

RICKS CABARET INTERNATIONAL INC

FORM 10KSB

(Annual Report (Small Business Issuers))

Filed 12/29/2003 For Period Ending 9/30/2003

Address	505 NORTH BELT SUITE 630 HOUSTON, Texas 77060
Telephone	281-820-1181
CIK	0000935419
Industry	Restaurants
Sector	Services
Fiscal Year	09/30

Securities and Exchange Commission

Washington, D.C. 20549

Form 10-KSB

☒ Annual Report under Section 13 Or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended September 30, 2003

☐ Transition report under Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File Number: 0-26958

Rick's Cabaret International, Inc.
(Name of Small Business Issuer in Its Charter)

Texas
(State or Other Jurisdiction of
Incorporation or Organization)

76-0458229
(IRS Employer
Identification No.)

505 North Belt, Suite 630
Houston, Texas 77060
(Address of Principal Executive Offices)

(281) 820-1181
(Issuer's Telephone Number)

Securities Registered Under Section 12(b) Of The Exchange Act:

Title Of Each Class n/a
Name Of Each Exchange On Which Registered n/a

Securities Registered Pursuant to 12(g) of the Exchange Act:

Title Of Each Class
Common Stock, \$.01 Par Value

Check whether the issuer: (i) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (ii) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained herein, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statement incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. ☒

The Issuer's revenues for the year ended September 30, 2003 were \$15,059,569.

The aggregate market value of Common Stock held by non-affiliates of the registrant at December 9, 2003, based upon the last reported sales prices on the NASDAQ SmallCap Market, was \$6,512,260.

As of December 9, 2003, there were approximately 3,700,148 shares of Common Stock outstanding (this amount excludes treasury shares).

TABLE OF CONTENTS

PART I	Page
Item 1. Business	1
Item 2. Properties	7
Item 3. Legal Proceedings	8
Item 4. Submission of Matters to a Vote of Security Holders	11
PART II	
Item 5. Market for Registrant's Common Equity and Related Stockholder Matters	11
Item 6. Management's Discussion and Analysis or Plan of Operation	14
Item 7. Financial Statements	20
Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures	20
Item 8A. Controls and Procedures	20
PART III	
Item 9. Directors, Executive Officers, Promoters and Control Persons; Compliance with Section 16(a) of The Exchange Act	20
Item 10. Executive Compensation	23
Item 11. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	24
Item 12. Certain Relationships and Related Transactions	26
Item 13. Exhibits and Reports on Form 8-K	26

PART I

ITEM 1. BUSINESS

INTRODUCTION

Our name is Rick's Cabaret International, Inc. We currently own and operate seven adult nightclubs under the names "Rick's Cabaret" and "XTC" that offer live adult entertainment, restaurant and bar operations. Our nightclubs are in Houston, Austin and San Antonio, Texas, and Minneapolis, Minnesota. We also own and operate an adults only "couples" night club called "Encounters," which is a club for adult couples who enjoy the swingers' lifestyle, and a sports bar under the name of "Hummers" in Houston. We also own or operate premiere adult entertainment Internet websites.

Our online entertainment sites are xxxPassword.com, CouplesTouch.com, OthersTouch.com, and NaughtyBids.com. The site xxxPassword.com features adult content licensed through Voice Media, Inc. CouplesTouch.com is a personals site for those in the swinging lifestyle. OthersTouch.com is a personals site for gays, lesbians, and bisexuals. Naughtybids.com is our online adult auction site. It contains consumer-initiated auctions for items such as adult videos, apparel, photo sets, adult paraphernalia and other erotica. There are typically approximately 10,000 active auctions at these sites at any given time. We charge the seller a fee for each successful auction. All of our sites use proprietary software platforms written by us to deliver the best experience to the user without being constrained to off-the-shelf software solutions.

Our website address is www.ricks.com. We make available free of charge our Annual Report on Form 10-KSB, Quarterly Reports on Form 10-QSB, Current Reports on Form 8-K, and all amendments to those reports as soon as reasonably practicable after such material is electronically filed with the SEC under Securities Exchange Act of 1934. Information contained in the website shall not be construed as part of this Form 10-KSB.

References to us in this Form 10-KSB include our 100%-owned and 51%-owned subsidiaries.

BUSINESS ACTIVITIES--NIGHTCLUBS

Prior to the opening of the first Rick's Cabaret in 1983 in Houston, Texas, the topless nightclub business was characterized by small establishments generally managed by their owner. Operating policies of these establishments were often lax, the sites were generally dimly lit, standards for performers' personal appearance and personality were not maintained and it was customary for performers to alternate between dancing and waiting tables. The quantity and quality of bar service was low and food was not frequently offered. Music was usually "hard" rock and roll, played at a loud level by a disc jockey. Usually, only cash was accepted. Many businessmen felt uncomfortable in such environments. Recognizing a void in the market for a first-class adult nightclub, we designed Rick's Cabaret to target the more affluent customer by providing a unique quality entertainment environment. The following summarizes our areas of operation that distinguish us:

FEMALE ENTERTAINMENT. Our policy is to maintain high standards for both personal appearance and personality for the topless entertainers and waitresses. Of equal importance is a performer's ability to present herself attractively and to talk with customers. We prefer that the performers we hire be experienced dancers. We make a determination as to whether a particular applicant is suitable based on such factors of appearance, attitude, dress, communication skills and demeanor. At all clubs, except for our Minnesota location, the entertainers are independent contractors. We do not schedule their work hours.

MANAGEMENT. We often recruit staff from inside the topless industry, in the belief that management with experience in the sector adds to our ability to grow and attract quality entertainers. Management with experience is able to train new recruits from outside the industry.

COMPLIANCE POLICIES/EMPLOYEES. We have a policy of ensuring that our business is carried on in conformity with local, state and federal laws. In particular, we have a "no tolerance" policy as to illegal drug use in or around the premises. Posters placed throughout the nightclubs reinforce this policy, as do periodic unannounced searches of the entertainers' lockers. Entertainers and waitresses who arrive for work are not allowed to leave the premises without the permission of management. If an entertainer does leave the premises, she is not allowed to return to work until the next day. We continually monitor the behavior of entertainers, waitresses and customers to ensure that proper standards of behavior are observed.

COMPLIANCE POLICIES/CREDIT CARDS. We review all credit card charges made by our customers. We have in place a formal policy requiring that all credit card charges must be approved, in writing, by management before any charges are accepted. Management is trained to review credit card charges to ensure that the only charges approved for payment are for food, drink and entertainment.

FOOD AND DRINK. We believe that a key to the success of our branded adult nightclubs is a quality, first-class bar and restaurant operation to compliment our adult entertainment. We employ service managers who recruit and train professional waitstaffs and ensure that each customer receives prompt and courteous service. We employ chefs with restaurant experience. Our bar managers order inventory and schedule bar staff. We believe that the operation of a first class restaurant is a necessary component to the operation of a premiere adult cabaret, as is the provision of premium wine, liquor and beer in order to ensure that the customer perceives and obtains good value. Our restaurant operations provide business lunch buffets and full lunch and dinner menu service with hot and cold appetizers, salads, seafood, steak and lobster. An extensive selection of quality wines is available.

CONTROLS. Operational and accounting controls are essential to the successful operation of a cash intensive nightclub and bar business. We have designed and implemented internal procedures and controls designed to ensure the integrity of our operational and accounting records. Wherever practicable, we separate management personnel from all cash handling so that management is isolated from and does not handle any cash. We use a combination of accounting and physical inventory control mechanisms to maintain a high level of integrity in our accounting practices. Computers play a significant role in capturing and

analyzing a variety of information to provide management with the information necessary to efficiently manage and control the nightclub. Deposits of cash and credit card receipts are reconciled each day to a daily income report. In addition, we review on a daily basis (i) cash and credit card summaries which tie together all cash and credit card transactions occurring at the front door, the bars in the club and the cashier station, (ii) a summary of the daily bartenders' check-out reports, and (iii) a daily cash requirements analysis which reconciles the previous day's cash on hand to the requirements for the next day's operations. These daily computer reports alert management of any variances from expected financial results based on historical norms. We conduct a monthly independent overview of our financial condition and have engaged independent accountants to conduct an annual audit.

ATMOSPHERE. We maintain a high design standard in our facilities and decor. The furniture and furnishings in the nightclubs are designed to create the feeling of an upscale restaurant. The sound system is designed to provide quality sound at levels where conversations can still take place. The environment is carefully monitored for music selection, entertainer and waitress appearance and all aspects of customer service on a continuous basis.

VIP ROOM. In keeping with our emphasis on serving the upper-end of the businessmen's market, some of our nightclubs include a VIP room, which is open to individuals who purchase memberships. A VIP room provides a higher level of service and luxury.

ADVERTISING AND PROMOTION. Our consumer marketing strategy is to position Rick's Cabarets as premiere entertainment facilities that provide exceptional topless entertainment in a fun, yet discreet, environment. We use a variety of highly targeted methods to reach our customers: hotel publications, local radio, cable television, newspapers, billboards, taxi-cab reader boards, and the Internet, as well as a variety of promotional campaigns. These campaigns ensure that the Rick's Cabaret name is kept before the public.

Rick's Cabaret has received a significant amount of media exposure over the years in national magazines such as Playboy, Penthouse, Glamour Magazine, The Ladies Home Journal, Time Magazine, and Texas Monthly Magazine. Segments about Rick's have aired on national and local television programs such as "Extra" and "Inside Edition", and we have provided entertainers for Pay-Per-View features as well. Business stories about Rick's Cabaret have appeared in The Wall Street Journal, Los Angeles Times, Houston Business Journal, and numerous other regional publications.

NIGHTCLUB LOCATIONS. We have three Rick's Cabaret locations in Houston, Texas and one Rick's Cabaret in Minneapolis, Minnesota. We also own three nightclubs in San Antonio, Austin, and Houston, Texas that operate under the name XTC. We also own a controlling interest in and operate an adults only "couples" night club in Houston called "Encounters," which is a club for adult couples who enjoy the swingers' lifestyle, and a sport bar called "Hummers".

On February 19, 2003, we acquired 51% control of the Wild Horse Cabaret adult nightclub near Hobby Airport, Houston, Texas and will operate it as part of our popular XTC Cabaret group. Goodwill of \$79,842 was recorded as a result of this acquisition.

In April 2003, we organized RCI Ventures, Inc. to acquire Nocturnal Concepts, Inc., which operates as an addition to our XTC Cabaret group, called "XTC Galleria". As part of this transaction, we transferred our ownership of Tantric Enterprises, Inc. (our subsidiary that operates Encounters) to RCI Ventures, Inc. As a result of these transactions we own a 51% interest in RCI Ventures, Inc.

In May 2003, we opened a sports bar called "Hummers", which is located next to Wild Horse Cabaret, in Houston, Texas.

We sold our New Orleans nightclub in March 1999, but it continues to use our name under a licensing agreement. We continually explore expansion opportunities to open or acquire more nightclubs in strategically valuable locations in the United States.

On June 12, 2003, we entered into an Asset Purchase Agreement with Taurus Entertainment Companies, Inc. ("Taurus"), whereby we acquired all the assets and liabilities of Taurus in exchange for 3,752,008 shares of Taurus of the 4,002,008 that we owned plus \$20,000 in cash. We also executed an Indemnification and Transaction Fee Agreement with Taurus for which we received \$270,000 in cash, with \$140,000 payable at closing, \$60,000 due on July 15, 2003 and \$70,000 due on August 15, 2003. We have received the \$60,000 payment and have restructured the remaining balance originally due August 15, 2003, to be payable on February 17, 2004 with interest due thereon at the rate of 18%.

BUSINESS ACTIVITIES--INTERNET ADULT ENTERTAINMENT WEB SITES

In 1999, we began adult Internet Web site operations. Our xxxPassword.com website features adult content licensed through Voice Media, Inc. We added CouplesTouch.com in year 2002 and OthersTouch.com in year 2003. CouplesTouch.com caters to those in the swinging lifestyle. It is essentially a dating site for couples. OthersTouch.com is a similar site catering to the gay, lesbian, and bisexual lifestyles. Our Internet traffic is generated through the purchase of traffic from third-party adult sites or Internet domain owners and the purchase of banner advertisements or "key word" searches from Internet search engines. In addition, the bulk of our traffic now comes from search engines on which we don't pay for preferential listings. There are numerous adult entertainment sites on the Internet that we compete with.

