

14-May-2009

Quarterly Report

ITEM 2

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

Overview

Scores Holding Company, Inc. ("Scores," the "Company," "we," "us" or "our") was incorporated in Utah on September 21, 1981 under the name Adonis Energy, Inc. Since 2003, we have been in the business of licensing the "Scores" trademarks and other intellectual property to fine gentlemen's nightclubs with adult entertainment in the United States. There are three such clubs currently operating under the Scores name, in Baltimore, Chicago, and New Orleans.

On January 27, 2009, Entertainment Management Services, Inc. ("EMS"), an entity owned by two of our former directors and employees, transferred to us of all the Scores licensing and royalty rights originally granted to EMS in 2003. As a result of this transfer, our intellectual property is now licensed directly by us and we are now entitled to 100% of the royalty payments made by our licensed clubs rather than the 50% we were entitled to under the agreement with EMS.

Additionally on January 27, 2009, Mitchell's East LLC, wholly owned by Robert M. Gans, acquired a majority interest in our outstanding capital stock. Mr. Gans is the owner of I.M. Operating LLC ("IMO"). IMO has signed a licensing agreement with us and plans to open a new club in New York, New York under the Scores name, which it anticipates will commence operations during the second quarter 2009.

Results of Operations

Three Months Ended March 31, 2009 ("the 2009 period") Compared to Three Months Ended March 31, 2008 ("the 2008 period").

Revenues:

Royalty revenues decreased thirty two percent (32%) to \$59,783 for the 2009 period from \$88,377 for the 2008 period. Revenues from the Las Vegas club declined one hundred percent (100%) to \$0 for the 2009 period from \$54,000 for the 2008 period. This decline was due to the sale of the Las Vegas club and the resultant termination of its Scores license in August of 2008. On the other hand, revenues from our license with the Chicago nightclub increased thirty seven percent (37%) to \$17,783 from \$12,942, from the Baltimore club, one hundred three percent (103%) to \$27,000 from \$13,302 and from the New Orleans club, one hundred percent (100%) to \$12,000 from \$6,000 for the 2009 and 2008 periods respectively. These increases were the direct result of our purchase of the MLA from EMS in January 2009 and our retention of one hundred percent (100%) of the royalties generated by the clubs formerly sublicensed through EMS. During the 2008 period, fifty percent (50%) of the royalties generated by these clubs was retained by EMS under our

agreement with EMS. All of the, clubs Chicago, Baltimore and New Orleans experienced declines in revenues during the 2009 period due to the present unstable economic conditions.

1. As more fully described in our annual report on Form 10-K filed with the Securities and Exchange Commission on April 15, 2009.

General and Administrative Expenses:

General and administrative expenses increased during the 2009 period to \$92,566 from \$65,804 during the 2008 period. This increase of \$27,000 represents a 2009 first quarter increase in non-operating expenses related to amortization of \$13,000 and prior year sales taxes on capital improvements of \$19,000 and reductions in legal expense of approximately \$6,000.

Bad Debt Expense

As of December 31, 2008, Scores East and Scores West owed us (indirectly, through EMS) \$615,476 and \$184,768, respectively, in accrued and unpaid royalties. We have decided to write off these amounts based on the NYSLA's revocation of the Scores West liquor license and the subsequent permanent closing of that club and the related Scores East surrender of its liquor license and the permanent closing of that club. Additionally, in connection with Go West's construction of the Scores West club, we loaned Go West \$1,636,264 in exchange for a promissory note from Go West (the "Note"). The Note has not been repaid and, as of December 31, 2008, \$1,867,310 (including accrued interest) remained due under the Note. As of December 31, 2006, we reserved \$1,636,264, the principal amount of the Note, as a bad debt expense. As of the 2007 period, we began forgoing interest on the Note.

