(2) of the Securities Act of 1933, as amended, and Rule 506 of Regulation D promulgated thereunder.

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In February 2004, \$300,000 was received for 750,000 common shares. The Common Stock was offered in reliance upon the private offering exemptions contained in Sections 3(b) and 4(2) of the Securities Act of 1933, as amended, and Rule 506 of Regulation D promulgated thereunder.

During February 2004, the Company also issued 725,000 shares of restricted Common Stock to three consultants for services rendered. These shares were valued at the fair market value ranging from \$0.75 to \$0.80 per share for total

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consideration of \$558,750.

On March 5 2004, an Richard L. Hannigan, Sr., an officer-stockholder converted 500,000 Series A Preferred shares into 5,000,000 Common shares of the Company.

On March 31, 2004, Gregg Giuffria, a former officer-stockholder converted 500,000 Series A Preferred shares into 5,000,000 Common shares of the Company.

On June 17, 2004 the Company initiated negotiations to potentially purchase a parcel of property in Las Vegas, Nevada. The Company at that time issued 500,000 shares of Common Stock as an incentive to the owner of that property which will not be recovered regardless of whether the Company completes the transaction. The shares were valued at the fair market value of \$0.49 per share for a total of \$245,000.

On June 30, 2004 the company issued 150,000 shares of Common Stock to an individual for services rendered. These shares were valued at the fair market value of \$0.52 per share for total consideration of \$78,000.

In September 2004, \$50,000 was received for 333,333 common shares. The Common Stock was offered in reliance upon the private offering exemptions contained in Sections 3(b) and 4(2) of the Securities Act of 1933, as amended, and Rule 506 of Regulation D promulgated thereunder.

### SUBSEQUENT EVENT

-----  
In October 2004, \$150,000 was received for 1,000,000 common shares. The Common Stock was offered in reliance upon the private offering exemptions contained in Sections 3(b) and 4(2) of the Securities Act of 1933, as amended, and Rule 506 of Regulation D promulgated thereunder.

In October, 2004 the company issued 500,000 shares of Common Stock to an individual for services rendered. These shares were valued at the fair market value of \$0.11 per share for total consideration of \$55,000.

### ITEM 2. PLAN OF OPERATION

The following discussion should be read in conjunction with the Company's financial statements and the notes thereto contained elsewhere in this filing.

### CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Except for the historical information contained herein, this quarterly report on Form 10-QSB includes certain "forward-looking statements" within the meaning of that term in Section 27A of the Securities Act of 1933 and Section 21E of the Exchange Act of 1934, including, among others, those statements preceded by, followed by, or including the words "estimates," "believes," "expects," "anticipates," "plans," "projects," or similar expressions. Forward-looking statements include, but are not limited to, statements concerning anticipated trends in revenues and net income, projections concerning operations and available cash flow. The Company's actual results could differ materially from the results discussed in such forward-looking statements. The following discussion of the Company's financial condition and results of operations should be read in conjunction with the Company's financial statements and the related notes thereto appearing elsewhere herein.

These forward-looking statements are based largely on our current expectations

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and are subject to a number of risks and uncertainties. These forward-looking statements include, but are not limited to:

- o The Company's wholly-owned subsidiary, Voyager Entertainment Holdings, Inc. ("VEHI"), intends to manage the Las Vegas Voyager Project pursuant to a performance-based contract between the Company and VEHI and potentially an as-yet unidentified partner of the Company;
- o VEHI intends to employ highly skilled individuals from the theme park industry and combine their specialized skills with those from the gaming industry;
- o The western bank (Puxi) of the Huangpu River, the Bund, is our anticipated location for a master planned development with the "Star of Shanghai" Observation Wheel as the dominant feature (the "Star of Shanghai Voyager Project");
- o The Company intends to design the Star of Shanghai Voyager Project as a special tribute to the legendary figure Huang Daopo who invented the "spinning wheel" that reformed the technique of cotton weaving, and gained fame for its production of clothing;
- o Management believes that it can identify sources and obtain adequate amounts of such financing;
- o The Company intends to enter into a cooperative arrangement with distributors, whereby we will receive marketing and sales benefits from the professional staff of such distributors;
- o The Company believes that it cannot satisfy the cash requirements of its plan of operation for the next twelve months without raising additional funds through debt or equity financings;
- o Our near term cash requirements are anticipated to be offset through the receipt of funds from private placement offerings and loans obtained through private sources;
- o During the next 12 months, we plan to focus our efforts on our development of the Observation Wheels; however actual construction will not commence until we have sufficient capital for construction and marketing;
- o We anticipate that our monthly cash need is approximately \$60,000 per month;
- o The Company plans to focus primarily on the development of the Observation Wheel in Las Vegas over the next 12 months. However, we will also actively seek partnerships and locations for other Observation Wheels throughout the United States and foreign countries;
- o Over the next twelve months, we believe that existing capital and anticipated funds from operations will not be sufficient to sustain operations and planned development. Consequently, we will be required to seek additional capital in the future to fund growth and expansion through additional equity or debt financing or credit facilities; and

