

RCG COMPANIES INC
Form 8-K
December 15, 2004

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 8-K

**CURRENT REPORT
Pursuant to Section 13 OR 15(d) of
The Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported) December 9, 2004

**RCG COMPANIES INCORPORATED
(Exact name of registrant as specified in its charter)**

| | | |
|--|--|---|
| Delaware (State or other jurisdiction of incorporation) | 1-8662 (Commission File Number) | 23-2265039 (IRS Employer Identification No.) |
|--|--|---|

| | |
|---|----------------------------|
| 6836 Morrison Blvd., Ste. 200, Charlotte, North Carolina (Address of principal executive offices) | 28211 (Zip Code) |
|---|----------------------------|

(704) 366-5054
(Registrant's telephone number, including area code)

Not Applicable
(Former name or former address, if changed since last report)

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)

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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 1.01 Entry into Material Definitive Agreement

Disclosure information required for Item 1.01 is contained in Item 2.01 below which is incorporated by reference.

Item 2.01 Completion of Acquisition or Disposition of Assets

On December 10, 2004, RCG Companies Incorporated s (RCG) subsidiary FSTours, Inc., d/b/a Vacation Express, (Company or FSTours) completed a transaction pursuant to an Asset Purchase Agreement by and between Company and Vacation Acquisition, LLC (Purchaser), dated December 9, 2004. Under the terms and conditions of the Asset Purchase Agreement, the Company sold to Purchaser substantially all of the assets of FSTours and the Purchaser agreed to assume \$8,000,000 in liabilities, consisting principally of trade payables and certain other liabilities and obligations arising under contracts and other agreed matters. Under the terms of the Agreement, RCG has agreed to guaranty the payment and performance obligations of the Company. The terms of this transaction are more fully set forth in the Asset Purchase Agreement, a copy of which is attached to this filing.

RCG issued a press release describing the transaction, a copy of which is attached to this filing.

Item 9.01. Financial Statements and Exhibits

- (b) Unaudited pro forma financial information of RCG reflecting the sale of FSTours business.

The unaudited pro forma consolidated financial information gives effect to the sale of the FSTours business as if the disposition had occurred for the consolidated balance sheet on September 30, 2004, and for the consolidated statement of operations on July 1 of each period presented.

The pro forma adjustments are based on presently available information. The unaudited pro forma information has been included as required by the Securities and Exchange Commission and is not necessarily indicative of the results that would have been reported had the disposition actually occurred on the dates specified, nor is it indicative of the results that may be obtained in the future.

RCG Companies Incorporated and Subsidiaries
PRO FORMA CONSOLIDATED BALANCE SHEET
AT SEPTEMBER 30, 2004
(In thousands, except share data)
(Unaudited)

| | RCG Historical | Pro Forma Adjustments | | RCG Pro Forma |
|---|-------------------|-----------------------|----------------------|------------------|
| | | Sale of FSTours | Other Adjustments | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 2,640 | | | \$ 2,640 |
| Restricted cash | 19,210 | \$ (8,857) | | 10,353 |
| Accounts receivable, net of allowance of doubtful accounts of \$328 and \$332, respectively | 3,679 | (603) | | 3,076 |
| Due from affiliates | 6 | | | 6 |
| Inventory | 73 | | | 73 |
| Investments | 322 | | | 322 |
| Prepaid expenses | 3,371 | (1,290) | | 2,081 |
| Total current assets | 29,301 | (10,750) | | 18,551 |
| Property and equipment, net | 1,751 | (659) | | 1,092 |
| Deferred costs and other assets | 459 | (2) | | 457 |
| Goodwill and other intangible assets | 24,394 | (5,245) | | 19,149 |
| Total assets | \$ 55,905 | \$ (16,656) | (A) | \$ 39,249 |
| LIABILITIES AND SHAREHOLDERS EQUITY | | | | |
| Notes payable and other obligations-current portion | \$ 2,148 | | | \$ 2,148 |
| Accounts payable and accrued expenses | 21,857 | \$ (8,382) | (B)(C) | 13,475 |
| Unearned income | 20,914 | (9,446) | (D) | 11,468 |
| Total current liabilities | 44,919 | (17,828) | | 27,091 |
| Warrant obligations | 2,802 | | | 2,802 |
| Notes payable and other obligations | 7,279 | | | 7,279 |
| Total liabilities | 55,000 | (17,828) | | 37,172 |
| Commitments and Contingencies | | | | |
| Shareholders equity: | | | | |
| Preferred stock, \$.01 par value, 10,000,000 shares authorized, 4,300 and -0- issued, respectively | - | | | - |
| Common stock, \$.04 par value, 200,000,000 shares authorized, 21,301,504 and 21,289,004 issued, 21,170,290 and 21,157,790 outstanding, respectively | 850 | | | 850 |
| Additional paid-in capital | 123,832 | | | 123,832 |
| Accumulated deficit | (122,869) | 1,172 | | (121,697) |

