

VOYAGER ENTERTAINMENT INTERNATIONAL INC
Form 10-Q
August 12, 2011

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

(Mark One)

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

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2011.

OR

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

FOR THE TRANSITION PERIOD FROM _____ TO _____.

COMMISSION FILE NUMBER 000-33151

VOYAGER ENTERTAINMENT INTERNATIONAL, INC.

(Exact Name of Registrant as Specified in its Charter)

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Nevada

(State or other jurisdiction of incorporation or organization)

54-2110681

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

4483 West Reno Avenue, Las Vegas, Nevada

(Address of principal executive offices)

89118

(Zip code)

Registrant's telephone number, including area code: **(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 has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer

Non-accelerated filer

Accelerated filer

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of August 12, 2011, there were 177,127,287 outstanding shares of the issuer's Common Stock, \$0.001 par value.

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PART I

FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

VOYAGER ENTERTAINMENT INTERNATIONAL, INC. AND SUBSIDIARY

(A DEVELOPMENT STAGE COMPANY)

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

JUNE 30, 2011

VOYAGER ENTERTAINMENT INTERNATIONAL, INC. AND SUBSIDIARY**(A DEVELOPMENT STAGE COMPANY)****CONDENSED CONSOLIDATED BALANCE SHEETS**

| | JUNE 30, 2011 (Unaudited) | DECEMBER 31, 2010 (Audited) |
|---|---------------------------------|-----------------------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash | \$ 1,919 | \$ 851 |
| Prepays | 106,319 | 68,570 |
| Deposits | 301,000 | - |
| Total current assets | 409,238 | 69,421 |
| FIXED ASSETS, net of accumulated depreciation of \$4,392 and \$3,642, respectively | 2,028 | 2,779 |
| OTHER ASSETS, net of accumulated amortization of \$16,126 and \$9,416, respectively | 24,468 | 31,178 |
| Total assets | \$ 435,734 | \$ 103,378 |
| LIABILITIES AND STOCKHOLDERS' DEFICIT | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued expenses | \$ 1,969,377 | \$ 1,821,251 |
| Accrued expenses - related party | 2,262,000 | 2,087,000 |
| Notes payable | 1,855,000 | 1,855,000 |
| Due to related parties | 971,500 | 859,000 |
| Loans and settlement payable | 878,239 | 878,239 |
| Total current liabilities | 7,936,116 | 7,500,490 |
| Total liabilities | 7,936,116 | 7,500,490 |
| COMMITMENTS & CONTINGENCIES | - | - |
| STOCKHOLDERS' DEFICIT | | |
| Preferred stock: \$0.001 par value; authorized 50,000,000 shares | | |
| Series A - 1,500,000 designated, none outstanding | - | - |
| Series B - 10,000,000 designated, none outstanding | - | - |
| Series C - 20,000,000 designated, 7,500,000 and none issued and outstanding, respectively | 7,500 | - |
| | 177,127 | 172,127 |

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Common stock: \$0.001 par value; authorized 200,000,000 shares;
issued

and outstanding: 177,127,287 and 172,127,287, respectively

| | | |
|--|--------------|--------------|
| Additional paid-in capital | 13,178,054 | 12,771,304 |
| Deferred construction costs paid with common stock | (56,250) | (45,000) |
| Loan collateral paid with common stock | (150,000) | (120,000) |
| Common stock payable related party | 10,000 | 8,000 |
| Common stock payable | 20,000 | 20,000 |
| Accumulated deficit during the development stage | (20,686,813) | (20,203,543) |
| Total stockholders' deficit | (7,500,382) | (7,397,112) |
| Total liabilities and stockholders' deficit | \$ 435,734\$ | 103,378 |

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

VOYAGER ENTERTAINMENT INTERNATIONAL, INC. AND SUBSIDIARY

(A DEVELOPMENT STAGE COMPANY)