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- o In the event we are unsuccessful in generating equity capital, then the Company will be unable to continue with product development and/or marketing. The lack of equity capital or other financing may in turn cause the Company to become insolvent and may cause the Company to seek protection under the federal bankruptcy laws.
- o As of the date hereof the Company anticipates that it has enough cash to fund operations for the next six months however, the Company does not have sufficient capital to initiate or complete construction of any of the Voyager Projects.
- o There have been other companies that have announced possible development of a large Observation Wheel.
- o The Company has a limited operating history, which could make it difficult

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to evaluate our business.

We have yet to establish any history of profitable operations. Although some of our affiliates have been engaged in the acquisition and administration of various industries for several years, we have a limited operating history. As a result, we may not be able to successfully achieve profitability. The likelihood of our success must be considered in light of the problems, expenses and complications frequently encountered in connection with the development of a project this size and the competitive environment in which we operate. Accordingly, our limited operating history makes an effective evaluation of our potential success difficult. Our viability and continued operation depend on future profitability, our ability to generate cash flows and our successful development and management of other business opportunities. There can be no assurance that we will be able to successfully implement our business plan or that if implemented, it will be profitable.

Management may be unable to obtain the appropriate funding to run our company.

The Company does not presently have sufficient financial resources and have no assurance that sufficient funding will be available to us to build our project. There can be no assurance that we will be able to obtain adequate financing in the future or that

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the terms of such financing will be favorable. Failure to obtain such additional financing could result in delay or indefinite postponement of constructing an Observation Wheel

The Company wishes to caution investors that any forward-looking statements made by or on behalf of the Company are subject to uncertainties and other factors that could cause actual results to differ materially from such statements. These uncertainties and other factors include, but are not limited to the Risk Factors listed below (many of which have been discussed in prior SEC filings by the Company). Though the Company has attempted to list comprehensively these important factors, the Company wishes to caution investors that other factors could in the future prove to be important in affecting the Company's results of operations. New factors emerge from time to time and it is not possible for management to predict all of such factors, nor can it assess the impact of each such factor on the 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.

Readers are further cautioned not to place undue reliance on such forward-looking statements as they speak only of the Company's views as of the date the statement was made. The Company undertakes no obligation to publicly update or revise any forward- looking statements, whether as a result of new information, future events or otherwise.

### Recent Developments

On April 30, 2004, the Company and The Rio All-Suite Hotel & Casino in Las Vegas, Nevada mutually agreed to discontinue negotiations to build "The World's Tallest Observation Wheel" at the property of The Rio All-Suite Hotel & Casino.

On May 3, 2004, the Company filed a complaint in the U.S. District Court for the District of Nevada (Case No. CV-S-04-0558) against Donald and Nancy Tyner, who are stockholders of the Company, alleging that Mr. and Mrs. Tyner are liable to the Company pursuant to Section 16(b) of the Securities Exchange Act of 1934 for short-swing profits realized by Mr. and Mrs. Tyner in connection with their



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sales and purchases of the Company's Common Stock between December 3, 2003 and February 4, 2004. While the complaint in this matter has been filed, Mr. And Mrs. Tyner have not been served with the complaint.

In June 2004 the Company withdrew the complaint filed in the U.S. District Court for the District of Nevada (Case No. CV-S-04-0558) against Donald and Nancy Tyner.

The Company is currently evaluating site locations in Las Vegas, Nevada where the Observation Wheel could be constructed by the Company . If the Company is unsuccessful in obtaining a site and negotiating terms acceptable to both Voyager and a prospective property owner for a Las Vegas location, the Company will be required to identify a location outside of Las Vegas where an Observation Wheel could be constructed before an Observation Wheel could be built in Las Vegas forcing our management to focus its efforts elsewhere for a significant amount of time.. While there are several locations outside of Las Vegas which are currently proposed, there can be no guarantees that the Company will obtain financing or any definitive agreements for any other locations.

