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RENAISSANCE ENTERTAINMENT CORP  
Form 10-Q  
November 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 September 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 November 13, 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.

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RENAISSANCE ENTERTAINMENT CORPORATION  
BALANCE SHEETS  
(UNAUDITED)

	SEPTEMBER 30, 2001	DECEMBER 2000
	-----	-----
ASSETS		
CURRENT ASSETS:		
Cash and equivalents	\$ 1,739,801	\$ 1,002,8
Accounts receivable (net)	191,454	7,2
Notes receivable, current portion	17,378	17,4
Inventory	198,201	104,5
Prepaid expenses and other	851,130	258,1
	-----	-----
TOTAL CURRENT ASSETS	2,997,964	1,390,1
Property and equipment, net of accumulated depreciation	2,864,924	3,914,2
Note receivable, long-term portion	115,484	128,6
Goodwill	380,115	418,1
Other assets	936,050	773,3
	-----	-----
TOTAL ASSETS	\$ 7,294,537	\$ 6,624,4
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 1,350,086	\$ 558,2
Notes payable, current portion	314,586	1,370,8
Unearned income	664,036	193,6
	-----	-----
TOTAL CURRENT LIABILITIES	2,328,708	2,122,7
Lease obligation payable	4,010,238	3,991,4
Note payable, net of current portion	42,967	145,8
Other	203,367	246,8
	-----	-----
TOTAL LIABILITIES	6,585,280	6,507,0
STOCKHOLDERS' EQUITY:		
Common stock, \$.03 par value, 50,000,000 shares Authorized, 2,144,889 and 2,144,889 shares issued and outstanding at September 30, 2001 and December 31, 2000 respectively	64,346	64,3
Additional paid-in capital	9,430,827	9,430,8
Accumulated earnings (deficit)	(8,785,916)	(9,377,7
TOTAL STOCKHOLDERS' EQUITY	709,257	117,4
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 7,294,537	\$ 6,624,4
	=====	=====

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

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RENAISSANCE ENTERTAINMENT CORPORATION  
STATEMENT OF OPERATIONS  
(Unaudited)

	THREE MONTHS ENDED SEPTEMBER 30	
	2001	2000
REVENUE:		
Sales	\$ 7,107,549	\$ 7,083,007
Faire operating costs	2,137,096	1,787,769
Gross Profit	4,970,453	5,295,238
OPERATING EXPENSES:		
Salaries	1,314,814	1,191,446
Depreciation and amortization	93,950	93,676
Advertising	889,818	796,491
Other operating expenses	1,373,422	1,175,722
Total Operating Expenses	3,672,004	3,257,335
Net Operating Income	1,298,449	2,037,903
Other Income (Expenses):		
Interest income	19,284	28,700
Interest (expense)	(136,190)	(161,255)
Other income (expense)	2,374	19,482
Total Other (Expense)	(114,532)	(113,073)
Net Income before (Provision) Credit for Income Taxes	1,183,917	1,924,830
(Provision) Credit for Income Taxes	--	--
NET INCOME TO COMMON STOCKHOLDERS	\$ 1,183,917	\$ 1,924,830
NET INCOME PER COMMON SHARE	\$ 0.55	\$ 0.90
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  
STATEMENT OF OPERATIONS  
(Unaudited)

NINE MONTHS ENDED  
SEPTEMBER 30

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	----- 2001 -----	----- 2000 -----
REVENUE:		
Sales	\$ 10,785,396	\$ 10,937,567
Faire operating costs	3,131,654	3,007,103
Gross Profit	7,653,742	7,930,464
OPERATING EXPENSES:		
Salaries	2,656,561	2,505,506
Depreciation and amortization	276,110	268,461
Advertising	1,306,467	1,188,825
Other operating expenses	2,467,683	2,135,154
Total Operating Expenses	----- 6,706,821	----- 6,097,946
Net Operating Income	946,921	1,832,518
Other Income (Expenses):		
Interest income	54,063	60,143
Interest (expense)	(410,664)	(458,801)
Other income (expense)	1,484	(114,307)
Total Other (Expense)	----- (355,117)	----- (512,965)
Net Income before (Provision) Credit for Income Taxes	591,804	1,319,553
(Provision) Credit for Income Taxes	--	--
NET INCOME TO COMMON STOCKHOLDERS	\$ 591,804	\$ 1,319,553
NET INCOME PER COMMON SHARE	=====	=====
	\$ 0.28	\$ 0.62
Weighted Average Number of Common Shares Outstanding	2,144,889	2,144,889

