
Securities and Exchange Commission
Washington, D.C. 20549

FORM 8-K
AMENDMENT NUMBER 1

Current Report
Pursuant To Section 13 or 15(d) Of
The Securities Exchange Act of 1934

Date of Earliest Report Event: September 5, 2008

RICK'S CABARET INTERNATIONAL, INC.

(Exact Name of Registrant As Specified in Its Charter)

Texas
(State Or Other Jurisdiction of Incorporation)

0-26958
(Commission File Number)

76-0037324
(IRS Employer Identification No.)

10959 Cutten Road
Houston, Texas 77066
(Address Of Principal Executive Offices, Including Zip Code)

(281) 397-6730
(Registrant's Telephone Number, Including Area Code)

ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS

The financial statements and pro forma financial information contained in this Form 8-K Amendment Number 1 are in connection with our acquisition of the assets of D.I. Food and Beverage of Las Vegas, LLC, a Nevada corporation, on September 5, 2008, which we reported on Form 8-K dated September 8, 2008.

The financial statements and pro forma financial information required by Items 9.01(a) and 9.01(b) are attached hereto as Exhibits 99.1 and 99.2, respectively.

(c) Exhibits

<u>Exhibit Number</u>	<u>Description</u>
99.1	Financial Statements of D.I. Food and Beverage of Las Vegas, LLC
99.2	Unaudited Pro Forma Condensed Combined Financial Statements

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report on Form 8-K/A to be signed on its behalf by the undersigned hereunto duly authorized.

RICK'S CABARET INTERNATIONAL, INC.

/s/ Eric Langan

By: Eric Langan

Chairman, President, Chief Executive Officer

Date: November 18, 2008

D. I. FOOD AND BEVERAGE OF LAS VEGAS, LLC

FINANCIAL STATEMENTS

Year Ended December 31, 2007

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Members of
D. I. Food and Beverage of Las Vegas, LLC

We have audited the accompanying balance sheet of D. I. Food and Beverage of Las Vegas, LLC as of December 31, 2007, and the related statements of income, changes in members' equity, and cash flows for the year then ended. 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 audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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 D. I. Food and Beverage of Las Vegas, LLC as of December 31, 2007, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ Whitley Penn LLP
Dallas, Texas
November 18, 2008

D. I. FOOD AND BEVERAGE OF LAS VEGAS, LLC**BALANCE SHEET****DECEMBER 31, 2007****Assets**

Current assets:

Cash	\$ 1,299,691
Accounts receivable, trade	241,698
Inventories	215,078
Prepaid expenses	43,717
Total current assets	<u>1,800,184</u>

Property and equipment, net	<u>2,161,893</u>
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Total assets	<u><u>\$ 3,962,077</u></u>
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Liabilities and Members' Equity

Current liabilities:

Accounts payable and accrued liabilities	\$ 411,860
Note payable, related party	2,000,000
Current maturities of long-term debt	284,625
Total current liabilities	<u>2,696,485</u>

Long-term debt, less current maturities	<u>878,310</u>
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Total liabilities	<u>3,574,795</u>
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Commitments and contingencies

Members' equity	<u>387,282</u>
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Total liabilities and members' equity	<u><u>\$ 3,962,077</u></u>
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See accompanying notes to financial statements.

D. I. FOOD AND BEVERAGE OF LAS VEGAS, LLC

STATEMENT OF INCOME

YEAR ENDED DECEMBER 31, 2007

Revenues:	
Sales of alcoholic beverages	\$ 9,148,686
Service revenues	7,743,827
Other	<u>1,660,137</u>
	18,552,650
Operating expenses:	
Cost of goods sold	2,296,397
Transportation	5,867,950
Salaries and wages	2,784,916
Other general and administrative:	
Taxes and permits	680,468
Charge card fees	505,702
Rent	1,212,000
Advertising and marketing	736,364
Depreciation	465,421
Other	<u>2,356,408</u>
	16,905,626
Income from operations	1,647,024
Interest expense	<u>(288,006)</u>
Net income	<u>\$ 1,359,018</u>

See accompanying notes to financial statements.