The Company is currently dependent upon funding operations through the sale of its Common Stock and securing debt through private individuals. If the Company can not continue to raise funds through the sale of its Common Stock and securing loans from private individuals, the Company may have to cease operations thus rendering the Company insolvent or requiring the Company to seek protection under the federal bankruptcy laws. While the company is seeking funding there can be no guarantee that funding will be attained.

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### Business of the Company

Our current business plan is to build multiple observation Ferris wheels ("Observation Wheels"). Currently proposed sites for the construction of Observations Wheels include Las Vegas, Nevada; Dallas, Texas and Shanghai, China.

#### L.V. Voyager Project

For the past 5 years, through its subsidiaries, the Company has planned and/or evaluated the available locations at both the North and South ends of the Las Vegas Strip as well as other off-strip locations in Las Vegas, Nevada for the construction of an Observation Wheel in Las Vegas ( the "L.V. Voyager Project").

The Las Vegas Voyager Project is intended to be one of the most unique architectural and engineering designs making it a "must see" attraction that will give the patron an experience overlooking the "Las Vegas Strip." With 30 vehicles called "Orbiters" the Las Vegas Voyager Project is intended a revolving Observation Wheel that will overlook the Las Vegas Strip as it revolves higher than a 60 story building at approximately 600 feet. One rotation in an Orbiter will last approximately 27 minutes. Each Orbiter will be controlled by and onboard Navigator, who will be part entertainer and part steward, and who will also be trained in life safety and security.

#### Organization and Operation

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The L.V. Voyager Project would be owned by the Company, however, it will be designed, developed, built and operated by Voyager Entertainment Holdings, Inc., ("VEHI"), a wholly owned subsidiary of the Company. VEHI intends to manage the project pursuant to a performance-based contract between the Company and VEHI [and potentially an as-yet unidentified partner of the Company]. All covenants, restrictions and protocols would be detailed in the performance-based contract.

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As the management company, VEHI would be responsible for the design, development, construction, and operation of the L.V. Voyager Project, and would provide the following: concept development, project design, location assessment and acquisition, strategic alliances in both entertainment and gaming, business plans and budgets, financial oversight and management during both construction and operation, marketing plans, insurance procurement and risk management, senior operational management including development of policies and procedures, and overall strategic focus for the L.V. Voyager Project.

The initial management team at VEHI is anticipated to consist of Richard Hannigan, President, CEO and a Director, Tracy Jones, COO and a Director, Myong Hannigan, Secretary and Treasurer and Director, Michael Schaunessy, CFO, and Sig Rogich, Director of Public Relations & Communications. The Company was in negotiations to construct an observation wheel at the Rio All Suites Hotel and Casino in Las Vegas Nevada owned by Harrahs, Inc. however, neither party was able to come to an agreement.

### Dallas Voyager Project

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The Company is operating through a signed non-binding Memorandum of Understanding with Bennett Realty Group pursuant to which Bennett Realty Group and Voyager are seeking to be joint venture partners to build an Observation Wheel in Dallas Texas (the "Dallas Voyager Project"). As of the period ending September 30, 2004, financing has not been secured for this project and no definitive agreements have been signed.

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### Star of Shanghai Voyager Project

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The western bank (Puxi) of the Huangpu River, the Bund, is our anticipated location for a master planned development with the "Star of Shanghai" Observation Wheel as the dominant feature (the "Star of Shanghai Voyager Project"). We intend to design the Star of Shanghai Voyager Project as a special tribute to the legendary figure Huang Daopo who invented the "spinning wheel" that reformed the technique of cotton weaving, and gained fame for its production of clothing. The Company does not currently have any agreements for a proposed site and has not secured financing for the planned project. Therefore the Company does not currently have a suitable site and we can offer no assurances that we will find a suitable site.

The Company requires substantial additional funds to build its Las Vegas Voyager Project and to fulfill its business plan and successfully develop its three Observation Wheel projects. The Company intends to raise these needed funds from private placements of its securities, debt financing or internally generated funds from the licensing of its intellectual property or service fees. As of the date of this filing the Company has not received a firm commitment for financing of any of the projects. The company continues to receive and evaluate opportunities throughout Asia as well as Shanghai, China.

