

CYTOGEN CORP  
Form 8-K  
September 14, 2005

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

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**FORM 8-K**

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**CURRENT REPORT**

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

Date of report (Date of earliest event reported): September 13, 2005

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**CYTOGEN CORPORATION**

(Exact Name of Registrant as Specified in Charter)

**Delaware**  
(State or Other Jurisdiction

of Incorporation)

**000-14879**  
(Commission File Number)

**22-2322400**  
(I.R.S. Employer

Identification No.)

**650 College Road East, CN 5308, Suite 3100, Princeton, NJ**  
(Address of Principal Executive Offices)

**08540**  
(Zip Code)

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Registrant's telephone number, including area code: (609) 750-8200

(Former Name or Former Address, if Changed Since Last Report)

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

- .. Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - .. Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - .. Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - .. Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**Item 7.01 Regulation FD Disclosure.**

On September 13, 2005, the following information related to the products and current and future clinical programs of Cytogen Corporation (the Company ) was presented at the Company s Investor & Analyst Meeting in New York, New York:

Quadramet® Overview, presented by William F. Goeckeler, Ph.D., Senior Vice President, Operations, Cytogen Corporation, Princeton, New Jersey.

Evolving Role and Clinical Impact of ProstaScint®, presented by Michael J. Manyak, M.D., Vice President, Medical Affairs, Cytogen Corporation, Princeton, New Jersey.

ProstaScint®-guided Brachytherapy, presented by Rodney J. Ellis, M.D., Radiation Oncologist, Aultman Hospital, Canton, Ohio and Assistant Professor Urology, CASE School of Medicine, Cleveland, Ohio.

Management of Metastatic Breast Cancer to Bone, presented by Adam Brufsky, M.D., Ph.D., Co-Director, Assistant Professor of Medicine, Magee-Womens Cancer Program at UPMC Cancer Centers, Pittsburgh, Pennsylvania.

Quadramet in Osteosarcoma, presented by Peter Anderson, M.D., Ph.D., Professor of Pediatrics, MD Anderson Cancer Center, Houston, Texas.

Radiopharmaceutical Approaches To Skeletal Metastases from Prostate Cancer, presented by Howard I. Scher, M.D., Chief, Genitourinary Oncology Service, Memorial Sloan-Kettering Cancer Center, New York, New York.

Radiolabeled 7E11 antibody targeting prostate-specific membrane antigen (PSMA), presented by Howard I. Scher, M.D., Chief, Genitourinary Oncology Service, Memorial Sloan-Kettering Cancer Center, New York, New York.

The full presentations are furnished as Exhibits 99.1, 99.2, 99.3, 99.4, 99.5, 99.6 and 99.7 to this Current Report on Form 8-K and incorporated herein by reference.

The furnishing of the attached information is not an admission as to the materiality of any information set forth therein.

Quadramet is indicated for the relief of pain in patients with confirmed osteoblastic metastatic bone lesions that enhance on radionuclide bone scan. Certain of the presentations listed above describe clinical applications that differ from that reported in the Quadramet package insert.

ProstaScint is indicated as a diagnostic imaging agent in newly diagnosed patients with biopsy-proven prostate cancer, thought to be clinically localized after standard diagnostic evaluation and who are thought to be at high risk for pelvic lymph node metastases. ProstaScint is also indicated as a diagnostic imaging agent in post-prostatectomy patients with a rising PSA and a negative or equivocal standard metastatic evaluation in whom there is a high clinical suspicion of occult metastatic disease. Certain of the presentations listed above describe clinical applications and imaging performance that differs from that reported in the ProstaScint package insert.

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The information in this Form 8-K and the exhibit attached hereto shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934 (the Exchange Act ) or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Exchange Act, except as expressly set forth by specific reference in such a filing.

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**Item 9.01 Financial Statements and Exhibits.**

(c) Exhibits.

<u>Exhibit No.</u>	<u>Description</u>
99.1	Presentation of William F. Goeckeler, Ph.D., <u>Quadramet® Overview</u> , presented at the Cytogen Corporation Investor & Analyst Meeting.
99.2	Presentation of Michael J. Manyak, M.D., <u>Evolving Role and Clinical Impact of ProstaScint®</u> , presented at the Cytogen Corporation Investor & Analyst Meeting.
99.3	Presentation of Rodney J. Ellis, M.D., <u>ProstaScint®-guided Brachytherapy</u> , presented at the Cytogen Corporation Investor & Analyst Meeting.
99.4	Presentation of Adam Brufsky, M.D., Ph.D., <u>Management of Metastatic Breast Cancer to Bone</u> , presented at the Cytogen Corporation Investor & Analyst Meeting.
99.5	Presentation of Peter Anderson, M.D., Ph.D., <u>Quadramet in Osteosarcoma</u> , presented at the Cytogen Corporation Investor & Analyst Meeting.
99.6	Presentation of Howard I. Scher, M.D., <u>Radiopharmaceutical Approaches To Skeletal Metastases from Prostate Cancer</u> , presented at the Cytogen Corporation Investor & Analyst Meeting.
99.7	Presentation of Howard I. Scher, M.D., <u>Radiolabeled 7E11 antibody targeting prostate-specific membrane antigen (PSMA)</u> , presented at the Cytogen Corporation Investor & Analyst Meeting.

**SIGNATURES**

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

CYTOGEN CORPORATION

By: /s/ Michael D. Becker

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Michael D. Becker  
President and Chief Executive Officer

Dated: September 14, 2005

## EXHIBIT INDEX

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e term of the lease. In January, 2002 the Company's Board of Directors approved a resolution to amend the Bristol lease to provide that the repurchase price for the leased property shall be the greater of the fair market value for the property or \$4,522,443. Under the original lease the repurchase option was at an aggregate price of \$4,433,333 during the first three years, increasing to \$4,900,000 during years 13 through 20. The Company has made a security deposit of \$666,667, \$333,333 of which was released in 2001 and the balance was to be released in 2005. The proposed Sterling Forest lease for the New York Faire site would hold the remaining \$333,333 as a security deposit for both leases and extend the release date to April 1, 2008. SOUTHERN CALIFORNIA RENAISSANCE PLEASURE FAIRE. The Southern California Faire site is leased from the San Bernardino County Parks and Recreation Department. This is a ten-year lease with two five-year options to extend. Rent on this property is based on a percentage of gross revenues, which ranges during the first ten-years of the lease, from four to seven percent with a guaranteed minimum rental payment. Guaranteed minimum rent under the lease increases \$25,000 per year for the first ten years of this lease with 2002 rent fixed at \$249,500. NORTHERN CALIFORNIA RENAISSANCE PLEASURE 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 a one-year lease. The Company is negotiating a long-term lease for a new site for this Faire starting in 2002. To date, this lease has not be finalized and there can be no assurance that the Company will be successful in obtaining a lease, or that it will be on terms acceptable to the Company, in time for the 2002 or future operating seasons. NEW YORK RENAISSANCE FAIRE. The New York Faire is operated on 65 acres of leased land in Tuxedo, New York. In 1996, the Company signed a five-year lease with Sterling Forest Corp. to operate the New York Faire in Sterling Forest. The original lease term expired after the operating season in 2000. Two one-year extensions was granted for the 2001 and 2002 seasons. Faire Partners, Ltd., the Company's landlord for the Wisconsin site, is currently negotiating with Sterling Forest Corp. to purchase the New York property. The closing date on this transaction is expected to take place early in the second quarter of 2002. Although a lease has not currently been signed, the Company anticipates leasing the 8 property from Faire Partners on a twenty-year term with annual rent payments of \$425,000 in years 1 through 5, \$435,000 in years 6 through 15 and \$450,000 in years 16 through 20. The leased property includes the Sterling Forest Ski Area, which the Company is currently evaluating whether or not to continue operating. To date, the purchase, a lease or other arrangements have not been secured for the 2003 Faire season. There can be no assurance that the Company will be successful in doing so in time for the 2003 or future operating seasons, or that it will be on terms acceptable to the Company. VIRGINIA RENAISSANCE FAIRE. On July 27, 1995, the Company acquired approximately 250 acres of land in Stafford County, Virginia, for a purchase price of \$925,000. This property housed the Virginia Renaissance Faire. The

construction of the Faire was financed, in part, with a \$1.5 million mortgage, repayable over 15 years at an initial interest rate of 8.65% annually. In March, 1999 the company obtained a second mortgage on this property in the amount of \$750,000. On January 28, 2000, the Company announced the closure of the Virginia Renaissance Faire. The Company completed the sale of the Virginia 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. (See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity").

