

RICKS CABARET INTERNATIONAL INC

FORM 8-K/A (Unscheduled Material Events)

Filed 9/14/2000 For Period Ending 7/6/2000

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Sector	Services
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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 Report: July 6, 2000

RICK'S CABARET INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

Texas	0-26958	76-0037324
(State or other jurisdiction of incorporation or organization)	(Commission File Number)	(IRS Employer Identification No.)

505 North Belt, Suite 630
Houston, Texas 77060
(Address of principal executive offices, including zip code)

(281) 820-1181
(Registrant's telephone number, including area code)

Introduction

This Amendment No. 1 to Form 8-K sets forth audited and pro forma financial information in connection with the our purchase of assets. The purchase of assets was reported on our Form 8-K dated July 6, 2000 and filed on July 12, 2000.

Financial Statements

On July 6, 2000, we purchased www.XXXPassword.com, an adult Internet web site, from Voice Media, Inc.

Set forth below are the Audited Financial Statements of www.XXXPassword.com for the eight months ended May 31, 2000 and the period from February 1, 1999 (Date of Inspection) to September 30, 1999.

Also set forth below is the Unaudited Pro Forma Consolidated Balance Sheet as of June 30, 2000, which gives effect to the transaction as if it had occurred at that date. The Unaudited Pro Forma Consolidated Statements of Operations for the nine months ended June 30, 2000 and the year ended September 30, 1999 give effect to the transaction as if it had occurred as of the beginning of each period. The Unaudited Pro Forma Consolidated Financial Statements are presented for informational purposes only and are not necessarily indicative of the results of operations that would have been achieved had the transaction been completed at the beginning of each period presented, nor are they indicative of our future results of operations. The Unaudited Pro Forma Consolidated Financial Statements should be read in conjunction with our historical financial statements and the related notes thereto.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report on Form 8-K Amendment Number 1 to be signed on its behalf by the undersigned hereunto duly authorized.

RICK'S CABARET INTERNATIONAL, INC.

Date: September 14, 2000

*By: /s/ Eric Langan
Eric Langan
President and Chief Accounting Officer*

XXXXPASSWORD

AUDITED FINANCIAL INFORMATION

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INDEPENDENT AUDITORS' REPORT

Owners
XXXPassword

We have audited the accompanying statements of operations of XXXPassword ("website") for the eight months ended May 31, 2000 and the period from February 1, 1999 (date of inception) to September 30, 1999. These financial statements are the responsibility of the Website's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits 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 results of operations of XXXPassword for the eight months ended May 31, 2000 and the period from February 1, 1999 (date of inception) to September 30, 1999 in conformity with generally accepted accounting principles.

Jackson & Rhodes P.C.

Dallas, Texas
August 25, 2000

XXXXPASSWORD
STATEMENTS OF OPERATIONS

	Eight Months Ended May 31, 2000	Period From February 1, 1999 (Date of Inception) to September 30, 1999
Total revenues	\$ 2,114,751	\$ 1,638,958
Variable Costs (Note 1):		
Processing discount on net sales	93,147	80,309
Processing fee per transaction	41,821	36,057
Charge backs	28,515	24,584
Web master payouts	1,312,000	950,476
	1,475,483	1,091,426
Contribution to fixed costs	639,268	547,532
Fixed costs (Note 1):		
Live feeds	33,549	23,101
Bandwidth charges	50,975	34,926
Web site maintenance	258,972	155,401
Total fixed costs	343,496	213,428
Income before taxes	295,772	334,104
Income taxes	100,563	113,595
Net income	\$ 195,209	\$ 220,509

See accompanying notes.

**XXXPASSWORD
NOTES TO STATEMENTS OF OPERATIONS
FOR THE PERIODS ENDED SEPTEMBER 30, 1999 AND MAY 31, 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business

XXXPassword (the "Website") is an adult website (www.XXXPassword.com) which began operations in February 1999. The website was owned by Voicemedia, Inc. ("VMI") until its sale in July 2000 to Rick's Cabaret International, Inc. ("Rick's").