D. I. FOOD AND BEVERAGE OF LAS VEGAS, LLC
STATEMENT OF CHANGES IN MEMBERS' EQUITY
YEAR ENDED DECEMBER 31, 2007

Balance at December 31, 2006	\$ 418,889
Member distributions	(1,390,625)
Net income	<u>1,359,018</u>
Balance at December 31, 2007	<u>\$ 387,282</u>

See accompanying notes to financial statements.

D. I. FOOD AND BEVERAGE OF LAS VEGAS, LLC**STATEMENT OF CASH FLOWS****YEAR ENDED DECEMBER 31, 2007****Operating Activities**

Net income	\$ 1,359,018
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	465,421
Changes in operating assets and liabilities:	
Accounts receivable	117,830
Inventories	(9,587)
Prepaid expenses	(90,848)
Accounts payable and accrued liabilities	169,935
Net cash provided by operating activities	<u>2,011,769</u>

Investing Activities

Purchases of property and equipment	(46,507)
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Financing Activities

Payments on debt	(259,386)
Stockholder distributions	(1,390,625)
Net cash used in financing activities	<u>(1,650,011)</u>

Net increase in cash	315,251
Cash at beginning of year	<u>984,440</u>
Cash at end of year	<u>\$ 1,299,691</u>

Supplemental Disclosures of Cash Flow Information

Cash paid during the year for interest	<u>\$ 292,996</u>
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See accompanying notes to financial statements.

D. I. FOOD AND BEVERAGE OF LAS VEGAS, LLC
Notes to Financial Statements
December 31, 2007

A. Nature of Business

D. I. Food and Beverage of Las Vegas, LLC (“the Company”), a Nevada limited liability company, was formed on September 1, 2004. The Company owns and operates a nightclub that offers live adult entertainment. The nightclub and corporate office are located in Las Vegas, Nevada.

B. Summary of Significant Accounting Policies

A summary of the Company’s significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Basis of Accounting

The accounts are maintained and the financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts in the financial statements and accompanying notes. Actual results could differ from these estimates and assumptions.

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. At December 31, 2007, the Company had no such investments. The Company maintains deposits primarily in two financial institutions, which may at times exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation (“FDIC”). At December 31, 2007, the uninsured portion of these deposits approximated \$797,000. The Company has not incurred any losses related to its cash on deposit with financial institutions.

Accounts Receivable

Accounts receivable, trade is comprised of credit card charges and ATM receivables, which are generally converted to cash in two to five days after a purchase is made. The Company recognizes allowances for doubtful accounts when, based on management judgment, circumstances indicate that accounts receivable will not be collected. There was no allowance for doubtful accounts as of December 31, 2007.

Inventories

Inventories include non-alcoholic beverages, bar supplies, and Company merchandise. Inventories are carried at the lower of average cost, which approximates actual cost determined on a first-in, first-out (“FIFO”) basis, or market.

D. I. FOOD AND BEVERAGE OF LAS VEGAS, LLC
Notes to Financial Statements
(Continued)

B. Summary of Significant Accounting Policies -- continued

Property and Equipment

Property and equipment is stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets for financial reporting purposes. Leasehold improvements are depreciated using the straight-line method over the shorter of the respective lease term or the estimated useful lives of the assets. Equipment, furniture and fixtures and leasehold improvements have estimated useful lives between five and seven years. Expenditures for major renewals and betterments that extend the useful lives are capitalized. Expenditures for normal maintenance and repairs are expensed as incurred. The cost of assets sold or abandoned and the related accumulated depreciation are eliminated from the accounts and any gains or losses are recognized in the accompanying statement of income of the respective period.

Revenue Recognition

The Company recognizes revenue from the sale of beverages, food and merchandise, and services at the point-of-sale upon receipt of cash, check, or credit card charge.

Advertising and Marketing

Advertising and marketing expenses are primarily comprised of costs related to public advertisements and giveaways, which are used for promotional purposes. Advertising and marketing expenses are expensed as incurred and are included in operating expenses in the accompanying statement of income.