In May 2002, we purchased 700,000 shares of our own common stock from Voice Media, Inc. for an aggregate price of \$918,700 (or \$795,302 adjusted for imputed interest) that equals approximately \$1.32 per share. That purchase price was below market value on the date of the purchase. Voice Media, Inc. presently owns none of our shares of common stock. These shares are presently held as treasury shares. We may cancel these shares at a later date. The control person of Voice Media, Inc. is Ron Levi, who was a director until June 2002. The terms of this transaction were the result of arms-length negotiations between us and Voice Media, Inc. We believe the transaction was favorable to us in view of the market value of our common stock and the payment terms, although no appraisal or fairness opinion was done. All management contracts previously signed relating to the management of xxxPassword.com will remain in effect. Pursuant to the transaction, the payment schedule is as follows:

- (a) The amount of \$229,675 due on January 10, 2003;
- (b) The amount of \$229,675 due on January 10, 2004;
- (c) The amount of \$229,675 due on January 10, 2005; and
- (d) A final payment in the amount of \$229,675 due on January 10, 2006.

BUSINESS ACTIVITIES--INTERNET ADULT AUCTION WEB SITES

Our adult auction site features erotica and other adult materials that are purchased in a bid-ask method. We charge the seller a fee for each successful auction. Where previously we operated 6 individual auctions sites, now we have combined these into one main site, NaughtyBids.com, to maximize our brand name recognition of this site. The site contains new and used adult oriented consumer initiated auctions for items such as adult videos, apparel, photo sets and adult paraphernalia. NaughtyBids has approximately 10,000 items for sale at any given time. NaughtyBids.com offers third party webmasters an opportunity to create residual income from web surfers through the NaughtyBids Affiliate Program, which pays third party webmasters a percentage of every closing auction sale in which the buyer originally came from the affiliate webmaster's site. There are numerous auction sites on the Internet that offer adult products and erotica.

COMPETITION

The adult topless club entertainment business is highly competitive with respect to price, service and location. All of our nightclubs compete with a number of locally owned adult clubs, some of whose names may have name recognition that equals that of Rick's Cabaret or XTC. While there may be restrictions on the location of a so-called "sexually oriented business", there are no barriers to entry into the adult cabaret entertainment market. For example, there are approximately 50 adult nightclubs located in the Houston area, all of which are in direct competition with our three Houston cabarets. In Minneapolis, Rick's Cabaret is favorably located downtown and is a short walk from the Metrodome Stadium and the Target Center. There is only one adult nightclub in Minneapolis in direct competition with us.

The names "Rick's" and "Rick's Cabaret" and "XTC Cabaret" are proprietary. We believe that the combination of our existing brand name recognition and the distinctive entertainment environment that we have created will allow us to compete effectively in the industry and within the cities where we operate. Although we believe that we are well positioned to compete successfully, there can be no assurance that we will be able to maintain our high level of name recognition and prestige within the marketplace.

GOVERNMENTAL REGULATIONS

We are subject to various federal, state and local laws affecting our business activities. In particular, in Texas the authority to issue a permit to sell alcoholic beverages is governed by the Texas Alcoholic Beverage Commission (the "TABC"), which has the authority, in its discretion, to issue the appropriate permits. We presently hold a Mixed Beverage Permit and a Late Hour Permit (the "Permits"). These Permits are subject to annual renewal, provided we have complied with all rules and regulations governing the permits. Renewal of a permit is subject to protest, which may be made by a law enforcement agency or by the public. In the event of a protest, the TABC may hold a hearing at which time the views of interested parties are expressed. The TABC has the

authority after such hearing not to issue a renewal of the protested alcoholic beverage permit. Rick's has never been the subject of a protest hearing against the renewal of Permits. Minnesota has similar laws that may limit the availability of a permit to sell alcoholic beverages or that may provide for suspension or revocation of a permit to sell alcoholic beverages in certain circumstances. It is our policy, prior to expanding into any new market, to take steps to ensure compliance with all licensing and regulatory requirements for the sale of alcoholic beverages as well as the sale of food.

In addition to various regulatory requirements affecting the sale of alcoholic beverages, in Houston, and in many other cities, the location of a topless cabaret is subject to restriction by city ordinance. Topless nightclubs in Houston, Texas are subject to "The Sexually Oriented Business Ordinance" (the "Ordinance"), which contains prohibitions on the location of an adult cabaret. The prohibitions deal generally with distance from schools, churches, and other sexually oriented businesses and contain restrictions based on the percentage of residences within the immediate vicinity of the sexually oriented business. The granting of a Sexually Oriented Business Permit ("Business Permit") is not subject to discretion; the Business Permit must be granted if the proposed operation satisfies the requirements of the Ordinance. See Item 3. "Legal Proceedings".

In Minneapolis, we are required to be in compliance with state and city liquor licensing laws. Our location in Minneapolis is presently zoned to enable the operation of a topless cabaret. We were a plaintiff in civil litigation against the defendant City of Minneapolis. On September 16, 2003, the suit was settled mainly on the basis that the City of Minneapolis will enact a late hours operation ordinance and allows qualifying liquor establishments, including us at our current location, to operate until 3:00 a.m. We believe that, in the long run, the restoration of late hours operation on a permanent basis is preferable to going forward with the litigation and in our best interest. See Item 3. "Legal Proceedings".

In San Antonio and Austin we are required to be in compliance with city or county sexually oriented business ordinances.

TRADEMARKS

Our rights to the trademarks "Rick's" and "Rick's Cabaret" are established under common law, based upon our substantial and continuous use of these trademarks in interstate commerce since at least as early as 1987. We have registered our service mark, 'RICK'S AND STARS DESIGN', with the United States Patent and Trademark Office. We have also obtained service mark registrations from the Patent and Trademark Office for the "RICK'S CABARET" service mark. There can be no assurance that the steps we have taken to protect our service marks will be adequate to deter misappropriation.

EMPLOYEES AND INDEPENDENT CONTRACTORS

As of September 30, 2003 we had approximately 680 employees of which 48 are in management positions, including corporate and administrative operation and approximately 632 of which are engaged in entertainment, food and beverage service, including bartenders and waitresses. None of our employees are represented by a union and we consider our employee relations to be good.

Additionally, we have independent contractor relationships with more than 600 entertainers, who are self-employed and perform at our locations on a non-exclusive basis as independent contractors. Our entertainers in Minneapolis, Minnesota act as commissioned employees.

SHARE REPURCHASES

As of December 9, 2003 we owned 908,530 treasury shares of our common stock that we acquired in open market purchases and from investors who originally acquired the shares from us in private transactions. We may use these shares to acquire assets in the future although we have no definitive arrangements at this time to acquire any assets.

ITEM 2. PROPERTIES

Our principal executive office is located at 505 North Belt, Houston, Texas 77060 in leased facilities consisting of a total of 3,680 square feet. We pay rent of approximately \$3,284 per month for this space. We believe that our offices are adequate for our present needs and that suitable space will be available to accommodate our future needs.

We own the three locations of Rick's Cabaret (two in Houston and one in Minneapolis) and the two locations of XTC (one in Austin and one in San Antonio). We lease the South Houston location, formerly known as the Chesapeake Bay Club. We own the location of our Encounters couples club in Houston. We lease XTC Wildhorse and Hummers locations.

The Rick's Cabaret located on Bering Drive in Houston has aggregate 12,300 square feet of space. The balance as of September 30, 2003, that we owe on the mortgage is \$331,364 and the interest rate is prime plus 1%. Currently, we pay \$4,289 in monthly principal and interest payments. The last mortgage payment is due in 2004 with a balloon payment of \$297,893.

The Rick's Cabaret located on North Belt Drive in Houston has 12,000 square feet of space. This property is owned by us free and clear.

The Rick's Cabaret located in Minneapolis has 15,400 square feet of space. The balance as of September 30, 2003, that we owe on the mortgage is \$2,198,734 and the interest rate is 9%. We pay \$22,732 in monthly principal and interest payments. The last mortgage payment is due in 2018.

The XTC nightclub in Austin has 8,600 square feet of space, which sits on 1.2 acres of land. The balance of the mortgage that we owe as of September 30, 2003 is \$186,841 and the interest rate of 11%. Currently the monthly principal and interest payment is \$9,822. The last payment is due in June 2005.

We own XTC nightclub in San Antonio, which has 7,800 square feet of space.

Our Encounters club has 8,000 square feet of space. The balance of the mortgage as of September 30, 2003, that we owe is \$43,097 and the interest rate is 7%. Currently, we pay \$1,500 in monthly principal and interest payments. The last mortgage payment is due in 2004 with a balloon payment of \$23,140.

Our Citation Land LLC owns a 350-acre ranch in Brazoria County, Texas, and approximately 50 acres of raw land in Wise County, Texas.

The balance as of September 30, 2003 that we owe on the Brazoria County ranch mortgage is \$296,795 and the interest rate is 9%. We pay \$2,573 in monthly principal and interest payments. The last mortgage payment is due in February 2006 with a balloon payment of \$287,920.

The balance as of September 30, 2003 that we owe on the Wise County raw land mortgage is \$143,559 and the interest rate is 12%. We pay \$1,537 in monthly principal and interest payments. The last mortgage payment is due in March 2026.

We lease the property in Houston, Texas, where our Chesapeake Bay Cabaret is located. We acquired the operations of the Chesapeake Bay Club in May 2000. The lease term is for ten years, with an additional ten-year lease option thereafter. The initial lease terms are \$12,000 monthly plus 4% of gross revenues that are in excess of \$125,000 per month (excluding payments that we make to dancers), with the total monthly rent not to exceed \$20,000 per month.

We lease the property in Houston, Texas, where our XTC Wildhorse is located. The lease term is for five years, with an additional five-year lease option thereafter. The initial base rent is \$4,845 monthly for year one and two, with an annual increase of \$570 thereafter.

We lease the property in Houston, Texas, where the Hummers is located. The lease term is for five years, with an additional five-year lease option thereafter. The initial base rent is \$2,762.50 monthly for year one and two, with an annual increase of \$325 thereafter.

We lease the property in Houston, Texas, where our XTC Galleria is located. The lease term is for three years, with an additional three-year lease option thereafter. The monthly rent is \$8,500.

ITEM 3. LEGAL PROCEEDINGS

SEXUALLY ORIENTED BUSINESS ORDINANCE OF HOUSTON, TEXAS

In January 1997, the City Council of the City of Houston passed a comprehensive new Ordinance regulating the location of and the conduct within Sexually Oriented Businesses. The new Ordinance established new minimum distances that Sexually Oriented Businesses may be located from schools, churches, playgrounds and other sexually oriented businesses. There were no provisions in the Ordinance exempting previously permitted sexually oriented businesses from the effect of the new Ordinance. In 1997, we were informed that one of our Houston locations at 3113 Bering Drive failed to meet the requirements of the Ordinance and accordingly the renewal of our Business License at that location was denied.

The Ordinance provided that a business which was denied a renewal of its operating permit due to changes in distance requirements under the Ordinance would be entitled to continue in operation for a period of time (the "Amortization Period") if the owner were unable to recoup, by the effective date of the Ordinance, its investment in the business that was incurred through the date of the passage and approval of the Ordinance.

We filed a request with the City of Houston requesting an extension of time during which operations at our north Houston facility could continue under the Amortization Period provisions of the Ordinance since we were unable to recoup our investment prior to the effective date of the Ordinance. An administrative hearing was held by the City of Houston to determine the appropriate Amortization Period to be granted to us. At the Hearing, we were granted an amortization period that has since been reached. We have the right to appeal any decision of the Hearing official to the district court in the State of Texas.

In May 1997, the City of Houston agreed to defer implementation of the Ordinance until the constitutionality of the entire Ordinance was decided by court trial. In February 1998, the U.S. District Court for the Southern District of Texas, Houston Division, struck down certain provisions of the Ordinance, including the provision mandating a 1,500 foot distance between a club and schools, churches and other sexually oriented business, leaving intact the provision of the 750 foot distance as it existed prior to the Houston, Texas Ordinance.

The City of Houston has appealed the District Court's rulings with the Fifth Circuit Court of Appeals. In the event that the City of Houston is successful in the appeal, we could be out of compliance and such an outcome could have an adverse impact on our future. Our nightclub in our south Houston location has a valid permit/license that will expire in December 2005. The permits for our north Houston location and our Bering Drive location have expired.