Basis of Presentation

The accompanying statement of operations is presented in accordance with generally accepted accounting principles. No balance sheets are presented because XXXPassword has no capitalized costs and the acquisition included no other assets.

Use of Estimates and Assumptions

Preparation of the Website's financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes

Income taxes have been imputed at the 34% corporate rate which the Website's owner and purchaser would be required to pay on earnings of the website.

Expenses

The expenses of the Website's operations are based on the expenses paid by VMI in its operation of several websites. The Website has no assets or liabilities; therefore, interest and depreciation is not recorded. Certain expenses must be estimated based on the amounts paid on all websites as an aggregate. Following is an explanation of the estimates made to prepare the accompanying statement of operations.

Processing discount and processing fees are calculated as a percentage of certain revenues based on the related percentages paid by VMI during the periods.

XXXPASSWORD
NOTES TO STATEMENTS OF OPERATIONS
FOR THE PERIODS ENDED SEPTEMBER 30, 1999 AND MAY 31, 2000

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Charge backs are estimated at 1.5% of certain revenues. A small portion of the revenues is recorded net of chargebacks and processing discounts and fees.

Web master payouts are calculated based on the actual Web master payouts paid by VMI on XXXPassword transactions

Live feeds and bandwidth charges are allocated based on total VMI live feed costs multiplied by the percentage of sales for XXXPassword compared to total sales for VMI.

Web site maintenance is based on the amount paid to an affiliated company for maintenance of all sites, allocated by percentage of sales for XXXPassword compared to total sales for VMI.

RICK'S CABARET INTERNATIONAL, INC. AND SUBSIDIARIES
PRO FORMA COMBINED FINANCIAL DATA

The unaudited pro forma combined statements of operations for the year ended September 30, 1999 and the nine-month period ended June 30, 2000 (the "pro forma statements of operations") and the unaudited pro forma combined balance sheet as of June 30, 2000 (the "pro forma balance sheet" and, together with the pro forma statement of operations, the "pro forma financial statements"), have been prepared to illustrate the estimated effect of the acquisition by Rick's Cabaret International, Inc. of XXXPassword, an adult website (www.XXXPassword.com) as of July 6, 2000. The pro forma financial statements do not reflect any anticipated cost savings from the XXXPassword acquisition (except for the management agreement as explained in Note 6), or any synergies that are anticipated to result from the combination, and there can be no assurance that any such cost savings or synergies will occur. The pro forma statements of operations give pro forma effect to the acquisition as if it had occurred on February 1, 1999, the inception of XXXPassword. The pro forma combined statement of operations for the nine months ended June 30, 2000 includes only eight months of operations of XXXPassword. The pro forma balance sheet gives pro forma effect to the acquisition as if it had occurred on June 30, 2000. The pro forma statements do not purport to be indicative of the results of operations or financial position of the Company that would have actually been obtained had such transaction been completed as of the assumed dates and for the periods presented, or which may be obtained in the future. The pro forma adjustments are described in the accompanying notes and are based upon available information and certain assumptions that the Company believes are reasonable. The pro forma financial statements should be read in conjunction with the separate historical consolidated financial statements of Rick's and XXXPassword and the notes thereto.

A preliminary allocation of the purchase price has been made to major categories of assets and liabilities in the accompanying pro forma financial statements based on available information. The actual allocation of purchase price and the resulting effect on income from operations may differ significantly from the pro forma amounts included herein. These pro forma adjustments represent the Company's preliminary determination of purchase accounting adjustments and are based upon available information and certain assumptions that the Company believes to be reasonable. Consequently, the amounts reflected in the pro forma financial statements are subject to change, and the final amounts may differ substantially.

