



VCG HOLDING CORP. ANNOUNCES 2009 THIRD QUARTER FINANCIAL RESULTS

Q3 2009 Financial Results Overview

- Revenues of \$13.9 million
 - Same stores sales increased for 6 clubs by 1.4% to 9.2% compared to the same period in 2008
- Operating income of \$2.0 million
- Net income of \$0.6 million, or \$0.04 per share
- EBITDA of \$2.1 million
- Free cash flow of \$1.2 million

First Nine Months 2009 Financial Results Overview

- Revenues of \$41.6 million
- Operating income of \$6.4 million
- Net income of \$2.0 million, or \$0.12 per share
- EBITDA of \$7.3 million
- Free cash flow of \$3.8 million

Denver, CO. – November 12, 2009 -- VCG Holding Corp. (NASDAQ: VCGH), a growing and leading consolidator and operator of adult nightclubs, today announced financial results for the third quarter ended September 30, 2009 (see attached tables).

Troy Lowrie, Chairman and Chief Executive Officer, stated, “We achieved solid operating results for the third quarter and first nine months of 2009. Despite a challenging economic environment, we generated nearly \$14.0 million in revenues for the third quarter. The elasticity of our tiered venue model -- where a decline in revenues caused by fewer patrons at our high-amenity A clubs is offset by the increased margins generated at our more affordable B and C venues – in combination with improved cost efficiencies throughout the Company has allowed us to remain profitable, produce EBITDA margins of 17.1%, and generate free cash flow of \$3.8 million for the first nine months of 2009.”

Third Quarter Financial Results

Total revenue for third quarter of 2009 declined to \$13.9 million from \$15.2 million in the third quarter of 2008. The decline in revenue was due to lower sales of alcohol, food and merchandise, and service revenue, which includes wristband sales, suite rentals, tab and tip fees, and dance dollar and boutique programs.

Cost of goods sold (the cost of alcohol, food and merchandise) decreased by approximately 18.4% or \$0.3 million compared to the third quarter of 2008. This decrease was larger than the corresponding revenue decrease for the quarter, indicating stronger gross profit margins which reflect the benefits of the Company’s tiered venue operating model, where the Company’s “C” clubs have a lower cost of sales percentage and higher gross profit compared to clubs that serve alcohol.

Total operating expenses increased 4.0% to \$11.8 million from \$11.4 million in the third quarter of 2008. The increase in total operating expenses was mostly due to higher taxes and permit fees, increased rent, insurance, and other professional fees. This increase was offset by decreases in cost of goods sold, charge card and bank fees, legal fees, advertising and marketing, utilities, repair and maintenance, and other expenses, including janitorial, supplies and automotive expenses.

Operating income in the 2009 third quarter was \$2.0 million, down from \$3.8 million in the same period last year.

Net income for the third quarter of 2009 was \$632,227, or \$0.04 per diluted share, as compared to net income of \$1.8 million, or \$0.10 per diluted share, in the third quarter of 2008.

EBITDA for the third quarter of 2009 was \$2.1 million as compared to \$4.1 million for third quarter of 2008.

First Nine Months Financial Results

Total revenue for the nine months ended September 30, 2009 declined to \$41.6 million compared to \$43.2 million for the same period in 2008 due to lower sales of alcohol, food and merchandise, which was offset by an increase in service revenues.

Cost of goods sold (the cost of alcohol, food and merchandise) declined by approximately 16.6% or \$0.9 million compared to the same period last year, due primarily to tighter inventory controls and the benefits of the Company's tiered venue operating model.

Total operating expenses increased 7.1% to \$35.2 million in the first nine months of 2009 from \$32.9 million in the same period last year. The increase in total operating expenses was mostly due to an additional building impairment charge of \$268,000 related to the sale of the Arizona property, as well as higher taxes and permit fees, increased rent, higher legal fees, other professional fees, repairs and maintenance, and a \$422,552 increase in other expenses, including janitorial, supplies and automotive expenses. These increases were offset by a decline in cost of goods sold, charge card and bank fees, advertising and marketing, and utilities.