Income Taxes

The Company is organized as a limited liability company for federal income tax purposes. As a result, income or losses are taxable or deductible to the member rather than at the Company level; accordingly, no provision for income taxes is made in the accompanying financial statements.

Fair Value of Financial Instruments

In accordance with the reporting requirements of Statement of Financial Accounting Standards ("SFAS") No. 107, *Disclosures About Fair Value of Financial Instruments*, the Company calculates the fair value of its assets and liabilities which qualify as financial instruments under this statement and includes this additional information in the notes to financial statements when the fair value is different than the carrying value of these financial instruments. The estimated fair value of accounts receivable, accounts payable and accrued liabilities approximate their carrying amounts due to the relatively short maturity of these instruments. The carrying value of the Company's notes payable also approximates fair value since these instruments bear market rates of interest. None of these instruments are held for trading purposes.

D. I. FOOD AND BEVERAGE OF LAS VEGAS, LLC
Notes to Financial Statements
(Continued)

C. Property and Equipment

Property and equipment consisted of the following:

	December 31, 2007
Leasehold improvements	\$ 421,612
Equipment, furniture and fixtures	2,680,274
	<u>3,101,886</u>
Less accumulated depreciation	939,993
	<u><u>\$ 2,161,893</u></u>

D. Notes Payable

Following is a summary of notes payable as of December 31, 2007:

Demand note payable to a member, interest payable monthly at 8%, modified annually based on the prime rate, collateralized by a personal guarantee by the other two members.	\$ 2,000,000
Note payable to a commercial bank, payable \$31,420 monthly, including interest at the prime rate plus 1% (8.25% at December 31, 2007), matures August 2009, guaranteed by the Company's members.	1,156,579
Other	<u>6,356</u>
	3,162,935
Less current maturities	<u>2,284,625</u>
Long-term debt	<u><u>\$ 878,310</u></u>

Future maturities of long-term debt consist of the following:

Year ended December 31:

2008	\$ 2,284,625
2009	878,310
	<u><u>\$ 3,162,935</u></u>

D. I. FOOD AND BEVERAGE OF LAS VEGAS, LLC
Notes to Financial Statements
(Continued)

E. Commitments and Contingencies

Leases

The Company leases a building and corporate office space under triple net operating leases, of which rent expense was approximately \$1,200,000 for the year ended December 31, 2007.

Future minimum annual lease obligations as of December 31, 2007, approximate the following:

Years ended December 31:

2008	\$ 1,200,000
2009	1,200,000
2010	1,200,000
Total future minimum lease obligations	<u>\$ 3,600,000</u>

Litigation

The Company can be subjected to certain routine legal matters in the ordinary course of business. The Company does not believe that the ultimate resolution of the matters will have a material impact on the Company's financial position or results of operations.

F. Subsequent Events

Effective September 5, 2008, the Company was acquired by Rick's Cabaret International, Inc., which operates live adult entertainment nightclubs. Rick's Cabaret International, Inc. is a publicly traded company.

RICK'S CABARET INTERNATIONAL, INC.
UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

The unaudited pro forma condensed combined financial statements have been prepared to give effect to Rick's Cabaret International, Inc.'s ("Rick's") acquisition of certain assets of D.I. Food and Beverage Las Vegas, LLC ("DI" or "the Seller"). On September 5, 2008, our wholly owned subsidiary RCI Entertainment (Las Vegas), Inc. (the "Purchaser") completed the acquisition of certain assets (the "Purchased Assets") of the Seller pursuant to a Third Amended Asset Purchase Agreement (the "Third Amendment") between Purchaser, Rick's, Seller, and Harold Danzig ("Danzig"), Frank Lovaas ("Lovaas") and Dennis DeGori ("DeGori") who are all members of Seller. The Seller owned and operated an adult entertainment cabaret known as "Scores" (the "Club"), located at 3355 Procyon Street, Las Vegas, Nevada 89102 (the "Real Property").

