

RENAISSANCE ENTERTAINMENT CORP  
Form 10QSB  
August 08, 2003

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

**FORM 10-QSB**

**ý Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.**

**For the quarterly period ended June 30, 2003**

**or**

**o 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**

(State or other jurisdiction of  
incorporation or organization)

**84-1094630**

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

**275 Century Circle, Suite 102, Louisville, Colorado**

(Address of principal executive offices)

**80027**

(Zip Code)

Edgar Filing: RENAISSANCE ENTERTAINMENT CORP - Form 10QSB

**(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 8, 2003, Registrant had 2,144,889 shares of common stock, \$.03 Par Value, outstanding.

---

INDEX

**Part I. Financial Information**

|         |   |
|---------|---|
| Item 1. | Financial Statements  |
|         | <u>Balance Sheets as of June 30, 2003 (Unaudited)<br/>and December 31, 2002</u>                       |
|         | <u>Statements of Operations for the Three Months<br/>Ended June 30, 2003 and 2002<br/>(Unaudited)</u> |
|         | <u>Statements of Operations for the Six Months<br/>Ended June 30, 2003 and 2002<br/>(Unaudited)</u>   |
|         | <u>Statements of Cash Flows for the Six Months<br/>Ended June 30, 2003 and 2002<br/>(Unaudited)</u>   |
|         | <u>Notes to Financial Statements</u>  |
| Item 2. | <u>Management's Discussion and Analysis of Financial Condition and Results of<br/>Operations</u>      |

**Part II. Other Information**

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.

## RENAISSANCE ENTERTAINMENT CORPORATION

## BALANCE SHEETS

|   | June 30,<br>2003<br>(Unaudited) | December 31,<br>2002 |
|---|---------------------------------|----------------------|
| <b>ASSETS</b>   |                                 |                      |
| Current Assets:   |                                 |                      |
| Cash and equivalents  | \$ 385,109                      | \$ 642,061           |
| Accounts receivable (net)   | 10,441                          | 23,530               |
| Inventory   | 249,726                         | 160,500              |
| Note receivable, current portion  | 76,266                          | 90,862               |
| Prepaid expenses and other  | 1,244,255                       | 275,520              |
| Total Current Assets  | 1,965,797                       | 1,192,473            |
| Property and equipment, net of accumulated depreciation   | 2,867,176                       | 2,874,954            |
| Investments   | 21,992                          | 0                    |
| Other assets  | 385,093                         | 382,617              |
| <b>TOTAL ASSETS</b>   | <b>\$ 5,240,058</b>             | <b>\$ 4,450,044</b>  |
| <b>LIABILITIES AND STOCKHOLDERS (DEFICIT)</b>   |                                 |                      |
| Current Liabilities:  |                                 |                      |
| Accounts payable and accrued expenses   | \$ 1,074,983                    | \$ 369,466           |
| Notes payable, current portion  | 509,325                         | 414,738              |
| Lease obligation payable, current portion   | 32,382                          | 9,220                |
| Unearned income   | 467,611                         | 447,746              |
| Total Current Liabilities   | 2,084,301                       | 1,241,170            |
| Lease obligation payable  | 3,945,135                       | 3,969,582            |
| Notes payable, net of current portion   | 6,075                           | 13,055               |
| Other   | 210,935                         | 166,844              |
| Total Liabilities   | 6,246,446                       | 5,390,651            |
| Stockholders (Deficit):   |                                 |                      |
| Preferred stock, \$1.00 par value, 1,000,000 shares authorized, none issued and outstanding           |                                 |                      |
| Common stock, \$.03 par value, 50,000,000 shares authorized, 2,144,889 shares issued and outstanding. | 64,346                          | 64,346               |
| Additional paid-in capital  | 9,435,827                       | 9,435,827            |
| Accumulated (deficit)   | (10,506,561)                    | (10,440,780)         |
| Total Stockholders (Deficit)  | (1,006,388)                     | (940,607)            |
| <b>TOTAL LIABILITIES AND STOCKHOLDERS (DEFICIT)</b>   | <b>\$ 5,240,058</b>             | <b>\$ 4,450,044</b>  |