### Other "Observation Wheels"

Currently, the Company is primarily focusing on the L.V. Voyager Project. However, the Company has plans to build additional Observation Wheels in other various locations in addition to Las Vegas, Dallas and Shanghai.

### Market Overview

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Management believes that, in the foreseeable future, cash generated from operations will be inadequate to support full marketing roll out and ongoing product development, and that we will thus be forced to rely on additional debt

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and/or equity financing. Management believes that it can identify sources and obtain adequate amounts of such financing. We intend to enter into a cooperative arrangement with distributors, whereby we will receive marketing and sales benefits from the professional staff of such distributors. To date, we have not established any such arrangements.

In the event we are unsuccessful in generating equity capital, then the Company will be unable to continue with product development and/or marketing. The lack of equity capital or other financing may in turn cause the Company to become insolvent and may cause the Company to seek protection under the federal bankruptcy laws.

As of the date hereof the Company anticipates that it has enough cash to fund operations for the next six months however, the Company does not have sufficient capital to initiate or complete construction of any of the Voyager Projects.

### Plan of Operation

During the next 12 months, the Company plans to focus its efforts on its development of the Observation Wheels; however actual production will not commence until the Company has sufficient capital for production and marketing.. The Company believes that it cannot satisfy the cash requirements of its plan of operation for the next twelve months without raising additional

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funds through debt or equity financings. However, if the Company receives adequate funding, the Company anticipates that there will be a need to purchase a significant amount of equipment and materials as well as significant need to hire additional employees throughout the next twelve months. The Company also believes that in this event there will also be a significant amount of research and development such as building mock-ups, statistical modeling and engineering.

The Company is dependent upon Richard Hannigan, CEO, President and Director, Myong Hannigan, Secretary/Treasurer and Director, and Tracy Jones, COO and Director. The Company does not have any employees at this time and does not anticipate the need to hire any employees until such time as the Company has been sufficiently capitalized.

Risks that could cause actual performance to differ from expected performance are detailed in the remainder of this section, and under the section titled "Factors That May Affect the Company's Future Operating Results."

### Liquidity and Capital Resources

A critical component of our operating plan impacting our continued existence is the ability to obtain additional capital through additional equity and/or debt financing. We do not anticipate enough positive internal operating cash flow until such time as we can generate substantial revenues, which may take the next few years to fully realize. In the event we cannot obtain the necessary capital to pursue our strategic plan, we may have to cease or significantly curtail our operations. This would materially impact our ability to continue operations. If this occurs, there could be a possibility that management of the company could seek protection under the federal bankruptcy laws.

In the event we are unsuccessful in generating equity capital, then the Company will be unable to continue with product development and/or marketing. The lack of equity capital or other financing may in turn cause the Company to become insolvent and may cause the Company to seek protection under the federal bankruptcy laws. As of the date hereof the Company has enough cash to fund operations for the next six months however, the Company does not have sufficient capital to initiate or complete construction of any of the Voyager Projects.

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Our near term cash requirements are anticipated to be offset through the receipt of funds from private placement offerings and loans obtained through private sources. Since inception, we have financed cash flow requirements through debt financing and issuance of Common Stock for cash and services. As we initiate operational activities, we may continue to experience net negative cash flows from operations, pending receipt of servicing or licensing fees, and will be required to obtain additional financing to fund operations through stock offerings and bank borrowings to the extent necessary to provide working capital.

During the next 12 months, we plan to focus our efforts on our development of the Observation Wheels; however actual construction will not commence until we have sufficient capital for construction and marketing. Currently, we anticipate that our monthly cash need is approximately \$60,000 per month. These costs consist primarily of professional fees (including legal and accounting fees) and consulting fees, including those paid to related parties, as well as rent expenses and printing expenses. We believe that we currently have the ability to continue operations for the next two quarters. However, if we do not receive a substantial amount of funding it will be unlikely we can continue operations. We plan to seek additional funding

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through debt transactions and the sale of our Common Stock either privately or publicly. There can be no guarantees we will be successful. We plan to focus primarily on the development of the Observation Wheel in Las Vegas over the next 12 months. However, we will also actively seek partnerships and locations for other Observation Wheels throughout the United States and foreign countries.

If a suitable site is acquired and selected the primary focus will be on completing engineering and starting the construction of an Observation Wheel.