RICK'S CABARET INTERNATIONAL, INC. AND SUBSIDIARIES
UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEETS
JUNE 30, 2000

ASSETS

Historical

	Rick's Cabaret International, Inc.	XXX Password (Note 1)	Pro Forma Adjustments	Pro Forma Consolidated
Current assets:				
Cash	\$ 378,161	\$ -	\$ -	\$ 378,161
Accounts receivable	225,565	-	-	225,565
Note receivable - related party	115,773	-	-	-
Inventories	102,031	-	-	102,031
Prepaid expenses	200,000	-	-	200,000
Total current assets	1,021,530	-	-	1,021,530
Property and equipment	9,894,064	-	-	9,894,064
Less accumulated depreciation	(1,340,343)	-	-	(1,340,343)
	8,553,721	-	-	8,553,721
Other assets:				
Goodwill and other intangibles (net of amortization)	2,839,745	-	1,076,126 (1) (5)	3,915,871
Other	223,141	-	-	223,141
	3,062,886	-	1,076,126	4,139,012
	\$ 12,638,137	\$ -	\$ 1,076,126	\$ 13,714,263

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:				
Current portion of long-term debt	\$ 375,622.0000	\$ -	\$ -	\$ 375,622
Accounts payable and accrued expenses	514,447	-	-	514,447
Accounts and notes payable - related parties	115,752	-	-	115,752
Total current liabilities	1,005,821	-	-	1,005,821
Long-term debt, less current portion	4,282,777	-	-	4,282,777
Total liabilities	5,288,598	-	-	5,288,598
Commitments and contingencies	-	-	-	-
Minority interests	34,247	-	-	34,247
Stockholders' equity:				
Preferred stock	-	-	-	-
Common stock	36,137	-	7,000 (1) (5)	43,137
Additional paid-in capital	9,727,309	-	1,069,126 (1) (5)	10,796,435
Retained earnings (deficit)	(2,448,154)	-	-	(2,448,154)
Less treasury stock	-	-	-	-
Total stockholders' equity	7,315,292	-	1,076,126	8,391,418
	\$ 12,638,137	\$ -	\$ 1,076,126	\$ 13,714,263

See accompanying notes to unaudited pro forma consolidated financial statements.

RICK'S CABARET INTERNATIONAL, INC. AND SUBSIDIARIES
 UNAUDITED PRO FORMA CONSOLIDATED STATEMENTS OF OPERATIONS
 FOR THE NINE MONTHS ENDED JUNE 30, 2000

	Historical			
	Rick's Cabaret International, Inc.	XXX Password	Pro Forma Adjustments	Pro Forma Combined
Revenues:				
Sales	\$ 8,625,918	\$2,114,751	\$ -	\$10,740,669
Operating expenses:				
Cost of goods sold	1,270,857	1,560,007		2,830,864
Salaries and wages	3,008,121			3,008,121
Other general and administrative:				
Taxes and permits	1,284,282			1,284,282
Charge card fees	128,726			128,726
Rent	68,259			68,259
Legal and accounting	495,578			495,578
Advertising	613,113			613,113
Pre-opening costs				-
Management costs		258,972	(78,972)	180,000
Other	1,626,188		138,947 (2) (5)	1,765,135
	8,495,124	1,818,979	59,975	10,374,078
Income (loss) from operations	130,794	295,772	(59,975)	366,591
Interest expense less other income	86,969	-		86,969
Income (loss) before income taxes	43,825	295,772	(59,975)	279,622
Income taxes (benefit)	-	100,563	(100,563) (3)	-
Net income (loss)	\$ 43,825	\$ 195,209	\$ 40,588	\$ 279,622
Net income (loss) per common share	\$ 0.01			\$ 0.07
Weighted average shares outstanding	3,669,234		561,111 (4)	4,230,345

RICK'S CABARET INTERNATIONAL, INC. AND SUBSIDIARIES
 UNAUDITED PRO FORMA CONSOLIDATED STATEMENTS OF OPERATIONS
 FOR THE YEAR ENDED SEPTEMBER 30, 1999
 (XXXPASSWORD FOR THE PERIOD FROM FEBRUARY 1999 (DATE OF INCEPTION) TO SEPTEMBER 30, 1999)