Edgar Filing: RENAISSANCE ENTERTAINMENT CORP - Form 10QSB

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

## RENAISSANCE ENTERTAINMENT CORPORATION

## STATEMENTS OF OPERATIONS

(Unaudited)

|  | Three Months Ended<br>June 30 |              |
|--|-------------------------------|--------------|
|  | 2003                          | 2002         |
| <b>REVENUE:</b>  |                               |              |
| Sales  | \$ 3,560,648                  | \$ 3,779,489 |
| Faire operating costs  | 885,190                       | 878,638      |
| Gross Profit   | 2,675,458                     | 2,900,851    |
| <b>OPERATING EXPENSES:</b>                                   |                               |              |
| Salaries   | 973,636                       | 977,314      |
| Depreciation and amortization                                | 90,066                        | 82,351       |
| Advertising  | 424,570                       | 472,592      |
| Other operating expenses                                     | 741,125                       | 811,101      |
| Total Operating Expenses                                     | 2,229,397                     | 2,343,358    |
| Net Operating (Loss) Income                                  | 446,061                       | 557,493      |
| <b>Other Income (Expenses):</b>                              |                               |              |
| Interest income  | 7,617                         | 8,913        |
| Interest (expense)   | (138,530)                     | (136,453)    |
| Other income (expense)                                       | 42,120                        | 30,219       |
| Total Other Income (Expenses)                                | (88,793)                      | (97,321)     |
| Net Income (Loss) before (Provision) Credit for Income Taxes | 357,268                       | 460,172      |
| (Provision) Credit for Income Taxes                          |                               |              |
| Net Income (Loss) to Common Stockholders                     | \$ 357,268                    | \$ 460,172   |
| Net Income (Loss) per Common Share                           | \$ 0.17                       | \$ 0.21      |
| Weighted Average Number of Common Shares Outstanding         | 2,144,889                     | 2,144,889    |