ITEM 3: LEGAL PROCEEDINGS None. ITEM 4: SUBMISSION OF MATTERS TO 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 were 299,546; abstentions were 13,308.

ITEM 5: MARKET FOR THE COMMON EQUITY AND RELATED STOCKHOLDER MATTERS PRICE RANGE OF COMMON STOCK Since December 21, 1998, the Company's Common Stock has been traded on the OTC Bulletin Board under the symbol FAIR. The following table reflects the high and low prices of the Company's Common Stock for each quarterly period of the two most recent calendar years and the subsequent interim quarter. The quotations represent prices between broker-dealers and do not include retail mark-ups and mark-downs or any commission to the broker-dealer and may not reflect prices in actual transactions.

Calendar Years Ended December 31	High	Low
2000 First Quarter ended March 31	\$0.40	\$0.19
Second Quarter ended June 30	0.40	0.21
Third Quarter ended September 30	0.25	0.16
Fourth Quarter ended December 31	1.00	0.12
2001 First Quarter ended March 31	0.28	0.15
Second Quarter ended June 30	0.40	0.15
Third Quarter ended September 30	0.51	0.20
Fourth Quarter ended December 31	0.40	0.20
2002 First Quarter ended March 31	0.35	0.22

As of March 1, 2002, there were approximately 153 shareholders of record.

DIVIDENDS The Company has never paid cash dividends on its Common Stock, and does not anticipate the payment of such dividends in the foreseeable future.

ITEM 6: 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, 2001. 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 2000 and 2001, the Company recorded an asset write down of approximately \$467,272 and \$39,982, respectively, in connection with the closing of the Faire. The Company completed the sale of the Virginia 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 of approximately \$475,000 set aside for use as working capital. The Company does not anticipate future expenditures as a result of the Virginia closure. 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.

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 has a lease for the New York Faire to operate in Sterling Forest in 2002. The Company is currently



seeking to obtain long-term leases for the Northern California and the New York Faires. 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 (See "Property--New York Renaissance Faire and Northern California Renaissance Pleasure Faire"). The Company had a working capital surplus of \$524,782 as of December 31, 2001. While the Company believes that it has adequate capital to fund anticipated operations for 2002, it believes it may need additional capital for future fiscal periods. See "LIQUIDITY AND CAPITAL RESOURCES." RESULTS OF OPERATIONS The Company operated its New York and Northern California Faires seven weekends in 2000 as compared to eight in 2001. The Wisconsin Faire operated nine weekends and the Southern California Faire operated eight weekends in both 2000 and 2001.

**YEAR ENDED DECEMBER 31, 2001 COMPARED TO YEAR ENDED DECEMBER 31, 2000.** Revenues decreased \$15,276 or less than 1% from \$12,462,816 in 2000 to \$12,447,540 in 2001. Overall revenue and attendance at the Company's Renaissance Faires was up in 2001 with the exception of the Northern California Faire. The Northern California Faire experienced a decrease in attendance of approximately 12% in 2001. Revenue was down approximately \$250,000 as compared to the 2000 operating season. This decrease is thought to be partially explained by the terrorist attacks of September 11, 2001. As of that date, the Northern California Faire had operated three weekends, with five remaining. Reviewing the results of operations for the final five weekends of this event in 2001 as compared to 2000, attendance dropped 17%. It is also believed that the decreased attendance for this Faire is the result of its relocation in 1999. When this Faire was relocated, part of its original core audience was lost. With the potential relocation of this event in 2002, the Company anticipates attendance and revenue for this Faire to remain fairly flat over the upcoming three to five years. Faire operating costs decreased \$76,523 or 2% from \$3,702,506 in 2000 to \$3,625,983 in 2001. Operating expenses (year-round operating costs and corporate overhead) increased \$778,905 or 10%, from \$7,719,582 in 2000 to \$8,498,487 in 2001. Of the operating expenses, depreciation and amortization decreased \$46,826 or 11%, from \$409,525 in 2000 to \$362,699 in 2001. This decrease is partly the result of writing down the New York asset base over several years due to the uncertainty of the site lease arrangements upon expiration of the lease in 2001. The final write-down of these assets was recorded in December 31, 2000. As a result, the New York Faire depreciation expense was \$60,000 less in 2001 as compared to 2000. Salaries increased 4%, from \$3,261,800 in 2000 to \$3,393,204 in 2001 reflecting a \$131,404 increase for the 2001 period as compared to the 2000 period. Advertising expense showed an increase of \$130,939 or 10%, from \$1,363,235 in 2000 to \$1,494,174 in 2001. Other operating expenses (all other general and administrative expenses of the Company) increased \$563,388 or 21%, from \$2,685,022 in 2000 to \$3,248,410 in 2001. Of this operating expense increase, approximately \$200,000 is attributable to the additional weekend of operation at both the Northern California and New York Faires. Operating an extra weekend results in higher wages paid to workers and requires more advertising and other operating dollars. In addition, in 2001 approximately \$120,000 was spent negotiating a long-term site for the Northern California Faire. In addition, \$53,000 was spent to disassemble the Northern California Faire site in 11 Vacaville and place those items in storage. The remainder of the increase is the result of escalating costs in areas such as business and health insurance (\$62,000), property taxes (\$30,000), merchant fees (\$10,000), payroll taxes (\$40,000), utilities (\$55,000) and rents, printing, express mail and travel (\$120,000). As a result of the foregoing, net operating income (before interest charges and other income) decreased 69% from a \$1,040,728 net operating profit in 2000 to net operating profit of \$323,070 for the 2001 period. Other expense decreased \$47,427 or 5% from (\$903,755) in 2000 to (\$856,328) in 2001. Interest expense decreased 13% from \$617,803 in 2000 to \$539,028 in 2001 as a result of the Company's decreased level of indebtedness. Because the Company does not have a lease for the Northern California Faire as of the date of this report, the unamortized goodwill (\$367,446) associated with the Faire and the remaining book value of the fixed assets (\$40,924) for this event were written-off. The Company incurred expenses in the amount of \$467,272 in 2000 and \$39,982 in 2001 to finish closing the Virginia Faire and selling the property. Combining net operating income with other income/expense resulted in a \$670,231 decrease in net income before taxes, from \$136,973 net profit for the 2000 period to (\$533,258) net loss for the 2001 period. Net income to common stockholders also decreased \$670,231 from \$136,973 net profit for the 2000 period to (\$533,258) net loss for the 2001 period. Finally, net income per common share decreased from \$0.06 for the 2000 period to (\$0.25) for the 2001 period, based on 2,144,889 weighted average shares outstanding during the 2000 and 2001 periods.

**YEAR ENDED DECEMBER 31, 2000 COMPARED TO YEAR ENDED DECEMBER 31, 1999.** Revenues decreased \$2,004,621 or 14% from \$14,467,437 in 1999 to \$12,462,816 in 2000. This decrease is largely attributable to the closure of the Company's Virginia Faire, which contributed revenue in the amount of \$1,168,015 in fiscal 1999. The balance of the decrease is

