

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

FORM 10-QSB

☒ Quarterly report pursuant to Section 13 Or 15(d) of the Securities Exchange
Act of 1934; For the quarterly period ended: March 31, 2004

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

Commission File Number: 0-26958

RICK'S CABARET INTERNATIONAL, INC.
(Exact name of registrant as specified 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, including zip code)

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

APPLICABLE ONLY TO CORPORATE ISSUERS

On May 6, 2004, there were 3,700,148 shares of common stock, \$.01 par value,
outstanding.

Transitional Small Business Disclosure Format (check one): Yes ☐ No ☒

RICK'S CABARET INTERNATIONAL, INC.

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements.

RICK'S CABARET INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

ASSETS

	3/31/04 (UNAUDITED)	9/30/03 (AUDITED)
CURRENT ASSETS		
Cash and cash equivalents	\$ 665,717	\$ 604,865
Accounts receivable:		
Trade	51,598	45,319
Other, net	188,595	213,886
Marketable securities	171,150	135,000
Inventories	247,797	230,451
Other current assets	507,202	106,332
	-----	-----
Total current assets	1,832,059	1,335,853
	-----	-----
PROPERTY AND EQUIPMENT		
Buildings, land and leasehold improvements	9,361,818	9,131,870
Furniture and equipment	2,231,827	2,068,648
	-----	-----
	11,593,645	11,200,518
	-----	-----
Accumulated depreciation	(2,666,241)	(2,423,461)
	-----	-----
Total property and equipment, net	8,927,404	8,777,057
	-----	-----
OTHER ASSETS		
Goodwill	1,982,848	1,962,848
Notes receivable	172,463	179,754
	-----	-----
Total other assets	2,155,311	2,142,602
	-----	-----
Total assets	\$12,914,774	\$12,255,512
	=====	=====

See accompanying notes to consolidated financial statements.

RICK'S CABARET INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

LIABILITIES AND STOCKHOLDERS' EQUITY

	3/31/04 (UNAUDITED)	9/30/03 (AUDITED)
CURRENT LIABILITIES		
Accounts payable - trade	\$ 344,047	\$ 189,208
Accrued liabilities	507,037	622,216
Deferred revenues	16,633	---
Current portion of long-term debt	494,351	449,439
	-----	-----
Total current liabilities	1,362,068	1,260,863
Long-term debt, less current portion	3,500,530	3,576,896
	-----	-----
Total liabilities	4,862,598	4,837,759
	-----	-----
COMMITMENTS AND CONTINGENCIES	---	---
MINORITY INTERESTS	25,485	36,032
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 March 31, 2004 and September 30, 2003	46,087	46,087
Additional paid-in capital	11,273,149	11,273,149
Accumulated other comprehensive income	157,458	120,000
Accumulated deficit	(2,156,223)	(2,763,735)
Less: 908,530 shares of stock held in treasury at cost at March 31, 2004 and September 30, 2003	(1,293,780)	(1,293,780)
	-----	-----
Total stockholders' equity	8,026,691	7,381,721
	-----	-----
Total liabilities and stockholders' equity	\$12,914,774	\$12,255,512
	=====	=====

See accompanying notes to consolidated financial statements.