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

## RENAISSANCE ENTERTAINMENT CORPORATION

## STATEMENTS OF OPERATIONS

|  | Six Months Ended<br>June 30 |              |
|--|-----------------------------|--------------|
|  | 2003                        | 2002         |
| <b>REVENUE:</b>  |                             |              |
| Sales  | 4,686,225                   | 3,787,797    |
| Faire operating costs  | 932,215                     | 881,279      |
| Gross Profit   | 3,754,010                   | 2,906,518    |
| <b>OPERATING EXPENSES:</b>                                   |                             |              |
| Salaries   | 1,654,783                   | 1,341,760    |
| Depreciation and amortization                                | 172,427                     | 144,722      |
| Advertising  | 450,729                     | 472,592      |
| Other operating expenses                                     | 1,354,852                   | 1,209,370    |
| Total Operating Expenses                                     | 3,632,791                   | 3,168,444    |
| Net Operating (Loss) Income                                  | 121,219                     | (261,926)    |
| <b>Other Income (Expenses):</b>                              |                             |              |
| Interest income  | 16,164                      | 18,717       |
| Interest (expense)   | (265,162)                   | (262,619)    |
| Other income (expense)                                       | 61,995                      | 40,298       |
| Total Other Income (Expenses)                                | (187,003)                   | (203,604)    |
| Net Income (Loss) before (Provision) Credit for Income Taxes | \$ (65,784)                 | (465,530)    |
| (Provision) Credit for Income Taxes                          |                             |              |
| Net Income (Loss) to Common Stockholders                     | \$ (65,784)                 | \$ (465,530) |
| Net Income (Loss) per Common Share                           | \$ (0.03)                   | \$ (0.22)    |
| Weighted Average Number of Common Shares Outstanding         | 2,144,889                   | 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<br>June 30 |              |
|--|-----------------------------|--------------|
|  | 2003                        | 2002         |
| <b>Cash Flows from Operating Activities:</b>   |                             |              |
| Net income (Loss)  | \$ (65,784)                 | \$ (465,530) |
| Adjustments to reconcile net income (Loss) to net cash provided by operating activities: |                             |              |
| Depreciation and amortization  | 172,427                     | 144,722      |
| Gain (loss) on disposal of assets  | (366)                       | 0            |
| (Increase) decrease in:  |                             |              |
| Accounts Receivable  | 13,089                      | 46,587       |
| Notes Receivable   | 14,596                      | 8,686        |
| Inventory  | (89,226)                    | (86,934)     |
| Prepaid expenses and other   | (971,208)                   | (683,963)    |
| Increase (decrease) in:  |                             |              |
| Accounts payable and accrued expenses  | 705,517                     | 810,752      |
| Unearned revenue and other   | 63,956                      | 260,331      |
| Total adjustments  | (91,215)                    | 500,181      |
| Net Cash Provided by (Used in) Operating Activities                                      | (156,999)                   | 34,651       |
| <b>Cash Flows from Investing Activities:</b>   |                             |              |
| (Increase) in cash value of life insurance   | (21,992)                    |              |
| Acquisition of property and equipment  | (164,283)                   | (332,768)    |
| Net Cash (Used in) Investing Activities  | (186,275)                   | (332,768)    |
| <b>Cash Flows from Financing Activities:</b>   |                             |              |
| Common stock issued and additional paid-in capital                                       | 0                           | 0            |
| Proceeds from notes payable  | 220,000                     | 101,250      |
| Principal payments on notes payable  | (133,678)                   | (14,025)     |
| Net Cash Provided by (Used in) Financing Activities                                      | 86,322                      | 87,225       |
| Net (Decrease) in Cash   | (256,952)                   | (210,892)    |
| Cash, beginning of period  | 642,061                     | 834,257      |
| Cash, end of period  | \$ 385,109                  | \$ 623,365   |
| Interest paid  | \$ 265,162                  | \$ 262,619   |

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



RENAISSANCE ENTERTAINMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2003 (Unaudited)

1. Unaudited Statements

The balance sheet as of June 30, 2003, the statements of operations and the statements of cash flows for the six month periods ended June 30, 2003 and 2002, have been prepared by Renaissance Entertainment Corporation (Company) without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures, normally included in the financial statements prepared in accordance with accounting principles generally accepted in the United States of America, have been condensed or omitted as allowed by such rules and regulations, and the Company believes that the disclosures are adequate to make the information presented not misleading. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to fairly present the financial position, results of operations and changes in financial position at June 30, 2003 and for all periods presented, have been made.

It is suggested that these statements be read in conjunction with the December 31, 2002 audited financial statements and the accompanying notes included in the Company's Annual Report on Form 10-KSB, 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. Since 1998, the Company's financial statements have contained a going concern clause. The Company has suffered recurring losses from operations, has a negative stockholders' equity and a working capital deficit that raise substantial doubts about its ability to continue as a going concern. Management is attempting to raise additional capital.

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 as needed, and the success of its future operations.

## Edgar Filing: RENAISSANCE ENTERTAINMENT CORP - Form 10QSB

Management believes that its ability to raise additional capital provides an opportunity for the Company to continue as a going concern.

### 4. Subsequent Event

In July, 2003, Charles S. Leavell, CEO and Chairman of the Board of Directors extended the Company a line of credit in the amount of \$100,000. As of this filing, the terms and conditions of this loan have not been set.

### 5. Commitment

The Company's lease for its Northern California Faire sites require the Company to complete certain capital projects over the term of the lease. The Company estimates that the cost of these capital projects for 2003 will be approximately \$50,000.

6. Notes Payable

During the first four months of fiscal 2003, the Company raised short-term capital in the amount of \$220,000 through the issuance of 12% unsubordinated promissory notes. The funds were provided by Charles S. Leavell (\$70,000), Chairman of the Board of Directors, J. Stanley Gilbert (\$100,000), Officer and Board Director, and another Board Director (\$50,000). Of the total outstanding, \$120,000 was retired in June and \$100,000 in July of 2003.