attributable to a decline in attendance at both the Southern and Northern California Faires. Revenue was down approximately \$600,000, at the Company's Southern California Faire, which experienced a decrease in gross attendance for the 2000 operating season of 17%. It is believed, that the decreased attendance was the result of relocating the Faire within Glen Helen Park and extremely hot weather through the eight-week run of the event. The Company's Northern California Faire experienced a decline in gross attendance for the 2000 operating season of 15%, with revenue down approximately \$540,000 over the one-year period. It is believed, the decreased attendance for this Faire is the result of its relocation in 1999. When this Faire was relocated, part of its original core audience was lost. Likewise, as part of the relocation, new demographic areas have been tapped and it is believed that these new areas will eventually result in an increase in attendance. The Company believes that overall attendance at the Faire is good, considering the ramifications of relocating such an event. While the Company's Southern and Northern California Faires both experienced sub-optimal operating seasons the Wisconsin and New York Renaissance Faires collectively exceeded their 1999 revenue figures by approximately \$300,000. Faire operating costs decreased \$1,355,170 or 27% from \$5,057,676 in 1999 to \$3,702,506 in 2000. This decrease is partly attributable to the closure of the Company's Virginia Faire which had faire operating expenses totaling about \$554,671 in 1999. Additionally, about \$150,000 is attributable to the sale of the Wisconsin food operation in 2000. In 1999, the Company operated a Wild West show and a School Days event in Wisconsin with 12 had combined faire operating expenses of approximately \$80,000. Also in 1999, the Company operated a Halloween event in Northern California which incurred approximately \$60,000 in expenses. The Wild West show and School Days event in Wisconsin and the Halloween event in Northern California were cancelled in 2000. The balance of the decrease in faire operating expenses is the result of overall reductions in spending. Operating expenses (year-round operating costs and corporate overhead) decreased \$2,533,298 or 25%, from \$10,252,880 in 1999 to \$7,719,582 in 2000. Of the decrease, approximately \$1,210,000 is attributable to the closure of the Company's Virginia Faire in 1999. The balance of the decrease is associated with expense reductions throughout the Company's operations. Of the operating expenses, salaries decreased 27%, from \$4,454,731 in 1999 to 3,261,800 in 2000 reflecting a \$1,192,931 decrease for the 2000 period as compared to the 1999 period. Of this decrease, \$536,320 is associated with the closure of the Company's Virginia Faire. The balance of the change is the result of decreased personnel expense for the Company as a result of a reduction in the total number of employee's. Advertising expense showed a decrease of \$434,644 or 24%, from \$1,797,879 in 1999 to \$1,363,235 in 2000. Of the decrease, \$218,873 is associated with the closure of the Company's Virginia Faire. The balance of the decrease is the result of the Company's utilization of alternative, less expensive forms of marketing. Depreciation and amortization decreased 28%, from \$565,646 in 1999 to \$409,525 in 2000. This decrease is primarily the result of the Company's closure of the Virginia Faire and the associated write-down of these assets in 1999. As a result, the Company's fixed asset base decreased and overall depreciation expense has decreased. Other operating expenses (all other general and administrative expenses of the Company) decreased \$749,602 or 22%, from \$3,434,624 in 1999 to \$2,685,022 in 2000. Of the decrease, \$275,000 is associated with the closure of the Virginia Faire. The balance of the decrease is associated with expense reductions throughout the Company's operations. As a result of the foregoing, net operating income (before interest charges and other income) increased 223% from a (\$843,119) net operating loss in 1999 to net operating profit of \$1,040,728 for the 2000 period. The Virginia Faire's net operating loss for the year 1999 was (\$598,313). Other expense decreased \$1,704,447 or 65% from (\$2,608,202) in 1999 to (\$903,755) in 2000. This decrease is, in large part, explained by the adjustments required in 1999 and 2000 as a result of the Company's decision to close the Virginia Faire. In 1999, the Company recorded an allowance for discontinued operations and wrote down the value of the land and property. The 1999 adjustments totaled \$2,121,334. The 1999 allowance for discontinued operations 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 fourth quarter of 2000, administrative expenses for 2001 as well as an additional write down of the land value was recorded in the amount of \$282,856. The adjustments recorded in 1999 and 2000 account for a decrease of \$1,654,062 in other expense. Combining net operating income with other income/expense resulted in a \$3,588,294 improvement in net income before taxes, from a (\$3,451,321) net loss for the 1999 period to \$136,973 net profit for the 2000 period. Net income to common stockholders also improved \$3,588,294 from (\$3,451,321) net loss for the 1999 period to \$136,973 net profit for the 2000 period. Finally, net income per common share improved from (\$1.61) for the 1999 period to \$0.06 for the 2000 period, based on 2,144,889 weighted average shares

outstanding during the 1999 and 2000 periods. LIQUIDITY AND CAPITAL RESOURCES The Company's working capital position improved during 2001 from a deficit of (\$732,622) at December 31, 2000 to a surplus of \$524,782 at December 31, 2001. The Company's working capital requirements are greatest during the period from January 1 through April 30, when it is incurring start-up expenses for its first Faire of the Faire season, the Southern California Faire. During the first six months of fiscal 2002, the Company raised capital in the amount of \$50,000 through the issuance of 12% subordinated promissory notes. The funds were provided by a related party. 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 (\$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. Reviewing the change in financial position over the twelve months, current assets, largely comprised of cash and prepaid expenses, increased from \$1,390,143 at December 31, 2000 to \$1,489,308 at December 31, 2001, an increase of \$99,165 or 7%. Of these amounts, cash and cash equivalents decreased from \$1,002,804 at December 31, 2000 to \$834,257 at December 31, 2001. Accounts receivable increased from \$7,286 at December 31, 2000 to \$116,369 at December 31, 2001. Inventory increased from \$104,532 at December 31, 2000 to \$155,367 at December 31, 2001. Notes receivable, current portion in the amount of \$17,816 is the result of the sale of the Company's food operation in Wisconsin. As part of the terms of this purchase, the Company agreed to carry a note in the amount of \$150,000 for a period of three years. Prepaid expenses (expenses incurred on behalf of the Faires) increased from \$258,121 at December 31, 2000 to \$365,499 at December 31, 2001. These costs are expensed once the Faires are operating. Current liabilities decreased from \$2,122,765 at December 31, 2000, to \$964,526 at December 31, 2001, a decrease of \$1,158,239 or 55%. During the year, accounts payable and accrued expenses decreased \$89,952 or 16%. Notes payable current portion decreased \$1,057,056 or 77% from \$1,370,836 at December 31, 2000 to \$313,780 at December 31, 2001, in large part, as a result of the payoff of the mortgages on the Virginia property upon its sale in August, 2001. Unearned income, which consists of the sale of admission tickets to upcoming Faires, and deposits received from craft vendors for future Faires, decreased from \$193,668 at December 31, 2000 to \$181,177 at December 31, 2001. The revenue is recognized once the Faires are operating. Total assets decreased from \$6,624,457 at December 31, 2000 compared to \$4,767,849 at December 31, 2001. Property, plant and equipment (net of depreciation) decreased by \$1,205,119 or 31% from \$3,914,210 at December 31, 2000 to \$2,709,091 at December 31, 2001. This decrease is primarily the result of the sale of the Virginia property in August, 2001. Because the Company does not currently have a lease for the Northern California Faire, the net book value of the Faires remaining fixed assets were decreased approximately \$41,000 resulting in a zero dollar carrying value for these assets at December 31, 2001. Goodwill, which arose from the purchase of the California Faires was being amortized over 15 years. The remaining goodwill was written off in 2001, again primarily as a result of the uncertainty of a lease for the 2002 operating season of the Northern California Faire. Note receivable, net of current portion in the amount of \$110,862 is the result of, as previously mentioned, the sale of the Company's food operation in Wisconsin. Other miscellaneous assets such as vendor deposits, decreased from \$773,303 at December 31, 2000 to \$458,588 at December 31, 2001, primarily as a result of the return of one-half of the security deposit held by Faire Partners for the Wisconsin site (\$333,333) in November, 2001. Total liabilities decreased from \$6,507,004 at December 31, 2000 to \$5,183,654 at December 31, 2001, a decrease of \$1,323,350 or 20%. Total liabilities at December 31, 2001 include \$964,526 in current liabilities (discussed above), plus approximately \$37,000 from the long-term portion of debt primarily resulting from operating leases for equipment and

\$3,978,802 lease obligation with respect to the sale/leaseback of the Bristol Faire site. Stockholders' Equity decreased from a surplus of \$117,453 at December 31, 2000 to a deficit of (\$415,805) at December 31, 2001, a decrease of \$533,258 or 6%. This decrease resulted from the 2001 net loss of (\$533,258). As of December 31, 2001, the Company had outstanding 2,144,889 shares of common stock. Although inflation can potentially have an effect on financial results, during 2000 and 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. 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 projects planned for 2002 but estimates that the cost of these items should not exceed \$250,000. The Company has no additional significant commitments for capital expenses during the fiscal year ending December 31, 2002. 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 most fiscal periods since 1995. Although the Company was profitable in 2000, the net profit of \$136,973 is not substantial. There is no assurance that the Company will remain profitable in any subsequent period. **NEED FOR ADDITIONAL CAPITAL.** The Company had a working capital surplus of \$524,782 as of December 31, 2001. See "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS." The Company has negotiated a loan that will provide working capital for use in opening its first Faire of the season, the Southern California Renaissance Faire. This loan is in the form of a 12% subordinated promissory note and matures August 31, 2003. As of this date, \$50,000 has been loaned to the Company by an investor whom is a related party. Based on the Company's planned operations for 2002, the Company believes it has adequate capital to fund operations for 2002, to fund required capital expenditures during the year and to repay short-term indebtedness. To the extent that operations do not provide the necessary working capital during 2002, the Company may need to obtain additional capital for 2002 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.** 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 a year-to-year lease. The Company currently is negotiating a long-term lease for a new site for this Faire starting in 2002. A long-term lease agreement would provide expense savings by allowing the Faire structures to remain in place year-round and provide the opportunity for additional income-generating events other than the Renaissance 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 New York Faire is operated on 65 acres of leased land in Tuxedo, New York. In 1996, the Company signed a five-year lease with Sterling Forest Corp. to operate the New York Faire in Sterling Forest. The original lease term expired after the operating season in 2000. Two one-year extension were granted for the 2001 and 2002 seasons. Faire Partners, Ltd., the Company's landlord for the Wisconsin site, is currently negotiating with Sterling Forest Corp. to purchase the New York property. The closing date on this transaction is expected to take place early in the second quarter of 2002. To date, the purchase, a lease or other arrangements have not been secured for the 2003 Faire season. There can be no assurance that the Company will be successful in doing so in time for the 2003 or future operating seasons, or that it will be on terms acceptable to the Company. **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.