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

| | FOR THE THREE MONTHS ENDED JUNE 30, 2011 | FOR THE THREE MONTHS ENDED JUNE 30, 2010 | FOR THE SIX MONTHS ENDED JUNE 30, 2011 | FOR THE SIX MONTHS ENDED JUNE 30, 2010 | FROM INCEPTION MAR 01, 1997 TO JUNE 30, 2011 |
|---|---|---|---|---|---|
| Revenues | \$ - | \$ - | \$ - | \$ - | - |
| Operating expenses: | | | | | |
| Professional and consulting fees | 138,232 | 125,844 | 292,847 | 264,366 | 14,205,556 |
| Project costs | 752 | 1,390 | 994 | 4,519 | 263,682 |
| Settlement expense and nullification fee expense | - | - | - | - | 1,025,000 |
| Other expense | 31,610 | 30,063 | 57,718 | 52,540 | 2,003,139 |
| Total operating expenses | 170,594 | 157,297 | 351,559 | 321,425 | 17,497,377 |
| Operating loss | (170,594) | (157,297) | (351,559) | (321,425) | (17,497,377) |
| Other (expense) income: | | | | | |
| Interest income | - | - | - | - | 132,528 |
| Interest expense | (65,315) | (62,205) | (126,630) | (123,734) | (3,240,265) |
| Finance fees | (1,937) | (3,301) | (5,081) | (7,126) | (78,919) |
| Loss on disposal of fixed assets | - | - | - | - | (2,780) |
| Total other expense | (67,252) | (65,506) | (131,711) | (130,860) | (3,189,436) |
| Net loss | (237,846) | (222,803) | (483,270) | (452,285) | (20,686,813) |
| Preferred stock dividends | - | - | - | - | (130,000) |
| Net loss allocable to common stockholders | \$ (237,846)\$ | (222,803)\$ | (483,270)\$ | (452,285)\$ | (20,816,813) |
| Net loss per common share - basic and diluted | \$ (0.00)\$ | (0.00) | (0.00)\$ | (0.00) | |
| Weighted average number of common shares outstanding | 176,087,177 | 151,891,023 | 174,118,171 | 150,487,784 | |

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

VOYAGER ENTERTAINMENT INTERNATIONAL, INC. AND SUBSIDIARY

(A DEVELOPMENT STAGE COMPANY)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

| | FOR THE SIX MONTHS ENDED JUNE 30, 2011 | FOR THE SIX MONTHS ENDED JUNE 30, 2010 | FROM INCEPTION MARCH 01, 1997 TO JUNE 30, 2011 |
|---|---|---|--|
| Cash Flows from Operating Activities: | | | |
| Net loss | \$ (483,270) | \$ (452,285) | (20,686,813) |
| Adjustments to reconcile net loss to net cash used by operating activities: | | | |
| Bad debt expense | - | - | 500,000 |
| Depreciation and amortization | 7,460 | 3,479 | 65,184 |
| Loss on disposal of fixed assets | - | - | 2,780 |
| Issuance of common stock for services | 15,000 | 12,911 | 6,588,215 |
| Issuance of common stock for nullification fee | - | - | 375,000 |
| Issuance of common stock for accrued bonus | - | - | 750,000 |
| Interest expense from the issuance of common stock | - | - | 709,088 |
| Accretion of debt issuance costs | - | - | 500,000 |
| Change in assets and liabilities: | | | |
| Prepaid expenses | 7,253 | (1,447) | 6,477 |
| Accounts payable and accrued expenses | 148,125 | 139,163 | 1,888,637 |
| Accrued expenses - related party | 175,000 | 148,500 | 2,262,000 |
| Accrued settlement obligation | - | - | 650,000 |
| Net cash used in operating activities | (130,432) | (149,679) | (6,389,432) |
| Cash flows from Investing Activities: | | | |
| Deposit paid for real estate purchase | (1,000) | - | (1,000) |
| Payments to acquire fixed assets | - | - | (54,388) |
| Net cash used in investing activities | (1,000) | - | (55,388) |
| Cash flows from Financing Activities: | | | |
| Proceeds from advances - related party | - | - | (500,000) |
| Proceeds from notes payable, short term debt | - | - | 2,103,239 |
| Proceeds from notes payable, due to related parties | 112,500 | 143,000 | 984,000 |
| Payment on notes payable, short term debt | - | - | (20,000) |
| Payment on notes payable, due to related parties | - | - | (12,500) |
| Proceeds from the sale of preferred stock | - | - | 150,000 |
| Proceeds from the sale of common stock | 20,000 | - | 3,752,000 |

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| | | | |
|---|----------|---------|-----------|
| Proceeds from common stock payable | - | - | 90,000 |
| Payments for loan fees | - | - | (50,000) |
| Payments for deferred financing costs | - | - | (50,000) |
| Net cash provided by financing activities | 132,500 | 143,000 | 6,446,739 |
| Net increase (decrease) in cash | 1,068 | (6,679) | 1,919 |
| Cash, beginning of year | 851 | 7,488 | - |
| Cash, end of year | \$ 1,919 | \$ 809 | \$ 1,919 |
| Cash paid for: | | | |
| Interest | \$ - | \$ - | 93,212 |
| Income taxes | \$ - | \$ - | - |

