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RENAISSANCE ENTERTAINMENT CORP  
Form 10QSB  
August 16, 2001

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
FORM 10-QSB

Quarterly Report pursuant to Section 13 or 15(d) of the Securities  
Exchange Act of 1934.  
For the quarterly period ended June 30, 2001

or

Transition Report Pursuance to Section 13 or 15(d) of the Securities  
Exchange act of 1934.  
For the transition period from            to

Commission File Number            0-23782

RENAISSANCE ENTERTAINMENT CORPORATION

-----  
(Exact name of registrant as specified in its charter)

COLORADO

84-1094630

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

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

275 CENTURY CIRCLE, SUITE 102, LOUISVILLE, COLORADO

80027

-----  
(Address of principal executive offices)

(Zip Code)

(303) 664-0300

-----  
(Registrant's telephone number, including area code)

-----  
(Former Address)

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

APPLICABLE ONLY TO CORPORATE ISSUERS:

As of August 14, 2001, Registrant had 2,144,889 shares of common stock, \$.03 Par  
Value, outstanding.

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This report contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act of 1933, as amended, and is subject to the safe harbors created by those sections. These forward-looking statements are subject to significant risks and uncertainties, including those identified in the section of this Form 10-QSB entitled "Factors That May Affect Future Operating Results," which may cause actual results to differ materially from those discussed in such forward-looking statements. The forward-looking statements within this Form 10-QSB are identified by words such as "believes," "anticipates," "expects," "intends," "may," "will" and other similar expressions. However, these words are not the exclusive means of identifying such statements. In addition, any statements which refer to expectations, projections or other characterizations of future events or circumstances are forward-looking statements. The Company undertakes no obligation to publicly release the results of any revisions to these forward-looking statements which may be made to reflect events or circumstances occurring subsequent to the filing of this Form 10-QSB with the Securities and Exchange Commission ("SEC"). Readers are urged to carefully review and consider the various disclosures made by the Company in this report and in the Company's other reports filed with the SEC that attempt to advise interested parties of the risks and factors that may affect the Company's business.

REVIEW REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT

The Board of Directors  
Renaissance Entertainment Corporation  
Louisville, Colorado

We have reviewed the accompanying balance sheet of Renaissance Entertainment Corporation as of June 30, 2001, and the related statements of operations and cash flows for the three months and six months then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Renaissance Entertainment Corporation.

A review of interim financial statements consists principally of inquiries of Company personnel responsible for financial matters and analytical procedures applied to financial data. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

As discussed in the notes to the financial statements, certain conditions indicate that the Company may be unable to continue as a going concern. The accompanying financial statements do not include any adjustments to the financial statements that might be necessary should the Company be unable to continue as a going concern.

Schumacher & Associates, Inc.  
Certified Public Accountants  
2525 Fifteenth Street, Suite 3H  
Denver, Colorado 80211

August 10, 2001

RENAISSANCE ENTERTAINMENT CORPORATION  
BALANCE SHEETS

ASSETS

June 30,  
2001  
----  
(Unaudited)

Current Assets:

Cash and equivalents	\$	180,145
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Accounts receivable (net)	174,293
Inventory	200,783
Note receivable, current portion	16,951
Prepaid expenses and other	917,270
	-----
Total Current Assets	1,489,442
Property and equipment, net of accumulated depreciation	4,019,449
Goodwill	392,784
Note receivable, net of current portion	119,992
Other assets	824,346
	-----
TOTAL ASSETS	\$ 6,846,013
	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:

Accounts payable and accrued expenses	\$ 1,180,329
Notes payable, current portion	1,371,664
Unearned income	408,368
	-----
Total Current Liabilities	2,960,361
Lease obligation payable	4,053,010
Notes payable, net of current portion	67,593
Other	239,709
	-----
Total Liabilities	7,320,673
	-----

Stockholders' Equity:

Common stock, \$.03 par value, 50,000,000 shares authorized, 2,144,889 and 2,144,889 shares issued and outstanding at June 30, 2001 and December 31, 2000, respectively	64,346
Additional paid-in capital	9,430,827
Accumulated earnings (deficit)	(9,969,833)
	-----
Total Stockholders' Equity	(474,660)
	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 6,846,013
	=====

The accompanying notes are an integral part of the financial statements.