Operating income for the first nine months of 2009 was \$6.4 million, down from \$10.3 million in the same period last year.

Net income for the first nine months of 2009 was \$2.0 million, or \$0.12 per diluted share, as compared to net income of \$4.8 million, or \$0.26 per diluted share for the first nine months of 2008.

EBITDA for the first nine months of 2009 was \$7.3 million as compared to \$10.9 million for the same period in 2008.

SHARE REPURCHASE

For the period July 1, 2009 through September 30, 2009, VCGH repurchased a total of 148,975 shares of common stock for an aggregate purchase price of \$329,162. For the first nine months of 2009, VCGH has purchased a total of 399,501 shares of common stock for an aggregate purchase price of \$777,096.

CONFERENCE CALL

Troy Lowrie, Chairman and Chief Executive Officer, and Courtney Cowgill, Chief Financial Officer, will host a conference call today at 11:00 am Eastern Time / 9:00 am Mountain Time, to discuss these results. To participate in the conference call, please dial (877) 545-1403 (domestic) or (719) 325-4880 (international) approximately 10 minutes before the call is scheduled to begin. A replay will be available from 2:00 p.m. Eastern Time November 12, 2009 until midnight November 15, 2009. To hear the teleconference replay dial (888) 203-1112 (domestic) or (719) 457-0820 (international). The pass code for the replay is 8373418. The conference call will also be broadcast live over the Internet. To listen to the call via the Internet and to view a copy of the Company's presentation that will be referenced during the call, please visit the Company's website at <http://www.vcgh.com> under the heading "Investor Relations", then "Events & Presentations" and follow the instructions at the web cast link. The archived web cast will be available shortly after the call on the Company's website.

ABOUT VCG HOLDING CORP.

VCG Holding Corp. is an owner, operator, and consolidator of adult nightclubs throughout the United States. The Company currently owns 20 adult nightclubs. The nightclubs are located in Anaheim, Indianapolis, St. Louis, Denver, Colorado Springs, Ft. Worth, Dallas, Raleigh, Minneapolis, Louisville, Miami, and Portland, ME.

FORWARD LOOKING STATEMENT

Certain statements in this release are forward-looking statements within the meaning of the Securities Litigation Reform Act of 1995. Such statements are based on current expectations, estimates and projections about the Company's business based, in part, on assumptions made by management. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements due to numerous factors identified from time to time in the Company's reports with the Securities and Exchange Commission, including our Annual Report on Form 10-K for the year ended December 31, 2008 and Form 10-Q which is expected to be filed on or about November 12, 2009. All forward-looking statements attributable to us or any persons acting on our behalf are expressly qualified in their entirety by these cautionary statements. All guidance and forward-looking statements in this press release are made as of the date hereof and we do not undertake any obligation to update any forecast or forward-looking statements, except as may be required by law.

VCG Holding Corp.

Troy Lowrie
Chief Executive Officer
(303) 934-2424
tlowrie@vcgh.com

Courtney Cowgill
Chief Financial Officer
(303) 934-2424
ccowgill@vcgh.com

The Equity Group Inc.