**16 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 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.** In 2002, the Company currently has leases for the Bristol, New York and Southern California Renaissance Faires. The Northern California Faire site lease is still under negotiation. 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.

**17 ITEM 7: FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA** The following financial statements are filed as part of this report: 1. Report of Independent Certified Public Accountants; 2. Consolidated Balance Sheets as of December 31, 2000 and 2001, (audited); 3. Consolidated Statements of Operations for the Fiscal Years Ended December 31, 2000 and December 31, 2001 (audited); 4. Consolidated Statements of Changes in Stockholders' Equity for the Fiscal Years from December 31, 1999 through December 31, 2001 (audited); 5. Consolidated Statements of Cash Flows for the Fiscal Years Ended December 31, 2000 and December 31, 2001 (audited); and 6. Notes to the Consolidated Financial Statements.

**ITEM 8: CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE** None.

**PART II ITEM 9: DIRECTORS AND EXECUTIVE OFFICERS OF REGISTRANT COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT** Name, position with the Company, age of each Director or officer, and the period during which each Director has served are as follows:

Director Name	Age	Position	Since
Charles S. Leavell	60	Chairman of the Board of Directors, 1993 Chief Executive Officer and Chief Financial Officer	1993
Sanford L. Schwartz	52	Director	1993
Robert M. Geller	49	Director	1994
Thomas G. Brown	56	Director	1999
J. Stanley Gilbert			



Executive Officer received perquisites and other personal benefits which, in the aggregate, exceeded the lesser of either \$50,000 or 10% of the total of annual salary and bonus paid during the respective years. (2) In 2001, a nonqualified deferred compensation plan was established for executive officers that, because of salary amounts, are considered highly compensated and unable to participate in the Company's 401(k) plan. As of December 31, 2001, Mr. Gilbert was the only executive officer participating in the Company's nonqualified deferred compensation plan.

**OPTIONS GRANTED DURING FISCAL 2001** The following table shows option grants during fiscal 2001 to the Named Executive Officers of the Company.

Options Granted	Price	Date	Percent of Total	Expiration	Name
50,000*	\$0.20	02/09	31%		Charles S. Leavell
100,000*	\$0.20	02/09	63%	20*	J. Stanley Gilbert

\* These options vest one-third per year beginning February, 2002 and have a five-year expiration date.

**AGGREGATED OPTION EXERCISES DURING FISCAL 2001 AND FISCAL YEAR-END OPTION VALUES** The following table provides information related to the number and value of options held by the Named Executive Officers as of December 31, 2001. The Company does not have any outstanding stock appreciation rights.

Name	Number of Unexercised Options/SARs at FY-end (#)	Value of Unexercised In-the-Money Options/SARs at FY-End (\$)(1)	Shares Acquired Realized Exercisable/ Unexercisable	Exercisable/ Name on Exercise (#) (\$)
Charles S. Leavell	0/0	\$-0-	166,000/50,000	0/0
J. Stanley Gilbert	0/0	\$-0-	140,000/100,000	0/0

(1) The value of unexercised options is determined by calculating the difference between the fair market value of the securities underlying the options at fiscal period end and the exercise price of the options.

**EMPLOYMENT AGREEMENTS** Effective December 11, 1998 the Company entered into an Employment Agreement with Charles S. Leavell, CEO, and J. Stanley Gilbert, President and COO. The agreements become effective at such time as a change of control (as defined by the acquisition by any individual, entity or group of 30% of more of the then outstanding shares of common stock of the Company or the combined voting power of the then outstanding voting securities of the Company) takes place. These agreements have a term of three years beginning with a change in control of the Company.

**DIRECTOR COMPENSATION** During the fiscal years ended December 31, 2000 and 2001, Directors, other than Mr. Geller, Mr. Schwartz, Mr. Gilbert and Mr. Leavell, received no cash compensation for their services as such, however they were reimbursed for their expenses associated with attendance at meetings or otherwise incurred in connection with the discharge of their duties as Directors of the Company. During July 1997, the Board of Directors authorized the granting of options to outside directors representing the right to acquire up to 8,000 shares (retroactively adjusted for the February 1998 one-for-five reverse stock split) for each year that a director serves on the Board. These options were to be granted in lieu of cash compensation. In October 2000, the Board of Directors authorized a new plan for granting of options in consideration for serving on the Company's Board of Directors. Each member of the Board of Directors who is not an employee of the Company is granted a non-statutory stock option pursuant to the Company's Stock Option Plan, each such option to represent the right to acquire up to 60,000 shares of the Company's common stock, to have an exercise price equal to the fair market value of the Company's common stock at the close of business (\$0.16) and to have the standard terms for non-statutory stock options granted pursuant to the Plan, provided that the options shall vest at the rate of 5,000 shares per quarter beginning 12/31/2000 for a three year period, so long as the Director continues to serve on the Company's Board of Directors and attends all meetings. 21 Directors who are also executive officers of the Company receive no additional compensation for their services as Directors.

**GELLER AGREEMENT** As a Director, Mr. Geller receives compensation as outlined in the above section entitled Director Compensation. In addition, Mr. Geller provides consulting services to the company. For these services, Mr. Geller received cash compensation in the amount of \$22,000 in 2000 and \$12,500 in 2001.

**SCHWARTZ COMPENSATION** Mr. Schwartz provided consulting services to the Company for which he received \$15,000 in 2001.

**COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION** The Compensation Committee consists of Messrs. Geller, Schwartz and Leavell. Mr. Leavell, who is Chief Executive Officer and a director of the Company, participates in all discussions and decisions regarding salaries, benefits and incentive compensation for all employees of the Company, except discussions and decisions relating to his own salary, benefits and incentive compensation.

**ITEM 11: SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT** The following table sets forth certain information with respect to the beneficial ownership of the Company's Common Stock, as of March 31, 2002, by: (i) each of the directors of the Company, (ii) all officers and directors of the Company as a group, and (iii) holders of 5% or more of the Company's Common Stock. Each person