**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 year ended December 31, 2002.

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 San Jose 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.

On April 1, 2002, Faire Partners, Ltd., the Company's landlord for the Wisconsin site, purchased property in New York from Sterling Forest Corporation. The property has long been the home of the New York Renaissance Faire. In April 2002, Faire Partners Ltd. leased the property to the Company for a twenty-year term with rent payments of \$425,000 in years 1 through 5, \$435,000 for years 6 through 15 and \$450,000 for lease years 16 through 20. The lease allows Faire Partners to sell part of the leased property. Should Faire Partners sell any property, the lease provides that the Company's rent payments and the buyout provision would be decreased in an amount proportional to the selling price of the property.

The leased property in New York includes a site for a Ski Center that the Company chose to operate in 2002. The Company began operation of the Ski Center in April, 2002, incurring nine months operating expense during the 2002 fiscal year. The Ski Center opened its season in December, 2002, generating revenue into the month of March, 2003. The Company's three-month income statement results are on a comparable basis for the 2002 to 2003 operating seasons. However, the six-month income statement results are not comparable because the Company did not take over operation of the Ski Center until April, 2002. An explanation of the differences created by the partial operating season of the Ski

Edgar Filing: RENAISSANCE ENTERTAINMENT CORP - Form 10QSB

Center in 2002 will be disclosed in the accompanying section titled *Six Months Ended June 30, 2003 Compared to Six Months Ended June 30, 2002* .

On May 3, 2002, the Company signed a long-term lease for the Northern California Faire. The new site for the Northern Faire is located at Casa de Fruta, near Gilroy, California. The lease is for 20

years, 5-years with a 15-year extension. Lease payments in the first year include \$1.00 per patron, with a \$150,000 minimum and increasing each year thereafter.

The Company had a working capital deficit of (\$118,504) as of June 30, 2003. While the Company believes that it has adequate capital to fund anticipated operations for 2003, it believes it may need additional capital for future fiscal periods. See *Liquidity and Capital Resources*.

### **Three Months Ended June 30, 2003, Compared to Three Months Ended June 30, 2002**

Revenues decreased \$218,841 or 6% from \$3,779,489 in 2002 to \$3,560,648 in 2003. This decrease is largely the result of a one day closure in May 2003 of the Company's Southern California Faire due to rain. As a result of this closure, revenue and attendance for this event was down 8% as compared to the 2002 operating season.

Cost of sales increased \$6,552 or 1% from \$878,638 in 2002 to \$885,190 in 2003. Total operating expenses (year-round operating costs and corporate overhead) decreased \$113,961 or 5%, from \$2,343,358 in 2002 to \$2,229,397 in 2003. Of the operating expenses, salaries decreased less than 1%, from \$977,314 in 2002 to 973,636 in 2003 reflecting a \$3,678 decrease for the 2003 period as compared to the 2002 period. Advertising expense showed a decrease of \$48,022 or 10%, from \$472,592 in 2002 to \$424,570 in 2003. This cost savings is, in large part, due to securing a new consulting firm used in the Company's media program. Depreciation and amortization increased 9%, from \$82,351 in 2002 to \$90,066 in 2003. Other operating expenses (all other general and administrative expenses of the Company) decreased \$69,976 or 9%, from \$811,101 in 2002 to \$741,125 in 2003.

As a result of the foregoing, net operating income (before interest charges and other income) decreased \$111,432 or 20%, from \$557,493 for the 2002 period to \$446,061 for the 2003 period.

Interest expense increased \$2,077 or 2%, from \$136,453 in 2002 to \$138,530 in 2003. Other income increased \$11,901, from \$30,219 in 2002 to \$42,120 in 2003. Interest income decreased \$1,296, from \$8,913 in 2002 to \$7,617 in 2003.