The Company is currently obligated to repay two of its creditors at the time we receive adequate project funding. One of the creditors, Mr. Fugal, to whom the Company owes an aggregate of \$1,210,000, filed a UCC-1 against the assets and intellectual property of the Company which gives Mr. Fugal the right to institute foreclosure proceedings against the Company. Mr. Fugal could institute foreclosure proceedings at any time if he believes that he will not be repaid. As of the date of this Quarterly Report on Form 10-QSB, Mr. Fugal has not indicated any intention to institute foreclosure proceedings. However, we can not guarantee that Mr. Fugal will not attempt to institute foreclosure proceedings against the Company in the future.

### CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Management's Discussion and Plan of Operations discusses the Company's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an on-going basis, management evaluates its estimates and judgments, including those related to financing operations, and contingencies and litigation.

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Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. The most significant accounting estimates inherent in the preparation of the Company's financial statements include estimates as to the appropriate carrying value of certain assets (including deferred construction costs of approximately \$18.3 million) and liabilities which are not readily apparent from other sources, primarily accruals for operating costs, and the classification of net operating loss and tax credit carryforwards.

**FACTORS THAT MAY AFFECT THE COMPANY'S FUTURE OPERATING RESULTS** We are a development stage company, recently reorganized and have minimal operating history, which makes an evaluation of us extremely difficult. At this stage of our business operations, even with our good faith efforts, potential investors have a high probability of losing their investment. As a result of our recent reorganization we have yet to generate revenues from operations and have been focused on organizational, start-up, market analysis and fund raising activities. Although we have a project to market, there is nothing at this time on which to base an assumption that our business operations will prove to be successful or that we will ever be able to operate profitably. Our future operating results will depend on many factors, including our ability to raise adequate working capital, demand and acceptance of our product, the level of our competition and our ability to attract and maintain key management and employees.

While Management believes its estimates of projected occurrences and events are within the timetable of its business plan, there can be no guarantees or assurances that the results anticipated will occur.

Our auditor's report filed with our Annual Report on Form 10-KSB for the year ended December 31, 2003 reflects the fact that without realization of additional capital, it would be unlikely for us to continue as a going concern. If we are unable to continue as a going concern, it is unlikely that we will continue in business.

As a result of our deficiency in working capital and other factors, our auditors included a paragraph in their report filed with our Annual Report on Form 10-KSB for the year ended December 31, 2003, regarding substantial doubt about our ability to continue as a going concern.

Our plans in this regard are to seek additional funding through future equity private placements or debt facilities.

There is a limited current public market for our Common Stock.

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Although our Common Stock is listed on the Over-the-Counter Bulletin Board, there is a limited volume of sales, thus providing a limited liquidity into the market for our shares. As a result of the foregoing, stockholders may be unable to liquidate their shares for any reason.

We are uncertain about the possible demand for our Observation Wheels. There can be no assurances that if built there will be adequate demand for our Project in Las Vegas or other proposed sites in Shanghai, China or Dallas, Texas.

The Company is highly dependent upon management's ability to execute the

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Company's business plan. We believe our officers and directors have a great deal of experience in the construction industry but do not have experience in managing an attraction. We will be highly dependent upon securing the appropriate management personnel in order for the attraction to operate correctly. If adequate funding is not received or management elects to manage the attraction itself, there can be no assurance that the Company can effectively execute its business plan.

### ITEM 3. CONTROLS AND PROCEDURES

As of September 30, 2004, an evaluation was performed under the supervision and with the participation of the Company's management, including the Chief Executive Officer and the Chief Accounting Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on that evaluation, the Company's management, including the Chief Executive Officer and the Chief Accounting Officer, concluded that the Company's disclosure controls and procedures were effective as of September 30, 2004.

During the fiscal quarter ended September 30, 2004, there have been no changes in the Company's internal control over financial reporting or in other factors, that has materially affected, or is reasonably likely to affect, our internal control over financial reporting.

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## PART II - OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

On May 3, 2004, the Company filed a complaint in the U.S. District Court for the District of Nevada (Case No. CV-S-04-0558) against Donald and Nancy Tyner, who are stockholders of the Company, alleging that Mr. and Mrs. Tyner are liable to the Company pursuant to Section 16(b) of the Securities Exchange Act of 1934 for short-swing profits realized by Mr. and Mrs. Tyner in connection with their sales and purchases of the Company's Common Stock between December 3, 2003 and February 4, 2004. Although the complaint has been filed, Mr. And Mrs. Tyner have not been served with the complaint.