Supplemental Schedule of Non-cash Investing and Financing Activities:

| | | | | |
|---|----|------------|-------------|----------|
| Disposal of fixed assets | \$ | - \$ | - \$ | 44,666 |
| Common stock issued for financing costs | \$ | - \$ | - \$ | 988,300 |
| Common stock issued for loan collateral, adjusted to fair value | \$ | \$ | \$ | |
| | | 30,000 | - | 150,000 |
| Deferred construction costs, adjusted to fair value | \$ | 11,250 \$ | 12,375 \$ | 56,250 |
| Conversion of preferred shares | \$ | - \$ | - \$ | 14,600 |
| Common stock issued as acquisition deposit | \$ | - \$ | - \$ | 750,000 |
| Common stock cancelled due to business combination | \$ | \$ | \$ | |
| | | - | - | 375,000 |
| Common stock receivable | \$ | - \$ | 75,000 \$ | - |
| Common stock issued to satisfy common stock payable | \$ | - \$ | (30,000) \$ | 95,000 |
| Common stock payable, adjusted to fair value | \$ | 2,000 \$ | - \$ | (65,000) |
| Common stock issued for website development | \$ | - \$ | 40,594 \$ | 40,594 |
| Common stock issued for prepaid services | \$ | 45,000 \$ | 3,395 \$ | 112,795 |
| Preferred stock issued as deposit for real estate purchase | \$ | 300,000 \$ | - \$ | 300,000 |

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

VOYAGER ENTERTAINMENT INTERNATIONAL, INC. AND SUBSIDIARY

(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-K for the year ended December 31, 2010. Significant accounting policies disclosed therein have not changed except as noted below.

Voyager Entertainment International, Inc., a North Dakota corporation, formerly known as Dakota Imaging, Inc. and incorporated 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 condensed consolidated financial statements, the terms the "Company", "we", "us", "our" and similar terms refer to Voyager Entertainment International, Inc. and, unless the context indicates otherwise, its consolidated subsidiaries. The Company's wholly-owned subsidiary is Voyager Viridian LLC (Viridian), a Nevada limited liability corporation.

These condensed consolidated financial statements include all accounts of the Company and its subsidiary. All significant intercompany transactions and accounts have been eliminated in consolidation.

Basis of Financial Statement Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting

principles have been condensed or omitted in accordance with such rules and regulations. The information furnished in the interim condensed consolidated financial statements includes normal recurring adjustments and reflects all adjustments, which, in the opinion of management, are necessary for a fair presentation of such financial statements. Although management believes the disclosures and information presented are adequate to make the information not misleading, these interim condensed consolidated financial statements should be read in conjunction with the Company's most recent audited financial statements and notes thereto included in its December 31, 2010 Annual Report on Form 10-K. Operating results for the period ended June 30, 2011 are not necessarily indicative of the results that may be expected for the year ending December 31, 2011.

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. The Company has not begun generating revenue, is considered a development stage company, has experienced recurring net operating losses, had a net loss of \$483,270 and \$452,285 for the six months ended June 30, 2011 and 2010, respectively, accumulated deficit of \$20,686,813 and a working capital deficiency of \$7,526,878 at June 30, 2011. 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.

Reclassifications

Certain amounts in the prior period financial statements have been reclassified to conform to the current period presentation.

RECENTLY ADOPTED AND RECENTLY ISSUED ACCOUNTING GUIDANCE

Adopted

In October 2009, the Financial Accounting Standards Board (FASB) issued changes to revenue recognition for multiple-deliverable arrangements. These changes require separation of consideration received in such arrangements by establishing a selling price hierarchy (not the same as fair value) for determining the selling price of a deliverable, which will be based on available information in the following order: vendor-specific objective evidence, third-party evidence, or estimated selling price; eliminate the residual method of allocation and require that the consideration be allocated at the inception of the arrangement to all deliverables using the

relative selling price method, which allocates any discount in the arrangement to each deliverable on the basis of each deliverable's selling price; require that a vendor determine its best estimate of selling price in a manner that is consistent with that used to determine the price to sell the deliverable on a standalone basis; and expand the disclosures related to multiple-deliverable revenue arrangements. These changes became effective on January 1, 2011. The Company has determined that the adoption of these changes does not have an impact on the consolidated financial statements, as the Company does not currently have any such arrangements with its customers.

Issued

Recent accounting pronouncements issued by the FASB (including its Emerging Issues Task Force), the AICPA, and the SEC did not, or are not believed by management to, have a material impact on the Company's present or future consolidated financial statements.