RENAISSANCE ENTERTAINMENT CORPORATION

STATEMENTS OF OPERATIONS  
(Unaudited)

Three Months Ended  
June 30

-----  
2001

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	-----
REVENUE:	
Sales	\$3,675,040
Faire operating costs	994,408
	-----
Gross Profit	2,680,632
	-----
OPERATING EXPENSES:	
Salaries	967,497
Depreciation and amortization	94,318
Advertising	416,648
Other operating expenses	745,698
	-----
Total Operating Expenses	2,224,161
	-----
Net Operating (Loss) Income	456,471
	-----
Other Income (Expenses):	
Interest income	13,904
Interest (expense)	(134,136)
Other income (expense)	(12,276)
	-----
Total Other Income (Expenses)	(132,508)
	-----
Net Income (Loss) before (Provision)	
Credit for Income Taxes	323,963
(Provision) Credit for Income Taxes	--
	-----
Net Income (Loss) to Common Stockholders	\$ 323,963
	-----
Net Income (Loss) per Common Share	\$0.15
	-----
Weighted Average Number of Common Shares Outstanding	2,144,889
	-----
	-----

The accompanying notes are an integral part of the financial statements.

RENAISSANCE ENTERTAINMENT CORPORATION

STATEMENTS OF OPERATIONS

Six Months Ended  
June 30

-----  
2001  
-----

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REVENUE:		
Sales		\$3,677,847
Faire operating costs		994,557
		-----
Gross Profit		2,683,290
		-----
OPERATING EXPENSES:		
Salaries		1,341,747
Depreciation and amortization		182,161
Advertising		416,649
Other operating expenses		1,094,261
		-----
Total Operating Expenses		3,034,818
		-----
Net Operating (Loss) Income		(351,528)
		-----
Other Income (Expenses):		
Interest income		34,779
Interest (expense)		(274,474)
Other income (expense)		(890)
		-----
Total Other Income (Expenses)		(240,585)
		-----
Net Income (Loss) before (Provision)		
Credit for Income Taxes		(592,113)
(Provision) Credit for Income Taxes		--
		-----
Net Income (Loss) to Common Stockholders'		\$ (592,113)
		-----
Net Income (Loss) per Common Share		\$(0.28)
		-----
Weighted Average Number of Common Shares Outstanding		2,144,889
		-----
		-----

The accompanying notes are an integral part of the financial statements

RENAISSANCE ENTERTAINMENT CORPORATION  
STATEMENTS OF CASH FLOWS (Unaudited)

Six Months Ended June 30	
-----	-----
2001	2000
----	----

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Cash Flows from Operating Activities:		
Net income (Loss)	\$ (592,113)	\$ (605,274)
	-----	-----
Adjustments to reconcile net income (Loss) to net cash provided by operating activities:		
Depreciation and amortization	182,161	174,78
Gain (loss) on disposal of assets	0	
(Increase) decrease in:		
Accounts Receivable	(167,007)	(25,464)
Notes Receivable	9,136	(150,000)
Inventory	(96,251)	(54,921)
Prepaid expenses and other	(721,442)	(753,250)
Increase (decrease) in:		
Accounts payable and accrued expenses	622,068	(95,034)
Unearned revenue and other	207,544	446,12
	-----	-----
Total adjustments	36,209	(457,756)
	-----	-----
Net Cash (Used in) Operating Activities	(555,904)	(1,063,030)
	=====	=====
Cash Flows from Investing Activities:		
Acquisition of property and equipment	(250,812)	(180,302)
	-----	-----
Net Cash (Used in) Investing Activities	(250,812)	(180,302)
	-----	-----
Cash Flows from Financing Activities:		
Common stock issued and additional paid-in capital	0	
Proceeds from notes payable	27,837	597,83
Principal payments on notes payable	(43,780)	(37,044)
	-----	-----
Net Cash Provided by (Used in) Financing Activities	(15,943)	560,78
	-----	-----
Net (Decrease) in Cash	(822,659)	(682,544)
Cash, beginning of period	1,002,804	1,049,04
	-----	-----
Cash, end of period	\$ 180,145	\$ 366,50
	=====	=====
Interest paid	\$ 274,474	\$ 297,54
	=====	=====

The accompanying notes are an integral part of the financial statements.