There are other provisions in the Houston, Texas Ordinance, such as provisions governing the level of lighting in a sexually oriented business, the distance between a customer and dancer while the dancer is performing in a state of undress and provisions regarding the licensing of dancers and club managers that were upheld by the court which may be detrimental to our business. We, in concert with other sexually oriented businesses, are appealing these aspects of the Houston, Texas Ordinance.

In November, 2003, a three judge panel from the Fifth Circuit Court of Appeals published their opinion which affirmed the Trial Court's ruling regarding lighting levels, customer and dancer separation distances and licensing of dancers and staff. The Court of Appeals, however, did not follow the Trial Court's ruling regarding the distance from which a club may be located from a church or school. The Court of Appeals held that a distance measurement of 1,500 feet would be upheld upon a showing by the City of Houston that its claims that there were alternative sites available for relocating the clubs could be substantiated. The case was remanded for trial on the issue of the alternative sites.

There are other technical issues which could additionally bear upon the location of the clubs which were not decided at the trial level during the initial phase of the case. It is anticipated that these technical issues will be joined in the Trial Court after the appellate remedies have been exhausted. The City has not sought to modify any of the terms of the injunction against enforcement of any location provision of the ordinance while the appellate process continues. The parties have asked for a rehearing from the appellate panel and will ask that the case be heard and considered by the entire Fifth Circuit. If an unfavorable ruling is again issued by the Court of Appeal then the parties will request review by the United States Supreme Court. In the event that our court appeal is unsuccessful, such an outcome could have an adverse impact on us.

In April 1998, the City of Houston began enforcing certain portions of the Ordinance, including the distance requirement between a customer and a dancer while dancing, and the requirement that dancers be licensed. The City of Houston's enforcement of the Ordinance could have an adverse impact on the Rick's locations in Houston, Texas. The current requirement of a three-foot distance between a dancer and a customer could reduce customer satisfaction and could result in fewer customers at the Houston location. The requirement that a dancer be licensed could result in fewer dancers working, which could have an adverse impact on the Houston location. It is unknown what future impact the enforcement of the Ordinance may have on our Houston locations.

CITY OF MINNEAPOLIS AFTER HOURS ORDINANCE

In December 1999, we filed a lawsuit against the City of Minneapolis in a case named RCI Entertainment (Minnesota), Inc. v. City of Minneapolis. No. 0-362, in the Hennepin County District Court. We are the Plaintiff in this matter. We claim that the city violated our constitutional and other rights by the city not taking any action on our application for a permit to conduct after-hours entertainment operations at our Minneapolis location. The court granted our motion for a temporary injunction pursuant to which we now conduct after-hours adult entertainment operations in our Minneapolis location until 3:00 a.m. daily.

The City of Minneapolis took no appeal from the temporary injunction, the appeal time has expired, and the injunction remains in full force and effect. Also included in the lawsuit was a claim for damages from having wrongfully been denied the right to conduct after-hours entertainment for over one year. In September 2000, the city moved for summary judgment, seeking dismissal of the suit in its entirety. That motion was denied, and the city appealed that denial to the Minnesota Court of Appeals. The Minnesota Court of Appeals dismissed the City of Minneapolis's appeal for lack of appellate jurisdiction. The City of Minneapolis has also repealed the ordinance that permits liquor establishments in the central business district to remain open from 1:00 a.m. to 3:00 a.m., for the purpose of conducting entertainment. Liquor establishments having such a license will be required to cease operating from 1:00 a.m. until 3:00 a.m. as of December 31, 2001. However, we remained open, not pursuant to a license, but pursuant to the temporary injunction, until 3 a.m. On September 16, 2003, the lawsuit was settled on the following basis:

1. The City of Minneapolis will enact a late hours operation ordinance that complies with the First Amendment and allows qualifying liquor establishments, including us at our current location, to operate until 3:00 a.m. daily.
2. Upon issuance of a license to us, the present lawsuit will be dismissed with prejudice, except that in the event the City would again repeal its late night hours license, we would retain the right to sue the City.

We believe that, in the long run, the restoration of late hours operation on a permanent basis is preferable to going forward with the litigation and in our best interest.

OTHER LEGAL MATTERS

In April 2003, a suit was filed in the United States District Court for the Western District of Texas, San Antonio division, as a result of the City of having previously adopted a new ordinance, which, among other things, banned nude dancing. This suit asked the Court to declare the ordinance unconstitutional and enjoin the City from enforcing it. It is probable that we will proceed to trial if we elect to continue our present entertainment format.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

We held our Annual Meeting of Shareholders on August 28, 2003. Eric S. Langan, Robert L. Watters, Steven L. Jenkins, Alan Bergstrom and Travis Reese were nominated and elected as Directors with the following vote results at the shareholder meeting:

	For	Against	Abstain
	-----	-----	-----
Eric S. Langan	2,399,183	16,585	-0-
Robert L. Watters	2,399,183	16,585	-0-
Steven L. Jenkins	2,399,183	16,585	-0-
Alan Bergstrom	2,399,183	16,585	-0-
Travis Reese	2,399,183	16,585	-0-

At the Annual Meeting, the Shareholders ratified Whitley Penn as the Company's Independent Auditors, with the following vote results:

2,398,978	VOTES FOR RATIFICATION

12,175	VOTES AGAINST RATIFICATION

960	ABSTAIN

While no other matters were presented at the Annual Meeting, the following votes were submitted by Shareholders with respect to any other business coming before the Annual Meeting of Shareholders:

2,383,832	VOTES FOR OTHER BUSINESS

26,423	VOTES AGAINST OTHER BUSINESS

5,113	ABSTAIN

The meeting was adjourned when all matters of business had been discussed.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Our common stock is quoted on the NASDAQ SmallCap Market under the symbol "RICK." The following table sets forth the quarterly high and low of sales prices per share for the common stock. Our fiscal year ended September 30, 2003.

COMMON STOCK PRICE RANGE

HIGH LOW

Fiscal 2002

First Quarter.	\$3.40	\$2.61
Second Quarter	\$3.15	\$2.70
Third Quarter.	\$2.99	\$2.46
Fourth Quarter	\$2.82	\$2.01

Fiscal 2003

First Quarter.	\$2.35	\$2.00
Second Quarter	\$2.48	\$1.45
Third Quarter.	\$1.65	\$1.11
Fourth Quarter	\$1.75	\$1.25

On December 9, 2003, the last sales price for the common stock as reported on the NASDAQ SmallCap Market was \$1.76. On December 9, 2003, there were approximately 800 stockholders of record of the common stock.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for our common stock is American Stock Transfer & Trust Company.

DIVIDEND POLICY

We have not paid, and do not currently intend to pay cash dividends on our common stock in the foreseeable future. Our current policy is to retain all earnings, if any, to provide funds for operation and expansion of our business. The declaration of dividends, if any, will be subject to the discretion of the Board of Directors, which may consider such factors as our results of operation, financial condition, capital needs and acquisition strategy, among others.

During 2002, we purchased 700,000 shares of our common stock from Voice Media, Inc. for \$795,302 (adjusted for the imputed interest). Also, under the stock buy-back program approved in June 2001, we purchased 120,330 shares of our common stock at an average price of \$2.55 per share, or an aggregate purchase price of \$306,210. During 2003, we purchased 57,500 shares at an average price of \$2.07 per share, or an aggregate purchase price of \$118,649.

On September 16, 2003, our board of directors authorized us to repurchase up to \$500,000 worth of our common stock.

RECENT SALES OF UNREGISTERED SECURITIES

During the quarter ended September 30, 2003, we had no sales of unregistered shares of our common stock.

EQUITY COMPENSATION PLAN INFORMATION

PLAN CATEGORY	NUMBER OF SECURITIES TO BE ISSUED UPON EXERCISE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS	WEIGHTED-AVERAGE EXERCISE PRICE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS	NUMBER OF SECURITIES REMAINING AVAILABLE FOR FUTURE ISSUANCE UNDER EQUITY COMPENSATION PLANS (EXCLUDING SECURITIES REFLECTED IN COLUMN (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	423,000	\$ 2.44	77,000
Equity compensation plans not approved by security holders	75,000	\$ 1.87	225,000
TOTAL	498,000	\$ 2.35	302,000

DIRECTOR COMPENSATION

We do not currently pay any cash directors' fees, but we pay the expenses of our directors in attending board meetings. In September 2003, we issued 10,000 options to each Director who is a member of our audit committee and 5,000 options to our other Directors. These options have a strike price of \$1.40 per share and expire in September 2008.

EMPLOYEE STOCK OPTION PLANS

While we have been successful in attracting and retaining qualified personnel, we believe that our future success will depend in part on our continued ability to attract and retain highly qualified personnel. We pay wages and salaries that we believe are competitive. We also believe that equity ownership is an important factor in our ability to attract and retain skilled personnel. We have adopted a stock option plans (the "Plans") for employees and directors. The purpose of the Plans is to further our interests, our subsidiaries and our stockholders by providing incentives in the form of stock options to key employees and directors who contribute materially to our success and profitability. The grants recognize and reward outstanding individual performances and contributions and will give such persons a proprietary interest in us, thus enhancing their personal interest in our continued success and progress. The Plans also assist us and our subsidiaries in attracting and retaining key employees and directors. The Plans are administered by the Board of Directors. The Board of Directors has the exclusive power to select the participants in the Plans, to establish the terms of the options granted to each participant, provided that all options granted shall be granted at an exercise price equal to at least 85% of the fair market value of the common stock covered by the option on the grant date and to make all determinations necessary or advisable under the Plans.

In 1995 we adopted the 1995 Stock Option Plan (the "1995 Plan"). A total of 300,000 shares may be granted and sold under the 1995 Plan. As of December 9, 2003 a total of 167,500 stock options had been granted under the 1995 Plan, 92,500 of which were not exercised and have expired and 75,000 of which are presently outstanding. None of the options granted under the 1995 Plan have been exercised. We do not plan to issue any additional options under the 1995 Plan.

In August 1999 we adopted the 1999 Stock Option Plan (the "1999 Plan"). A total of 500,000 shares may be granted and sold under the 1999 Plan. As of September 30, 2003, 423,000 stock options are presently outstanding under the 1999 Plan, none of which have been exercised.

EMPLOYMENT AGREEMENT

We have a three-year employment agreement with Eric S. Langan (the "Langan Agreement"). The Langan Agreement extends through January 1, 2004 and provides for an annual base salary of \$260,000. The Langan Agreement also provides for participation in all benefit plans maintained by us for salaried employees. The Langan Agreement contains a confidentiality provision. We have not established long-term incentive plans or defined benefit or actuarial plans. Under a prior employment agreement, Mr. Langan received options to purchase 125,000 shares at an exercise price of \$1.87 per share, which vested in August 1999. We intend to enter into a new Employment Agreement with Mr. Langan at the end of the current term.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with our audited consolidated financial statements and the related notes to the financial statements included in this annual report.

FORWARD LOOKING STATEMENT AND INFORMATION

We are including the following cautionary statement in this Form 10-KSB to make applicable and take advantage of the safe harbor provision of the Private Securities Litigation Reform Act of 1995 for any forward-looking statements made by us or on behalf of us. Forward-looking statements include statements concerning plans, objectives, goals, strategies, future events or performance and underlying assumptions and other statements, which are other than statements of historical facts. Certain statements in this Form 10-KSB are forward-looking statements. Words such as "expects," "believes," "anticipates," "may," and "estimates" and similar expressions are intended to identify forward-looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those projected. Such risks and uncertainties are set forth below. Our expectations, beliefs and projections are expressed in good faith and we believe that they have a reasonable basis, including without limitation, our examination of historical operating trends, data contained in our records and other data available from third parties. There can be no assurance that our expectations, beliefs or projections will result, be achieved, or be accomplished. In addition to other factors and matters discussed elsewhere in this Form 10-KSB, the following are important factors that in our view could cause material adverse affects on our financial condition and results of operations: the risks and uncertainties related to our future operational and financial results, the risks and uncertainties relating to our Internet operations, competitive factors, the timing of the openings of other clubs, the availability of acceptable financing to fund corporate expansion efforts, our dependence on key personnel, the ability to manage operations and the future operational strength of management, and the laws governing the operation of adult entertainment businesses. We have no obligation to update or revise these forward-looking statements to reflect the occurrence of future events or circumstances.