RICK'S CABARET INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	FOR THE THREE MONTHS ENDED MARCH 31,		FOR THE SIX MONTHS ENDED MARCH 31,	
	2004	2003	2004	2003
Revenues				
Sales of alcoholic beverages	\$1,875,520	\$1,516,258	\$ 3,723,441	\$ 3,145,066
Sales of food and merchandise	422,070	393,176	812,223	784,980
Service revenues	1,521,891	1,268,024	2,870,755	2,585,816
Internet revenues	202,678	265,164	403,423	596,652
Other	129,163	101,294	193,515	160,788
Total revenues	4,151,322	3,543,916	8,003,357	7,273,302
Operating expenses				
Cost of goods sold	519,657	518,765	1,028,526	1,084,120
Salaries and wages	1,353,453	1,293,060	2,641,440	2,636,478
Other general and administrative				
Taxes and permits	607,287	515,307	1,139,569	997,519
Charge card fees	62,738	65,364	128,634	126,435
Rent	132,891	61,258	252,170	116,914
Legal and professional	144,719	200,301	280,575	406,834
Advertising and marketing	215,459	199,718	399,965	378,481
Depreciation	139,309	131,188	264,964	260,865
Other	546,930	504,240	1,131,141	1,024,324
Total operating expenses	3,722,443	3,489,201	7,266,984	7,031,970
Income from operations	428,879	54,715	736,373	241,332
Interest income	9,071	6,017	14,826	9,461
Interest expense	(82,423)	(99,036)	(168,588)	(196,856)
Gain from sale of marketable securities	16,878	---	16,878	---
Minority interests	1,020	11,207	10,546	13,641
Other	(5,171)	(1,874)	(2,523)	(1,874)
Net income (loss)	\$ 368,254	\$ (28,971)	\$ 607,512	\$ 65,704
Basic and diluted earnings (loss) per share:				
Net income (loss)	\$ 0.10	\$ (0.01)	0.16	\$ 0.02
Weighted average number of common shares outstanding	3,700,148	3,720,048	3,700,148	3,728,931

Comprehensive income for the three months ended March 31, 2004 and 2003 were \$253,212 and a loss of \$28,971, and for the six months were \$644,970 and \$65,704, respectively. This includes the changes in available-for-sale securities and net income.

See accompanying notes to consolidated financial statements.

RICK'S CABARET INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED MARCH 31, 2004 AND 2003

	2004 (UNAUDITED)	2003 (UNAUDITED)
Cash flows from operating activities:		
Net income	\$ 607,512	\$ 65,704
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation	264,964	260,865
Minority interests	(10,546)	(13,641)
Gain on sale of marketable securities	(16,878)	---
Changes in operating assets and liabilities	(342,912)	16,317
	-----	-----
Cash provided by operating activities	502,140	329,245
	-----	-----
Cash flows from investing activities:		
Additions to property and equipment	(170,311)	(328,878)
Proceeds from sale of marketable securities	18,186	---
Acquisition of business	(265,000)	---
Proceeds from notes receivable	7,291	11,719
	-----	-----
Cash used in investing activities	(409,834)	(317,159)
	-----	-----
Cash flows from financing activities:		
Purchases of treasury stock	---	(88,566)
Proceeds from long-term debt	300,000	---
Payments on long-term debt	(331,454)	(323,381)
	-----	-----
Cash used in financing activities	(31,454)	(411,947)
	-----	-----
Net increase/(decrease) in cash and cash equivalents	60,852	(399,861)
Cash and cash equivalents at beginning of period	604,865	733,366
	-----	-----
Cash and cash equivalents at end of period	\$ 665,717	\$ 333,505
	=====	=====
Cash paid during the period for:		
Interest	\$ 168,588	\$ 196,856
	=====	=====

See accompanying notes to consolidated financial statements.

RICK'S CABARET INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2004

1. BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-QSB of Regulation S-B. They do not include all information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. However, except as disclosed herein, there has been no material change in the information disclosed in the notes to the financial statements for the year ended September 30, 2003 included in the Company's Annual Report on Form 10-KSB filed with the Securities and Exchange Commission. The interim unaudited financial statements should be read in conjunction with those financial statements included in the Form 10-KSB. In the opinion of Management, all adjustments considered necessary for a fair presentation, consisting solely of normal recurring adjustments, have been made. Operating results for the six months ended March 31, 2004 are not necessarily indicative of the results that may be expected for the year ending September 30, 2004.