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RENAISSANCE ENTERTAINMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS  
June 30, 2001 (Unaudited)

1. UNAUDITED STATEMENTS

The balance sheet as of June 30, 2001, the statements of operations for the three month and six month periods ended June 30, 2001 and 2000 and the statements of cash flows for the six month periods ended June 30,

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2001 and 2000, have been prepared by the Company without audit. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and changes in financial position at June 30, 2001 and for all periods presented, have been made.

These statements should be read in conjunction with the Company's Annual Report on Form 10-KSB for the year ended December 31, 2000, filed with the Securities and Exchange Commission.

### 2. CALCULATION OF EARNINGS (LOSS) PER SHARE

The earnings (loss) per share is calculated by dividing the net income (loss) to common stockholders by the weighted average number of common shares outstanding.

### 3. BASIS OF PRESENTATION - GOING CONCERN

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles, which contemplates continuation of the Company as a going concern. However, the Company has sustained operating losses during four of the last five years and has a net capital deficiency.

In view of these matters, realization of certain assets in the accompanying balance sheet is dependent upon continued operations of the Company, which in turn is dependent upon the Company's ability to meet its financial requirements, raise additional capital, and the success of its future operations.

Management is in the process of attempting to raise additional capital and reduce operating expenses. Management believes that its ability to raise additional capital and reduce operating expenses provide an opportunity for the Company to continue as a going concern.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### GENERAL

The following discussion should be read in conjunction with the Company's Consolidated Financial Statements, including the footnotes for the fiscal period ended December 31, 2000.

The Company presently owns and produces four Renaissance Faires: the Bristol Renaissance Faire in Kenosha, Wisconsin, serving the Chicago/Milwaukee metropolitan region; the Northern California Renaissance Pleasure Faire, serving the San Francisco Bay and Sacramento metropolitan areas; the Southern California Renaissance Pleasure Faire in Devore, California serving the greater Los Angeles metropolitan area; and the New York Renaissance Faire serving the New York City metropolitan area.

The Renaissance Faire is a re-creation of a Renaissance village, a fantasy experience transporting the visitor back into sixteenth century England. This fantasy experience is created through authentic craft shops, food vendors and continuous live entertainment throughout the day, both on the street and the stage, including actors, jugglers, jousters, magicians, dancers and musicians.



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On January 28, 2000, the Company announced the closure of the Virginia Renaissance Faire located in Fredericksburg, Virginia. The Virginia Renaissance Faire had a negative impact on the Company's cash flow and net income since its opening in 1996. The Company has granted a party an option to purchase the 250 acres of land on which the Faire is located and anticipates a closing date before the end of the third quarter of 2001.

On April 6, 2000 the Company entered into an Asset Purchase Agreement with Willows Fare, LLC which conveyed the Company's interest in certain assets previously used by the Bristol Faire in its' food operation. As part of this agreement, Willows Fare, LLC was granted a seven-year concession agreement with the Bristol Faire to operate as a food vendor. The purchase price of the assets was \$300,000, half of which was paid upon execution of the agreement. The Company holds a 10% promissory note for the balance of \$150,000. Payments of principal and interest began August 1, 2000 based on a 7-year amortization with a balloon payment on October 31, 2003.

The Company has a lease for the 2001 Faire season to operate the New York Faire in Sterling Forest. The Company has a one-year lease for the 2001 Faire season to operate the Northern California Faire at the same location used in 1999 and 2000, in Vacaville. On June 27, 2000, the Company signed a twenty-year lease with San Bernardino County Parks and Recreation Department, securing a long-term home for the Southern California Renaissance Faire. The Company has a long-term lease expiring in 2017 for the Bristol Faire site. The Company is currently seeking to purchase property or obtain a long-term lease for the Northern California Faire and New York Faire sites for the 2002 season and beyond. It is critical to the financial condition of the Company that it obtain long-term leases or purchase property for its Northern California and New York Faires.

The Company had a working capital deficit of (\$1,470,919) as of June 30, 2001. See "LIQUIDITY AND CAPITAL RESOURCES."

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THREE MONTHS ENDED JUNE 30, 2001, COMPARED TO THREE MONTHS ENDED JUNE 30, 2000

Revenues decreased \$176,376 or 5% from \$3,851,416 in 2000 to \$3,675,040 in 2001. Approximately \$100,000 of this decrease is associated with the Company's Southern California Faire. In 2001, this Faire experienced a small decrease in gross attendance of 1% and lost its off-premise ticket sales program which earned approximately \$35,000 in 2000. The Company is currently working on reestablishing this program for 2002. In June 2001, the Company's Wisconsin Faire operated one day as compared to two in 2000 which created a temporary difference in revenue of approximately \$75,000.