In June 2004, the Company withdrew the complaint filed in the U.S. District Court for the District of Nevada (Case No. CV-S-04-0558) against Donald and Nancy Tyner.

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

In January 2004, the Company issued 1,163,000 shares of restricted Common Stock to five individuals for consulting services that were performed during the quarter ending December 31, 2003. The Company believes that the issuance of the shares was exempt from the registration and prospectus delivery requirements of the Securities Act of 1933 by virtue of Section 4(2). The shares were issued directly by the Company and did not involve a public offering or general solicitation. The recipients of the shares had a preexisting relationship with our management, had performed services for the Company and had full and complete access to the Company and had the opportunity to speak with management with regards to their investment decision.

On January 5, 2004, the Company sold 192,307 shares of Common Stock for \$25,000. The Common Stock was offered in reliance upon the private offering exemptions contained in Sections 3(b) and 4(2) of the Securities Act of 1933, as amended, and Rule 506 of Regulation D promulgated thereunder. The purchaser was an "accredited" investor within the meaning of Rule 501(a) of Regulation D. We received net proceeds in the offering of \$25,000. The purchaser represented that

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he was acquiring the Common Stock for investment purposes only and not with a view to distribute. The purchaser further represented that he (a) had such knowledge and experience in financial and business matters and was capable of evaluating the merits and risks of the investment, (b) is able to bear the complete loss of the investment, (c) has had the opportunity to ask questions of, and receive answers from, the Company and its management concerning the terms and conditions of the offering and to obtain additional information, and (d) qualifies as an "accredited investor" as such term is defined in Rule 501(a) of Regulation D. This sale of securities was part of the agreement dated December 3, 2003 to purchase a total of 1,538,461 shares of Common Stock at a price of \$0.13 per share for \$200,000.

On February 2, 2004, the Company sold 384,614 shares of Common Stock for \$50,000. The Common Stock was offered in reliance upon the private offering exemptions contained in Sections 3(b) and 4(2) of the Securities Act of 1933, as amended, and Rule 506 of Regulation D promulgated thereunder. The purchaser was an "accredited" investor within the meaning of Rule 501(a) of Regulation D. We received net proceeds in the offering of \$50,000. The purchaser

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represented that he was acquiring the Common shares for investment purposes only and not with a view to distribute. The purchaser further represented that he (a) had such knowledge and experience in financial and business matters and was capable of evaluating the merits and risks of the investment, (b) is able to bear the complete loss of the investment, (c) has had the opportunity to ask questions of, and receive answers from, the Company and its management concerning the terms and conditions of the offering and to obtain additional information, and (d) qualifies as an "accredited investor" as such term is defined in Rule 501(a) of Regulation D. This sale of securities was part of the agreement dated December 3, 2003 to purchase a total of 1,538,461 shares of Common Stock at a price of \$0.13 per share for \$200,000.

In February 2004, the Company sold 750,000 shares of Common Stock for \$300,000. The Common Stock was offered in reliance upon the private offering exemptions contained in Sections 3(b) and 4(2) of the Securities Act of 1933, as amended, and Rule 506 of Regulation D promulgated thereunder. All purchasers were "accredited" investors within the meaning of Rule 501(a) of Regulation D. We received net proceeds in the offering of \$300,000. All purchasers represented that they were acquiring the Common shares for investment purposes only and not with a view to distribute. The purchasers further represented that they (a) have such knowledge and experience in financial and business matters and are capable of evaluating the merits and risks of the investment, (b) are able to bear the complete loss of the investment, (c) have had the opportunity to ask questions of, and receive answers from, the Company and its management concerning the terms and conditions of the offering and to obtain additional information, and (d) qualify as "accredited investors" as such term is defined in Rule 501(a) of Regulation D.

In February 2004, the Company also issued 575,000 shares of restricted Common Stock to four individuals for consulting services. The Company believes that the issuance of the shares was exempt from the registration and prospectus delivery requirements of the Securities Act of 1933 by virtue of Section 4(2). The shares were issued directly by the Company and did not involve a public offering or general solicitation. The recipient of the shares had a preexisting relationship with our management, had performed services for the Company and had full and complete access to the Company and had the opportunity to speak with management with regards to their investment decision.