has sole voting and investment power with respect to the shares shown, except as noted. Name and Address Percent of Beneficial Owner Number of Shares Class (1) ----- Charles S. Leavell 951,208 (2) 34.2% 275 Century Circle, Suite 102 Louisville, Colorado 80027 Robert M. Geller 129,333 (3) 5.7% 275 Century Circle, Suite 102 Louisville, Colorado 80027 Sanford L. Schwartz 64,870 (4) 2.9% 275 Century Circle, Suite 102 Louisville, Colorado 80027 Thomas G. Brown 38,000 (5) 1.7% 275 Century Circle, Suite 102 Louisville, Colorado 80027 J. Stanley Gilbert 623,620 (6) 22.8% 275 Century Circle, Suite 102 Louisville, Colorado 80027 All Directors & Officers as a Group 1,832,031 (7) 50.1% (6 Persons) 22 (1) Shares not outstanding but deemed beneficially owned by virtue of the individual's right to acquire them as of March 31, 2002, or within 60 days of such date, are treated as outstanding when determining the percent of the class owned by such individual and when determining the percent owned by the group. (2) Includes 176,000 shares of Common Stock held of record by Leavell Management Group, Inc., a controlled corporation of Mr. Leavell who would be deemed to exercise the voting and investment power with respect to the securities held by LMG. 26,667 shares of Common Stock held of record by LMG are subject to an option granted in favor of Mr. Leavell. Includes 135,875 shares of Common Stock held of record by Mr. Leavell. Includes non-qualified options to purchase 182,667 shares. Includes warrants to purchase 40,000 shares, 20,000 of which are held by Leavell Management Group, Inc. Includes conversion rights to 416,666 shares of Common Stock, 83,333 of which are held by Leavell Management Group, Inc. Mr. Leavell disclaims beneficial ownership of the securities held by LMG for purposes of Section 16 under the Exchange Act. This does not include warrants to purchase 40,000 shares owned by an estate to which Mr. Leavell is a beneficiary. (3) Includes non-qualified options to purchase 107,333 shares of Common Stock and warrants to purchase 22,000 shares. (4) Includes 870 shares owned by Creative Business Strategies, Inc., a corporation of which Mr. Schwartz is an officer, director and shareholder. Includes non-qualified options to purchase 49,000 shares of Common Stock and warrants (owned by Creative Business Strategies) to purchase 15,000 shares. (5) Includes non-qualified options to purchase 33,000 shares of Common Stock and 5,000 shares of Common Stock held of record by his spouse. Mr. Brown disclaims beneficial ownership of the securities held by his spouse for purposes of Section 16 under the Exchange Act. (6) Includes 5,200 shares of Common Stock held of record and an option to purchase 15,000 shares of Common Stock held by his spouse. Mr. Gilbert disclaims beneficial ownership of the securities for purposes of Section 16 under the Exchange Act. Includes 25,487 shares of Common Stock held of record by Mr. Gilbert, non-qualified options to purchase 173,333 shares of Common Stock, warrants to purchase 29,600 shares and conversion rights to 375,000 shares. (7) Includes 348,432 shares held of record, 585,333 shares issuable upon exercise of stock options exercisable within 60 days of March 31, 2002, 106,600 shares issuable upon exercise of warrants and 791,666 conversion rights. ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS PROMISSORY NOTES--2000 In 1999, the Company authorized the issuance of up to \$1,000,000 of 12% subordinated promissory notes due August 31, 2001 in units, each unit consisting of two promissory notes (A Notes and B Notes) of equal principal, identical in nature except that one note is convertible to common stock at a price of \$0.30 per share (B Notes). During the first six months of fiscal 2000, the Company raised capital in the amount of \$575,000 through the issuance of these notes. The funds were provided by Charles S. Leavell (\$250,000), CEO and Chairman of the Board of Directors, J. Stanley Gilbert (\$225,000), 23 President and a Director, and one other investor. In August, 2001, the A Notes were retired and the maturity date on the B Notes was extended to August 31, 2002. PROMISSORY NOTES--2002 During the first quarter of 2002, the Company authorized the issuance of 12% subordinated promissory notes due August 31, 2003 in units, each unit consisting of two promissory notes (A Notes and B Notes) of equal principal, identical in nature except that one note is convertible to common stock at a price of \$0.30 per share (B Notes). During the first three months of fiscal 2002, the Company raised capital in the amount of \$50,000 through the issuance of these notes. The funds were provided by a related party. FAIRE PARTNERS, LTD. In November of 1997, the Company sold its Wisconsin property in a sale-leaseback transaction to Faire Partners, Ltd. of El Paso, Texas. One of the owners of Faire Partners, Ltd. was related to the CEO and Chairman of the Board of Directors of the Company. This related party is now deceased and his ownership in Faire Partners, Ltd. is currently part of his estate. Because the Company's CEO and Chairman of the Board of Directors of the Company is a beneficiary of this estate, the estate may be deemed a related party. See "Item 2--Property" for the terms of this transaction. During fiscal 2001 the Company paid Faire Partners, Ltd. \$440,000 pursuant to this transaction. Faire Partners, Ltd. is currently negotiating with Sterling Forest Corp. to purchase the site of the New York Renaissance Faire. The closing date on this transaction is expected to take place early in the second quarter of 2002. The Company anticipates leasing the property from Faire Partners on a



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twenty-year term with rent payments of \$425,000 in years 1 through 5, \$435,000 years 6 through 15 and \$450,000 for lease years 16 through 20. To date, the purchase of the property and the lease between Faire Partners, Ltd. has not been executed. However, as noted above, this transaction may be deemed a related party because of the estate beneficiary status of the Company's CEO and Chairman of the Board of Directors. The Company believes that the foregoing transactions were on terms as favorable to the Company as could have been obtained from non-affiliated parties. PART IV ITEM 13: EXHIBITS, FINANCIAL STATEMENTS AND REPORTS ON FORM 8-K 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. 24 \* 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. 10.13 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. 10.15 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 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. 10.18 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. 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. 10.25 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. \*\* 10.29 Amendment dated August 31, 2001 to Subordinated Subscription and Purchase Agreement for 2000 filed herewith. \*\* 23.1 Independent Auditor's Consent. \* 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. 25 REPORTS ON FORM 8-K The Registrant filed no Current Reports on Form 8-K during the final quarter of the fiscal period ended December 31, 2001. 26 SIGNATURES Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this annual report to be signed on its behalf by the undersigned, thereunto duly authorized. RENAISSANCE ENTERTAINMENT CORPORATION Date: April 8, 2002 /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. Signature Title Date ----- /s/ Charles S. Leavell

Chairman of the Board, April 8, 2002 ----- Chief Executive and Chief Charles S. Leavell Financial Officer /s/ Sue Brophy Chief Accounting Officer, Controller April 8, 2002 ----- and Corporate Secretary Sue Brophy /s/ J. Stanley Gilbert Director, President, April 8, 2002 ----- and Chief Operating Officer J. Stanley Gilbert /s/ Sanford L. Schwartz Director April 8, 2002 ----- Sanford L. Schwartz /s/ Robert M. Geller Director April 8, 2002 ----- Robert M. Geller /s/ Thomas G. Brown Director April 8, 2002 ----- Thomas G. Brown

27 RENAISSANCE ENTERTAINMENT CORPORATION FINANCIAL STATEMENTS WITH REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS DECEMBER 31, 2001 AND DECEMBER 31, 2000 F-1 RENAISSANCE ENTERTAINMENT CORPORATION FINANCIAL STATEMENTS with REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS Page Report of Independent Certified Public Accountants F-3 Audited Financial Statements: Balance Sheets F-4 Statements of Operations F-5 Statement of Changes in Stockholders' equity (deficit) F-6 Statements of Cash Flows F-7 Notes to Financial Statements F-8 F-2 REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS Board of Directors Renaissance Entertainment Corporation We have audited the balance sheets of Renaissance Entertainment Corporation as of December 31, 2001 and 2000 and the related statements of operations and changes in stockholders' equity (deficit), and cash flows for the years ended December 31, 2001 and 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion. In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Renaissance Entertainment Corporation as of December 31, 2001 and 2000 and the results of operations, changes in stockholders' equity (deficit) and cash flows for the years ended December 31, 2001 and 2000 in conformity with accounting principles generally accepted in the United States of America. The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As described in Note 1, the Company has suffered recurring losses from operations and has a negative stockholders' equity that raise substantial doubts about its ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Schumacher & Associates, Inc. Certified Public Accountants 2525 Fifteenth Street, Suite 3H Denver, CO 80211 March 4, 2002 F-3 RENAISSANCE ENTERTAINMENT CORPORATION BALANCE SHEETS ASSETS December 31, December 31, 2001 2000 ----- Current Assets: Cash and equivalents \$ 834,257 \$1,002,804 Accounts receivable, net of allowance for doubtful accounts of \$8,696 116,369 7,286 Inventory, at lower of cost or market 155,367 104,532 Note receivable, current portion 17,816 17,400 Prepaid expenses and other current assets 365,499 258,121 ----- Total Current Assets 1,489,308 1,390,143 Property and equipment, net of accumulated depreciation of \$1,927,061 and \$2,423,663 at December 31, 2001 and 2000 respectively (Note 7) 2,709,091 3,914,210 Goodwill, net of accumulated amortization of \$827,245 and \$409,123 at December 31, 2001 and 2000 respectively (Note 5) - 418,122 Covenant not to compete, net of accumulated amortization of \$100,000 at December 31, 2001 (Note 5) - - Note receivable, net of current portion 110,862 128,679 Other assets 458,588 773,303 ----- Total Assets \$ 4,767,849 \$6,624,457 ===== LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT) Current Liabilities: Accounts payable and accrued expenses \$ 468,309 \$ 558,261 Notes payable, current portion (Note 3) 313,780 1,370,836 Lease obligation payable, current Portion (Note 10) 1,260 - Unearned income 181,177 193,668 ----- Total Current Liabilities 964,526 2,122,765 Lease obligation payable, net of current portion (Note 10) 3,978,802 3,991,494 Notes payable, net of current portion (Note 3) 37,159 145,880 Other 203,167 246,865 ----- Total Liabilities 5,183,654 6,507,004 ----- Commitments (Notes 2,3,4,8,10,11,12 and 13) - - Stockholders' equity (deficit) (Notes 2,8,and 10): 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 issued and outstanding at December 31, 2001 and 2000 64,346 64,346 Additional paid-in capital 9,430,827 9,430,827 Accumulated deficit) (9,910,978) (9,377,720) ----- Total Stockholders' equity (deficit) (415,805)