Devin Sullivan
Senior Vice President
(212) 836-9608
dsullivan@equityny.com

Gerrard Lobo
Senior Account Executive
(212) 836-9610
globo@equityny.com

VCG HOLDING CORP.
CONDENSED CONSOLIDATED BALANCE SHEETS

| | (unaudited) | (audited) |
|---|----------------------|---------------------|
| | September 30, | December 31, |
| | 2009 | 2008 |
| | | |
| Assets | | |
| Current Assets | | |
| Cash | \$ 2,296,122 | \$ 2,209,060 |
| Assets held for sale | - | 106,900 |
| Other receivables | 134,411 | 25,473 |
| Income taxes receivable | 240,260 | 276,267 |
| Inventories | 909,343 | 949,088 |
| Prepaid expenses | 597,809 | 282,485 |
| Current portion of deferred income tax asset | 171,000 | 171,000 |
| Total Current Assets | 4,348,945 | 4,020,273 |
| Property and equipment, net | 22,521,094 | 25,738,388 |
| Non-current portion of deferred income tax asset | 3,150,795 | 4,068,593 |
| Non-compete agreements, net | 28,157 | 40,933 |
| Trade names | 619,000 | 619,000 |
| Licenses | 36,413,189 | 36,413,189 |
| Goodwill | 2,327,098 | 2,453,122 |
| Favorable lease rights, net | 1,650,752 | 1,705,364 |
| Other long-term assets | 490,058 | 567,181 |
| Total Assets | \$ 71,549,088 | \$ 75,626,043 |
| Liabilities and Equity | | |
| Current Liabilities | | |
| Accounts payable — trade | \$ 850,967 | \$ 847,493 |
| Accrued expenses | 1,976,258 | 2,257,116 |
| Deferred revenue | 108,248 | 109,455 |
| Current portion of unfavorable lease liabilities | 278,155 | 278,155 |
| Current portion of capitalized lease | - | 10,000 |
| Current portion of long-term debt | 1,030,221 | 2,602,000 |
| Current portion of long-term debt, related party | 38,609 | 1,024,000 |
| Total Current Liabilities | 4,282,458 | 7,128,219 |
| Long-term Liabilities | | |
| Deferred rent | 1,392,143 | 845,136 |
| Unfavorable lease liabilities, net of current portion | 6,223,426 | 6,425,626 |
| Capital lease, net of current portion | - | 9,111 |
| Long-term debt, net of current portion | 22,579,448 | 25,747,631 |
| Long-term debt, related party, net of current portion | 7,166,360 | 7,083,578 |
| Total Long-term Liabilities | 37,361,377 | 40,111,082 |
| Commitments and Contingent Liabilities (Note 8) | | |
| Equity | | |
| Common stock \$.0001 par value; 50,000,000 shares authorized; 17,355,877 (2009) and 17,755,378 (2008) shares issued and outstanding | 1,735 | 1,775 |
| Additional paid-in capital | 52,013,354 | 52,557,047 |
| Accumulated deficit | (25,684,871) | (27,732,554) |
| Total VCG Stockholders' Equity | 26,330,218 | 24,826,268 |
| Noncontrolling interests in consolidated partnerships | 3,575,035 | 3,560,474 |
| Total Equity | 29,905,253 | 28,386,742 |
| Total Liabilities and Equity | \$ 71,549,088 | \$ 75,626,043 |

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

VCG HOLDING CORP.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(unaudited)