Note 2. Real Estate Purchase Agreement

On April 18, 2011, the Company entered into a purchase and sale agreement with an unrelated party to purchase real estate for the construction of the L.V. Voyager Project. As a requirement, the Company delivered a cash deposit of \$1,000 to execute the purchase and sale agreement. The purchase price of the property is \$30,000,000, payable by cash and Series C Preferred Shares. On April 19, 2011, 7,500,000 Series C Preferred Shares, valued at \$300,000, were issued and recorded as a deposit towards the purchase of land. Each share is convertible into two shares of common stock. The Company has six months to complete the purchase of the land with an option of one six month extension. As of June 30, 2011, the Company has not finalized the purchase of real estate.

Note 3. Stockholders' Deficit

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 three series: 1,500,000 shares of Series A Preferred Stock, 10,000,000 shares of Series B Preferred Stock, and 20,000,000 shares of Series C Preferred Stock, each with a par value of \$0.001.

Effective March 21, 2011, the Company amended its Articles of Incorporation to designate 20,000,000 shares of Series C convertible preferred stock. The Series C convertible preferred stock carries the following rights and preferences:

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2 to 1 voting rights per share

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Each share has 2 for 1 conversion rights to shares of common stock

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No redemption rights

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Preferential liquidation rights to Series B preferred stock and common stock

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Anti-dilution clauses in the event of a reverse split

Preferred Stock

On April 19, 2011, 7,500,000 Series C Preferred Shares, valued at \$300,000, were issued and recorded a deposit towards the purchase of land. Each share is convertible into two shares of common stock.

Common Stock

On January 21, 2011, the Company received \$7,000 through a private placement offering for 350,000 shares of common stock or \$0.02 per share. These shares were issued on April 18, 2011.

On March 4, 2011, the Company received \$10,000 through a private placement offering for 500,000 shares of common stock or \$0.02 per share. These shares were issued on April 19, 2011.

On April 8, 2011, the Company received \$3,000 through a private placement offering for 150,000 shares of common stock or \$0.02 per share. These shares were issued on April 19, 2011.

On April 18, 2011, the Company engaged a contractor to serve as an advisor for a twelve month period effective as of the agreement date. On April 19, 2011, the Company issued the contractor 3,000,000 shares of common stock, valued at \$45,000, or \$0.015 per share, as compensation for the term of the agreement. As of June 30, 2011, the contractor has not performed any services. This issuance has been recognized as a prepaid expense.

On April 19, 2011, the Company issued 1,000,000 shares of common stock valued at \$15,000, or \$0.015 per share, for services performed.

Loan Collateral

On September 5, 2006, the Company entered into a note payable with Diversified Lending Group, Inc. for \$1,250,000. To collateralize the loan, the Company issued 7,500,000 shares of its common stock valued at \$750,000, or \$0.10 per share.

As of June 30, 2011, we have marked these shares to market using the period end closing price of our stock. The change in valuation was applied to additional-paid in capital.

Common Stock Payable

At June 30, 2011, common stock payable consists of:

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500,000 shares payable to an Officer of the Company, valued at \$10,000, relating to the 2008 Western Acquisition Rescission. We have marked these shares to market using the period end closing price of our stock. The change in valuation was applied to additional-paid in capital.

.

\$20,000 payable relating to a 2008 private purchase agreement. The investor has not completed investment paperwork so that management can release the shares.

Note 4. Related Party Transactions

Synthetic Systems, Inc.

Synthetic Systems, Inc. is jointly owned by our Chief Executive Officer and Secretary.

During the six months ended June 30, 2011 and 2010, the Company incurred consulting fees of approximately \$38,000 and \$37,000 per month, respectively, to Synthetic Systems, Inc. for a total of \$228,000 and \$222,000 for each respective period. Although the Company incurs related party consulting fees on a monthly basis, cash payments are not made to Synthetic Systems, Inc. unless there is sufficient cash on hand to meet the operating needs of the Company.

The Company leased furniture and equipment from Synthetic Systems for a total of \$1,150 per month for the six months ending June 30, 2011 and 2010. The Company also paid on behalf of Synthetic Systems, Inc. office rent expenses of \$17,264 and \$17,833 for the six months ended June 30, 2011 and 2010, respectively.

Western Architectural

As previously disclosed in our 2010 Form 10-K, the Company executed a Contractor Agreement with Western Architectural Services, LLC ("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 2,812,500 shares of common stock at the time before and during the contract to purchase supplies and to pay subcontractor fees for the construction of a wheel. 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 June 30, 2011, we have marked these shares to market using the period end closing price of our stock. The change in valuation was applied to additional-paid in capital due to the deferred construction cost nature of these shares.

For the six months ended June 2011, the Company borrowed \$112,500 from Western. The amounts are unsecured, carry no interest, and are due upon demand.

As of June 30, 2011, we have received advances in the aggregate amount of \$971,500 from Western Architectural Services, LLC. The advances are unsecured, carry no interest and are due upon demand. As of June 30, 2011, no payments have been made to Western.