Cost of sales decreased \$224,926 or 18% from \$1,219,334 in 2000 to \$994,408 in 2001. Approximately \$100,000 of this decrease is associated with cost savings at the Southern California Faire that relate to the long-term lease for this site which provides various expense savings, many relating to the Faire structures remaining in place year-round. Approximately \$75,000 of the decreases relates to the fact that the Wisconsin Faire operated one day in 2001 as compared to two in 2000.

Operating expenses (year-round operating costs and corporate overhead) increased \$185,841 or 9%, from \$2,038,320 in 2000 to \$2,224,161 in 2001. Of the operating expenses, salaries decreased 1%, from \$975,816 in 2000 to 967,497 in 2001 reflecting a \$8,319 decrease for the 2001 period as compared to the 2000 period. Advertising expense showed a increase of \$24,315 or 6%, from \$392,333 in 2000 to

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\$416,648 in 2001. Depreciation and amortization increased 8%, from \$87,581 in 2000 to \$94,318 in 2001. Other operating expenses (all other general and administrative expenses of the Company) increased \$163,108 or 28%, from \$582,590 in 2000 to \$745,698 in 2001. Of this operating expense increase, \$20,000 is attributable to an increase in rent expense for the Southern California Faire site. Approximately \$30,000 was spent in the first six months of 2001 in negotiating for a long-term site for the Northern California Faire. The remainder of the increase is the result of escalating costs in areas such as business and health insurance (\$20,000) and utility expense (\$40,000).

As a result of the foregoing, net operating income (before interest charges and other income) decreased 23% from \$593,762 for the 2000 period to \$456,471 for the 2001 period

A 19% decrease in interest expense from \$165,766 in 2000 to \$134,136 in 2001 resulted from the Company's ability to raise less expensive capital.

Other expense decreased \$139,827, from expense of \$152,103 in 2000 to expense of \$12,276 in 2001. In 1999, as a result of the closure of the Virginia Faire, the Company recorded an allowance for discontinued operations during the fourth quarter. This allowance was an estimate, representing the anticipated cost of administering the Virginia site for the year 2000. In the second quarter of 2000, this estimate was re-evaluated and determined to be inadequate to cover expenses through the year. As a result an additional allowance in the amount of \$184,416 was recorded to other expense. In the second quarter of 2001, an additional \$32,000 allowance was recorded.

Combining net operating income with other income/expense resulted in a \$33,866 increase in net income before taxes, from income of \$290,097 for the 2000 period to an income of \$323,963 for the 2001 period.

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Net income to common stockholders also increased \$33,866, from \$290,097 for the 2000 period to \$323,963 for the 2001 period. Finally, net income per common share increased from \$.14 for the 2000 period to \$.15 for the 2001 period, based on 2,144,889 weighted average shares outstanding in the years 2000 and 2001.

### SIX MONTHS ENDED JUNE 30, 2001 COMPARED TO SIX MONTHS ENDED JUNE 30, 2000

Revenues decreased \$176,713 or 5% from \$3,854,560 in 2000 to \$3,677,847 in 2001. Approximately \$100,000 of this decrease is associated with the Company's Southern California Faire. In 2001, this Faire experienced a small decrease in gross attendance of 1% and lost its off-premise ticket sales program which earned approximately \$35,000 in 2000. In June 2001, the Company's Wisconsin Faire operated one day as compared to two in 2000 which created a temporary difference in revenue of approximately \$75,000.

Cost of sales decreased \$224,777 or 18% from \$1,219,334 in 2000 to \$994,557 in 2001. Approximately \$100,000 of this decrease is associated with cost savings at the Southern Faire that relate to the long-term lease for this site which provides various expense savings, many relating to the Faire structures remaining in place year-round. Approximately \$75,000 of the decreases relates to the fact that the Wisconsin Faire operated one day in 2001 as compared to two in 2000.