GENERAL

We operate in two businesses in the adult entertainment industry:

1. We own and operate upscale adult nightclubs serving primarily businessmen and professionals. Our nightclubs offer live adult entertainment, restaurant and bar operations. We own and operate seven adult nightclubs under the name "Rick's Cabaret" and "XTC" in Houston, Austin and San Antonio, Texas, and Minneapolis, Minnesota. We also own and operate an adult-themed club called "Encounters" that serves the couples or "swingers" market and a sport bar called the "Hummers" in Houston. No sexual contact is permitted at any of our locations.

2. We have extensive Internet activities.

a) We currently own three adult Internet membership Web sites at www.couplestouch.com, www.otherstouch.com, and www.xxxpassword.com. We acquire xxxpassword.com site content from wholesalers.

b) We operate an online auction site www.naughtybids.com. This site provides our customers with the opportunity to purchase adult products and services in an auction format. We earn revenues by charging fees for each transaction conducted on the automated site.

Our nightclub revenues are derived from the sale of liquor, beer, wine, food, merchandise, cover charges, membership fees, independent contractors' fees, commissions from vending and ATM machines, valet parking and other products and service. Our Internet revenues are derived from subscriptions to adult content Internet websites, traffic/referral revenues, and commissions earned on the sale of products and services through Internet auction sites, and other activities. Our fiscal year end is September 30.

In fiscal 2002, we took a one time charge of \$2,532,384 as a result of the cumulative effect of the change in accounting for goodwill. We performed our annual evaluation as of September 30, 2003. No impairment losses were identified as a result of this evaluation.

Beginning in fiscal 2002 and continuing through fiscal 2003, we greatly reduced our usage of promotional pricing for membership fees for our adult entertainment web sites. This reduced our revenues from these web sites.

CRITICAL ACCOUNTING POLICIES

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. Estimates and

assumptions are based on historical experience, forecasted future events and various other assumptions that we believe to be reasonable under the circumstances. Estimates and assumptions may vary under different assumptions or conditions. We evaluate our estimates and assumptions on an ongoing basis. We believe the accounting policies below are critical in the portrayal of our financial condition and results of operations.

Accounts Receivable

Accounts receivable trade is comprised of credit card charges, which are generally converted to cash in two to five days after a purchase is made. The accounts receivable other is comprised of employee advances and other miscellaneous receivables. We recognize allowances for doubtful accounts when, based on our judgment, circumstances indicate that accounts receivable will not be collected.

Inventories

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

Marketable Securities

Marketable securities at September 30, 2003 consist of common stock. As of September 30, 2003, we classify the Company's marketable securities as available-for-sale securities, which are carried at fair value, with unrealized gains and losses reported as other comprehensive income (loss) within the stockholders' equity section of the balance sheet. The cost of marketable equity securities sold is determined on a specific identification basis. The fair value of marketable equity securities is based on quoted market prices.

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets for financial reporting purposes. Buildings have estimated useful lives between 31-40 years. Furniture, equipment 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 charged or credited in the accompanying statement of operations of the respective period.

Goodwill

In June 2001, the FASB issued SFAS No. 142, Goodwill and Other Intangibles Assets, which addresses the accounting for goodwill and other intangible assets. Under SFAS No. 142, goodwill and intangible assets with indefinite lives are no longer amortized, but reviewed on an annual basis for impairment. We adopted SFAS effective October 1, 2001.

Revenue Recognition

We recognize revenue at the point-of-sale upon receipt of cash, check, or credit card charge. This includes VIP Room Memberships, since the memberships are non-refundable and we have no significant obligation for future performance.

Advertising and Marketing

Advertising and marketing expenses is primarily composed 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.

Income Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. In addition, a valuation allowance is established to reduce any deferred tax asset for which it is determined that it is more likely than not that some portion of the deferred tax asset will not be realized.

RESULTS OF OPERATIONS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003 AS COMPARED TO THE FISCAL YEAR ENDED SEPTEMBER 30, 2002

For the fiscal year ended September 30, 2003, we had consolidated total revenues of \$15,059,569, compared to consolidated total revenues of \$15,557,302 for the year ended September 30, 2002. This was a decrease of \$497,733 or 3.20%. While we had an increase in total revenues in our existing and new nightclub operations of \$561,902, the decrease in total revenues resulted from our Internet businesses was \$1,059,635. Revenues from nightclub operations for same-location same-period increased by 2.30%, while revenues of Internet businesses for same-sites same-period decreased by 50.16%. The overall decrease was primarily due to the decrease in our Internet activities and the general decrease in revenues in the entertainment industry post September 11, 2001.

Our net income before minority interest and cumulative effect of an accounting change for the year ended September 30, 2003 was \$403,936 compared to \$262,552 for the year ended September 30, 2002. The increase in net income was primarily due to the gain from the sales of our subsidiary Taurus Entertainment Companies, Inc. Our net income from operations for nightclub operations was \$1,934,574 for the year ended September 30, 2003 compared with \$2,121,642 for the year ended September 30, 2002. Our net income from operations for our Internet businesses was \$36,421 for the year ended September 30, 2003 compared with \$169,793 for the year ended September 30, 2002. Our net income for our nightclub operations for the same-location-same-period increased by 1.94%. Our net income for our Internet operations for the same-web-site-same-period decreased by 78.55%. We had a net loss of \$2,271,180 for the year ended September 30, 2002 as a result of the cumulative effect of the change in the accounting for goodwill of \$2,532,384.

Our cost of goods sold for the year ended September 30, 2003 was 14.58% of total revenues compared to 19.09 % of related revenues for the year ended September 30, 2002. The decrease was due primarily to decrease in costs of our Internet activities. Our cost of goods sold for the nightclub operations for the year ended September 30, 2003 was 14.40% of our total revenues from club operations compared to 15.36% for the year ended September 30, 2002. We continued our efforts to achieve reductions in cost of goods sold of the club operations through improved inventory management. We are continuing a program to improve margins from liquor and food sales and food service efficiency. Our cost of sales from our Internet operations for the year ended September 30, 2003 was 17.41% compared to 43.08% of related revenues for the year ended September 30, 2002. We have implemented measures to reduce expenses in our Internet operations.

Our payroll and related costs for the year ended September 30, 2003 were \$5,393,708 compared to \$5,143,549 for the year ended September 30, 2002. The increase was primarily due to the increase in payroll in opening new club and corporate activities. Our payroll for our nightclub operations for same-location-same-period increased by 1.15%. Our payroll for same-site-same-period Internet operations increased by 32.92%. We believe that our labor and management staff levels are at appropriate levels.

Our other general and administrative expenses for the year ended September 30, 2003 were \$7,112,974 compared to \$6,819,634 for the year ended September 30, 2003. The increase was primarily due to the increase in taxes & permit, rent, insurance, utilities, and advertising & marketing expenses from opening new locations. Other selling, general and administrative expenses for same-location-same-period for the nightclub operations increased by 6.91%, while the same expenses for same-site same-period for Internet operations decreased by 31.61%.

Our interest expense for the year ended September 30, 2003 was \$384,221 compared to \$370,401 for the year ended September 30, 2002. The increase was primarily due to the increase in debt related to our purchase of 763,830 of our shares in a private transaction (these share are now treasury shares). However, we have decreased our long term debt to \$4,026,335 as of September 30, 2003 compared to debt of \$4,607,353 as of September 30, 2002.

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2003, we had working capital of \$52,305 compared to working capital deficit of \$32,997 as of September 30, 2002. Because of the large volume of cash we handle, stringent cash controls have been implemented. At September 30, 2003, our cash and cash equivalents were \$604,865 compared to \$733,366 at September 30, 2002.

Our net cash provided by operating activities in the year ended September 30, 2003 was \$586,326 compared to \$1,285,545 for the year ended September 30, 2002. The decrease in cash provided by operating activities was primarily due to the increase in net changes in operating assets and liabilities, and decrease in impairment of goodwill.

Our depreciation for the year ended September 30, 2003 was \$531,561 compared to \$490,021 for the year ended September 30, 2002.

In our opinion, working capital is not a true indicator of our financial status. Typically, businesses in our industry carry current liabilities in excess of current assets because businesses in our industry receive substantially immediate payment for sales, with nominal receivables, while inventories and other current liabilities normally carry longer payment terms. Vendors and purveyors often remain flexible with payment terms, providing businesses in our industry with opportunities to adjust to short-term business down turns. We consider the primary indicators of financial status to be the long-term trend of revenue growth, the mix of sales revenues, overall cash flow, and profitability from operations and the level of long-term debt.

We have not established lines of credit or financing other than our existing debt. There can be no assurance that we will be able to obtain additional financing on reasonable terms in the future, if at all, should the need arise.

We believe that the adult entertainment industry standard of treating entertainers as independent contractors provides us with safe harbor protection to preclude payroll tax assessment for prior years. We have prepared plans that we believe will protect our profitability in the event that sexually oriented business industry is required in all states to convert dancers who are now independent contractors into employees.

The sexually oriented business industry is highly competitive with respect to price, service and location, as well as the professionalism of the entertainment. Although we believe that we are well-positioned to compete successfully in the future, there can be no assurance that we will be able to maintain our high level of name recognition and prestige within the marketplace.

SEASONALITY

Our nightclub operations are significantly affected by seasonal factors. Historically, we have experienced reduced revenues from April through September with the strongest operating results occurring during October through March. Our experience indicates that there are no seasonal fluctuations in our Internet activities.

GROWTH STRATEGY

We believe that our nightclub operations can continue to grow organically and through careful entry into markets and demographic segments with high growth potential. Upon careful market research, we may open new clubs. We may acquire existing clubs in locations that are consistent with our growth and income targets, and which appear receptive to the upscale club formula we have developed. We may form joint ventures or partnerships to reduce start-up and operating costs, with us contributing equity in the form of our brand name and management expertise. As is the case of our Encounters couples club, we may also develop new club concepts that are consistent with our management and marketing skills. We may also acquire real estate in connection with club operations, although some clubs may be in leased premises.

We also expect to continue to grow our Internet profit centers. We plan to focus on high-margin Internet activities that leverage our marketing skills while requiring a low level of start-up cost and ongoing operating costs.

ITEM 7. FINANCIAL STATEMENTS

The information required by this Item 7 is included in this report beginning on page F-1.

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There have been no changes in or disagreements with accountants on accounting and financial disclosure.

ITEM 8A. CONTROLS AND PROCEDURES

Eric Langan, our Chief Executive Officer and Chief Financial Officer, has concluded that our disclosure controls and procedures are appropriate and effective. He has evaluated these controls and procedures as of a date within 90 days of the filing date of this report on Form 10-KSB. There were no significant changes in our internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

PART III

ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL

PERSONS; COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT

DIRECTORS AND EXECUTIVE OFFICERS

Directors are elected annually and hold office until the next annual meeting of our stockholders or until their successors are elected and qualified. Officers are elected annually and serve at the discretion of the Board of Directors. There is no family relationship between or among any of our directors and executive officers. Our Board of Directors consists of five persons.

Name	Age	Position

Eric S. Langan	35	Director, Chief Executive Officer, President and Chief Financial Officer
Travis Reese	34	Director and V.P.-Director of Technology
Robert L. Watters	52	Director
Alan Bergstrom	57	Director
Steven Jenkins	47	Director

Eric S. Langan has been our Director since 1998 and our President since March 1999. Mr. Langan is also our acting Chief Financial Officer. He has been involved in the adult entertainment business since 1989. Mr. Langan has also served as the President and Director of Taurus Entertainment Companies, Inc. since November 1997. Mr. Langan resigned as President of Taurus in June 2003 and as Director in September 2003. From January 1997 through the present, he has held the position of President of XTC Cabaret, Inc. From November 1992 until January 1997, Mr. Langan was the President of Bathing Beauties, Inc. Since 1989, Mr. Langan has exercised managerial control over more than a dozen adult entertainment businesses. Through these activities, Mr. Langan has acquired the knowledge and skills necessary to successfully operate adult entertainment businesses.