Note 5. Fair Value

As required by the Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification (ASC), fair value is measured based on a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows: (Level 1) observable inputs such as quoted prices in active markets; (Level 2) inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and (Level 3) unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

The three levels of the fair value hierarchy 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 accordance with authoritative guidance, the table below sets forth the Company's financial assets and liabilities measured at fair value by level within the fair value hierarchy. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

| | Total | Fair Value at June 30, 2011 | | Level 3 |
|--------------------------------------|--------------|------------------------------------|----------------|----------------|
| | | Level 1 | Level 2 | |
| Assets: | | | | |
| | \$ | \$ | \$ | \$ |
| Deferred Construction Costs | 56,250 | 56,250 | - | - |
| Loan Collateral | 150,000 | 150,000 | - | - |
| | \$ | \$ | \$ | \$ |
| | 206,250 | 206,250 | - | - |
| Liabilities: | | | | |
| | \$ | \$ | \$ | \$ |
| Common Stock Payable - Related Party | 10,000 | 10,000 | - | - |

The valuation of these assets and liabilities are expected to fluctuate in accordance with the market rate of the Company's common stock.

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

The following discussion and analysis ("MD&A") 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 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 an 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, 2010, the Company did not have enough cash on hand to continue operations through the next year. From time-to-time the officers of the Company loan funds to provide for operations, however, there can be no guarantees that the Company's officers and directors will continue to loan funds to the Company on an ongoing basis. We will continue to seek alternative funding sources, 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 significant expenses for the Company consist of consulting fees that are primarily paid by the issuance of our common stock and the costs of being a public company and remaining current with our periodic filings.

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 for 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 are finalizing a purchase and sale agreement to purchase real estate for the L.V. Voyager Project. The land encompasses approximately 4.89 acres in two parcels of which the observation wheel will occupy a footprint of approximately 2.37 acres and the additional acreage will be used for roads and parking within the master plan. The L.V. Voyager Project is intended to be designed as a visual icon and experience overlooking the "Las Vegas Strip". With 30 vehicles called Orbitors, the observation wheel will overlook the Las Vegas Strip as it revolves higher than a 60-story building at approximately 600 feet. One rotation in an Orbitor will last approximately 27 minutes. An on-board Navigator, part entertainer, part steward and skilled in life- safety and security, will control each Orbitor.

We have focused primarily on the development of the Observation Wheel in Las Vegas however we may entertain discussions with any interested party in other locations both domestic and international. Other than presentation materials, upon sufficient funding, the primary focus will be on completing engineering and starting the construction of an Observation Wheel.

We will face considerable risk in each of our business plan steps, such as difficulty of hiring competent personnel within our budget and a shortfall of funding due to our inability to raise capital in the equity securities market. If no funding is received during the next twelve months, we will be forced to rely on existing cash in the bank. As stated above, our current cash reserves are not sufficient to fund operations for the next twelve months.

We have no operating history, no significant current operations, minimum cash on hand, and no profit. Because of these factors, our auditors have issued an audit opinion for us which includes a statement describing doubts about our ability to continue as a going concern status. This means there is substantial doubt about our ability to continue as a going concern. While we believe we have made good faith estimates of our ability to secure additional capital in the future to reach our goals, there is no guarantee that we will receive

sufficient funding to implement any future business plan steps. In the event that we do not receive additional financing, we will not be able to continue our operations.

The timing of most of our capital expenditures is discretionary. Currently there are no material long-term commitments associated with our capital expenditure plans. Consequently, we have a significant degree of flexibility to adjust the level of such expenditures as circumstances warrant. The level of our capital expenditures will vary in future periods depending on market conditions and other related economic factors.

For an 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 7: Management's Discussion and Analysis of Financial Condition and Results of Operation" in the Company's Annual Report on Form 10-K for the year ended December 31, 2010.

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 and has been discontinued.

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

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 Viridian LLC, our wholly-owned subsidiary, was formed on August 3, 2009.

CRITICAL ACCOUNTING ESTIMATES

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.

We set forth below those material accounting policies that we believe are the most critical to an investor's understanding of our financial results and condition and that require complex management judgment.

Advances - Related Party Allowance

We report receivables at the net realizable value. Based on the facts and circumstances of the \$500,000 advance issued to Western Architectural Services, LLC, and the current economic recession, it is uncertain whether the advance will be repaid in full as the repayment of the advance is contingent upon our beginning production of an observation wheel. We have fully allowed for the balance of the advance. Should we be successful in our business plan, a reversal of this allowance may be deemed necessary.