| | Three Months Ended | | Nine Months Ended | |
|---|--------------------|---------------------|---------------------|---------------------|
| | September 30, | | | |
| | 2009 | 2008 | 2009 | 2008 |
| Revenue | | (Restated) | | (Restated) |
| Sales of alcoholic beverages | \$ 5,726,768 | \$ 6,713,551 | \$ 17,486,616 | \$ 19,837,895 |
| Sales of food and merchandise | 452,605 | 656,787 | 1,388,731 | 2,003,773 |
| Service revenue | 6,867,244 | 7,052,312 | 20,385,882 | 18,694,480 |
| Other income | 842,311 | 808,262 | 2,361,420 | 2,627,344 |
| Total Revenue | 13,888,928 | 15,230,912 | 41,622,649 | 43,163,492 |
| Operating Expenses | | | | |
| Cost of goods sold | 1,451,643 | 1,779,038 | 4,444,974 | 5,329,431 |
| Salaries and wages | 3,565,001 | 3,311,570 | 10,131,237 | 9,856,145 |
| Impairment of building and land | - | - | 268,000 | - |
| Other general and administrative | | | | |
| Taxes and permits | 1,189,729 | 589,680 | 2,809,524 | 1,698,022 |
| Charge card and bank fees | 192,022 | 223,337 | 599,957 | 633,635 |
| Rent | 1,463,873 | 1,261,946 | 4,387,737 | 3,639,504 |
| Legal fees | 190,584 | 305,421 | 876,437 | 733,569 |
| Other professional fees | 715,130 | 549,794 | 1,762,012 | 1,417,045 |
| Advertising and marketing | 691,306 | 712,630 | 2,083,551 | 2,264,482 |
| Insurance | 450,292 | 431,774 | 1,267,895 | 1,233,062 |
| Utilities | 285,064 | 325,164 | 804,313 | 839,214 |
| Repairs and maintenance | 248,800 | 289,726 | 839,297 | 752,774 |
| Other | 980,430 | 1,155,475 | 3,645,354 | 3,222,802 |
| Depreciation and amortization | 423,737 | 452,311 | 1,283,279 | 1,236,400 |
| Total Operating Expenses | 11,847,611 | 11,387,866 | 35,203,567 | 32,856,085 |
| Income from Operations | 2,041,317 | 3,843,046 | 6,419,082 | 10,307,407 |
| Other Income (expenses) | | | | |
| Interest expense | (837,963) | (1,000,331) | (2,681,766) | (2,613,963) |
| Interest income | 4,500 | 15,416 | 4,572 | 19,952 |
| Gain (loss) on sale of assets | (68,784) | 4,500 | (57,363) | (133,426) |
| Total Other Income (expenses) | (902,247) | (980,415) | (2,734,557) | (2,727,437) |
| Income Before Income Taxes | 1,139,070 | 2,862,631 | 3,684,525 | 7,579,970 |
| Income tax expense — current | (86,289) | 506,865 | 86,954 | 1,452,090 |
| Income tax expense — deferred | 430,289 | 400,899 | 1,155,046 | 992,636 |
| Total Income Taxes | 344,000 | 907,764 | 1,242,000 | 2,444,726 |
| Net Income | 795,070 | 1,954,867 | 2,442,525 | 5,135,244 |
| Net Income Attributable to Noncontrolling Interests | | | | |
| | (162,843) | (132,239) | (394,842) | (361,243) |
| Net Income Attributable to VCG | \$ 632,227 | \$ 1,822,628 | \$ 2,047,683 | \$ 4,774,001 |
| Earnings Per Share | | | | |
| Basic income per share attributable to VCG's stockholders | \$ 0.04 | \$ 0.10 | \$ 0.12 | \$ 0.27 |
| Fully diluted income per share attributable to VCG's stockholders | \$ 0.04 | \$ 0.10 | \$ 0.12 | \$ 0.26 |
| Basic weighted average shares outstanding | 17,440,835 | 18,025,248 | 17,552,034 | 17,948,802 |
| Fully diluted weighted average shares outstanding | 17,440,835 | 18,078,796 | 17,552,034 | 18,195,124 |

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

VCG HOLDING CORP.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

| | For the Nine Months Ended | |
|---|----------------------------------|---------------------|
| | September 30, | |
| | 2009 | 2008 |
| | | (Restated) |
| Operating Activities | | |
| Net income | \$ 2,047,683 | \$ 4,774,001 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Impairment of buiding and land | 268,000 | - |
| Depreciation | 1,270,503 | 1,223,746 |
| Amortization of non-compete agreements | 12,776 | 12,654 |
| Amortization of leasehold rights and liabilities, net | (147,588) | (145,000) |
| Amortization of loan fees | 174,524 | 226,000 |
| Stock-based compensation expense | 233,364 | 665,249 |
| Deferred income taxes | 1,026,470 | 992,636 |
| Noncontrolling interests | 394,842 | 361,243 |
| (Gain) Loss on disposition of assets | 57,364 | 133,426 |
| Accrued interest added to long-term debt | 132,230 | - |
| Changes in operating assets and liabilities | (39,351) | 1,205,936 |
| Net cash provided by operating activities | <u>5,430,817</u> | <u>9,449,891</u> |
| Investing Activities | | |
| Acquisitions of businesses, net of cash acquired | - | (10,721,159) |
| Additions to property and equipment | (602,111) | (1,268,549) |
| Deposits | - | (163,885) |
| Proceeds from sale of assets | 252,973 | 237,811 |
| Net cash used by investing activities | <u>(349,138)</u> | <u>(11,915,782)</u> |
| Financing Activities | | |
| Proceeds from debt | 1,185,246 | 8,746,815 |
| Payments on debt | (4,534,649) | (3,913,240) |
| Payments on revolving line of credit, net of borrowing | (390,000) | (2,400,000) |
| Loan fees paid | (78,725) | (223,954) |
| Payment on capitalized leases | (19,111) | (6,906) |
| Proceeds from stock issuances | - | 459,251 |
| Repurchase of stock | (777,097) | - |
| Distributions to noncontrolling interests | (380,281) | (377,357) |
| Net cash provided by (used by) financing activities | <u>(4,994,617)</u> | <u>2,284,609</u> |
| Net increase (decrease) in cash | <u>87,062</u> | <u>(181,282)</u> |
| Cash, beginning of period | <u>2,209,060</u> | <u>2,980,007</u> |
| Cash, end of period | <u>\$ 2,296,122</u> | <u>\$ 2,798,725</u> |
| Supplemental cash flow information: | | |
| Income taxes paid in cash | \$ 181,392 | \$ 822,307 |
| Interest paid in cash | \$ 2,400,414 | \$ 2,267,597 |
| Non-cash acquisition activities: | | |
| Liabilities of assumed in acquisitions | | |
| Issuance of notes payable for acquisitions | \$ - | \$ (5,793,027) |
| Liabilities of assumed in acquisitions | \$ - | \$ (2,095,105) |
| Non-cash divestiture activities: | | |
| Fair value of liabilities transferred to buyer | \$ 1,771,854 | \$ - |
| Issuance of note receivable to buyer | \$ 322,963 | \$ - |