Any cash received from the owners of our formerly affiliated clubs (Scores East and Scores West) has been applied as a reversal of the bad debt expense when received. In 2008, we reversed bad debt expense in the amount of \$35,928 for cash collected from Scores West and \$614,788 for cash collected from Scores East. This later amount included \$14,788 in cash and \$600,000 deemed paid to EMS (owner of Scores East) in consideration of our repurchase from EMS of all Licensing Rights and Royalty Rights under the MLA.

Provision for Income Taxes:

The provision for state income taxes relates primarily to the greater of average assets and capital taxable income. The average assets and capital are not impacted by net operating losses.

Net Income (Loss):

Our net (loss) was \$(26,783) or \$(0.00) per share for the 2009 period compared to a net income of \$24,801 or \$0.00 per share for the 2008 period. This decrease for the 2009 period was a result of a decrease in our revenues due to the sale of the Las Vegas club in May 2008. We experienced significant increases in our non-operating costs of approximately \$27,000 in the 2009 period from the 2008 period. Amortization expense increased \$13,000 and sales and use taxes on prior years capitalized improvements increased \$19,000.

Net income (loss) per share data for both the 2009 period and the 2008 period is based on net income available to common shareholders divided by the weighted average of the number of common shares outstanding.

Liquidity and Capital Resources**Cash:**

At March 31, 2009, we had \$10,286 in cash and cash equivalents compared to \$173 in cash and cash equivalents at December 31, 2008.

Contractual Commitments:

On February 28, 2007, our then President, Chief Executive Officer and Director, Richard Goldring resigned from each of those positions, and terminated his employment with us under an employment agreement, dated April 16, 2003. The terms of such agreement provided that if Mr. Goldring terminated his employment without cause (which he did), we would become obligated to pay him \$1 million. Given our lack of available cash to make such payment, we are currently in negotiations with Mr. Goldring regarding the terms of our payment obligation to him.

Operating Activities:

Net cash provided by operating activities for the three months ended March 31, 2009 and March 31, 2008 was \$37,095 and \$8,000, respectively. The increase in cash reflects the \$50,000 advance payment during the 2009 period for royalties from our New York sub licensee which helped extinguish a significant portion of our outstanding debt. Royalty receivable increased \$20,000 during the 2009 from the 2008 period. Overall revenue declined in the 2009 period from the 2008 period This may have been due to the loss of our main sublicensee in Las Vegas who accounted for approximately fifty nine percent (61%) of our royalty revenue in 2008.

Financing Activities:

During the 2009 period our bank overdraft decreased by \$21,000 due to the \$50,000 advance payment received from our New York sublicensee. During the 2009 period, we were debt in the amount of \$6,000 was forgiven from our former related parties. This forgiveness was the result of our purchase of the Master License Agreement from EMS as discussed in Note 3. Related Party.

Future Capital Requirements:

We have incurred losses since the inception of our business. Since our inception, we have been dependent on acquisitions and funding from private lenders and investors to conduct operations. As of March 31, 2009 we had an accumulated deficit of \$(5,998,544), with total current assets of \$65,642 and total current liabilities of \$206,439, or negative working capital of \$(140,797). As of December 31, 2008, we had total current assets of \$14,018 and total current liabilities of \$155,808 or negative working capital of \$(141,790). The increase in our working capital was primarily attributable to the increase in our cash and accounts receivable, which exceeded our borrowings and payables during the 2009 period.

We will continue to evaluate possible acquisitions of or investments in businesses, products and technologies that are complimentary to ours. These may require the use of cash, which would require us to seek financing. We may sell equity or debt securities or seek credit facilities to fund acquisition-related or other business costs. Sales of equity or convertible debt securities would result in additional dilution to our stockholders. We may also need to raise additional funds in order to support more rapid expansion, develop new or enhanced services or products, respond to competitive pressures, or take advantage of unanticipated opportunities. Our future liquidity and capital requirements will depend upon numerous factors, including the success of our adult entertainment trademark licensing business.