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117,453 ----- Total Liabilities and Stockholders' equity (deficit) \$ 4,767,849 \$6,624,457 =====  
 ===== The accompanying notes are an integral part of the financial statements. F-4 RENAISSANCE  
 ENTERTAINMENT CORPORATION STATEMENTS OF OPERATIONS Year Ended Year Ended December 31,  
 December 31, 2001 2000 ----- REVENUE: Sales \$ 12,447,540 \$12,462,816 Faire operating costs  
 3,625,983 3,702,506 ----- Gross Profit 8,821,557 8,760,310 ----- OPERATING  
 EXPENSES: Salaries and wages 3,393,204 3,261,800 Depreciation and amortization 362,699 409,525 Advertising  
 1,494,174 1,363,235 Other operating expenses 3,248,410 2,685,022 ----- Total Operating Expenses  
 8,498,487 7,719,582 ----- Net Operating Income 323,070 1,040,728 ----- Other Income  
 (Expenses): Interest income 83,400 93,390 Interest (expense) (539,028) (617,803) Other income (expense) 47,652  
 87,930 Write-down of goodwill (367,446) - Write-down of assets (40,924) - Write-down of Virginia site (Note 11)  
 (39,982) (467,272) ----- Total Other Income (Expenses) (856,328) (903,755) ----- Net  
 Income (Loss) \$ (533,258) \$ 136,973 ===== Net Income (Loss) per Common Share \$ (.25) \$  
 .06 ===== Weighted Average Number of Shares Outstanding 2,144,889 2,144,889

===== The accompanying notes are an integral part of the financial statements. F-5  
 RENAISSANCE ENTERTAINMENT CORPORATION STATEMENT OF CHANGES IN STOCKHOLDERS'  
 EQUITY (DEFICIT) From December 31, 1999 through December 31, 2001 Common Stock Additional -----  
 Paid-in Accumulated Shares Amount Capital (Deficit) Total ----- Balance December 31,  
 1999 2,144,889 \$ 64,346 \$9,430,827 \$(9,514,693) \$ (19,520) Net loss for the year ended December 31, 2000 - - -  
 136,973 136,973 ----- Balance December 31, 2000 2,144,889 64,346  
 9,430,827 (9,377,720) 117,453 Net income for the year ended December 31, 2001 - - - (533,258) (533,258) -----  
 ----- Balance December 31, 2001 2,144,889 \$ 64,346 \$9,430,827 \$(9,910,978)

\$(415,805) ===== The accompanying notes  
 are an integral part of the financial statements. F-6 RENAISSANCE ENTERTAINMENT CORPORATION  
 STATEMENTS OF CASH FLOWS Year Ended Year Ended December 31, December 31, 2001 2000 -----  
 ----- Cash Flows from Operating Activities: Net Income (loss) \$ (533,258) \$ 136,973 Adjustments to reconcile  
 net income to net cash provided by operating activities: Depreciation and amortization 362,699 409,525 Write off of  
 goodwill 367,446 - Write down of assets 40,924 (Increase) decrease in: Accounts receivable (122,186) (2,335)  
 Inventory (50,835) 96,961 Prepaid expenses and other 220,440 58,947 Increase (decrease) in: Accounts payable and  
 accrued expenses (89,952) (1,162,349) Unearned revenue and other (56,189) 186,069 ----- Net Cash  
 Provided by (Used in) Operating Activities 139,089 (276,209) ----- Cash Flows from Investing  
 Activities: Increase in note receivable - (300,000) (Repayments) of note receivable 17,401 153,921 Net (acquisition)  
 reduction of property and equipment, goodwill and covenant not to compete 852,172 21,104 ----- Net  
 Cash Provided by Investing Activities 869,573 (124,975) ----- Cash Flows from Financing Activities:  
 Proceeds from (payments on) lease obligation payable (11,432) 10,699 Proceeds from notes payable - 594,476  
 Principal payments on notes payable (1,165,777) (250,231) ----- Net Cash Provided by (Used in)  
 Financing Activities (1,177,209) 354,944 ----- Net (Decrease) in Cash (168,547) (46,240) Cash,  
 beginning of period 1,002,804 1,049,044 ----- Cash, end of period \$ 834,257 \$1,002,804  
 ===== Interest paid \$ 539,028 \$ 617,803 ===== Income tax paid \$ -  
 \$ - =====

===== The accompanying notes are an integral part of the financial statements. F-7  
 RENAISSANCE ENTERTAINMENT CORPORATION NOTES TO FINANCIAL STATEMENTS December 31,  
 2001 and 2000 (1) Summary of Significant Accounting Policies This summary of significant accounting policies of  
 Renaissance Entertainment Corporation (Company) (REC) is presented to assist in understanding the Company's  
 financial statements. The financial statements and notes are representations of the Company's management who is  
 responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting  
 principles and have been consistently applied in the preparation of the financial statements. (a) General REC was  
 incorporated under the laws of the State of Colorado on June 24, 1988. On April 6, 1993, REC acquired one hundred  
 percent of the common stock of Ellora Corporation, a Wisconsin corporation which owned and operated the Bristol  
 Renaissance Faire located in Kenosha, Wisconsin. During the year ended March 31, 1994 REC formed a wholly  
 owned subsidiary called Heroes and Villains, Ltd. This entity was formed to provide entertainment services. During  
 February, 1994 REC formed Renaissance Pleasure Faires, Inc. (RPFI) which acquired the assets and the business of  
 two Renaissance Faires in California. The business combination with the California Faires was accounted for as a

purchase by REC with the excess of cost over fair value of net assets acquired accounted for as goodwill. See Note 5 for additional information related to this business combination. Effective December 31, 1995 REC acquired 100% ownership of Creative Faires, Ltd. (CFL) in exchange for the issuance of restricted common shares of REC stock. The business combination with CFL was accounted for as a pooling of interests. The financial statements include the accounts of CFL. All references to the "Company" refer to REC and its subsidiaries. All intercompany transactions and account balances have been eliminated in the financial statements other than as noted above. F-8 RENAISSANCE ENTERTAINMENT CORPORATION NOTES TO FINANCIAL STATEMENTS December 31, 2001 and 2000 (1) Summary of Significant Accounting Policies, Continued (a) General, Continued All subsidiaries of the Company were merged into REC as of March 31, 1996 with the exception of Creative Faires, Ltd., which was merged into REC during 1998. The Company uses a December 31 year end. (b) Per Share Information Per share information is determined using the weighted average number of shares outstanding during the periods after giving effect for the stock splits. (c) Property and Equipment Property and equipment is carried at cost, net of accumulated depreciation. Depreciation is computed using principally accelerated methods over the useful lives of the assets ranging from three to thirty years. (d) Revenue and Expense Recognition and Cost of Sales The Company recognizes revenues from the renaissance faires as earned during the period when the faires are in operation. These revenues consist principally of gate entrance fees, beverage concessions sales, lease revenue and fees charged to vendors. At various dates subsequent to the end of the operation of the prior year's faires, and prior to the opening of the next year's faires, the Company receives deposits from the craft vendors and others. These deposits are carried as unearned revenue until applied to fees charged and then earned on a pro-rata basis during the operation of the faire. Faire operating expenses as shown in the statement of operations includes all direct costs associated with the production of the Renaissance Faire, including cost of beverage and merchandise sold and other direct costs of the production. All other expenses related to operation of the faire are shown as operating expenses in the statement of operations. F-9 RENAISSANCE ENTERTAINMENT CORPORATION NOTES TO FINANCIAL STATEMENTS December 31, 2001 and 2000 (1) Summary of Significant Accounting Policies, Continued (d) Revenue and Expense Recognition and Cost of Sales, Continued Advertising costs are expensed over the term of the faire to which the expense applies. Direct costs related to the setting up of the faires are capitalized as prepaid expenses and expensed during the period of the operation of the applicable faires. (e) Concentrations of Credit Risks Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of temporary cash investments and cash equivalents and trade accounts receivables. At December 31, 2001, the Company had approximately \$610,000 of its cash and cash equivalents in financial institutions in excess of amounts insured by agencies of the U.S. Government. Most of the trade receivables are from customers in one geographic location, principally California. The Company does not require collateral for its trade accounts receivables. (f) Cash Equivalents The Company considers all short-term investments in securities that mature in 90 days or less to be cash equivalents. (g) Inventory The Company's inventory consists principally of merchandise held for sale. The Company carries its inventory at the lower of cost or market. Cost is determined on an average cost basis. (h) Allowance for Bad Debts The Company provides an allowance for bad debts based on prior collection experience. F-10 RENAISSANCE ENTERTAINMENT CORPORATION NOTES TO FINANCIAL STATEMENTS December 31, 2001 and 2000 (1) Summary of Significant Accounting Policies, Continued (i) Use of Estimates in the Preparation of Financial Statements The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. (j) Geographic Area of Operations and Interest Rates The Company owns and operates Renaissance Faires principally in four major metropolitan areas of the U.S.A. The potential for severe financial impact can result from negative effects of economic conditions within the markets or geographic areas. Since the Company's business is principally in four areas, this concentration of operations results in an associated risk and uncertainty. (k) 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 suffered recurring losses from operations and has a negative stockholders' equity 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 of the 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 believes that its ability to raise additional capital provide an opportunity for the Company to continue as a going concern. F-11