Fair Value Accounting

As required by the Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification (ASC), fair value is measured based on a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows: (Level 1) observable inputs such as quoted prices in active markets; (Level 2) inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and (Level 3) unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

We have equity assets and liabilities that are realizable at the fair market value of our common stock based on the closing price at the period end date.

| | Common Shares | June 30, 2011 |
|---------------------------------------|----------------------|----------------------|
| Deferred Construction Costs | 2,812,500\$ | |
| | | 56,250 |
| Loan Collateral Costs | 7,500,000 | 150,000 |
| Common Stock Payable Related Party | 500,000 | (10,000) |
| | 10,812,500\$ | |
| | | 196,250 |

The valuation of these assets and liabilities are expected to fluctuate in accordance with the market rate of our common stock.

Stock Based Compensation

Stock based compensation is accounted for using the Equity-Based Payments to Non-Employees Topic of the FASB ASC, which establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments. We determine the value of stock issued at the date of grant. We also determine at the date of grant the value of stock at fair market value or the value of services rendered (based on contract or otherwise) whichever is more readily determinable. Shares issued to non-employees are expensed when incurred.

As a result of limited capital resources, we regularly issue shares of common stock to non-employees for compensation. For the period ended June 30, 2011 and 2010, we issued 4,000,000 and 4,525,000 shares, respectively, for goods or services. We anticipate the issuance of shares for non-employee compensation until adequate capital resources can be obtained. The valuation of these issuances will be dependent on the trading value of our common stock.

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

As of June 30, 2011, we have not constructed an Observation Wheel and therefore have not generated revenues or incurred construction costs.

Three Month Comparison

Results of operations for the three months ended June 30, 2011 compared to the three months ended June 30, 2010 consist of the following:

| Three Months Ended | June 30, 2011 | June 30, 2010 | \$ Change | % Change |
|-------------------------------------|---------------|---------------|-----------|----------|
| Revenue | \$ | \$ | \$ | - % |
| | - | - | - | |
| Professional and consulting fees | 138,232 | 125,844 | 12,388 | 10% |
| Project costs | 752 | 1,390 | (638) | (46)% |
| General and administrative expenses | 31,610 | 30,063 | 1,547 | 5% |
| Operating loss | \$ | \$ | \$ | 8% |
| | (170,594) | (157,297) | | |

We had operating expenses of \$170,594 for the quarter ended June 30, 2011 compared to operating expenses of \$157,297 for the quarter ended June 30, 2010; June 30, 2011 expenses primarily consisted of professional and consulting fees of \$138,232. The 8% increase in operating expenses for the three months ended June 30, 2011 as compared to the three months ended June 30, 2010 is due to a \$1,000 monthly increase in related party consulting fees and consulting fees incurred for appraisal services. This increase in professional fees is expected to continue throughout 2011 as we engage consultants in the pursuit of the development of the L.V. Voyager Project and to assist us in analyzing possible business prospects inside and outside of the Las Vegas area. Should we be approached by interested parties outside of the Las Vegas area, travel costs in association with these ventures will be incurred. In addition, fewer project costs were incurred to promote our business plan to prospects in the quarter ended June 30, 2011 compared to the quarter ended June 30, 2010 as a result of the real estate purchase agreement entered into during the quarter.

Six Month Comparison

Results of operations for the six months ended June 30, 2011 compared to the six months ended June 30, 2010 consist of the following:

| Six Months Ended | June 30, 2011 | June 30, 2010 | \$ Change | % Change |
|-------------------------------------|---------------|---------------|-----------|----------|
| Revenue | \$ | \$ | \$ | - % |
| Professional and consulting fees | 292,847 | 264,366 | 28,481 | 11% |
| Project costs | 994 | 4,519 | (3,525) | (78)% |
| General and administrative expenses | 57,718 | 52,540 | 5,178 | 10% |
| Operating loss | \$ | \$ | \$ | 9 % |
| | (351,559) | (321,425) | (30,134) | |

We had operating expenses of \$351,559 for the six months ended June 30, 2011 compared to operating expenses of \$321,425 for the six months ended June 30, 2010; June 30, 2011 expenses primarily consisted of professional and consulting fees of \$292,847. The 9% increase in operating expenses for the six months ended June 30, 2011 as compared to the six months ended June 30, 2010 is due to a \$1,000 monthly increase in related party consulting fees, an increase of \$5,000 for the preparation of our Annual Report on Form 10-K, and consulting fees incurred for appraisal services. This increase in professional fees is expected to continue throughout 2011 as we engage consultants in the pursuit of the development of the L.V. Voyager Project and to assist us in analyzing possible business prospects inside and outside of the Las Vegas area. Should we be approached by interested parties outside of the Las Vegas area, travel costs in association with these ventures will be incurred. In addition, fewer project costs were incurred to promote our business plan to prospects in the quarter ended June 30, 2011 compared to the quarter ended June 30, 2010 as a result of the real estate purchase agreement entered into during the quarter.