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

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RENAISSANCE ENTERTAINMENT CORPORATION  
STATEMENT OF CASH FLOWS  
(Unaudited)

	NINE MONTHS ENDED SEPTEMBER 30	
	----- 2001 -----	----- 2000 -----
CASH FLOWS FROM OPERATING ACTIVITIES:		
NET INCOME	\$ 591,804	\$ 1,319,553
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Depreciation and amortization	276,110	268,461
Gain(loss) on disposal of assets	(3,537)	3,652

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(INCREASE) DECREASE IN:		
Accounts receivable	(184,168)	(113,716)
Notes receivable	13,217	(148,593)
Inventory	(93,669)	(1,179)
Prepaid expenses and other	(770,748)	(871,204)
INCREASE (DECREASE) IN:		
Accounts payable and accrued expenses	791,824	(274,256)
Unearned revenue and other	426,870	281,164
TOTAL ADJUSTMENTS	455,899	(855,671)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	1,047,703	463,882
CASH FLOWS FROM INVESTING ACTIVITIES:		
(Increase) in property and equipment	829,713	(203,358)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	829,713	(203,358)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Common stock issued and additional paid-in capital	--	--
Proceeds from notes payable	27,837	609,967
Principal payments on notes payable	(1,168,256)	(159,391)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(1,140,419)	450,576
NET INCREASE (DECREASE) IN CASH	736,997	711,100
CASH, BEGINNING OF PERIOD	1,002,804	1,049,044
CASH, END OF PERIOD	\$ 1,739,801	\$ 1,760,144
	=====	=====
INTEREST PAID	\$ (410,664)	\$ (458,801)
	=====	=====
INCOME TAX PAID (REFUND)	--	--
	=====	=====

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

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### RENAISSANCE ENTERTAINMENT CORPORATION

#### NOTES TO FINANCIAL STATEMENTS September 30, 2001 (Unaudited)

#### 1. UNAUDITED STATEMENTS

The balance sheet as of September 30, 2001, the statements of operations for the three month and nine month periods ended September 30, 2001 and 2000 and the statements of cash flows for the nine month periods ended September 30, 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 fairly present the financial position, results of operations and changes in financial position at September 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

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(loss) to common stockholders by the weighted average number of common shares outstanding.

### 3. CONTINGENCY

The Company is required to complete certain capital projects on an annual basis for one of its leases. At September 30, 2001, the exact amount of these expenditures was unknown, however, the Company estimates that the cost of these items should not exceed \$1,000,000 over the next four years.

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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.

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 completed the sale of this property in August, 2001 at a selling price of \$1.3 million. The proceeds of the sale were used to retire the first and second mortgages on the property with excess funds set aside for use as working capital.

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 2002 Faire season to operate the New York Faire in Sterling Forest. The Company does not have a lease for the 2002 Faire season to operate the Northern California Faire. 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

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for the Northern California Faire and New York Faire. 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.

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The Company had a working capital surplus of \$669,256 as of September 30, 2001. See "LIQUIDITY AND CAPITAL RESOURCES."

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

Revenues increased \$24,542 or 0.5% from \$7,083,007 in 2000 to \$7,107,549 in 2001. Revenue was anticipated to be higher during this period by approximately \$300,000. The New York and Northern California Faires operated an additional weekend during the third quarter. Both Faires results of operations were negatively affected by the September 11th disaster in New York.

Cost of sales increased \$349,327 or 20% from \$1,787,769 in 2000 to \$2,137,096 in 2001. The Northern California Faire and the New York Faire both operated one additional weekend during the third quarter of 2001. Thus increasing overall expenses for the third quarter as well as for fiscal 2001.