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

**EBITDA Reconciliation
(unaudited)**

| | Three Months Ended | | Nine Months Ended | |
|---|--------------------|--------------------|-------------------|--------------------|
| | September 30, | | | |
| | 2009 | 2008 (Restated) | 2009 | 2008 (Restated) |
| Net Income | \$ 632,227 | \$ 1,822,628 | \$ 2,047,683 | \$ 4,774,001 |
| Add back: | | | | |
| Depreciation | 419,478 | 446,352 | 1,270,503 | 1,223,746 |
| Amortization of non-compete agreements | 4,259 | 5,959 | 12,776 | 12,654 |
| Amortization of leasehold rights and liabilities, net | (48,606) | (45,929) | (147,588) | (145,000) |
| Amortization of loan fees | 52,620 | 79,071 | 174,523 | 226,000 |
| Interest expense | 785,343 | 921,260 | 2,507,243 | 2,387,963 |
| Total income tax expense | 344,000 | 907,764 | 1,242,000 | 2,444,726 |
| EBITDA before non-cash impairment charges | \$ 2,189,321 | \$ 4,137,105 | \$ 7,107,140 | \$ 10,924,090 |
| Add back: | | | | |
| Total non-cash impairment charges | \$ - | \$ - | \$ 268,000 | \$ - |
| EBITDA excluding non-cash impairment charges | \$ 2,189,321 | \$ 4,137,105 | \$ 7,375,140 | \$ 10,924,090 |
| | | | | |
| Total revenue | \$ 13,888,928 | \$ 15,230,912 | \$ 41,622,649 | \$ 43,163,492 |
| EBITDA as a percentage of revenue | 15.8% | 27.2% | 17.1% | 25.3% |

**VCG Holding Corp.
Calculation of Free Cash Flow
(unaudited)**

| | Three Months Ended | | Nine Months Ended | |
|---------------------------|--------------------|--------------------|-------------------|--------------------|
| | September 30, | | | |
| | 2009 | 2008 (Restated) | 2009 | 2008 (Restated) |
| EBITDA | \$ 2,189,321 | \$ 4,137,105 | \$ 7,375,140 | \$ 10,924,090 |
| Less: | | | | |
| Interest Expense | 785,343 | 921,260 | 2,507,243 | 2,387,963 |
| Non-controlling interests | 162,843 | 132,239 | 394,842 | 361,243 |
| Current income tax | (86,289) | 506,865 | 86,954 | 1,452,090 |
| Capital expenditures | 121,941 | 58,703 | 602,111 | 1,268,549 |
| Free Cash Flow | \$ 1,205,483 | \$ 2,518,038 | \$ 3,783,990 | \$ 5,454,245 |