RENAISSANCE ENTERTAINMENT CORPORATION NOTES TO FINANCIAL STATEMENTS December 31, 2001 and 2000 (2) Common and Preferred Stock The Articles of Incorporation of the Company authorize issuance of a maximum of 50,000,000 shares of \$.03 par value common stock and 1,000,000 shares of \$1.00 par value preferred stock. At December 31, 2001, the Company had 1,239,433 warrants and options outstanding with expiration dates through 2006. The following is a summary of the options and warrants outstanding at December 31, 2001: During the year ended December 31, 1998, 241,833 options were granted of which 33,000 have exercise prices of \$.31 expiring in November 2003, 80,000 have exercise prices of \$.81 expiring in June 2005, and 128,833 have exercise prices of \$.81 expiring in June 2003. Also during the year ended December 31, 1998, 99,600 warrants were granted which have exercise prices of \$1.51 expiring in March 2003. During the year ended December 31, 1999, 350,000 options were granted of which 275,000 have exercise prices of \$.53 expiring in March 2004, and 75,000 have exercise prices of \$.81 expiring in December 2005. Also during the year ended December 31, 1999, 100,000 warrants were granted which have exercise prices of \$.52 expiring in March 2004, and the Company replaced a warrant for 153,333 shares at \$1.00 per share expiring November 2003, with a new warrant for 100,000 shares with an exercise price of \$.30 expiring in November 2003. During the year ended December 31, 2000, 180,000 options were granted which have exercise prices of \$.16 expiring in October 2004 and 8,000 options were granted which have exercise prices of \$.53 expiring in April, 2004. In addition, 958,333 convertible debentures were granted which have convertible prices of \$.30 expiring in August 2002. During the year ended December 31, 2001, the Company granted 150,000 incentive stock options to two officers of the Company, vesting one-third per year, beginning February 2002, exercisable at \$.25 per share, and expiring in February 2006. In addition, 10,000 options were granted to an officer, vesting in 2002, exercisable at \$.25 per share, and expiring in March 2006. The options granted during 2001 and 2000 were principally granted to employees and directors of the Company. The exercise prices at the dates of grants approximated market value of the common stock. Therefore, no compensation expense was recorded in the financial statements related to the options since the estimated fair value would not be material. F-12

RENAISSANCE ENTERTAINMENT CORPORATION NOTES TO FINANCIAL STATEMENTS December 31, 2001 and 2000 (2) Common and Preferred Stock, Continued

Number	Exercise Price	Expiration Date
99,600	\$ 1.51	March, 2003
33,000	\$.31	November, 2003
128,833	\$.81	June, 2003
100,000	\$.30	November, 2003
100,000	\$.52	March, 2004
275,000	\$.53	March, 2004
8,000	\$.53	April, 2004
180,000	\$.16	October, 2004
75,000	\$.81	December, 2005
150,000	\$.25	February, 2006
10,000	\$.25	March, 2006
80,000	\$.81	June, 2005
1,239,433		

(3) Notes Payable Notes payable at December 31, 2001 are summarized as follows: Notes payable to primarily related parties, Consisting of two promissory notes of equal value to each party, identical in nature except that one note is convertible to common stock at a price of \$.30 per share. Interest is payable quarterly at 12%, balance due in full on August 31, 2002. \$ 287,500 Notes payable to equipment manufacturers collateralized by certain equipment, payable in monthly installments of principal and interest; final payments due in 2003, interest ranging from 9.776% to 22%. 63,439 ----- Total 350,939 Less current portion 313,780 ----- Long-term portion \$ 37,159 ===== F-13

RENAISSANCE ENTERTAINMENT CORPORATION NOTES TO FINANCIAL STATEMENTS December 31, 2001 and 2000 (3) Notes Payable, Continued

Principal payments due on notes payable for each of the next three fiscal years ending December 31 and in the aggregate thereafter, are as follows:
2002 \$ 313,780
2003 24,758
2004 10,906
Thereafter 1,495 ----- \$ 350,939

(4) Leases The Company leases the New York Faire site with terms expiring through the year 2002. Annual lease payments on the New York Faire site are \$330,567 for 2000, \$360,000 for 2001, and \$378,000 for 2002. The Company leases the Wisconsin Faire site with terms expiring through the year 2017. Annual lease payments on the Wisconsin Faire site are \$440,000 for 1999 through 2004, \$486,667 for 2005 through 2007, and \$533,333 from 2008 through the end of the lease. The Company leases the Southern California Faire site with terms expiring through the year 2010. Annual lease payments on the Southern California Faire site are \$195,000 for 2000, \$226,322 for 2001, and \$247,500 for 2002, with annual increases through the end of the lease. Effective January 21, 1998, the Company entered into an operating lease at 275 Century Circle in Louisville, Colorado for office facilities. Initial monthly rental payments were \$3,603 plus 27% of operating costs with annual increases tied to the CPI for a term of five years. Future minimum rentals under all operating leases with terms exceeding twelve months are as follows: Year Ending December 31, 2002 \$ 1,108,736 2003 714,500 2004 786,167 2005 811,167 2006 836,167 Thereafter 8,080,416 ----- Total \$12,337,153 ===== F-14

RENAISSANCE

ENTERTAINMENT CORPORATION NOTES TO FINANCIAL STATEMENTS December 31, 2001 and 2000 (4) Leases, Continued Rent expense for the year ended December 31, 2001 and for the year ended December 31, 2000 totaled approximately \$1,163,867 and \$1,096,788, respectively. (5) Goodwill and Covenant Not to Compete The cost of the acquisition of the California Faire assets and business as described in Note 1 in excess of the fair value of assets acquired was recorded as goodwill in the accompanying financial statements. Goodwill was being amortized on a straight-line basis over fifteen years. Management reviewed the carrying value of goodwill on a periodic basis, at least annually, to determine if there was any impairment in value. If management determined that the carrying value was not recoverable over the remaining amortization term, the excess balance, if any, was expensed. During the period ended December 31, 1996, the Company determined that the goodwill was impaired and wrote off \$380,000 as a charge to other operating expenses. During the year ended December 31, 2001, the Company determined that the goodwill was further impaired and wrote off the unamortized balance of \$367,446 as a charge to other operating expenses. In addition, the Company allocated \$100,000 for certain covenants not to compete for certain officers and employees of The Living History Centre related to the asset and business acquisition. These covenants not to compete are fully amortized at December 31, 2001. (6) Income Taxes As of December 31, 2001, there are no current or deferred income taxes payable. As of December 31, 2001, the Company has total deferred tax assets of approximately \$1,490,000 due to operating loss carry forwards and the depreciation timing differences described above. However, because of the uncertainty of potential realization of these tax assets, the Company has provided a valuation allowance for the entire \$1,490,000. Thus, no tax assets have been recorded in the financial statements as of December 31, 2001.