Combining net operating income with other income/expense resulted in a \$102,904 decrease in net income before taxes, from income of \$460,172 for the 2002 period to income of \$357,268 for the 2003 period.

Net income to common stockholders also decreased \$102,904, from \$460,172 for the 2002 period to \$357,268 for the 2003 period. Finally, net income per common share decreased from \$0.21 for the 2002 period to \$0.17 for the 2003 period, based on 2,144,889 weighted average shares outstanding in both years.

### **Six Months Ended June 30, 2003 Compared to Six Months Ended June 30, 2002**

Edgar Filing: RENAISSANCE ENTERTAINMENT CORP - Form 10QSB

Revenues increased \$898,428 or 24% from \$3,787,797 in 2002 to \$4,686,225 in 2003. The Ski Center revenue for the first six months of 2003 was approximately \$1.1 million. This additional revenue was offset by an approximate 8% decrease in revenue and attendance for the Company's Southern California Faire as a result of a one-day closure in May 2003 due to rain.

Cost of sales increased \$50,936 or 6% from \$881,279 in 2002 to \$932,215 in 2003. The Ski Center cost of sales was approximately \$80,000 for this time period.

Total operating expenses (year-round operating costs and corporate overhead) increased \$464,347 or 15%, from \$3,168,444 in 2002 to \$3,632,791 in 2003. Of the operating expenses, salary expense increased \$313,023 or 23% from \$1,341,760 in 2002 to \$1,654,783 in 2003. Salary expense for the Ski Center was \$301,054 for the first six-months of 2003. Advertising expense showed a decrease of \$21,863 or 5%, from \$472,592 in 2002 to \$450,729 in 2003. Depreciation increased 19%, from \$144,722 in 2002 to \$172,427 in 2003. Other operating expenses (all other general and administrative expenses of the Company) increased \$145,482 or 12%, from \$1,209,370 in 2002 to \$1,354,852 in 2003. Of the operating expense increase, approximately \$200,000 is attributable to the Ski Center.

As a result of the foregoing, net operating income (loss) (before interest charges and other income) increased 146% from a loss of (\$261,926) for the 2002 period to income of \$121,219 for the 2003 period

Interest expense increased \$2,543 or 1%, from \$262,619 in 2002 to \$265,162 in 2003. Other income increased \$21,697, from \$40,298 in 2002 to \$61,995 in 2003. Interest income decreased \$2,553, from \$18,717 in 2002 to \$16,164 in 2003.

Combining net operating income with other income/expense resulted in a \$399,746 decrease in net loss before taxes, from loss of (\$465,530) for the 2002 period to a loss of (\$65,784) for the 2003 period.

Net loss to common stockholders also decreased \$399,746, from (\$465,530) for the 2002 period to (\$65,784) for the 2003 period. Finally, net loss per common share decreased from (\$0.22) for the 2002 period to (\$0.03) for the 2003 period, based on 2,144,889 weighted average shares outstanding in both years.

### **Liquidity and Capital Resources**

The Company's working capital deficit widened during the six-months ended June 30, 2003, from \$48,697 at December 31, 2002 to \$118,504 at June 30, 2003. 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 four months of fiscal 2002, the Company raised capital in the amount of \$100,000 through the issuance of 12% subordinated promissory notes. The funds were provided by Charles S. Leavell, Chairman of the Board of Directors (\$50,000), and a party affiliated with the Chairman of the Board. 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, 2003.

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, Chairman of the Board of Directors (\$250,000), J. Stanley Gilbert, President and Director (\$225,000), 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 was due and payable quarterly and the notes matured August 31, 2001. On the maturity date, the non-convertible portion of the notes were retired. The maturity date for the convertible portion of the notes were extended until November of 2003 under the same terms and conditions as the original offer.