At Closing, Purchaser paid Seller an aggregate amount as follows (the "Purchase Price"):

- (i) \$12,000,000 payable by wire transfer;
- (ii) \$3,000,000 pursuant to a promissory note ("the Rick's Promissory Note"), executed by and obligating Rick's, bearing interest at eight percent (8%) per annum with a five (5) year amortization, with monthly payments of principal and interest, with the initial monthly payment due in April 2009 with a balloon payment of all then outstanding principal and interest due upon the expiration of two (2) years from the execution of the Rick's Promissory Note; and
- (iii) 200,000 shares of restricted common stock, par value \$0.01 of Rick's (the "Rick's Shares") issued to the Seller.

As part of the transaction, we entered into a Lock-Up/Leak-Out Agreement with the Seller pursuant to which, on or after seven (7) months after the closing date, the Seller shall have the right, but not the obligation, to have Rick's purchase from Seller a total of 150,000 of the Rick's Shares ("Rick's Put Share") in an amount and at a rate of not more than 6,250 of the Rick's Put Shares per month (the "Monthly Shares") calculated at a price per share equal to \$20.00 per share ("Value of the Rick's Shares"). At our election during any given month, we may either buy the Monthly Shares or, if we elect not to buy the Monthly Shares from the Seller, then the Seller shall sell the Monthly Shares in the open market. Any deficiency between the amount which the Seller receives from the sale of the Monthly Shares and the Value of the Rick's Shares shall be paid by us within three (3) business days of the date of sale of the Monthly Shares during that particular month. Our obligation to purchase the Monthly Shares from the Seller shall terminate and cease at such time as the Seller has received a total of \$3,000,000 from the sale of the Rick's Shares and any deficiency. Under the terms of the Lock-Up/Leak-Out Agreement, Seller may not sell more than 25,000 Rick's Shares per 30-day period, regardless of whether the Seller "Puts" the Rick's Put Shares to Rick's or sells them in the open market or otherwise.

Upon closing of the transaction, we entered into a two-year Non-Compete Agreement with DeGori (the "DeGori Non-Compete Agreement") pursuant to which DeGori agreed not to compete with the Club by operating an establishment serving liquor and providing live female nude or semi-nude adult entertainment in Clark County, Nevada or in a radius of 25 miles of Clark County, Nevada; provided, however, that the Non-Competition Agreement specifically excluded the Penthouse Club and the Bada Bing Club located in Clark County, Nevada. We agreed to pay DeGori cash consideration of \$66,667 for entering into the Non-Competition Agreement. Additionally, at Closing, we also entered into a 12-month Consulting Agreement with DeGori (the "Consulting Agreement") for a total aggregate of \$133,333 in consulting fees payable in eighteen (18) equal monthly payments of \$7,407.38 per month with the first payment due October 15, 2008.

Upon closing of the transaction, we entered into a one-year Non-Compete Agreement with Lovaas (the “Lovaas Non-Compete Agreement”) pursuant to which Lovaas agreed not to compete with the Club by operating an establishment serving liquor and providing live female nude or semi-nude adult entertainment in Clark County, Nevada, or any of its surrounding counties; provided, however, that this Non-Competition Agreement shall specifically exclude the Penthouse Club and the Bada Bing Club located in Clark County, Nevada.

The pro forma condensed balance sheet gives effect to the DI acquisition as if it had occurred on June 30, 2008, combining the balance sheets of Rick’s and DI as of that date. The pro forma condensed statements of operations for the nine months ended June 30, 2008 and for the year ended September 30, 2007 give effect to the acquisition as if it had occurred on October 1, 2007 and October 1, 2006, respectively, combining the results of Rick’s for the nine months ended June 30, 2008 and the year ended September 30, 2007 with those of DI for the nine months ended June 30, 2008 and for the year ended December 31, 2007.

The pro forma statements of operations for the year ended September 30, 2007 and the nine months ended June 30, 2008 include appropriate adjustments for amortization, interest and other items related to the transaction. The pro forma adjustments are based on preliminary appraisal results, estimates, available information and certain assumptions that management deems appropriate. The pro forma financial information is unaudited and does not purport to represent the results that would have been obtained had the transactions occurred at October 1, 2006 or 2007, as assumed, nor does it purport to present the results which may be obtained in the future.