2. STOCK OPTIONS

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 Statement of Financial Accounting Standard ("SFAS") No. 123, Accounting for Stock Based Compensation, to stock-based employee compensation. The following presents pro forma net income and per share data as if a fair value accounting method had been used to account for stock based compensation:

	FOR THE THREE MONTHS ENDED MARCH 31, 2004		FOR THE SIX MONTHS ENDED MARCH 31, 2004	
	2004	2003	2004	2003
Net income (loss), as reported	\$368,254	\$(28,971)	\$607,512	\$65,704
Less total stock-based employee compensation expense determined under the fair value based method for all awards	(163,236)	---	(175,179)	---
Pro forma net income (loss)	\$205,018	\$(28,971)	\$432,333	\$65,704
Earnings (loss) per share:				
Basic and diluted - as reported	\$ 0.10	\$ (0.01)	\$ 0.16	\$ 0.02
Basic and diluted - pro forma	\$ 0.06	\$ (0.01)	\$ 0.12	\$ 0.02

RICK'S CABARET INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2004

3. RECLASSIFICATIONS

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

4. 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 unrealized gains (losses) on available-for-sale marketable securities.

5. SEGMENT INFORMATION

Below is the financial information related to the Company's segments:

	FOR THE THREE MONTHS ENDED MARCH 31,		FOR THE SIX MONTHS ENDED MARCH 31,	
	2004	2003	2004	2003
REVENUES				
Club operations	\$3,948,644	\$3,278,752	\$7,599,934	\$6,676,650
Internet websites	202,678	265,164	403,423	596,652
	-----	-----	-----	-----
	\$4,151,322	\$3,543,916	\$8,003,357	\$7,273,302
	=====	=====	=====	=====
NET INCOME/(LOSS)				
Club operations	\$ 749,509	\$ 398,379	\$1,336,261	\$ 927,016
Internet websites	22,027	10,674	25,908	36,430
Corporate expenses	(403,282)	(438,024)	(754,657)	(897,742)
	-----	-----	-----	-----
	\$ 368,254	\$ (28,971)	\$ 607,512	\$ 65,704
	=====	=====	=====	=====

6. REVENUE RECOGNITION

The Company recognizes revenue from the sale of alcoholic beverages, food and merchandise and services at the point-of-sale upon receipt of cash, check, or credit card charge. This includes daily, annual and lifetime VIP memberships.

Under Staff Accounting Bulletin No. 101, Revenue Recognition in Financial Statements, membership revenue should be deferred and recognized over the estimated membership usage period. Management estimates that the weighted average useful lives for memberships are 12 and 24 months for annual and lifetime memberships, respectively. The Company does not track membership usage by type of

membership, however it believes these lives are appropriate and conservative, based on management's knowledge of its client base and membership usage at the clubs.

If the Company had deferred membership revenue and recognized it based on the lives above, the impact on revenue and net income (loss) recognized would have been an increase of approximately \$17,392 and a decrease of \$1,986 for the three months and an increase of \$23,749 and a decrease of \$18,481 for the six months ended March 31, 2004 and 2003, respectively. This would have also resulted in a deferred revenue balance of approximately \$35,801 and \$58,822 for the six months ended March 31, 2004 and 2003, respectively. Management does not believe the impact of this difference in accounting treatment is material to the Company's annual and quarterly financial statements. However, the Company began to record revenues in such manner effective January 1, 2004, and hence as of March 31, 2004 deferred revenues of \$16,633 have been recorded related to such memberships.

The Company recognizes Internet revenue from monthly subscriptions to its online entertainment sites when notification of a new subscription is received from the third party hosting company or from the credit card company, usually two to three days after the transaction has occurred. The Company recognizes Internet auction revenue when payment is received from the credit card company as revenues are not deemed estimable nor collection deemed probable prior to that point.