On February 27, 2004, the Company sold 384,614 shares of Common Stock for \$50,000. The Common Stock was offered in reliance upon the private offering

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exemptions contained in Sections 3(b) and 4(2) of the Securities Act of 1933, as amended, and Rule 506 of Regulation D promulgated thereunder. The purchaser was an "accredited" investor within the meaning of Rule 501(a) of Regulation D. We received net proceeds in the offering of \$50,000. The purchaser represented that he was acquiring the Common Stock for investment purposes only and not with a view to distribute. The purchaser further represented that he (a) had such knowledge and experience in financial and business matters and was capable of evaluating the merits and risks of the investment, (b) is able to bear the complete loss of the investment, (c) has had the opportunity to ask questions of, and receive answers from, the Company and its management concerning the terms and conditions of the offering and to obtain additional information, and (d) qualifies as an "accredited investor" as such term is defined in Rule 501(a) of Regulation D. This sale of securities was part of the agreement dated December 3, 2003 to purchase a total of 1,538,461 shares of Common Stock at a price of \$0.13 per share for \$200,000.

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In March 2004, the Company also issued 150,000 shares of restricted Common Stock, that was approved in February 2004, to two individuals for consulting services. The Company believes that the issuance of the shares was exempt from the registration and prospectus delivery requirements of the Securities Act of 1933 by virtue of Section 4(2). The shares were issued directly by the Company and did not involve a public offering or general solicitation. The recipients of the shares had a preexisting relationship with our management, had performed services for the Company and had full and complete access to the Company and had the opportunity to speak with management with regards to their investment decision.

On March 5 2004, the Company issued 5,000,000 shares of Common Stock to Richard L. Hannigan Sr., an officer and director of the corporation as a result of the officer converting 500,000 shares of Series A Preferred Stock that converted at the rate of ten Common shares for every one share of Series A Preferred Stock owned by such officer. The Company believes that the issuance of the shares was exempt from the registration and prospectus delivery requirements of the Securities Act of 1933 by virtue of Section 4(2). The shares were issued directly by the Company and did not involve a public offering or general solicitation. The recipient of the shares had a preexisting relationship with our management, had performed services for the Company and had full and complete access to the Company and had the opportunity to speak with management with regards to his investment decision.

On March 31 2004, the Company issued 5,000,000 shares of Common Stock to Gregg Giuffria, a former officer and director of the corporation as a result of the officer converting 500,000 shares of Series A Preferred Stock that converted at the rate of ten Common shares for every one share of Series A Preferred Stock owned by such officer. The Company believes that the issuance of the shares was exempt from the registration and prospectus delivery requirements of the Securities Act of 1933 by virtue of Section 4(2). The shares were issued directly by the Company and did not involve a public offering or general solicitation. The recipient of the shares had a preexisting relationship with our management, had performed services for the Company and had full and complete access to the Company and had the opportunity to speak with management with regards to his investment decision.

On June 17, 2004 the Company entered in to negotiations to purchase a parcel of property located in Las Vegas, Nevada. As a result the Company issued 500,000 shares of Common Stock to the owner of the parcel of property. The shares will remain outstanding regardless of whether or not the Company completes the transaction.



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On June 30, 2004, the Company also issued 150,000 shares of restricted Common Stock, to an individual for consulting services. The Company believes that the issuance of the shares was exempt from the registration and prospectus delivery requirements of the Securities Act of 1933 by virtue of Section 4(2). The shares were issued directly by the Company and did not involve a public offering or general solicitation. The recipients of the shares had a preexisting relationship with our management, had performed services for the Company and had full and complete access to the Company and had the opportunity to speak with management with regards to their investment decision.

In September 2004, the Company sold 333,333 shares of Common Stock for \$50,000. The Common Stock was offered in reliance upon the private offering exemptions contained in Sections 3(b) and 4(2) of the Securities Act of 1933, as amended, and Rule 506 of Regulation D promulgated thereunder. All purchasers were "accredited" investors within the meaning of Rule 501(a) of Regulation D. We received net proceeds in the offering of \$50,000. All purchasers represented that they were acquiring the Common shares for investment purposes only and not with a view to distribute. The purchasers further represented that they (a) have such knowledge and experience in financial and business matters and are capable of evaluating the merits and risks of the investment, (b) are able to bear the complete loss of the investment, (c) have had the opportunity to ask questions of, and receive answers from, the Company and its management concerning the

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terms and conditions of the offering and to obtain additional information, and (d) qualify as "accredited investors" as such term is defined in Rule 501(a) of Regulation D.