	Historical			
	Rick's Cabaret International, Inc.	XXX Password	Pro Forma Adjustments	Pro Forma Consolidated
Revenues:				
Sales of alcoholic beverages	\$ 4,511,205	\$ -		\$ 4,511,205
Sales of food	1,035,178	-		1,035,178
Service revenues	4,229,426	-		4,229,426
Other	605,618	1,638,958		2,244,576
	10,381,427	1,638,958		12,020,385
Operating expenses:				
Cost of goods sold	1,437,553	1,149,453		2,587,006
Salaries and wages	3,637,637			3,637,637
Other general and administrative:				
Taxes and permits	1,408,115			1,408,115
Charge card fees	187,428			187,428
Rent	264,988			264,988
Legal and accounting	716,545			716,545
Advertising	585,470			585,470
Management costs		155,401	24,599 (6)	180,000
Other	2,102,031		87,404 (2)(5)	2,189,435
	10,339,767	1,304,854	112,003	11,756,624
Income from operations	41,660	334,104	(112,003)	263,761
Interest and other expense	82,232	-		82,232
Income (loss) before income taxes	(40,572)	334,104	(112,003)	181,529
Income taxes (benefit)	-	113,595	(113,595) (3)	-
Net loss	\$ (40,572)	\$ 220,509	\$ 1,592	\$ 181,529
Net income (loss) per common share	\$ (0.01)			\$ 0.05
Weighted average shares outstanding	3,355,969		450,000 (4)	3,805,969

See accompanying notes to unaudited pro forma consolidated financial statements.

RICK'S CABARET INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO PRO FORMA COMBINED FINANCIAL DATA

1. The acquisition of XXXPassword has been accounted for by the purchase method of accounting. Under purchase accounting, the total purchase price was allocated to goodwill, because XXXPassword has no tangible assets. The purchase price (and resulting goodwill) was based on the value of the 450,000 common shares of Rick's issued in the acquisition. Rick's also placed 250,000 common shares in escrow to be issued should the earnings, as defined, of XXXPassword aggregate \$400,000 for the first full 12 months following the closing date. These contingent shares are to be valued and charged to the purchase price if the contingency is met in the next twelve months. The 250,000 contingent shares are assumed to be issued at the beginning of the nine months ended June 30, 2000, since the contingency was met in the first eight months. Goodwill has been recorded in the amount of \$980,000, assuming the entire 700,000 shares have been issued. Also see Note 5 for additional contingent purchase price.

No balance sheet is presented for XXXPassword because XXXPassword has no capitalized costs and the acquisition included no other assets.

2. Depreciation and amortization was increased by \$84,000 and \$147,000 for the year ended September 30, 1999 and the nine months ended June 30, 2000, respectively, as a result of the purchase adjustments. Goodwill is being amortized over its estimated useful life of five years.

3. The income tax provision has been eliminated to account for the combination of the entities and the use of Rick's operating loss carryforwards to offset XXXPassword income.

4. The 450,000 shares issued in the acquisition have been assumed to be issued at the beginning of each period presented. The 250,000 contingent shares are assumed to be issued as of February 1, 2000, since the contingency was met in the first full twelve months.

5. The acquisition agreement between Rick's and the seller of XXXPassword requires Rick's to pay an Earn Out Amount of \$380,000 to the seller, plus either (1) \$475,000 if the earnings before depreciation, amortization, interest and taxes ("EBITDA") of XXXPassword during the first full twelve-month period beginning on the closing date exceeds \$800,000 but is less than \$1,200,000 (but not otherwise) or (2) \$925,000 if the EBITDA of XXXPassword during the first full twelve-month period beginning on the closing date exceed \$1,200,000. The Earn Out Amount is to be paid in monthly amounts equal only to 50% of the Free Net Cash Flow (as defined) of XXXPassword during the six year period from the closing date. Because the EBITDA in the first full twelve-month period of the pro forma periods was approximately \$543,000, fifty percent of the Free Net Cash Flow has been accrued each month as additional purchase price and added to goodwill (and amortized).

RICK'S CABARET INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO PRO FORMA COMBINED FINANCIAL DATA

6. The acquisition agreement provides that an affiliate of VMI will provide all management services to the website for \$22,500 per month. The management agreement is for a period of one year, renewable for successive one year terms. The accompanying pro forma financial statements have been prepared to adjust the historical website maintenance expenses to \$22,500 per month.

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