Operating expenses increased \$194,208 or 6%, from \$2,840,610 in 2000 to \$3,034,818 in 2001. Of the operating expenses, salaries increased 2%, from \$1,314,060 in 2000 to \$1,341,747 in 2001 reflecting a \$27,687 increase for the 2001 period as compared to the 2000 period. Advertising expense showed an

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increase of \$24,316 or 6%, from \$392,333 in 2000 to \$416,649 in 2001. Depreciation and amortization increased 4%, from \$174,785 in 2000 to \$182,161 in 2001. Other operating expenses increased \$134,829 or 7%, from \$959,432 in 2000 to \$1,094,261 in 2001. Of this operating expense increase, \$20,000 is attributable to an increase in rent expense for the Southern California Faire site. Approximately \$30,000 was spent in the first six months of 2001 in negotiating for a long-term site for the Northern California Faire. The remainder of the increase is the result of escalating costs in areas such as business and health insurance (\$20,000) and utility expense (\$40,000).

As a result of the foregoing, net operating loss (before interest charges and other income) increased 71% from (\$205,384) for the 2000 period to (\$351,528) for the 2001 period.

A 8% decrease in interest expense from \$297,545 in 2000 to \$274,474 in 2001 resulted from the Company's ability to raise less expensive capital.

Other expense decreased \$132,898, from expense of \$133,788 in 2000 to expense of \$890 in 2001. In 1999, as a result of the closure of the Virginia Faire, the Company recorded an allowance for discontinued operations during the fourth quarter. This allowance was an estimate, representing the anticipated cost of administering the Virginia site for the year 2000. In the second quarter of 2000, this estimate was re-evaluated and determined to be inadequate to cover expenses through the year. As a result an additional allowance in the amount of \$184,416 was recorded to other expense. In the second quarter of 2001, an additional \$32,000 allowance was recorded.

Combining net operating loss with other income/expense resulted in a \$13,161 decrease in net loss before taxes, from loss of (\$605,274) for the 2000 period to an loss of (\$592,113) for the 2001 period.

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Net loss to common stockholders also decreased \$13,161 from (\$605,274) for the 2000 period to (\$592,113) for the 2001 period. Finally, net loss per common share held at (\$.28) for the 2000 and 2001 periods, based on 2,144,889 weighted average shares outstanding for both periods.

### LIQUIDITY AND CAPITAL RESOURCES

The Company's working capital deficit widened during the six months ended June 30, 2001, from (\$732,622) at December 31, 2000 to (\$1,470,919) at June 30, 2001. The Company's working capital requirements are greatest during the period from January 1 through May 1, when it is incurring start-up expenses for its first Faire of the season, the Southern California Faire.

During the first six months of fiscal 2000, the Company raised capital in the amount of \$575,000 through the issuance of 12% subordinated promissory notes. The funds were provided by Charles S. Leavell (\$250,000), Chairman of the Board of Directors, J. Stanley Gilbert (\$225,000), President and a Director, and one other investor. The notes were issued in units, each unit consisting of two promissory notes of equal principal, identical in nature except that one note is convertible to common stock at a price of \$0.30 per share. Interest is due and payable quarterly and the notes mature August 31, 2001.

During 1999, the Company secured a second mortgage on its Virginia real estate that was to mature December 31, 2000. In December, 2000, the Company negotiated an extension of the maturity date of this note with the lender. The new terms of the loan require principal and interest payments of approximately \$17,500 in

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January 2001 and July through August 2001. Interest payments approximating \$6,500 are due February through June 2001. The final payment of approximately \$575,000 is due September 1, 2001. This loan provides for interest at 13% per annum.

While the Company believes it has adequate capital to fund anticipated operations for fiscal 2001, it believes it may need to obtain additional working capital for future periods.

Reviewing the change in financial position over the quarter, current assets, largely comprised of cash and prepaid expenses, increased from \$1,390,143 at December 31, 2000 to \$1,489,442 at June 30, 2001, an increase of \$99,299 or 7%. Of these amounts, cash and cash equivalents decreased from \$1,002,804 at December 31, 2000 to \$180,145 at June 30, 2001. Accounts receivable increased from \$7,286 at December 31, 2000 to \$174,293 at June 30, 2001. Inventory increased from \$104,532 at December 31, 2000 to \$200,783 at June 30, 2001. Prepaid expenses (expenses incurred on behalf of the Faires) increased from \$258,121 at December 31, 2000 to \$917,270 at June 30, 2001. These costs are expensed once the Faires are operating.