RICK'S CABARET INTERNATIONAL, INC.
UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET
JUNE 30, 2008
(IN THOUSANDS, EXCEPT SHARE INFORMATION)

	<u>Rick's</u>	<u>DI</u>	<u>Pro Forma Adjustment (A)</u>	<u>Pro Forma Combined</u>
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	\$ 13,191	\$ 933	\$ (13,100)	\$ 1,024
Accounts receivable:				
Trade	1,339	294	(294)	1,339
Employees	723	-	-	723
Marketable securities	2	-	-	2
Inventories	1,707	193	(80)	1,820
Prepaid expenses and other current assets	<u>975</u>	<u>170</u>	<u>(170)</u>	<u>975</u>
Total current assets	17,937	1,590	(13,644)	5,883
Property and equipment, net	48,207	1,976	-	50,183
Goodwill and indefinite lived intangibles	60,272	-	15,732	76,004
Definite lived intangibles, net	1,322	-	100	1,422
Other	<u>762</u>	<u>-</u>	<u>-</u>	<u>762</u>
Total assets	<u>\$ 128,500</u>	<u>\$ 3,566</u>	<u>\$ 2,188</u>	<u>\$ 134,254</u>
LIABILITIES AND STOCKHOLDERS' EQUITY				
CURRENT LIABILITIES:				
Accounts payable and accrued liabilities	\$ 5,303	\$ 421	\$ (421)	\$ 5,303
Current portion of long-term debt	<u>1,561</u>	<u>2,285</u>	<u>(2,285)</u>	<u>1,561</u>
Total current liabilities	6,864	2,706	(2,706)	6,864
Long-term debt less current portion	30,138	731	2,269	33,138
Deferred tax liability	16,278	-	-	16,278
Other	<u>509</u>	<u>-</u>	<u>-</u>	<u>509</u>
Total liabilities	53,789	3,437	(437)	56,789
COMMITMENTS AND CONTINGENCIES				
MINORITY INTERESTS	3,359	-	-	3,359
TEMPORARY EQUITY - Common stock ,subject to put rights (461,740 shares)	10,935	-	3,000	13,935
STOCKHOLDERS' EQUITY:				
Preferred stock, \$.10 par, 1,000,000 shares authorized; none outstanding	-	-	-	-
Common stock, \$.01 par, 15,000,000 shares authorized; 9,272,237 outstanding	93	-	-	93
Additional paid-in capital	52,807	-	(246)	52,561
Accumulated other comprehensive income	(11)	-	-	(11)
Retained earnings	8,822	129	(129)	8,822
Less 908,530 shares of common stock held in treasury, at cost	<u>(1,294)</u>	<u>-</u>	<u>-</u>	<u>(1,294)</u>
Total stockholders' equity	<u>60,417</u>	<u>129</u>	<u>(375)</u>	<u>60,171</u>
Total liabilities and stockholders' equity	<u>\$ 128,500</u>	<u>\$ 3,566</u>	<u>\$ 2,188</u>	<u>\$ 134,254</u>

RICK'S CABARET INTERNATIONAL, INC.
UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
NINE MONTHS ENDED JUNE 30, 2008
(IN THOUSANDS, EXCEPT PER SHARE INFORMATION)

	<u>Rick's</u>	<u>DI</u>	<u>Pro Forma Adjustments</u>	<u>Pro Forma Combined</u>
Total revenue	\$ 42,697	\$ 13,368	\$ -	\$ 56,065
Operating expenses:				
Cost of goods sold	4,876	6,459	-	11,335
Salaries and wages	9,740	1,948	(326) E	11,362
Depreciation and amortization	1,810	353	50 B	2,213
Other general and administrative	<u>15,618</u>	<u>3,483</u>	<u>(213) E</u>	<u>18,888</u>
Total operating expenses	<u>32,044</u>	<u>12,243</u>	<u>(489)</u>	<u>43,798</u>
Operating income	10,653	1,125	489	12,267
Interest expense	(1,839)	(185)	4 C	(2,020)
Income tax expense	(2,792)	-	(530) D	(3,322)
Other	<u>196</u>	<u>-</u>	<u>-</u>	<u>196</u>
Net income	<u>\$ 6,218</u>	<u>\$ 940</u>	<u>\$ (37)</u>	<u>\$ 7,121</u>
Net income per share:				
Basic	<u>\$ 0.83</u>			<u>\$ 0.85</u>
Diluted	<u>\$ 0.77</u>			<u>\$ 0.79</u>
Weighted average shares outstanding:				
Basic	<u>7,536</u>		F	<u>8,408</u>
Diluted	<u>8,238</u>		F	<u>9,110</u>