## Edgar Filing: RENAISSANCE ENTERTAINMENT CORP - Form 10QSB

During the first four months of fiscal 2003, the Company raised short-term capital in the amount of \$220,000 through the issuance of 12% unsubordinated promissory notes. The funds were provided by Charles S. Leavell (\$70,000), Chairman of the Board of Directors, J. Stanley Gilbert (\$100,000), Officer and Board Director, and another Board Director (\$50,000). Of the total outstanding, \$120,000 was retired in June and \$100,000 in July of 2003.

While the Company believes it has adequate capital to fund anticipated operations for fiscal 2003, it believes it may need to obtain additional working capital for future periods.

Reviewing the change in financial position over the six months, current assets, largely comprised of cash and prepaid expenses, increased from \$1,192,473 at December 31, 2002 to \$1,965,797 at June 30, 2003, an increase of \$773,324 or 65%. Of these amounts, cash and cash equivalents decreased from \$642,061 at December 31, 2002 to \$385,109 at June 30, 2003. Accounts receivable decreased from \$23,530 at December 31, 2002 to \$10,441 at June 30, 2003. Inventory increased from \$160,500 at December 31, 2002 to \$249,726 at June 30, 2003. Prepaid expenses (expenses incurred on behalf of the Faires) increased from \$275,520 at December 31, 2002 to \$1,244,255 at June 30, 2003. These costs are expensed once the Faires are operating.

Current liabilities increased from \$1,241,170 at December 31, 2002, to \$2,084,301 at June 30, 2003, an increase of \$843,131 or 68%. During the quarter, accounts payable and accrued expenses increased \$705,517 or 191% from \$369,466 at December 31, 2002 to \$1,074,983 at June 30, 2003. Unearned income, which consists of the sale of admission tickets to upcoming Faires, passes for the Sterling Forest Ski Center and deposits received from craft vendors for future Faires, increased from \$447,746 at December 31, 2002 to \$467,611 at June 30, 2003. This revenue is recognized once the Faires and the Ski Center are operating. The Company's notes payable accounts for \$509,325 of the total current liabilities at June 30, 2003. This amount is largely attributable to the aforementioned subordinated promissory notes that mature in August and November, 2003.

Stockholders' Deficit increased from (\$940,607) at December 31, 2002 to (\$1,006,388) at June 30, 2003, an increase of \$65,781. This increase is due to the net loss incurred during the first six-months of 2003.

The lease for the Northern California Faire requires the Company to complete certain capital projects. The Company estimates the cost of these capital improvements at approximately \$50,000 for 2003. The Company has no additional significant commitments for capital expenses during the fiscal year ending December 31, 2003. 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.

*Recent Losses.* The Company has incurred operating losses in all fiscal periods since 1995 except fiscal 2000. For the six

months ended June 30, 2003, the Company reported a net loss of (\$65,784). 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 \$118,504 as of June 30, 2003. See *Management's Discussion and Analysis of Financial Condition and Results of Operations.* Based on the Company's planned operations for 2003, the Company believes it has

adequate capital to fund operations, repay debt and fund required capital expenditures during the 2003 fiscal year. To the extent that operations do not provide the necessary working capital during 2003, the Company may need to obtain additional capital for 2003 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 additional capital can be satisfactorily obtained, if and when required.

*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 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 or a percent of revenues paid by the vendors to the Company. 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 that attract the greatest number of visitors during the warm weather months in the spring, summer, and early fall. With the operation of the Sterling Forest Ski Center in New York, the counter-seasonal revenue may help smooth the seasonality of the Company's revenue stream from the Renaissance Faires. Unless the Company acquires or develops additional Faire sites or other events in areas that are counter-seasonal to the present sites located in temperate climates, the Company's revenues and income will be highly concentrated from April through 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 normally open, rain or shine, poor weather, or even the forecast of poor weather can result in substantial declines in attendance and, as a 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 to apply for and obtain permits and other licenses from local governmental authorities regulating 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.

*Faire Sites.* The Company has long-term leases for all four of its Renaissance Faires. The terms and conditions of each lease vary by location, and to a large extent, are beyond the control of the Company. The Company's dependence upon leasing Faire sites creates a certain risk of fluctuation in the Company's operations from year to year.