Operating expenses (year-round operating costs and corporate overhead) increased \$414,669 or 13%, from \$3,257,335 in 2000 to \$3,672,004 in 2001. Of the operating expenses, salaries increased 10%, from \$1,191,446 in 2000 to \$1,314,814 in 2001 reflecting a \$123,368 increase for the 2001 period as compared to the 2000 period. Advertising expense showed an increase of \$93,327 or 12%, from \$796,491 in 2000 to \$889,818 in 2001. Depreciation and amortization increased less than 1%, from \$93,676 in 2000 to \$93,950 in 2001. Other operating expenses (all other general and administrative expenses of the Company) increased \$197,700 or 17%, from \$1,175,722 in 2000 to \$1,373,422 in 2001. Of this operating expense increase, part is attributable to the additional weekend of operation at each of the Northern California and New York Faires. Operating an extra weekend resulted in higher wages paid to workers and requires more advertising dollars. In addition, in the third quarter approximately \$25,000 was spent 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 (\$10,000), property taxes (\$25,000), merchant fees (\$12,000), payroll taxes (\$15,000), rents, supplies and travel (\$20,000).

As a result of the foregoing, net operating income (before interest charges and other income) decreased 36% from \$2,037,903 for the 2000 period to \$1,298,449 for the 2001 period

A 15% decrease in interest expense from \$161,255 in 2000 to \$136,190 in 2001 resulted from the Company's ability to raise less expensive capital.

Other income decreased \$17,108, from income of \$19,482 in 2000 to income of \$2,374 in 2001.

Combining net operating income with other income/expense resulted in a \$740,913 decrease in net income before taxes, from income of \$1,924,830 for the 2000 period to an income of \$1,183,917 for the 2001 period.

Net income to common stockholders also decreased \$740,913, from \$1,924,830 for the 2000 period to \$1,183,917 for the 2001 period. Finally, net income per common share decreased from \$.90 for the 2000 period to \$.55 for the 2001 period, based on 2,144,889 weighted average shares outstanding in the years 2000 and 2001.

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NINE MONTHS ENDED SEPTEMBER 30, 2001 COMPARED TO NINE MONTHS ENDED  
SEPTEMBER 30, 2000

Revenues decreased \$152,171 or 1% from \$10,937,567 in 2000 to \$10,785,396 in 2001. Revenue was anticipated to be higher during this period by approximately \$300,000. The New York and Northern California Faires each operated an additional weekend during the third quarter. Both Faires results of operations were negatively affected by the September 11th disaster in New York.

Cost of sales increased \$124,551 or 4% from \$3,007,103 in 2000 to \$3,131,654 in 2001. The Northern California Faire and the New York Faire both operated one additional weekend during the third quarter of 2001 thus increasing overall expenses.

Operating expenses increased \$608,875 or 10%, from \$6,097,946 in 2000 to \$6,706,821 in 2001. Of the operating expenses, salaries increased 6%, from \$2,505,506 in 2000 to \$2,656,561 in 2001 reflecting a \$151,055 increase for the 2001 period as compared to the 2000 period. Advertising expense showed an increase of \$117,642 or 10%, from \$1,188,825 in 2000 to \$1,306,467 in 2001. Depreciation and amortization increased 3%, from \$268,461 in 2000 to \$276,110 in 2001. Other operating expenses increased \$332,529 or 16%, from \$2,135,154 in 2000 to \$2,467,683 in 2001. Of this operating expense increase, part is attributable to additional weekend of operation at the Northern California and New York Faires. Operating an extra weekend results in higher wages paid to workers and requires more advertising dollars. In addition, in the first nine months of the year approximately \$55,000 was spent 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 (\$30,000), property taxes (\$30,000), merchant fees (\$20,000), payroll taxes (\$35,000), utilities (\$45,000) rents, supplies and travel (\$145,000).

As a result of the foregoing, net operating income (before interest charges and other income) decreased 48% from \$1,832,518 for the 2000 period to \$946,921 for the 2001 period.

A 10% decrease in interest expense from \$458,801 in 2000 to \$410,664 in 2001 resulted from the Company's ability to raise less expensive capital.