LIQUIDITY

We plan to focus primarily on the development of the Observation Wheel in Las Vegas during the next twelve months although we may entertain discussions with any interested party in other locations.

| | June 30, 2011 | December 31, 2010 | \$ Change | % Change |
|---------------------------------------|---------------|-------------------|-----------|----------|
| Cash | \$ | \$ | \$ | 125% |
| Accounts payable and accrued expenses | 1,919 | 851 | 148,126 | 8% |
| Due to related parties | 1,969,377 | 1,821,251 | 287,500 | 10% |
| Total current liabilities | 3,233,500 | 2,946,000 | 435,626 | 6% |
| | 7,936,116 | 7,500,490 | | |

| | | | | |
|---|--------|-------|--------|------|
| Cash proceeds from the sale of common stock | 20,000 | 7,000 | 13,000 | 186% |
|---|--------|-------|--------|------|

We have financed our operations during the year primarily through the use of cash on hand, issuance of stock for cash, loans from related parties and the aging of our payables.

Cash on hand increased \$1,068, or 125%, as of June 30, 2011 compared to December 31, 2010. The increase is a result of the sale of stock for cash of \$20,000 and the receipt of related party loans, offset by the payment of payables during the year.

As of June 30, 2011, we had total current liabilities of \$7,936,116 compared to \$7,500,490 as of December 31, 2010. These items increased \$435,626 as a result of the aging of our payables, and related party borrowings. We anticipate that our current lack of cash will result in an increase in aging of payables and need for additional cash infusion.

Accounts Payable and Accrued Expenses

Our accounts payable and accrued interest increased by approximately 8%, as of June 30, 2011 compared to December 31, 2010 primarily due to the aging of expenditures and the accrual of interest on our loans. Until the payment of our loans and their corresponding interest can be made upon our initial project financing, it is likely that our interest expense will continue to accumulate.

For the remainder of the year ending 2011, we anticipate to incur recurring expenses of approximately \$168,750 as a result of related party consulting, furniture and equipment leases, utilities, accounting fees, health insurance and rent expense.

Due to Related Parties

| | June 30, 2011 | December 31, 2010 | \$ Change | % Change |
|----------------------------------|---------------|-------------------|-----------|----------|
| Accrued Expenses - Related Party | \$ | \$ | \$ | 8% |
| | 2,262,000 | 2,087,000 | 175,000 | |
| Due To - Related Party | 971,500 | 859,000 | 112,500 | 13% |
| Total Related Party | \$ | \$ | \$ | 8% |
| | 3,233,500 | 2,946,000 | 287,500 | |

The total amount Due to Related Parties increased \$287,500, or 8%, as of June 30, 2011 compared to December 31, 2010 as a result of unpaid consulting services and cash advances. These items increased as our lack of cash has resulted in an increase in aging of payables to our related parties and the need for additional cash infusion from our related parties.

Additionally, loans due to related parties increased \$112,500, or 13%, as of June 30, 2011 compared to December 31, 2010 as a result of borrowing capital from related parties. The receipt of funds allowed us to pay our vendors so that we could continue our operating efforts. Future borrowings may be deemed necessary to sustain our operations until alternative funding can be received.

As of June 30, 2011, we owe \$971,500 in related party loans and \$2,262,000 for professional fees and unpaid bonuses. No bonuses have been issued since 2007.

The Company incurs related party consulting fees on a monthly basis however cash payments are not made unless there is sufficient cash on hand to meet the operating needs of the Company. These related party trends are likely to continue throughout 2011 and until fiscal stability can be reached, either by project funding or through the generation of operating revenues.

CAPITAL RESOURCES

Cash increased by \$1,068, or 125%, as of June 30, 2011 due to the payment of some of our payables during the quarter offset by \$20,000 cash received for the purchase of common stock for the six months ended June 30, 2011. Until we can launch our project, it is more likely than not that the issuance of shares for cash will be minimal during the next twelve months as a result of the apprehension shareholders have towards the volatility of the stock market. The issuance of common stock for cash assists us in continuing our operating efforts. Should we be unable to issue common stock for cash sufficient enough to sustain our operations, either alternative capital raising efforts will

proceed or operations will halt until the proper funding can be obtained.

We had \$1,919 cash on hand as of June 30, 2011 compared to \$851 as of December 31, 2010. 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. It is possible that an agreement finalizing the security of a project site and the corresponding construction of an observation wheel may begin in the next twelve months. Assuming no such occurrences, our remaining anticipated minimum cash payments for 2011 will be approximately \$168,750.