RICK'S CABARET INTERNATIONAL, INC.
UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
YEAR ENDED SEPTEMBER 30, 2007
(IN THOUSANDS, EXCEPT PER SHARE INFORMATION)

	<u>Rick's</u>	<u>DI*</u>	<u>Pro Forma Adjustments</u>	<u>Pro Forma Combined</u>
Total revenue	\$ 32,014	\$ 18,553	\$ -	\$ 50,567
Operating expenses:				
Cost of goods sold	4,036	8,164	-	12,200
Salaries and wages	8,740	2,785	(425) E	11,100
Depreciation and amortization	1,597	465	67 B	2,129
Other general and administrative	<u>13,537</u>	<u>5,492</u>	<u>(468) E</u>	<u>18,561</u>
Total operating expenses	<u>27,910</u>	<u>16,906</u>	<u>(826)</u>	<u>43,990</u>
Operating income	4,104	1,647	826	6,577
Interest expense	(1,336)	(288)	48 C	(1,576)
Income tax expense	(236)	-	(826) D	(1,062)
Other	<u>523</u>	<u>-</u>	<u>-</u>	<u>523</u>
Net income	<u>\$ 3,055</u>	<u>\$ 1,359</u>	<u>\$ 48</u>	<u>\$ 4,462</u>
Net income per share:				
Basic	<u>\$ 0.54</u>			<u>\$ 0.68</u>
Diluted	<u>\$ 0.50</u>			<u>\$ 0.64</u>
Weighted average shares outstanding:				
Basic	<u>5,701</u>		F	<u>6,573</u>
Diluted	<u>6,215</u>		F	<u>7,087</u>

* The DI financial statements are for the year ended December 31, 2007.

RICK'S CABARET INTERNATIONAL, INC.
NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS
(Continued)

UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET ADJUSTMENT

- (A) Records the DI acquisition, including: payment of \$12,066,667 in cash, Promissory Note issued aggregating \$3,000,000, removal of DI members' equity, a net \$2,754,000 of Rick's common stock and temporary equity to fund the acquisition and estimated transaction costs of \$100,000.

This acquisition was accounted for as a purchase with the total consideration preliminarily allocated to the assets assumed as follows:

DESCRIPTION	AMOUNT (IN THOUSANDS)
Total consideration:	
Cash	\$ 12,067
Common stock	2,754
Issuance of Promissory Note	3,000
Estimated transaction costs	100
	<u>\$ 17,921</u>
Allocation:	
Current assets	\$ 113
Property & equipment and other assets	1,976
Non-compete agreement	100
Goodwill	15,732
	<u>\$ 17,921</u>

The foregoing allocations are based on estimated fair values and are subject to adjustment. Fair values of assets acquired were determined based on management's valuation.

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENTS OF OPERATIONS ADJUSTMENTS

- (B) Records adjustment to amortization expense to reflect increase for new basis of identifiable intangible assets including non-compete agreement and goodwill. Non-compete agreement is amortized straight-line over the one and two year lives. Goodwill is considered to have an indefinite life and is not amortized.
 - (C) Records adjustment to interest expense to reflect interest on Rick's \$3,000,000 Promissory Note related to the acquisition and reduce interest expense for DI debt which would have been paid off.
 - (D) Records income tax expense on DI net income and pro forma adjustments.
 - (E) Reduces officers' salaries and licensing fees which will not exist in the new entity.
 - (F) Includes 200,000 shares issued in the purchase transaction and 672,000 shares issued in a private transaction to fund the acquisition.
-