## PART II. OTHER INFORMATION

### PART II. OTHER INFORMATION

#### Item 1. Legal Proceedings

In 2002, a complaint was filed against the Company with the Supreme Court in Orange County New York. The case contains a demand for \$35,000,000 and is in excess of the \$5,000,000 limit contained in the insurance policies. The Company has been advised by the insurance provider that, based on its initial review of this claim, the loss in this matter will not exceed the limit of the insurance policies. A liability has not been accrued at this time because the outcome of this claim lacks certainty. The Company will continue to monitor the progress of this complaint.

#### Item 2. Changes in Securities

During the first four months of fiscal 2002, the Company raised \$100,000 through the sale of 12% subordinated promissory notes. The notes were issued in units, each unit consisting of two promissory notes of equal principal, with one note being convertible into shares of the Company's common stock at a conversion price of \$.30 per share. The notes were sold without registration under the Securities Act of 1933 in reliance upon the exemption provided by Regulation D promulgated by the Securities and Exchange Commission. No brokers were involved in the sale of the notes and no sales commissions were paid with respect to such sales. See *Part I Financial Condition and Results of Operations Liquidity and Capital Resources.*

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

(A) **EXHIBITS**

| Exhibit No | Title  |
|------------|--|
| 3.0(i)     | Amended and Restated Articles of Incorporation, incorporated by reference from the Amendment No. 1 to Registrant's Registration Statement on Form 8-A filed with the Commission on April 12, 1994.   |
| 3.0(ii)    | By-Laws, incorporated by reference from the Amendment No. 1 to Registrant's Registration Statement on Form 8-A filed with the Commission on April 12, 1994.  |
| * 3.1      | Articles of Amendment to the Articles of Incorporation.  |
| 4.1        | Specimen Certificate of Common Stock, incorporated by reference from the Amendment No. 1 to Registrant's Registration Statement on Form 8-A filed with the Commission on April 12, 1994.   |
| * 4.2      | Renaissance Entertainment Corporation 1993 Stock Incentive Plan. (1)   |
| * 10.1     | Specimen Vendor and Exhibitor Agreement for the Bristol Renaissance Faire.   |
| * 10.2     | Specimen Vendor and Exhibitor Agreement for the Northern and Southern Renaissance Pleasure Faires.   |
| * 10.3     | Specimen Bristol Renaissance Faire Concession Agreement.   |
| * 10.4     | Specimen Bristol Renaissance Faire Games Concession Agreement.   |
| 10.9       | Purchase Agreement dated November 12, 1997 between Faire Partners, LLC and Renaissance Entertainment Corporation, including Lease Agreement and Warrant to Purchase Common Stock as exhibits thereto, incorporated by reference from Registrant's Registration Statement on Form S-1 (No. 333-43503).  |
| 10.10      | Lease dated January 21, 1998 by and between Attache Publishing Services, Inc. and the Company, incorporated by reference from the Registrants Quarterly Report on Form 10-Q for the quarter ended March 31, 1998.  |
| 10.11      | Employment Agreement dated December 11, 1998 with Charles S. Leavell, incorporated by reference from Registrant's Annual Report on Form 10-KSB for the year ended December 31, 1998.   |
| 10.12      | Employment Agreement dated December 11, 1998 with J. Stanley Gilbert, incorporated by reference from Registrant's Annual Report on Form 10-KSB for the year ended December 31, 1998.   |
| 10.15      | Warrant Agreement dated December 17, 1999, incorporated by reference from Registrant's Annual Report on Form 10-KSB for the year ended December 31, 1999.  |
| 10.17      | Asset Purchase Agreement between Jim and Marta Selway and the Company dated April 6, 2000, incorporated by reference from Registrant's Annual Report on Form 10-KSB for the year ended December 31, 1999.<br>Form of Subordinated Subscription and Purchase Agreement for 2000, including A Note and Convertible B Note incorporated by reference from Registrant's Quarterly Report on Form 10-QSB for the period ended March 31, 2000. |
| 10.20      | Lease dated June 27, 2000 by and between San Bernardino County Community and Cultural Resources Department and the Company incorporated by reference from Registrant's Annual Report on Form 10-KSB for the year ended December 31, 2000.  |