Robert L. Watters is our founder and has been our Director since 1986. Mr. Watters was our President and our Chief Executive Officer from 1991 until March 1999. He was also a founder in 1989 and operator until 1993 of the Colorado Bar & Grill, an adult club located in Houston, Texas and in 1988 performed site selection, negotiated the property purchase and oversaw the design and permitting for the club that became the Cabaret Royale, in Dallas, Texas. Mr. Watters practiced law as a solicitor in London, England and is qualified to practice law in New York State. Mr. Watters worked in the international tax group of the accounting firm of Touche, Ross & Co. (now succeeded by Deloitte & Touche) from 1979 to 1983 and was engaged in the private practice of law in Houston, Texas from 1983 to 1986, when he became involved in our full-time management. Mr. Watters graduated from the London School of Economics and Political Science, University of London, in 1973 with a Bachelor of Laws (Honours) degree and in 1975 with a Master of Laws degree from Osgoode Hall Law School, York University.

Steven L. Jenkins has been a Director since June 2001. Since 1988, Mr. Jenkins has been a certified public accountant with Pringle Jenkins & Associates, P.C., located in Houston, Texas. Mr. Jenkins is the President and owner of Pringle Jenkins & Associates, P.C. Mr. Jenkins has a BBA Degree (1979) from Texas A&M University. Mr. Jenkins is a member of the AICPA and the TSCPA.

Alan Bergstrom became our Director in 1999. Since 1997, Mr. Bergstrom has been the Chief Operating Officer of Eagle Securities, which is an investment consulting firm. Mr. Bergstrom is also a registered stockbroker with Rhodes Securities, Inc. From 1991 until 1997, Mr. Bergstrom was a Vice President--Investments with Principal Financial Securities, Inc. Mr. Bergstrom holds a B.B.A. Degree in Finance, 1967, from the University of Texas.

Travis Reese became our Director and V.P.-Director of Technology in 1999. From 1997 through 1999, Mr. Reese had been a senior network administrator at St. Vincent's Hospital in Sante Fe, New Mexico. During 1997, Mr. Reese was a computer systems engineer with Deloitte & Touche. From 1995 until 1997, Mr. Reese was Vice President with Digital Publishing Resources, Inc., an Internet service provider. From 1994 until 1995, Mr. Reese was a pilot with Continental Airlines. From 1992 until 1994, Mr. Reese was a pilot with Hang On, Inc., an airline company. Mr. Reese has an Associates Degree in Aeronautical Science from Texas State Technical College.

There is no family relationship between or among any of our directors and executive officers.

COMMITTEES OF THE BOARD OF DIRECTORS

We have no compensation committee and no nominating committee. Decisions concerning executive officer compensation for fiscal 2003 were made by the full Board of Directors. Eric S. Langan and Travis Reese are our only directors who are also our officers.

We have an Audit Committee of independent directors whose members are Robert L. Watters, Alan Bergstrom and Steven Jenkins. The primary purpose of our Audit Committee is to oversee our financial reporting process on behalf of the Board of Directors. The activities and responsibilities of our Audit Committee include: the nomination or selection of the independent auditors; the review of the results of the audit; and a detailed, overall corporate review of the adequacy of our internal controls.

Our Board of Directors has adopted a Charter for our Audit Committee. The Charter establishes the independence of our Audit Committee and sets forth the scope of our Audit Committee's duties. The purpose of our Audit Committee is to conduct continuing oversight of our financial affairs. Our Audit Committee conducts an ongoing review of our financial reports and other financial information prior to their being filed with the Securities and Exchange Commission, or otherwise provided to the public. Our Audit Committee also reviews our systems, methods and procedures of internal controls in the areas of: financial reporting, audits, treasury operations, corporate finance, managerial, financial and SEC accounting, compliance with law, and ethical conduct. Our Audit Committee is objective, and reviews and assesses the work of our independent accountants and our internal audit department.

All of our Audit Committee members are independent Directors. The Board of Directors elects the Members of our Audit Committee annually. The Members serve until their successors are duly elected and qualified. Unless our Audit Committee Chairperson is elected by the full Board, the Members of our Audit Committee designate a Chairperson by majority vote of the all Members. All Members are free from any relationship that could conflict with Member's independent judgment. All Members are able to read and understand fundamental financial statements, including a balance sheet, income statement, and cash flow statement. At least one Member has past employment experience in finance or accounting, requisite professional certification in accounting, or other comparable experience or background, including a current or past position as a chief executive or financial officer or other senior officer with financial oversight responsibilities.

CERTAIN SECURITIES FILINGS

Based on a review of the forms submitted to the Company during the fiscal year ended September 30, 2003, we believe that all persons subject to Section 16(a) of the Exchange Act in connection with their relationship with us have complied on a timely basis.

CODE OF ETHICS

The Company has adopted a code of ethics for its Principal Executive and Senior Financial Officers which is attached hereto as Exhibit 14.

ITEM 10. EXECUTIVE COMPENSATION

The following table reflects all forms of compensation for services to us for the fiscal years ended September 30, 2003, 2002 and 2001 of certain executive officers.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Annual	Compensation			Awards	Long	Term Compensation	Payouts
	Year	Salary (\$)	Bonus (\$)	Other Annual Compen- sation (1) (\$)	Restricted Stock Awards (\$)	Securities Underlying Options/ SARs (#)	LTIP Payouts (\$)	All Other Compen- sation (\$)

Eric Langan	2003	\$ 260,000	-0-	-0-	-0-	5,000	-0-	-0-
	2002	\$ 260,000	-0-	-0-	-0-	-0-	-0-	-0-
	2001	\$ 239,600	-0-	-0-	-0-	5,000	-0-	-0-
Mr. Langan is our Chairman, a Director, Chief Executive Officer, President and Acting Chief Financial Officer.								
Travis Reese	2003	\$ 158,855	-0-	-0-	-0-	5,000	-0-	-0-
	2002	\$ 137,500	-0-	-0-	-0-	-0-	-0-	-0-
	2001	\$ 102,000	-0-	-0-	-0-	5,000	-0-	-0-
Mr. Reese is a Director and V.P.-Director of Technology								

- (1) We provide certain executive officers certain personal benefits. Since the value of such benefits does not exceed the lesser of \$50,000 or 10% of annual compensation, the amounts are omitted.

OPTION/SAR GRANTS IN LAST FISCAL YEAR (Individual Grants)

Name	Number of Securities Underlying Options/SARs Granted #	Percent of Total Options/SARs Granted To Employees In Fiscal Year %	Exercise of Base Price \$/share	Expiration Date

Eric Langan	5,000 shares (1)	-0-%	\$ 1.40	9/10/2008
Travis Reese	5,000 shares (1)	-0-%	\$ 1.40	9/10/2008

- (1) There were no exercises of options by these persons during the fiscal year ended September 30, 2003

AGGREGATED OPTION/SAR EXERCISES IN
LAST FISCAL YEAR AND FY-END OPTION/SAR VALUES

Name	Shares Acquired On Exercise #	Value Realized \$	Number Of Unexercised Securities Underlying Options/SARs At FY-End Exercisable/ Unexercisable #	Value of Unexercised In-The-Money Options/ SARs At FY-End Exercisable/ Unexercisable \$
Eric Langan	-0- (1)	-0-	200,000/-0-	\$1,750 / \$-0-
Travis Reese	-0- (1)	-0-	50,000/-0-	\$1,750 / \$-0-

(1) There were no exercises of options by these persons during the fiscal year ended September 30, 2003

DIRECTOR COMPENSATION

We do not currently pay any cash directors' fees, but we pay the expenses of our directors in attending board meetings. In September 2003, we issued 10,000 options to each Director who is a member of our audit committee and 5,000 options to our other Directors. These options have a strike price of \$1.40 per share and expire in September 2008.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth certain information at December 9, 2003, with respect to the beneficial ownership of shares of Common Stock by (i) each person known to us who owns beneficially more than 5% of the outstanding shares of Common Stock, (ii) each of our directors, (iii) each of our executive officers and (iv) all of our executive officers and directors as a group. Unless otherwise indicated, each stockholder has sole voting and investment power with respect to the shares shown.

Name and Address	Number of Shares	Title of Class	Percent of Class (8)
Eric S. Langan 505 North Belt, Suite 630 Houston, Texas 77060	1,021,200(1)	Common Stock	27.6%
Robert L. Watters 315 Bourbon Street New Orleans, Louisiana 70130	35,000(2)	Common Stock	0.9%
Steven L. Jenkins 16815 Royal Crest Drive, Suite 160 Houston, Texas 77058	20,000(3)	Common Stock	0.5%
Travis Reese 505 North Belt, Suite 630 Houston, Texas 77060	55,475(4)	Common Stock	1.5%
Alan Bergstrom 707 Rio Grande, Suite 200 Austin, Texas 78701	35,000(2)	Common Stock	0.9%
E. S. Langan, L.P. 505 North Belt, Suite 630 Houston, Texas 77060	578,632	Common Stock	15.6%
Ralph McElroy 1211 Choquette Austin, Texas, 78757	817,147(5)	Common Stock	22.1%
William Friedrichs 16815 Royal Crest Dr., Suite 260 Houston, Texas 77058	401,850(6)	Common Stock	10.9%
All of our Directors and Officers as a Group of five persons	1,166,675(7)	Common Stock	31.5%

(1) Mr. Langan has sole voting and investment power for 242,568 shares that he owns directly. Mr. Langan has shared voting and investment power for 578,632 shares that he owns indirectly through E. S. Langan, L.P. Mr. Langan is the general partner of E. S. Langan, L.P. This amount also includes options to purchase up to 200,000 shares of common stock that are presently exercisable.

(2) Includes options to purchase up to 35,000 shares of common stock that are presently exercisable.

(3) Includes options to purchase up to 20,000 shares of common stock that are presently exercisable.

(4) Includes options to purchase up to 50,000 shares of common stock that are presently exercisable.

(5) Includes 66,545 shares of common stock that would be issuable upon conversion of a convertible debenture held by Mr. McElroy. Also includes 52,135 shares of common stock that would be issuable upon conversion of a convertible promissory note held by Mr. McElroy.

(6) Includes 170,000 shares owned by WMF Investments, Inc. Mr. Friedrichs is a control person of WMF Investments, Inc.

(7) Includes options to purchase up to 340,000 shares of common stock that are presently exercisable.

(8) These percentages exclude treasury shares in the calculation of percentage of class.

We are not aware of any arrangements that could result in a change of control.

The disclosure required by Item 201(d) of Regulation S-B is set forth in ITEM 5 herein.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Our Board of Directors has adopted a policy that our business affairs will be conducted in all respects by standards applicable to publicly held corporations and that we will not enter into any future transactions and/or loans between us and our officers, directors and 5% shareholders unless the terms are no less favorable than could be obtained from independent, third parties and will be approved by a majority of our independent and disinterested directors. In our view, all of the transactions described below meet this standard.

In May 2002, we loaned \$100,000 to Eric Langan who is our Chief Executive Officer. The promissory note is unsecured, bears interest at 11% and is amortized over a period of ten years. The note contains a provision that in the event Mr. Langan leaves the Company for any reason, the note immediately becomes due and payable in full. The balance of the note was \$92,626 at September 30, 2003 and is included in other assets in our balance sheet.

ITEM 13. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

Exhibit 14 - Code of Ethics.

Exhibit 21 - Subsidiaries of the Registrant.

Exhibit 31.1 - Certification of Chief Executive Officer of Rick's

Cabaret International, Inc. Corporation required by Rule 13a-14(1) or Rule 15d - 14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

Exhibit 31.2 - Certification of Chief Financial Officer of Rick's Cabaret International, Inc. Corporation required by Rule 13a-14(1) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

Exhibit 32.1 - Certification of Chief Executive Officer of Rick's Cabaret International, Inc. Corporation pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and Section 1350 of 18 U.S.C. 63.

Exhibit 32.2 - Certification of Chief Financial Officer of Rick's Cabaret International, Inc. Corporation pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and Section 1350 of 18 U.S.C. 63.

(b) Reports on Form 8-K.

The Company filed Form 8-K relating to the sale of Taurus Entertainment Companies, Inc. containing Item 2 - Acquisition and Disposition of Assets and Item 7 - Financial Statement and Exhibits on June 12, 2003.

SIGNATURES

In accordance with the requirements of Section 13 of 15(d) of the Exchange Act, the Registrant has caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on December 29, 2003.

Rick's Cabaret International, Inc.