Other income/expense decreased \$115,791, from expense of \$114,307 in 2000 to income of \$1,484 in 2001. This difference is largely explained by a decrease in the expenses incurred for discontinued operations at the Virginia Renaissance Faire that the Company closed in 1999 and sold in 2001.

Combining net operating income with other income/expense resulted in a \$727,749 decrease in net income before taxes, from \$1,319,553 for the 2000 period to \$591,804 for the 2001 period.

Net income to common stockholders also decreased \$727,749 from \$1,319,553 for the 2000 period to \$591,804 for the 2001 period. Finally, net income per common share decreased from \$.62 for 2000 to \$.28 for the 2001 period, based on 2,144,889 weighted average shares outstanding for both periods.

### LIQUIDITY AND CAPITAL RESOURCES

The Company's working capital deficit became positive during the nine months ended September 30, 2001, from (\$732,622) at December 31, 2000 to \$669,256 at September 30, 2001. The Company's

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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 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 August 31, 2002 under the same terms and conditions of the original offer.

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 required principal and interest payments of approximately \$17,500 in January 2001 and July through August 2001. Interest payments approximating \$6,500 were due February through June 2001. The final payment of approximately \$575,000 was due September 1, 2001. This loan was retired in August, 2001 as a result of the sale of the Company's property in Virginia.

While the Company believes it has adequate capital to fund remaining 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 \$2,997,964 at September 30, 2001, an increase of \$1,607,821 or 116%. Of these amounts, cash and cash equivalents increased from \$1,002,804 at December 31, 2000 to \$1,739,801 at September 30, 2001. Accounts receivable increased from \$7,286 at December 31, 2000 to \$191,454 at September 30, 2001. Inventory increased from \$104,532 at December 31, 2000 to \$198,201 at September 30, 2001. Prepaid expenses (expenses incurred on behalf of the Faires) increased from \$258,121 at December 31, 2000 to \$851,130 at September 30, 2001. These costs are expensed once the Faires are operating.

Current liabilities increased from \$2,122,765 at December 31, 2000, to \$2,328,708 at September 30, 2001, an increase of \$205,943 or 10%. During the quarter, accounts payable and accrued expenses increased \$791,825 or 142%. 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 \$664,036 at September 30, 2001. The revenue is recognized once the Faires are operating.

Stockholders' Equity increased from \$117,453 at December 31, 2000 to \$709,257 at September 30, 2001, an increase of \$591,804. This decrease is due to the net income generated during the first nine months of 2001.

Although inflation can potentially have an effect on financial results, during 2000 and the first nine months of fiscal 2001, it caused no material effect 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. The Company 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.

**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 nine months ended September 30, 2001, the Company reported net income of \$591,804. There is no assurance that the Company will be profitable in any subsequent period.

**NEED FOR ADDITIONAL CAPITAL.** The Company had a working capital surplus of \$669,256 as of September 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 the balance of 2001. The Company may need to obtain additional capital for 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.** From 1999 through 2001, the Northern California Renaissance Pleasure Faire was held on the site of the original Nut Tree Farm in Vacaville, California under successive one-year leases. The Company does not have a site for the 2002 operating season. The Company is currently negotiating to obtain 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.

**POSSIBLE RELOCATION OF NEW YORK FAIRE.** The Company has a lease for the 2002 Faire season to operate the New York Faire in Sterling Forest. The Company is negotiating with the owner of the Sterling Forest property to purchase this property and is 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 2003 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

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Company estimates that there are currently 20 major Renaissance Faires produced

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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 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 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

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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

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governmental regulation or the adoption of more stringent requirements may not have a material adverse impact upon the Company's future operations.

FAIRE SITES. In 2002, the Company currently has leases for three of its 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.

INTANGIBLE ASSETS. As of September 30, 2001, the Company has unamortized goodwill recorded in the amount of \$380,115. The original goodwill was recorded as a result of the 1994 acquisition of the Company's Northern and Southern California Renaissance Faires. In 1996, as a result of poor performance of the Southern Faire during the previous two years, the Company wrote down the remaining goodwill associated with that Faire. The balance of goodwill related to the Northern California Renaissance Faire and is being amortized over a 15-year period. The remaining goodwill will be fully amortized by 2009. In 2001, the Financial Accounting Standards Board and the SEC are requiring companies to evaluate the carrying value of their intangible assets, such as goodwill on a quarterly basis. As such, the Company has evaluated the unamortized goodwill and as of September 30, 2001 finds no reason to decrease the carrying value of this item.