F-15 RENAISSANCE ENTERTAINMENT CORPORATION NOTES TO FINANCIAL STATEMENTS December 31, 2001 and 2000 (6) Income Taxes, Continued The Company has available at December 31, 2001, unused operating loss carry forwards of approximately \$9,900,000 which may be applied against future taxable income, expiring in various years through 2021. The available net operating loss carry forwards may be reduced if there is a 50% or more change in ownership. (7) Property and Equipment Land \$ 1,085,283 Buildings and Improvements 2,035,310 Office Furniture and Equipment 346,686 Costumes, Props and Other Assets 1,168,873 ----- Sub-total 4,636,152 Less Accumulated Depreciation (1,927,061) ----- Total \$ 2,709,091 ===== (8) Commitments Effective December 16, 1994, the Company entered into an agreement with a consulting firm to provide to the Company certain promotional services for the Company's fairs. The Company has agreed to pay commissions to the consulting firm of 17.65% of the actual net billings by advertisers for media placed pursuant to plans approved by the Company.

F-16 RENAISSANCE ENTERTAINMENT CORPORATION NOTES TO FINANCIAL STATEMENTS December 31, 2001 and 2000 (9) Sale Lease Back Transaction During November 1997, the Company sold its real property in Wisconsin to a related party for \$4,000,000 and signed a twenty-year non-cancelable lease back on this property with monthly lease payments in the initial amount of \$33,333 increasing to \$45,278 over the term of the lease. The Company has an option to reacquire the property during the twenty-year lease period at fixed amounts as specified in the lease. Since the Company continues to have an economic interest in the property due to the option, the Company treated the transaction as a financing arrangement. As of December 31, 2001, the outstanding balance on the finance obligation was \$3,980,062 using an effective interest rate of approximately 11%. The purchaser was deemed to be a related party as a relative of the Chairman of the Board of the Company was a minority interest investor in the company, which purchased this property. On December 1999 and 2000, the Company entered into a lease amendment with Faire Partners, the landlord for the Wisconsin property. The amendment provided for a restructuring of rental payments for 1999 and 2000. During the time periods between December 1 and May 31 the monthly base rent payable by the Company to the landlord was reduced from \$36,667 per month to \$21,667 per month and during the period of time from June 1 through November 30, the monthly base rent payable was increased to \$51,667 per month. As an inducement to the landlord to execute this lease amendment in 1999 the Company agreed to terminate the existing warrant and issue a new warrant. The original warrant provided for 153,333 shares at \$1.00 per share and expires November 2003. The new warrant grants 100,000 shares at \$.30 per share, the closing ask price on the date the lease amendment was signed. The new warrant is on the same terms and conditions as contained in the original warrant. There was no warrant transaction involved in the 2000 lease amendment. (11) Write-down of Virginia Site On October 27, 1999, the Board of Directors decided to discontinue operations at the Virginia site. The 2001 and 2000 financial statements include a loss of \$39,982 and \$467,272, respectively, related to the write-down and sale of the property due to closure of the site. During the year ended December 31, 2001, the Company sold the Virginia property.

F-17 RENAISSANCE ENTERTAINMENT CORPORATION NOTES TO FINANCIAL STATEMENTS

December 31, 2001 and 2000 (12) Write-down of Assets The Company's lease for its Northern California Faire expired in 2001 and has not been renewed. The Company has not been able to obtain a new lease for this site. During the year ended December 31, 2001, the Company determined that the fixed assets at its Northern California Faire were impaired and wrote off the net book value of \$40,924 as a charge to other expenses. (13) Retirement and Stock Plans The Company sponsors, for all eligible employees, a salary deferral plan, whereby employees can elect to have a portion of their salary deferred. The Company contributes a match based on a percentage, which is determined from year to year. Matching contributions totaled \$2,922, and \$2,362 for the years ended December 31, 2001 and 2000, respectively. All such deferrals are not subject to income tax, and are held by a third-party trustee. Effective October 15, 2001, the Company established a non-qualified deferred compensation plan for the purpose of providing deferred compensation for a select group of management or highly compensated employees. The Board of Directors has authority to determine the persons eligible for participation in this plan. As of December 31, 2001, the Company had accrued a total of \$18,000 for deferred compensation relating to this plan. (14) Stock-Based Compensation Stock options As permitted by FASB Statement No. 123, Accounting for Stock-Based Compensation, the Company has elected to follow Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees (APB 25) and related interpretations in accounting for its employee option plans. Under APB 25, compensation expenses are recognized at the time of option grant if the exercise price of the Company's employee stock option is below the fair market value of the underlying common stock on the date of the grant. The Company's Board of Directors has granted non-qualified stock options and warrants to officers and employees of the Company. The following is a table of outstanding options and changes during 2001 and 2000:

RENAISSANCE ENTERTAINMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS December 31, 2001 and 2000 F-18 (14) Stock-Based Compensation, Continued

Weighted Average	Employee	Non-employee	Exercise Price	Options Price
Options Outstanding, December 31, 1999	424,500	84,333	0.63	
Options granted: Employees	128,000	0.18		
Non-employees	60,000	0.16		
Options expired	- - -			
Options exercised	- - -			
Options Outstanding, December 31, 2000	552,500	144,333	0.50	
Options granted: Employees	160,000	0.20		
Non-employees	- - -			
Options expired	- - -			
Options exercised	- - -			
Options Outstanding, December 31, 2001	712,500	144,333	0.45	

At December 31, 2001, outstanding options vest as follows: Weighted Range of Exercise Prices Average ----- Number of Exercise Vested at December 31, High Low Shares Price -----

Year	Weighted	Range of Exercise Prices	Average	Number of Exercise Vested
2000 and earlier	0.81	0.16	523,833	\$ 0.61
2001	0.53	0.16	68,000	\$ 0.20
2002	0.81	0.20	120,000	\$ 0.18
2003	0.81	0.20	95,000	\$ 0.18
2004	0.81	0.20	50,000	\$ 0.20
			856,833	

F-19 RENAISSANCE ENTERTAINMENT CORPORATION NOTES TO FINANCIAL STATEMENTS December 31, 2001 and 2000 (14) Stock-Based Compensation, Continued If not previously exercised or canceled, options outstanding at December 31, 2000 will expire as follows: Weighted Range of Exercise Prices Average ----- Exercise Year Ending December 31, High Low Shares Price -----

Year	Weighted	Range of Exercise Prices	Average	Exercise Year Ending
2003	0.81	0.31	153,833	0.70
2004	0.53	0.53	275,000	0.53
2005	0.81	0.16	268,000	0.37
2006	0.20	0.20	160,000	0.20
			856,833	0.45

Pro Forma Stock-Based Compensation Disclosures The Company applies APB Opinion 25 and related interpretations in accounting for its stock options and warrants which are granted to employees. Accordingly, no compensation cost has been recognized for grants of options to employees since the exercise prices were equal to the fair value of the Company's common stock on the grant dates. Had compensation cost been determined based on an estimate of the fair value consistent with the method of SFAS No. 123 at the grant dates for awards under those plans, the Company's net loss and loss per share would have been increased to the pro forma amounts indicated below. Year Ended December 31, ----- 2001 2000 -----

Year	Net income (loss) applicable to common stockholders	As reported	Pro forma
2001	\$ (533,258)	\$ 136,973	Pro forma (555,240)
2000	\$ 136,973	Pro forma (.25)	Pro forma (.26)

F-20 RENAISSANCE ENTERTAINMENT CORPORATION NOTES TO FINANCIAL STATEMENTS December 31, 2001 and 2000 (14) Stock-Based Compensation, Continued Options granted during 2001 consist of: Weighted Weighted average average fair value at exercise Year and Type grant date price -----

Year ending	December 31, 2000: Exercise price equals fair value:	0.14	0.16	Exercise price exceeds fair value:	0.29	0.53
Year ending December 31, 2001:	Exercise price equals fair value:	0.18	0.2	The fair value of each option was computed using the Black-Scholes method using the following weighted-average assumptions: Expected Volatility: 180% Risk-free interest rate: 6.08% Expected		

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Dividends: - Expected Term in Years: 3 (15) Contingency The Company's lease for its Northern California Faire expired in 2001 and has not been renewed. The Company has not been able to obtain a new lease for this site. The Company's lease for its New York Faire will expire in 2002. To date no leases have been obtained to extend operations at this site beyond 2002. Management is pursuing leases in each location. F-21