### SUBSEQUENT EVENT

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In October 2004, the Company sold 1,000,000 shares of Common Stock for \$150,000. The Common Stock was offered in reliance upon the private offering exemptions contained in Sections 3(b) and 4(2) of the Securities Act of 1933, as amended, and Rule 506 of Regulation D promulgated thereunder. All purchasers were "accredited" investors within the meaning of Rule 501(a) of Regulation D. We received net proceeds in the offering of \$50,000. All purchasers represented that they were acquiring the Common shares for investment purposes only and not with a view to distribute. The purchasers further represented that they (a) have such knowledge and experience in financial and business matters and are capable of evaluating the merits and risks of the investment, (b) are able to bear the complete loss of the investment, (c) have had the opportunity to ask questions of, and receive answers from, the Company and its management concerning the terms and conditions of the offering and to obtain additional information, and (d) qualify as "accredited investors" as such term is defined in Rule 501(a) of Regulation D.

In October, 2004, the Company also issued 500,000 shares of restricted Common Stock, to an individual for consulting services. The Company believes that the issuance of the shares was exempt from the registration and prospectus delivery requirements of the Securities Act of 1933 by virtue of Section 4(2). The shares were issued directly by the Company and did not involve a public offering or general solicitation. The recipients of the shares had a preexisting relationship with our management, had performed services for the Company and had full and complete access to the Company and had the opportunity to speak with management with regards to their investment decision.

### ITEM 3. DEFAULTS UPON SENIOR SECURITIES

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Loans payable had no stated interest rate, were due on demand and unsecured. Interest has been accrued at an estimated market interest rate of 8% and is included with the principal balance. The original balance was \$228,239 and the proceeds were received and used for operating capital during the year ended December 31, 2002. In March 2003, a claim of \$1,460,000 was asserted by the lender. Although management believed the claims were frivolous, due to the additional resources needed by management to defend against these claims and The likely distraction of management's efforts from moving forward with the business plan, a settlement agreement was executed with the lender in August 2003.

Pursuant to the Settlement Agreement, the Company has agreed to pay a settlement amount of an additional \$650,000, without claiming any fault or wrong doing. As of September 30, 2004, the total obligation including loans of \$228,239 in principal the settlement obligation of \$650,000, and accrued interest, of \$161,558 amounted to an aggregate of \$1,039,797. One half of this amount, or \$519,898, is due and payable at the closing of the first round of project funding and the remaining balance is due and payable at the closing of any subsequent project funding.

### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

### ITEM 5. OTHER INFORMATION

None.

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### ITEM 6. EXHIBITS

#### (a) Exhibits

- 10.1 Agreement between the Company and Western Architectural Services Dated May 30, 2002.
- 10.2 Loan and Security Agreement between the Company and Dan Fugal Dated November 15, 2002
- 10.3 Revolving Promissory Note Issued By Dan Fugal Dated November 15, 2002
- 10.4 Amendment to Loan and Security Agreement Dated February 2003.
- 10.5 Second Amendment to Loan and Security Agreement dated February 15, 2003
- 10.6 Settlement and General Release Agreement between the Company and Don and Nancy Tyner Dated August 19, 2003.
- 31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended, filed herein.
- 31.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended, filed herein.
- 32.1 Certification of Chief Executive Officer Pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herein.
- 32.2 Certification of Chief Financial Officer Pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herein.
- 99.1 Press Release Dated June 2, 2004 attached to 8-K filed on June 3, 2004.
- 99.2 Press Release Dated October 19, 2004 attached to 8-K filed on October 19, 2004

#### (b) Reports on Form 8-K

- o On May 6, 2004, the Company filed with the SEC a Current Report

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- pursuant to Item 5 of Form 8-K, "Other Events and Reported FD Disclosure
- o On June 3, 2004 the Company filed with the SEC a Current Report pursuant to Item 5 of Form 8-K, "Other Events and Reported FD Disclosure
  - o On October 19, 2004 the Company filed with the SEC a Current Report pursuant to Item 5 of Form 8-K, "Other Events and Reported FD Disclosure

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### SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

VOYAGER ENTERTAINMENT INTERNATIONAL, INC.

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(Registrant)

Dated November 22, 2004

By: /s/ Richard Hannigan

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Richard Hannigan,  
President/Director

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