/s/ Eric S. Langan

By: Eric S. Langan
Director, Chief Executive Officer,
President and Chief Financial Officer

Pursuant to the requirements of the Exchange Act, this report has been signed below by the following persons in the capacities and on the dates indicated:

Signature Title Date

/s/ Eric S. Langan ----- Eric S. Langan	Director, Chief Executive Officer, President and Chief Financial Officer	December 29, 2003
---	--	-------------------

/s/ Travis Reese ----- Travis Reese	Director and V.P.-Director of Technology	December 29, 2003
---	---	-------------------

/s/ Robert L. Watters ----- Robert L. Watters	Director	December 29, 2003
---	----------	-------------------

/s/ Alan Bergstrom ----- Alan Bergstrom	Director	December 29, 2003
---	----------	-------------------

/s/ Steven Jenkins ----- Steven Jenkins	Director	December 29, 2003
---	----------	-------------------

RICK'S CABARET INTERNATIONAL, INC.
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2003 AND 2002

TABLE OF CONTENTS

Report of Independent Auditors	F-2
Audited Consolidated Financial Statements:	
Consolidated Balance Sheets	F-3
Consolidated Statements of Operations	F-4
Consolidated Statements of Changes in Stockholders' Equity .	F-5
Consolidated Statements of Cash Flows	F-6
Notes to Consolidated Financial Statements	F-7

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Stockholders of Rick's Cabaret International, Inc.

We have audited the accompanying consolidated balance sheets of Rick's Cabaret International, Inc. and subsidiaries, as of September 30, 2003 and 2002, and the related consolidated statements of operations, stockholders' equity, and cash flows for the years 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 consolidated financial position of Rick's Cabaret International, Inc. as of September 30, 2003 and 2002, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Whitley Penn
Dallas, Texas
November 21, 2003

RICK'S CABARET INTERNATIONAL, INC.

CONSOLIDATED BALANCE SHEETS

	SEPTEMBER 30,	
	2003	2002
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 604,865	\$ 733,366
Accounts receivable:		
Trade	45,319	35,749
Other, net	213,886	190,888
Marketable securities	135,000	-
Inventories	230,451	210,802
Prepaid expenses	83,647	63,897
Total current assets	1,313,168	1,234,702
Property and equipment, net	8,777,057	9,122,253
Other assets:		
Goodwill	1,962,848	1,883,007
Other	202,439	197,358
	2,165,287	2,080,365
Total assets	\$12,255,512	\$12,437,320
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 189,208	\$ 274,659
Accrued liabilities	622,216	533,068
Current portion of long-term debt	449,439	459,972
Total current liabilities	1,260,863	1,267,699
Long-term debt, less current portion	3,576,896	4,147,381
Total liabilities	4,837,759	5,415,080
Commitments and contingencies	-	-
Minority interests	36,032	80,164
Stockholders' equity:		
Preferred stock, \$.10 par, 1,000,000 shares authorized, none outstanding	-	-
Common stock, \$.01 par, 15,000,000 shares authorized, 4,608,678 shares issued at September 30, 2003 and 2002, respectively	46,087	46,087
Additional paid-in capital	11,273,149	11,273,149
Accumulated other comprehensive income	120,000	-
Accumulated deficit	(2,763,735)	(3,202,029)
	8,675,501	8,117,207
Less 908,530 and 851,030 shares of stock held in treasury at cost in 2003 and 2002, respectively	1,293,780	1,175,131
Total stockholders' equity	7,381,721	6,942,076
Total liabilities and stockholders' equity	\$12,255,512	\$12,437,320
	=====	=====

RICK'S CABARET INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

	YEAR ENDED SEPTEMBER 30,	
	2003	2002
Revenues		
Sales of alcoholic beverages	\$ 6,671,498	\$ 6,380,914
Sales of food and merchandise	1,661,358	1,583,433
Service revenues	5,333,889	5,210,950
Internet revenues	1,053,188	2,112,823
Other	339,636	269,182
	15,059,569	15,557,302
Operating expenses		
Cost of goods sold	2,194,940	2,970,139
Salaries and wages	5,393,708	5,143,549
Other general and administrative:		
Taxes and permits	2,074,067	1,978,360
Charge card fees	254,953	261,952
Rent	336,592	219,209
Legal and professional	714,250	665,677
Advertising and marketing	817,328	653,884
Impairment of goodwill	-	325,776
Other	2,915,784	2,714,776
	14,701,622	14,933,322
Income from operations	357,947	623,980
Other income (expense)		
Interest income	16,875	22,245
Interest expense	(384,221)	(370,401)
Gain (loss) on sale or disposition of assets	345,820	(14,037)
Other	67,515	765
Income before the following items:	403,936	262,552
Minority interests	34,358	(1,348)
Cumulative effect of accounting change	-	(2,532,384)
Net income (loss)	\$ 438,294	\$ (2,271,180)
Basic and diluted earnings (loss) per share:		
Income before cumulative effect of accounting change	\$ 0.12	\$ 0.06
Net income (loss)	\$ 0.12	\$ (0.54)
Weighted average number of common shares outstanding	3,729,167	4,241,483

RICK'S CABARET INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

SEPTEMBER 30, 2003

	COMMON STOCK		PAID-IN CAPITAL	ACCUMULATED OTHER		TREASURY STOCK
	NUMBER OF SHARES	AMOUNT		COMPREHENSIVE INCOME	ACCUMULATED DEFICIT	NUMBER OF SHARES
Balance at September 30, 2001	4,598,678	\$45,987	\$11,257,449	\$ -	\$ (930,849)	30,700
Net loss	-	-	-	-	(2,271,180)	-
Shares issued for cash	10,000	100	15,700	-	-	-
Purchases of treasury stock	-	-	-	-	-	820,330
Balance at September 30, 2002	4,608,678	46,087	11,273,149	-	(3,202,029)	851,030
Net income	-	-	-	-	438,294	-
Change in available-for-sale securities	-	-	-	120,000	-	-
Comprehensive income for year						
Purchases of treasury stock	-	-	-	-	-	57,500
Balance at September 30, 2003	4,608,678	\$46,087	\$11,273,149	\$ 120,000	\$ (2,763,735)	908,530
	=====	=====	=====	=====	=====	=====
	TREASURY STOCK	TOTAL STOCKHOLDERS' EQUITY				
	AMOUNT					
Balance at September 30, 2001	\$ (73,619)	\$ 10,298,968				
Net loss	-	(2,271,180)				
Shares issued for cash	-	15,800				
Purchases of treasury stock	(1,101,512)	(1,101,512)				
Balance at September 30, 2002	(1,175,131)	6,942,076				
Net income	-	438,294				
Change in available-for-sale securities	-	120,000				
Comprehensive income for year		558,294				
Purchases of treasury stock	(118,649)	(118,649)				
Balance at September 30, 2003	\$(1,293,780)	\$ 7,381,721				
	=====	=====				

RICK'S CABARET INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	YEAR ENDED 2003	SEPTEMBER 30, 2002
OPERATING ACTIVITIES		
Net income (loss)	\$ 438,294	\$ (2,271,180)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	531,561	490,021
Impairment of goodwill	-	325,776
Minority interests	(34,358)	1,348
(Gain) loss on sale of subsidiary	(342,251)	-
(Gain) loss on sale or disposition of property and equipment	(3,569)	6,240
Change in accounting principle	-	2,532,384
Changes in operating assets and liabilities:		
Accounts receivable	37,432	153,015
Inventories	(19,649)	(14,502)
Prepaid expenses and other assets	(24,831)	17,580
Accounts payable and accrued liabilities	3,697	44,863
Net cash provided by operating activities	586,326	1,285,545
INVESTING ACTIVITIES		
Acquisitions	(150,000)	-
Proceeds from disposition of subsidiary	180,000	-
Purchases of property and equipment	(162,220)	(933,472)
Proceeds from sale of property and equipment	47,718	7,900
Net cash used in operating activities	(84,502)	(925,572)
FINANCING ACTIVITIES		
Purchases of treasury stock	(118,649)	(156,211)
Proceeds from long-term debt	-	150,000
Payments on long-term debt	(511,676)	(325,024)
Net cash used in financing activities	(630,325)	(331,235)
Net increase (decrease) in cash and cash equivalents	(128,501)	28,738
Cash and cash equivalents at beginning of year	733,366	704,628
Cash and cash equivalents at end of year	\$ 604,865	\$ 733,366
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for interest	\$ 374,270	\$ 370,401
Cash paid during the year for income taxes	\$ -	\$ -

NON-CASH TRANSACTIONS

During the year ended September 30, 2003, the Company transferred a Company vehicle and the related note to an individual. The remaining note payable was \$69,342 which approximated the fair value of the vehicle on the date of transfer.

During the year ended September 30, 2002, the Company issued \$945,301 in notes payable to two individuals to acquire 763,830 shares of treasury stock.

RICK'S CABARET INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2003 AND 2002

A. NATURE OF BUSINESS

Rick's Cabaret International, Inc. (the "Company") is a Texas corporation incorporated in 1994. The Company currently owns and operates nightclubs that offer live adult entertainment, restaurant, and bar operations. These nightclubs are located in Houston, Austin and San Antonio, Texas, as well as Minneapolis, Minnesota. The Company also owns and operates several adult entertainment Internet websites. The Company's corporate headquarters is located in Houston, Texas.

B. ACCOUNTING POLICIES

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

BASIS OF ACCOUNTING

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

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its subsidiaries. Significant intercompany accounts and transactions have been eliminated in consolidation.

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 September 30, 2003 and 2002, the Company had no such investments included in cash and cash equivalents. The Company maintains deposits primarily in one financial institution, which may at times exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation ("FDIC"). At September 30, 2003 and 2002, the uninsured portion of these deposits approximated \$95,000 and \$211,000, respectively. The Company has not incurred losses related to its cash on deposit with banks.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

B. ACCOUNTING POLICIES - CONTINUED

ACCOUNTS RECEIVABLE

Accounts receivable trade is comprised of credit card charges, which are generally converted to cash in two to five days after a purchase is made. The Company's accounts receivable other is comprised of employee advances and other miscellaneous receivables. The Company recognizes allowances for doubtful accounts when, based on management judgment, circumstances indicate that accounts receivable will not be collected. Accordingly, accounts receivables other are shown net of the allowance for doubtful accounts of approximately \$0 and \$7,300 as of September 30, 2003 and 2002, respectively.

MARKETABLE SECURITIES

Marketable securities at September 30, 2003 consist of common stock. Statement of Financial Accounting Standards ("SFAS") No. 115, Accounting for Certain Investments in Debt and Equity Securities, requires certain investments be recorded at fair value or amortized cost. The appropriate classification of the investments in marketable equity is determined at the time of purchase and re-evaluated at each balance sheet date. As of September 30, 2003, the Company's marketable securities were classified as available-for-sale, which are carried at fair value, with unrealized gains and losses reported as other comprehensive income (loss) within the stockholders' equity section of the balance sheet. The cost of marketable equity securities sold is determined on a specific identification basis. The fair value of marketable equity securities is based on quoted market prices.

INVENTORIES

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

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets for financial reporting purposes. Buildings have estimated useful lives between 31-40 years. Furniture, equipment 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 charged or credited in the accompanying statement of operations of the respective period.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

B. ACCOUNTING POLICIES - CONTINUED

GOODWILL

In June 2001, the FASB issued SFAS No. 142, Goodwill and Other Intangibles Assets, which addresses the accounting for goodwill and other intangible assets. Under SFAS No. 142, goodwill and intangible assets with indefinite lives are no longer amortized, but reviewed on an annual basis for impairment. The Company adopted SFAS effective October 1, 2001.

REVENUE RECOGNITION

The Company recognizes revenue at the point-of-sale upon receipt of cash, check, or credit card charge. This includes VIP Room Memberships, since the memberships are non-refundable and the Company has no significant obligation for future performance.

ADVERTISING AND MARKETING

Advertising and marketing expenses are primarily composed 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.

INCOME TAXES

Deferred income taxes are determined using the liability method in accordance with SFAS No. 109, Accounting for Income Taxes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. In addition, a valuation allowance is established to reduce any deferred tax asset for which it is determined that it is more likely than not that some portion of the deferred tax asset will not be realized.

COMPREHENSIVE INCOME

The Company reports comprehensive income in accordance with the provisions of SFAS No. 130, Reporting Comprehensive Income. Comprehensive income consists of net income and gains (losses) on available-for-sale marketable securities and is presented in the consolidated statements of changes in stockholders' equity.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

B. ACCOUNTING POLICIES - CONTINUED

EARNINGS PER COMMON SHARE

The Company computes earnings (loss) per share in accordance with SFAS No. 128, Earnings Per Share. SFAS No. 128 provides for the calculation of basic and diluted earnings per share. Basic earnings per share includes no dilution and is computed by dividing income available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflect the potential dilution of securities that could share in the earnings of the Company. Because the Company's potential dilutive securities are anti-dilutive, the accompanying presentation is only of basic earnings per share.