Current liabilities increased from \$2,122,765 at December 31, 2000, to \$2,960,361 at June 30, 2001, an increase of \$837,596 or 39%. During the quarter, accounts payable and accrued expenses increased \$622,068 or 111%. Unearned income, which consists of the sale of admission tickets to upcoming Faires, and deposits received from craft vendors for future Faires, increased from \$193,668 at December 31, 2000 to \$408,368 at June 30, 2001. The revenue is recognized once the Faires are operating. The Company's notes payable accounts for \$1,371,664 of the total current liabilities at June 30, 2001. This amount is largely attributable to the aforementioned second mortgage on the Virginia property (\$600,000) and the working capital loan (\$575,000) that both mature before the end of the third quarter of 2001.

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Stockholders' Equity decreased from \$117,453 at December 31, 2000 to (\$474,660) at June 30, 2001, a decrease of \$592,113. This decrease is due to the net loss incurred during the first quarter.

Although inflation can potentially have an effect on financial results, during 2000 and the first six months of fiscal 2001 it caused no material affect on the Company's operations, since the change in prices charged by the Company and by the Company's vendors has not been significant.

The lease with the County of San Bernardino requires the Company to complete certain capital projects on an annual basis. These projects include items such as the construction of a perimeter fence, planting trees, developing flower and water gardens, planting grass, installing infrastructure and constructing buildings for use at the Faire. The Company is in the process of obtaining bids on the required projects for 2001 but estimates that the cost of these items should not exceed \$500,000. The Company has no additional significant commitments for capital expenses during the fiscal year ending December 31, 2001. See "Factors That May Affect Future Operating Results-Need for Additional Capital" regarding the Company's financing requirements.

### FACTORS THAT MAY AFFECT FUTURE OPERATING RESULTS

In addition to the other information contained in this report, prospective investors should carefully consider the following factors in evaluating the Company and its business.

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RECENT LOSSES. Until 2000, the Company had incurred operating losses since fiscal 1995. Although the Company was profitable in 2000, the net profit of \$136,973 was not substantial. For the six months ended June 30, 2001, the Company reported a net loss of (\$592,113). The Company typically reports a loss for the first six months of any year because ongoing operating expenses are incurred to start up all the Faires without substantial offsetting revenue generating activities for three of the four events. There is no assurance that the Company will be profitable in any subsequent period.

NEED FOR ADDITIONAL CAPITAL. The Company had a working capital deficit of (\$1,470,919) as of June 30, 2001. See "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS." Based on the Company's planned operations for 2001, the Company believes it has adequate capital to fund operations for 2001, to fund required capital expenditures during the year and to repay the second mortgage on the Virginia property and other short-term indebtedness. To the extent that operations do not provide the necessary working capital during 2001, the Company may need to obtain additional capital for 2001 and future fiscal periods. Additional capital may be sought through borrowings or from additional equity financing. Such additional equity financing may result in additional dilution to investors. In any case, there can be no assurance that any additional capital can be satisfactorily obtained if and when required.

POSSIBLE SUSPENSION OF NORTHERN CALIFORNIA FAIRE. In 1999 and 2000, the Northern California Renaissance Pleasure Faire was held on the site of the original Nut Tree Farm in Vacaville, California under a one-year lease. The Company has negotiated an additional one-year lease for 2001 to operate the Faire at the same location, the Nut Tree Farm. The Company is currently negotiating to purchase a long-term site for this Faire. There can be no assurance that the Company will be successful in obtaining a long-term lease, or that it will be on terms acceptable to the Company. Should the Company be unable to operate a Northern Renaissance Faire it could have a material adverse effect on the Company's business, results of operations and financial condition.

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POSSIBLE RELOCATION OF NEW YORK FAIRE. The Company has a lease for the 2001 Faire season to operate the New York Faire in Sterling Forest. The Company is negotiating with the owner of the Sterling Forest property and investigating other possible locations for the New York Faire. However, there can be no assurance that the Company will be successful in securing a site for the New York Faire for the 2002 season, or that such arrangements will be on terms acceptable to the Company. Should the Company be unable to operate a New York Renaissance Faire it could have a material adverse effect on the Company's business, results of operations and financial condition.