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| | | | |
|--|--------|-------------|-----------|
| Accumulated other comprehensive loss | (276) | | (276) |
| Treasury stock at cost (131,214 shares) | (632) | | (632) |
| Total shareholders equity | 905 | 1,172 | 2,077 |
| Total liabilities and shareholders equity \$ | 55,905 | \$ (16,656) | \$ 39,249 |

RCG Companies Incorporated and Subsidiaries
PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2004

(In thousands, except share data)

(Unaudited)

| | RCG Historical | Pro Forma Adjustments Sale of FSTours | Other Adjustments | RCG Pro Forma |
|---|-------------------|---|----------------------|-------------------|
| Revenue: | | | | |
| Services | \$ 52,283 | \$ (25,906) | | \$ 26,377 |
| Product sales | 4,517 | | | 4,517 |
| Total revenue | 56,800 | (25,906) | | 30,894 |
| Cost of revenue: | | | | |
| Services | 53,484 | (27,409) | | 26,075 |
| Product sales | 4,016 | | | 4,016 |
| Total cost of revenue | 57,500 | (27,409) | | 30,091 |
| Gross (loss) profit | (700) | (1,503) | | 803 |
| Selling, general and administrative expenses | | | | |
| Selling, general and administrative expenses | 6,791 | (2,173) | | 4,618 |
| Depreciation and amortization | 213 | (80) | | 133 |
| Operating costs and expenses | 7,004 | (2,253) | | 4,751 |
| Operating loss | (7,704) | (3,756) | | (3,948) |
| Interest expense, net | 278 | (133) | | 145 |
| Gain on investments, net | - | | | - |
| Other income | (250) | - | | (250) |
| Net loss | \$ (7,732) | \$ (3,889) | | \$ (3,843) |
| Basic and diluted net loss per share: | | | | |
| Net loss | \$ (0.37) | | | \$ (0.18) |
| Weighted average shares outstanding | 21,166,198 | | | 21,166,198 |

RCG Companies Incorporated and Subsidiaries
PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2004

(In thousands, except share data)

(Unaudited)

| | RCG Historical | Pro Forma Adjustments Sale of FSTours | Other Adjustments | RCG Pro Forma |
|---|--------------------|---|----------------------|-------------------|
| Revenue: | | | | |
| Services | \$ 165,765 | \$ (72,873) | | \$ 92,892 |
| Product sales | 15,042 | | | 15,042 |
| Total revenue | 180,807 | (72,873) | | 107,934 |
| Cost of revenue: | | | | |
| Services | 154,812 | (72,812) | | 82,000 |
| Product sales | 13,244 | | | 13,244 |
| Total cost of revenue | 168,056 | (72,812) | | 95,244 |
| Gross (loss) profit | 12,751 | (61) | | 12,690 |
| Selling, general and administrative expenses | | | | |
| | 18,637 | (4,888) | | 13,749 |
| Depreciation and amortization | 810 | (197) | | 613 |
| Goodwill impairment | 1,199 | | | 1,199 |
| Operating costs and expenses | 20,646 | (5,085) | | 15,561 |
| Operating loss | (7,895) | (5,024) | | (2,871) |
| Interest expense, net | 842 | (322) | | 520 |
| Gain on investments, net | (120) | | | (120) |
| Other income | (95) | (5) | | (100) |
| Loss from continuing operations | (8,522) | (5,351) | | (3,171) |
| Loss from discontinued operations, net | (3,591) | | | (3,591) |
| Net loss | \$ (12,113) | \$ (5,351) | | \$ (6,762) |
| Basic and diluted net loss per share: | | | | |
| Loss from continuing operations | \$ (0.51) | | | \$ (0.19) |
| Loss from discontinued operations | (0.21) | | | (0.21) |
| Net loss | \$ (0.72) | | | \$ (0.40) |
| Weighted average shares outstanding | 16,799,540 | | | 16,799,540 |

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.

Dated: December 14, 2004

RCG COMPANIES INCORPORATED

By: /s/ Michael Pruitt

Michael Pruitt

President