Stock options of 498,000 and 643,500 for the years ended September 30, 2003 and 2002, respectively, have been excluded from earnings per share due to the stock options being anti-dilutive.

FAIR VALUE OF FINANCIAL INSTRUMENTS

In accordance with the reporting requirements of 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 the consolidated financial statements when the fair value is different than the carrying value of these financial instruments. The estimated fair value of cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their carrying amounts due to the relatively short maturity of these instruments. The carrying value of short and long-term debt also approximates fair value since these instruments bear market rates of interest. None of these instruments are held for trading purposes.

STOCK OPTIONS

At September 30, 2003, the Company has stock options outstanding, which are described more fully in Note H. The Company accounts for its stock options under the recognition and measurement principles of Accounting Principles Board ("APB") Opinion No. 25, Accounting for Stock Issued to Employees, and related Interpretations. The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of SFAS No. 123, Accounting for Stock-Based Compensation, to stock-based employee compensation.

RICK'S CABARET INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

B. ACCOUNTING POLICIES - CONTINUED

STOCK OPTIONS - CONTINUED

The following presents pro forma net income (loss) and per share data as if a fair value accounting method had been used to account for stock-based compensation:

	YEAR ENDED 2003	SEPTEMBER 30, 2002
	-----	-----
Net income (loss), as reported	\$438,294	\$(2,271,180)
Less total stock-based employee compensation expense determined under the fair value based method for all awards	(98,882)	(198,077)
	-----	-----
Pro forma net income (loss)	\$339,412	\$(2,469,257)
	=====	=====
Earnings (loss) per share:		
Basic and diluted - as reported	\$ 0.12	\$(0.54)
	=====	=====
Basic and diluted - pro forma	\$ 0.09	\$(0.58)
	=====	=====

IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

In May 2003, the Financial Accounting Standards Board ("FASB") issued SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity. SFAS No. 150 requires that certain financial instruments, which under previous guidance could be accounted for as equity, be classified as liabilities in the accompanying balance sheet. SFAS No. 150 is effective for financial instruments entered into or modified after May 31, 2003, and is otherwise effective for the Company in the fourth quarter of 2003. Adoption of SFAS No. 150 did not have an impact on the Company's results of operations or financial condition.

In January 2003, the FASB issued Interpretation No. 46, Consolidation of Variable Interest Entities-an interpretation of ARB No. 51, which provides guidance on the identification of and reporting for variable interest entities. Interpretation No. 46 expands the criteria for consideration in determining whether a variable interest entity should be consolidated. Interpretation No. 46 was effective immediately for variable interest entities created after January 31, 2003, and to variable interest entities in which an enterprise obtains an interest after that date. Interpretation No. 46 was effective for the Company in the second quarter of 2003 for variable interest entities acquired before February 1, 2003. Adoption of Interpretation No. 46 did not have an impact on the Company's results of operations or financial condition.

RICK'S CABARET INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

B. ACCOUNTING POLICIES - CONTINUED

RECLASSIFICATIONS

Certain prior year amounts have been reclassified to conform to the current year presentation.

C. MARKETABLE SECURITIES

The cost and fair value of available-for-sale marketable securities as of September 30, 2003 is as follows:

2003	COST	UNREALIZED GAINS	UNREALIZED LOSSES	FAIR VALUE
-----	-----	-----	-----	-----
Marketable securities	\$15,000	\$ 120,000	\$ -	\$135,000
	=====	=====	=====	=====

D. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	SEPTEMBER 30,	
	2003	2002
	-----	-----
Buildings and land	\$ 8,970,743	\$ 8,981,741
Leasehold improvements	311,411	153,289
Furniture	595,743	625,101
Equipment	1,322,624	1,456,834
	-----	-----
Total property and equipment	11,200,521	11,216,965
Less accumulated depreciation	2,423,464	2,094,712
	-----	-----
Property and equipment, net	\$ 8,777,057	\$ 9,122,253
	=====	=====

E. GOODWILL

During fiscal 2002 the Company adopted SFAS No. 142, Goodwill and Other Intangibles Assets, under which goodwill is no longer amortized, but instead tested for impairment at least annually. The Company's annual evaluation was performed as of September 30, 2003. No impairment losses were identified as a result of this evaluation.

RICK'S CABARET INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

E. GOODWILL - CONTINUED

The Company performed a transitional impairment test of its goodwill as of October 1, 2001 and determined there should be an impairment of goodwill recorded, relating to portions of the Company's goodwill. In accordance with SFAS No. 142, a write-off of approximately \$2,532,000 has been accounted for as a change in accounting principle, increasing the Company's loss for the year ended September 30, 2002. Additionally, goodwill additions amounting to approximately \$326,000 during the year ended September 30, 2002 were also written off during the year ended September 30, 2002. All of the Company's goodwill as of September 30, 2003 and 2002, related to the Company's club segment.

F. LONG-TERM DEBT

Long-term debt consisted of the following:

	SEPTEMBER 30,	
	2003	2002
	-----	-----
Note payable at prime (as determined by the Wall Street Journal) plus 1%, matures December 2004	* \$ 331,364	\$ 364,167
Notes payable at 9%, matures February 2018	* 2,198,734	2,270,095
Notes payable at 12%, matures March 2026	* 143,559	144,709
Note payable at 9%, matures March 2006	* 296,795	300,052
Note payable at 10%, matures August 2010, unsecured	210,260	230,365
Note payable with imputed interest at 7%, matures January 2006, unsecured	602,739	795,301
Note payable at 11%, matures June 2005	* 186,843	278,590
Other notes payable ranging from 7% to 10%, maturing September 2005	* 56,041	224,074
	-----	-----
Total debt	4,026,335	4,607,353
Less current portion	449,439	459,972
	-----	-----
Total long-term debt	\$3,576,896	\$4,147,381
	=====	=====
* Collateralized by real estate		

RICK'S CABARET INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

F. LONG-TERM DEBT - CONTINUED

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

2004	\$ 449,439
2005	460,782
2006	673,533
2007	377,665
2008	148,260
Thereafter	1,916,656

Total maturities of long-term debt	\$4,026,335
	=====

G. INCOME TAXES

Income tax expense for the years presented differs from the "expected" federal income tax expense computed by applying the U.S. federal statutory rate of 34% to earnings before income taxes for the years ended September 30, as a result of the following:

	2003	2002
	-----	-----
Computed expected tax expense (benefit)	\$149,020	\$(772,201)
Deferred tax asset valuation allowance	(149,020)	772,201
	-----	-----
Total income tax expense	\$ -	\$ -
	=====	=====

The significant components of the Company's deferred tax assets and liabilities at September 30, are as follows:

	2003	2002
	-----	-----
Deferred tax assets (liabilities):		
Goodwill	\$ 501,606	\$ 739,130
Property and equipment	51,179	23,565
Net operating losses	223,097	158,896
Unrealized gain on marketable securities	(40,800)	-
Valuation allowance	(735,082)	(921,591)
	-----	-----
	\$ -	\$ -
	=====	=====

The Company has established a valuation allowance to fully reserve the deferred tax assets at September 30, 2003 and 2002 due to the uncertainty of the timing and amounts of future taxable income. At September 30, 2003, the Company had a net operating loss carryforwards of approximately \$656,000, which expire in 2011 through 2018.

RICK'S CABARET INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

H. STOCK OPTIONS

In 1995, the Company adopted the 1995 Stock Option Plan (the "1995 Plan") for employees and directors. In August 1999 the Company adopted the 1999 Stock Option Plan (the "1999 Plan") (collectively, "the Plans"). The options granted under the Plans may be either incentive stock options, or non-qualified options. The Plans are administered by the Board of Directors or by a compensation committee of the Board of Directors. The Board of Directors has the exclusive power to select individuals to receive grants, to establish the terms of the options granted to each participant, provided that all options granted shall be granted at an exercise price equal to at least 85% of the fair market value of the common stock covered by the option on the grant date and to make all determinations necessary or advisable under the Plans.

Following is a summary of options for the years ended September 30:

	2003	WEIGHTED AVERAGE EXERCISE PRICE	2002	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding at beginning of year	643,500	\$ 2.40	604,500	\$ 2.39
Granted	40,000	1.40	64,000	2.56
Expired	(185,500)	2.33	(25,000)	2.52
Exercised	-	-	-	-
Outstanding at end of year	498,000	2.35	643,500	2.40
Exercisable at end of year	458,000	\$ 2.41	582,000	\$ 2.37
Weighted-average remaining contractual life	1.58 years			

The Company has elected to follow APB No. 25 and related interpretations in accounting for its employee stock options because the alternative fair value accounting provided for under SFAS No. 123, Accounting for Stock Based Compensation, requires the use of option valuation models that were not developed for use in valuing employee stock options. See footnote B for related disclosures.

Under APB No. 25, no compensation expense is recorded when the exercise price of the Company's employee stock option equals the fair value of the underlying stock on the date of grant. Compensation equal to the intrinsic value of employee stock options is recorded when the exercise price of the stock option is less than the fair value of the underlying stock on the date of grant. Any resulting compensation is amortized to expense over the remaining vesting periods of the options on a straight-line basis. For the years ended September 30, 2003 and 2002, no amounts were recorded to compensation expense related to stock options issued to employees.

RICK'S CABARET INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

H. STOCK OPTIONS - CONTINUED

Information regarding pro forma net income is required by SFAS 123, and has been determined as if the Company had accounted for its employee stock options under the fair value method of SFAS No. 123. The fair value of these options was estimated at the date of grant using a Black-Scholes option-pricing model using the following assumptions:

	2003

Volatility	165%
Weighted-average expected lives	3.0 years
Expected dividend yield	-
Weighted-average risk free rates	3.0%

The options granted in the year ended September 30, 2002 were granted near year-end, and just after year-end were cancelled. No proforma expense for these options was calculated as the impact was not deemed material.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options, which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

I. COMMITMENT AND CONTINGENCIES

LEASES

The Company leases certain equipment and facilities under operating leases, of which rent expense was approximately \$301,000 and \$219,000 for the years ended September 30, 2003 and 2002, respectively.

Future minimum annual lease obligations as of September 30, 2003 approximate the following:

2004	\$ 364,000
2005	348,000
2006	315,000
2007	252,000
2008	170,000
Thereafter	228,000

Total future minimum lease obligations	\$1,677,000
	=====

RICK'S CABARET INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

I. COMMITMENT AND CONTINGENCIES - CONTINUED

EMPLOYMENT AGREEMENT - RELATED PARTY

The Company has a three-year employment agreement with Eric S. Langan (the "Langan Agreement"). The Langan Agreement extends through January 1, 2004 and provides for an annual base salary of \$260,000. The Langan Agreement also provides for participation in all benefit plans maintained by the Company for salaried employees.

J. SEGMENT INFORMATION

The following information is presented in accordance with SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information. The Company is engaged in adult night clubs and adult entertainment websites ("Internet"). The Company has identified such segments based on management responsibility and the nature of the Company's products, services and costs. There are no major distinctions in geographical areas served as all operations are in the United States. The Company measures segment profit (loss) as income (loss) from operations. Total assets are those assets controlled by each reportable segment.