There is no assurance we will be able to obtain additional capital as required, or obtain the capital on acceptable terms and conditions. Our failure to obtain sufficient funding may result in our need to halt operations until such funding can be obtained. A halt in operations could significantly setback the progress we have made in negotiating a project site and the related financing. Additionally, during this time, a stronger competitor may prevail with a similar project.

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.

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. The acquisition of sufficient funding presents a challenge in the current economy that we may be unable to overcome. 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.

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. No assurance can be made that such financing would be

available, and if available it may take either the form of debt or equity. In either case, the financing could have a negative impact on our financial condition and our stockholders.

We anticipate incurring operating losses over the next twelve months. Our lack of operating history makes predictions of future operating results difficult to ascertain. Our prospects must be considered in light of the risks, expenses and difficulties frequently encountered by companies in their early stage of development, particularly companies in new and rapidly evolving markets such as development related companies. Such risks include, but are not limited to, an evolving and unpredictable business model and the management of growth. To address these risks we must, among other things, implement and successfully execute our business and marketing strategy, continue to develop and upgrade technology and products, respond to competitive developments, and attract, retain and motivate qualified personnel. There can be no assurance that we will be successful in addressing such risks, and the failure to do so can have a material adverse effect on our business prospects, financial condition, results of operations and cash flows.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not applicable to smaller reporting companies.

ITEM 4. CONTROLS AND PROCEDURES.

(a) Disclosure Controls and Procedures

Based on the management's evaluation (with the participation of our President and Principal Financial Officer), our President and Principal Financial Officer has concluded that as of June 30, 2011, our disclosure controls and procedures (as defined in Rules 13a - 15(e) and 15d-15(e) under the Securities Exchange of 1934 (the "Exchange Act") are effective to provide reasonable assurance that the information required to be disclosed in this quarterly report on Form 10-Q is recorded, processed, summarized and reported within the time period specified in Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to the Company's management, including the Chief Executive Officer and Principal Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure.

(b) Internal control over financial reporting

Management's quarterly report on internal control over financial reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a- 15(f) and 15d-15(f) under the Exchange Act. Our internal control over financial reporting is intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principals (GAAP). Our internal control over financial reporting should include those policies and procedures that:

.
pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;

.
provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with applicable GAAP, and that receipts and expenditures are being made only in accordance with authorizations of management and the Board of Directors; and

.
provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Under the supervision and with the participation of our management, our Chief Executive Officer and Principal Financial Officer, we have evaluated the effectiveness of our internal control over financial reporting and preparation of our quarterly financial statements as of June 30, 2011 and believe they are effective. While we believe the present control design and procedures are effective, future events affecting our business may cause the Company to modify its controls and procedures.

Attestation report of the registered public accounting firm

This quarterly report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this quarterly report.

Changes in internal control over financial reporting

Based on the evaluation as of June 30, 2011, our Chief Executive Officer and Principal Financial Officer has concluded that there were no significant changes in our internal controls over financial reporting or in any other areas that could significantly affect our internal controls subsequent to the date of this most recent evaluation and there were no corrective actions during the quarter with regard to significant deficiencies or material weaknesses.

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-K for the fiscal year ended December 31, 2010.

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

On April 8, 2011, the Company received \$3,000 through a private placement offering for 150,000 shares of common stock or \$0.02 per share. These shares were issued on April 19, 2011. The proceeds were used to meet the operating needs of the Company.

On April 19, 2011, 7,500,000 Series C Preferred Shares, valued at \$300,000, or \$0.02 per share as a result of a purchase and sale agreement.

On April 19, 2011, the Company issued a contractor 3,000,000 shares of common stock, valued at \$45,000, or \$0.015 per share, for professional fees.

On April 19, 2011, the Company issued 1,000,000 shares of common stock valued at \$15,000, or \$0.015 per share, for services performed.

ITEM 3 - DEFAULTS UPON SENIOR SECURITIES

There have been no changes from the Defaults Upon Senior Securities described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2010.

ITEM 4 [REMOVED AND RESERVED]

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

Rule 13a-14(a)/15d-14(a) Certifications

32.1

Section 1350 Certifications

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

VOYAGER ENTERTAINMENT INTERNATIONAL, INC.

(Registrant)

Dated: August 12, 2011

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/CFO/Director

August 12, 2011

By: /s/ Myong Hannigan

Myong Hannigan

Secretary/Treasurer/Director

August 12, 2011

By: /s/ Tracy Jones

Tracy Jones

COO/Director

August 12, 2011