## Edgar Filing: RENAISSANCE ENTERTAINMENT CORP - Form 10QSB

- 10.25 Amendment dated October 30, 2000 to Lease with Faire Partners, LLC incorporated by reference from Registrant's Annual Report on Form 10-KSB for the year ended December 31, 2000.
- 10.28 Form of Subordinated Subscription and Purchase Agreement for 2002, including A Note and Convertible B Note filed herewith incorporated by reference from Registrant's Annual Report on Form 10-KSB for the year ended December 31, 2001. Amendment dated August 31, 2001 to Subordinated Subscription and Purchase Agreement for 2000 incorporated by reference from Registrant's Annual Report on Form 10-KSB for the year ended December 31, 2001.
- 10.30 Lease agreement dated March 19, 2002 by and between Faire Partners, Ltd. and the Company incorporated by reference from Registrant's Quarterly Report on Form 10-QSB for the period ended March 31, 2002.
- 10.31 Lease agreement dated May 3, 2002 by and between Casa De Fruta and the Company incorporated by reference from Registrant's Quarterly Report on Form 10-QSB for the period ended March 31, 2002.
- 10.32 Amendment dated February 28, 2002 to Faire Partners, Ltd. lease dated November, 1997 incorporated by reference from Registrant's Quarterly Report on Form 10-QSB for the period ended March 31, 2002.
- 10.33 Amendment dated March 18, 2002 to Faire Partners, Ltd. lease dated November, 1997 incorporated by reference from Registrant's Quarterly Report on Form 10-QSB for the period ended March 31, 2002.
- 10.34 Amendment dated January 27, 2003 to lease dated January 21, 1998 by and between Attache Publishing Service incorporated by reference from Registrant's Annual Report on Form 10-KSB for the period ended December 31, 2002.
- 10.35 School Days Contractual Agreement dated December 9, 2002 by and between Sheridan Sechter & Associates and the Company incorporated by reference from Registrant's Annual Report on Form 10-KSB for the period ended December 31, 2002.
- 10.36 Contractual Agreement dated December 9, 2002 by and between Sheridan Sechter & Associates and the Company incorporated by reference from Registrant's Annual Report on Form 10-KSB for the period ended December 31, 2002.
- 10.37 Agreement to Terminate Contractual Relationships dated December 12, 2002 between Events Group Corporation and the Company incorporated by reference from Registrant's Annual Report on Form 10-KSB for the period ended December 31, 2002.
- \*\* 10.38 Amendment dated January 16, 2002 to San Bernardino County Community and Cultural Resources Department lease dated June 27, 2000 filed herewith.
- \*\* 31.1 Certification of Chief Executive and Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended.
- \*\* 32.1 Certification of Chief Executive and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

---

\* Incorporated by reference from the Company's Registration Statement on Form SB-2, declared effective by the Commission on January 27, 1995, and the Post-Effective amendments thereto.

\*\* Filed herewith.

### (b) REPORTS ON FORM 8-K

The Registrant filed no Current Reports on Form 8-K during the quarter ended June 30, 2003.



SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this quarterly report to be signed on its behalf by the undersigned, thereunto duly authorized.

RENAISSANCE ENTERTAINMENT CORPORATION

Date: August 8, 2003            /s/ Charles S. Leavell  
Charles S. Leavell, Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

| <b>Signature</b>                             | <b>Title</b>  | <b>Date</b>    |
|--|---|----------------|
| /s/ Charles S. Leavell<br>Charles S. Leavell | Chairman of the Board,<br>Chief Executive and Chief<br>Financial Officers | August 8, 2003 |
| /s/ Sue Brophy<br>Sue Brophy                 | Chief Accounting Officer and Controller                                   | August 8, 2003 |