The following table sets forth certain information about each segment's financial information for the years ended September 30:

	2003	2002
	-----	-----
Business segment sales:		
Night clubs	\$14,006,381	\$13,444,479
Internet	1,053,188	2,112,823
	-----	-----
	\$15,059,569	\$15,557,302
	=====	=====
Business segment operating income:		
Night clubs	\$ 1,934,574	\$ 2,121,642
Internet	36,421	169,793
General corporate	(1,613,048)	(1,667,455)
	-----	-----
	\$ 357,947	\$ 623,980
	=====	=====
Business segment capital expenditures:		
Night clubs	\$ 110,198	\$ 495,043
Internet	35,310	357,500
General corporate	16,712	80,929
	-----	-----
	\$ 162,220	\$ 933,472
	=====	=====

RICK'S CABARET INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

J. SEGMENT INFORMATION - CONTINUED

	2003	2002
	-----	-----
Business segment depreciation:		
Night clubs	\$ 420,312	\$ 385,944
Internet	40,960	35,600
General corporate	70,289	68,477
	-----	-----
	\$ 531,561	\$ 490,021
	=====	=====
Business segment assets:		
Night clubs	\$ 10,452,764	\$10,086,465
Internet	143,365	200,456
General corporate	1,659,383	2,150,399
	-----	-----
	\$ 12,255,512	\$12,437,320
	=====	=====

K. RELATED PARTY TRANSACTIONS

In May 2002, the Company loaned \$100,000 to Eric Langan, Chief Executive Officer of the Company. The note is unsecured, bears interest at 11% and is amortized over a period of ten years. The note contains a provision that in the event Mr. Langan leaves the Company for any reason, the note immediately becomes due and payable in full. The balance of the note was approximately \$93,000 and \$99,000 at September 30, 2003 and 2002, respectively, and is included in other assets in the accompanying consolidated balance sheet.

L. EMPLOYEE RETIREMENT PLAN

The Company sponsors a Simple IRA plan (the "Plan"), which covers all of the Company's corporate employees. The Plan allows the corporate employees to contribute up to the maximum amount allowed by law, with the Company making a matching contribution of 3% of the employee's salary. Expenses related to this Plan approximated \$24,000 and \$27,000 for the years ended September 30, 2003 and 2002, respectively.

M. ACQUISITIONS AND DISPOSITIONS

On February 19, 2003, the Company acquired 51% control of the Wild Horse Cabaret adult nightclub near Hobby Airport, Houston, Texas and will operate it as part of the Company's popular XTC Cabaret group. The purchase price was \$150,000 of which approximately \$70,000 was allocated to property and equipment and \$80,000 was allocated to goodwill.

RICK'S CABARET INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

M. ACQUISITIONS AND DISPOSITIONS - CONTINUED

On June 12, 2003, the Company entered into an Asset Purchase Agreement with Taurus Entertainment Companies, Inc. ("Taurus"), whereby the Company acquired all the assets and liabilities of Taurus in exchange for 3,752,008 shares of Taurus of the 4,002,008 that the Company owned plus \$20,000 in cash. The Company also executed an Indemnification and Transaction Fee Agreement with Taurus for which the Company received \$270,000, payable \$140,000 at closing, with \$60,000 due on July 15, 2003, and \$70,000 due on August 15, 2003. Subsequent to year-end then maturity of the \$70,000 was extended to February 17, 2004 at a rate of 18%, and is included in other accounts receivable in the accompanying balance sheets.

RICK'S CABARET INTERNATIONAL, INC.

CODE OF ETHICS FOR PRINCIPAL EXECUTIVE AND SENIOR FINANCIAL OFFICERS

I. INTRODUCTION AND PURPOSE

This Code of Ethics for Principal Executive and Senior Financial Officers (hereinafter referred to as the "Code") helps maintain Ricks Cabaret International, Inc.'s (hereinafter referred to as the "Company") standards of business conduct and ensures compliance with legal requirements, specifically, but not limited to, Section 406 of the Sarbanes-Oxley Act of 2002 and SEC rules promulgated thereunder.

In addition to securing compliance with legal requirements, the purpose of the Code is to deter wrongdoing and promote ethical conduct, and full, fair, accurate, timely, and understandable disclosure of financial information in the periodic reports of the Company. The matters covered in this Code are of the utmost importance to the Company, our stockholders and our business partners, and are essential to our ability to conduct our business in accordance with our stated values.

Financial executives hold an important and elevated role in corporate governance and are uniquely capable and empowered to ensure that stockholders' interests are appropriately balanced, protected and preserved. Accordingly, this Code provides principles to which financial executives are expected to adhere and advocate. This Code embodies rules regarding individual and peer responsibilities, as well as responsibilities to the company, the public and others.

II. APPLICATION

This Code is applicable to the following persons (hereinafter referred to as the "Officers"):

1. The Company's principal executive officers;
2. The Company's principal financial officers;
3. The Company's principal accounting officer or controller; and
4. Persons performing similar functions.

III. CODE OF ETHICS:

Each Officer shall adhere to and advocate the following principles and responsibilities governing professional and ethical conduct:

1. Act with honesty and integrity, avoiding actual or apparent conflicts of interest in personal and professional relationships.

2. Provide information that is full, fair, accurate, complete, objective, relevant, timely, and understandable to the Company's Board of Directors, the Securities and Exchange Commission, the Company's stockholders, and the public.
3. Comply with applicable governmental laws, rules, and regulations.
4. Act in good faith, responsibly, with due care, competence and diligence, without misrepresenting material facts or allowing your independent judgment to be subordinated.
5. Take all reasonable measures to protect the confidentiality of non-public information about the Company acquired in the course of your work except when authorized or otherwise legally obligated to disclose such information and to not use such confidential information for personal advantage.
6. Assure responsible use of and control over all assets and resources employed or entrusted to you.
7. Promptly report to the Chairman of the Audit Committee:
 - a. any information you may have regarding any violation of this Code;
 - b. any actual or apparent conflict of interest between personal and/or professional relationships involving management or any other employee with a role in financial reporting disclosures or internal controls;
 - c. any information you might have concerning evidence of a material violation of the securities or other laws, rules or regulations applicable to the Company and its operations;
 - d. significant deficiencies in the design or operation of internal controls that could adversely affect the Company's ability to record, process, summarize or report financial data; or
 - e. any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's financial reporting, disclosures or internal controls.

IV. REPORTING PROCEDURE, PROCESS AND ACCOUNTABILITY

As discussed above, Officers shall promptly report any violation of this Code to the Chairman of the Company's Audit Committee.

Reports of violations under this Code received by the Chairman of the Audit Committee shall be investigated by the Audit Committee. If the Audit Committee finds a violation of this Code, it shall refer the matter to the full Board of Directors.

In the event of a finding that a violation of this Code has occurred, appropriate action shall be taken that is reasonably designed to deter wrongdoing and to promote accountability for adherence to this Code, and may include written notices to the individual involved of the determination that there has been a violation, censure by the Board, demotion or re-assignment of the individual involved, suspension with or without pay or benefits, and up to and including, if appropriate, termination of the individual's employment. In determining what action is appropriate in a particular case, the Board of Directors (or the independent directors of the Board as the case may be) shall take into account all relevant information, including the nature and severity of the violation, whether the violation was a single occurrence or repeated occurrences, whether the violation appears to have been intentional or inadvertent, whether the individuals in question had been advised prior to the violation as to the proper course of action and whether or not the individual in question had committed other violations in the past.

V. ANONYMOUS REPORTING

Any violation of this Code and any violation by the Company or its directors or officers of the securities laws, rules, or regulations, or other laws, rules, or regulations applicable to the Company may be reported to the Chairman of the Audit Committee anonymously.

VI. NO RETALIATION

It is against the Company's policy to retaliate in any way against an Officer for good faith reporting of violations of this Code.

VII. WAIVER AND AMENDMENT

The Company is committed to continuously reviewing and updating its policies and procedures. Therefore, this Code is subject to modification. Any amendment or waiver of any provision of this Code must be approved in writing by the Company's Board of Directors and promptly disclosed pursuant to applicable laws and regulations.

VIII. ACKNOWLEDGMENT OF RECEIPT OF CODE OF ETHICS FOR PRINCIPAL EXECUTIVE AND SENIOR FINANCIAL OFFICERS

I have received and read the Company's Code of Ethics for Principal Executive and Senior Financial Officers (the "Code"). I understand the standards and policies contained in the Code and understand that there may be additional policies or laws applicable to my job. I agree to comply with the Code in all respects.

If I have questions concerning the meaning or application of the Code, any Company policies, or the legal and regulatory requirements applicable to my job, I know that I can consult with the Chairman of the Audit Committee, knowing that my questions or reports will remain confidential to the fullest extent possible.

I understand that my agreement to comply with this Code does not constitute a contract of employment.

Officer Name

Signature

Date

Please sign and return this form to the Company's Chairman of the Audit Committee.

Exhibit 21 - Subsidiaries of Registrant

Below is the list of subsidiaries of Rick's Cabaret International, Inc.:

Name:	State of. Incorporation:
Trumps, Inc.	Texas
Tantric Enterprises, Inc.	Texas
RCI Holdings, Inc.	Texas
RCI Entertainment Texas, Inc.	Texas
RCI Entertainment Minnesota, Inc.	Minnesota
RCI Internet Services, Inc.	Texas
RCI Entertainment Houston, Inc.	Texas
RCI Entertainment San Antonio, Inc.	Texas
RCI Internet Holdings, Inc.	Texas
RCI Entertainment Fort Worth, Inc.	Texas
Citation Land LLC	Texas
XTC Cabaret, Inc.	Texas
Bobby's Novelty, Inc.	Texas
Nocturnal Concepts, Inc.	Texas
RCI Ventures, Inc.	Texas
Broadstreets Cabaret, Inc. - Inactive	Texas
RCI Debit Services, Inc. - Inactive	Texas
Tantra Parking, Inc. - Inactive	Texas
Tantra Dance, Inc. - Inactive	Texas
SRD Vending Company, Inc. - Inactive	Texas
RCI Billing, Inc. - Inactive	Texas

**CERTIFICATION PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002**

I, Eric S. Langan, certify that:

1. I have reviewed this annual report on Form 10-KSB of Rick's Cabaret International, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of Rick's Cabaret International, Inc. as of, and for, the periods presented in this report;
4. Rick's Cabaret International, Inc.'s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for Rick's Cabaret International, Inc. and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to Rick's Cabaret International, Inc., including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of Rick's Cabaret International, Inc.'s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in Rick's Cabaret International, Inc.'s internal control over financial reporting that occurred during Rick's Cabaret International, Inc.'s most recent fiscal year that has materially affected, or is reasonably likely to materially affect, Rick's Cabaret International, Inc.'s internal control over financial reporting;

and

5. Rick's Cabaret International, Inc.'s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to Rick's Cabaret International, Inc.'s auditors and the audit committee of Rick's Cabaret International, Inc.'s board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect Rick's Cabaret International, Inc.'s ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in Rick's Cabaret International, Inc.'s internal control over financial reporting.

Date: December 29, 2003

By: /s/ Eric S. Langan

Eric S. Langan

Chief Executive Officer

**CERTIFICATION PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002**

I, Eric S. Langan, certify that:

1. I have reviewed this annual report on Form 10-KSB of Rick's Cabaret International, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of Rick's Cabaret International, Inc. as of, and for, the periods presented in this report;
4. Rick's Cabaret International, Inc.'s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for Rick's Cabaret International, Inc. and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to Rick's Cabaret International, Inc., including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of Rick's Cabaret International, Inc.'s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in Rick's Cabaret International, Inc.'s internal control over financial reporting that occurred during Rick's Cabaret International, Inc.'s most recent fiscal year that has materially affected, or is reasonably likely to materially affect, Rick's Cabaret International, Inc.'s internal control over financial reporting;

and

5. Rick's Cabaret International, Inc.'s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to Rick's Cabaret International, Inc.'s auditors and the audit committee of Rick's Cabaret International, Inc.'s board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect Rick's Cabaret International, Inc.'s ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in Rick's Cabaret International, Inc.'s internal control over financial reporting.

Date: December 29, 2003

By: /s/ Eric S. Langan

Eric S. Langan

Chief Financial Officer

**CERTIFICATION PURSUANT TO RULE 13a-14(b) OR
RULE 15d-14(b) and 18 U.S.C. Sec.1350,
AS ADOPTED PURSUANT TO**

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the annual report of Rick's Cabaret International, Inc. (the "Company") on Form 10-KSB for the period ended September 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Eric S. Langan, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Sec.1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: December 29, 2003

By: /s/ Eric S. Langan

Eric S. Langan
Chief Executive Officer

**CERTIFICATION PURSUANT TO RULE 13a-14(b) OR
RULE 15d-14(b) and 18 U.S.C. Sec.1350,
AS ADOPTED PURSUANT TO**

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the annual report of Rick's Cabaret International, Inc. (the "Company") on Form 10-KSB for the period ended September 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Eric S. Langan, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Sec.1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: December 29, 2003

By: /s/ Eric S. Langan

*Eric S. Langan
Chief Financial Officer*

End of Filing

Powered By **EDGAR**
Online

© 2005 | **EDGAR Online, Inc.**