COMPETITION. The Company faces significant competition from numerous organizations throughout the country which offer Renaissance Faires and other entertainment events, including amusement parks, theme parks, local and county fairs and festivals, some of which possess significantly greater resources than the Company, and in many cases, greater expertise and industry contacts. The Company estimates that there are currently 20 major Renaissance Faires produced each year. In addition, the Company estimates that there are 100 minor Renaissance Faire events held throughout the United States each year, ranging in duration from one day to two weekends.

LACK OF TRADEMARK PROTECTION. Because of the large number of existing Renaissance Faires, the Company is not able to rely upon trademark or service mark protection for the name "Renaissance Faire." As a result, there is no protection against others using the name "Renaissance Faire" for the production

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of entertainment events similar to those produced by the Company. The Company's own Faires could be negatively impacted by association with substandard productions.

**PUBLIC LIABILITY AND INSURANCE.** As a producer of a public entertainment event, the Company has exposure for claims of personal injury and property damage suffered by visitors to the Faires. To date, the Company has experienced only minimal claims, which it has been able to resolve without litigation. The Company maintains comprehensive liability insurance which it considers to be adequate against this risk; however, there can be no assurance that a catastrophic event or claim which could result in damage or liability in excess of this coverage will not occur.

**DEPENDENCE UPON VENDORS.** A substantial portion of the Company's revenues generated at each Faire is derived from arrangements that the Company has with vendors who construct elaborate booths at the Faires and sell a variety of food, crafts and souvenirs. This arrangement consists of either a fixed rental paid by the vendors to the Company, or a percent of revenues. In either case, the success of a Faire is dependent upon the Company's ability to attract responsible vendors who sell high quality goods.

**SEASONALITY.** The Company's Renaissance Faires are located in traditionally seasonal areas which attract the greatest number of visitors during the warm weather months in the spring, summer, and early fall. Unless the Company acquires or develops additional Faire sites in areas which are counter-seasonal to the present sites located in temperate climates, the Company's revenues and income will be highly concentrated in the six months ending October 31st of each year.

**DEPENDENCE UPON WEATHER.** Each Renaissance Faire operated by the Company is scheduled for a finite period, typically consecutive weekends during a seven to nine-week period, which are determined substantially in advance in order to facilitate advertising and other promotional efforts. The success of each Faire is directly dependent upon public attendance, which is directly affected by weather conditions. While each of the Company's Faires are open, rain or shine, poor weather, or even the forecast of poor weather, can result in substantial declines in attendance and, as a

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result, loss of revenues. Further, as the Renaissance Faires are outdoor events, they are vulnerable to severe weather conditions that can cause damage to the Faire's infrastructure and buildings, as well as injuries to patrons and employees. Risks associated with the weather are beyond anyone's control, but have a direct and material impact upon the relative success or failure of a given Faire.

**LICENSING AND OTHER GOVERNMENTAL REGULATION.** For each Faire operated by the Company, it is necessary for the Company to apply for and obtain permits and other licenses from local governmental authorities controlling the conduct of the Faire, service of alcoholic beverages, service of food, health, sanitation, and other matters at the Faire sites. Each governmental jurisdiction has its own regulatory requirements that can impose unforeseeable delays or impediments in preparing for a Faire production. While the Company has been able to obtain all necessary permits and licenses in the past, there can be no assurance that future changes in governmental regulation or the adoption of more stringent requirements may not have a material adverse impact upon the Company's future operations.

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FAIRE SITES. In 2001, the Company currently has leases for each of it's four Renaissance Faires. The terms and conditions of each lease will vary by location, and to a large extent, are beyond the control of the Company. Further, there can be no assurance that the Company will be able to continue to lease existing Faire sites on terms acceptable to the Company, or be successful in obtaining other sites on favorable locations. The Company's dependence upon leasing Faire sites creates a substantial risk of fluctuation in the Company's operations from year to year.

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PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

None.

Item 2. CHANGES IN SECURITIES

None.

Item 3. DEFAULTS UPON SENIOR SECURITIES

None.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

Item 5. OTHER INFORMATION

None.

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

The Company was not required to file a report on Form 8-K during the quarter ended June 30, 2001.

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SIGNATURE

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.

RENAISSANCE ENTERTAINMENT CORPORATION

Dated: August 13, 2001

/s/ Charles S. Leavell

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Charles S. Leavell, Chief Executive and  
Chief Financial Officer

/s/ Sue E. Brophy

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Sue E. Brophy, Chief Accounting Officer