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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

The Annual Meeting of the Stockholders of the Company was held on October 30, 2001. At that meeting, the following five directors, constituting all members of the Board of Directors, were elected: Charles S. Leavell; Robert Geller; Sanford Schwartz; J. Stanley Gilbert; and Thomas Brown.

Shareholders also approved a proposal to increase the number of shares reserved for issuance under the Company's 1993 Incentive Stock Plan from 750,000 to 1,250,000. The number of shares voting for the increase were 469,444; against

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were 299,546; abstentions were 13,308.

### Item 5. OTHER INFORMATION

None.

### Item 6. EXHIBITS AND REPORTS ON FORM 8-K

Exhibit

- 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.
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- \* 10.3 Specimen Bristol Renaissance Faire Concession Agreement.
  - \* 10.4 Specimen Bristol Renaissance Faire Games Concession Agreement.
  - 10.5 Lease Agreement between Creative Faires, Ltd. and Sterling Forest Corporation dated June 12, 1996 incorporated by reference from the Registrant's Annual Report on Form 10-KSB for the year ended March 31, 1996.
  - 10.6 Form of Loan and Security Agreement for 1998, including form of Stock-Term Notes and form of Warrant to purchase common stock, incorporated by reference from the Registrants Quarterly Report on Form 10-Q for the quarter ended March 31, 1998.
  - 10.7 Mortgage with Union Bank & Trust in the amount of \$1,500,000 with respect to the Virginia property, incorporated by reference from the Registrant's Annual Report on Form 10-KSB for the year ended March 31, 1996.
  - 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

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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.
- 10.13 Amendment dated December 17, 1999 to Lease with Faire Partners LLC, incorporated by reference from Registrant's Annual Report on Form 10-KSB for the year ended December 31, 1999.
- 10.14 Guaranty Agreement of Charles S. Leavell dated December 17, 1999, incorporated by reference from Registrant's Annual Report on Form 10-KSB for the year ended December 31, 1999.
- 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.
- 10.16 Amendment dated February 15, 2000 to Lease with San Bernardino County Regional Parks Division, incorporated by reference from Registrant's Annual Report on Form 10-KSB for the year ended December 31, 1999.
- 10.17 Amendment dated March 24, 2000 to Lease with Sterling Forest LLC, incorporated by reference from Registrant's Annual Report on Form 10-KSB for the year ended December 31, 1999.
- 10.18 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.
- 10.19 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

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Registrant's Annual Report on Form 10-KSB for the year ended December 31, 2000.

- 10.21 Lease dated May 30, 2000 by and between TKG Nut Tree, LLC and the Company, incorporated by reference from Registrant's Annual Report on Form 10-KSB for the year ended December 31, 2000.
- 10.22 Lease agreement dated October 19, 2000 by and between Flying Squirrel Entertainment, LLC. and the Company, incorporated by reference from Registrant's Annual Report on Form 10-KSB for the year ended December 31, 2000.
- 10.23 Lease agreement dated November 29, 2000 by and between Vacaville Redevelopment Agency and City of Vacaville and the Company, incorporated by reference from Registrant's Annual Report on Form 10-KSB for the year ended December 31, 2000.

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- 10.24 Extension and Modification Agreement dated December 1, 2000 between Holly Mortgage Trust and the Company, incorporated by reference from Registrant's Annual Report on Form 10-KSB for the year ended December 31, 2000.
- 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.
- 10.26 Guaranty Agreement of Charles S. Leavell dated October 27, 2000, incorporated by reference from Registrant's Annual Report on Form 10-KSB for the year ended December 31, 2000.
- \*\*10.27 Lease and License Extension and Modification Agreement dated August 1, 2001 between Sterling Forest, LLC and the Company.

\* 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.

Reports on Form 8-K

The Company was not required to file a report on Form 8-K during the quarter ended September 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: November 15, 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

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