7. ACQUISITIONS AND DISPOSITIONS

On March 3, 2004, the Company acquired the assets and business of a 7,000 square foot gentlemen's club in North Houston and will name it as the Company's fifth XTC Cabaret. As a part of the transaction, the Company entered into a new five-year lease with an option for five additional years. The results of operations of this new venue are included in the accompanying consolidated financial statements from the date of acquisition. The \$265,000 all-cash purchase transaction generated goodwill of approximately \$20,000 and property and equipment at \$245,000.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion should be read in conjunction with our consolidated financial statements and related notes thereto included in this quarterly report.

FORWARD LOOKING STATEMENT AND INFORMATION

The Company is including the following cautionary statement in this Form 10-QSB 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, or on behalf of, the Company. 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-QSB 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. The Company's expectations, beliefs and projections are expressed in good faith and are believed by the Company to have a reasonable basis, including without limitation, management's examination of historical operating trends, data contained in the Company's records and other data available from third parties, but there can be no assurance that management's expectation, beliefs or projections will result, be achieved, or be accomplished. In addition to other factors and matters discussed elsewhere herein, the following are important factors that, in the view of the Company, could cause material adverse affects on the Company's financial condition and results of operations: the risks and uncertainties relating to our Internet operations, the impact and implementation of the sexually oriented business ordinances in the jurisdictions where our facilities operate, competitive factors, the timing of the openings of other clubs, the availability of acceptable financing to fund corporate expansion efforts, and the dependence on key personnel. The Company has no obligation to update or revise these forward-looking statements to reflect the occurrence of future events or circumstances.

GENERAL

Our Company presently conducts its business in two different areas of operation:

1. We own and operate upscale adult nightclubs serving primarily businessmen and professionals that offer live adult entertainment, restaurant and bar operations. We own and operate ten 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 sports bar called "Hummers" in Houston. No sexual contact is permitted at any of our locations. On March 3, 2004, we acquired the assets and business of a 7,000 square foot gentlemen's club in North Houston and will name it as the Company's fifth XTC Cabaret. As a part of the transaction, we entered into a new five-year lease with an option for five additional years. The results of operations of this new venue are included in the accompanying consolidated financial statements from the date of acquisition. The \$265,000 all-cash purchase transaction generated goodwill of approximately \$20,000. Proforma

results of operations have not been provided, as the amounts were not deemed material to our consolidated financial statements.

2. We have extensive internet activities.

a) We currently own two adult internet membership websites at www.couplestouch.com, www.otherstouch.com and www.xxxpassword.com. We acquire our website content from wholesalers.

b) We operate a network of nine online auction sites accessible on the internet under the flagship site www.naughtybids.com. These sites provide customers with the opportunity to purchase adult products and services in an auction format. We earn revenues by charging service fees for each transaction conducted on the highly automated sites, all of which utilize a single technology platform that we operate.

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.

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2004 AS COMPARED TO THE THREE MONTHS ENDED MARCH 31, 2003

For the three months ended March 31, 2004, the Company had consolidated total revenues of \$4,151,322 compared to consolidated total revenues of \$3,543,916 for the three months ended March 31, 2003, an increase of \$607,406 or 17.14%. The increase in total revenues was primarily attributable to the increase in revenues generated by the Company's club businesses in the amount of \$669,892, a 20.43% increase from a year ago, offset by a decrease of \$62,486 by the Company's internet business. The Company's club operations in Houston benefited from the Super Bowl. Total revenues for same-location-same-period of club operations increased to \$3,860,498 for the three months ended March 31, 2004 from \$3,263,254 for same period ended March 31, 2003, or by 18.30%.

The cost of goods sold for the three months ended March 31, 2004 was 12.52% of total revenues compared to 14.64% for the three months ended March 31, 2003. The decrease was due primarily to the reduction in costs of maintaining our internet operations. The cost of goods sold for the club operations for the three months ended March 31, 2004 was 12.55% compared to 14.25% for the three months ended March 31, 2003. We continued our efforts to achieve reductions in cost of goods sold of the club operations through improved inventory management. We continue a program to improve margins from liquor and food sales and food service efficiency. The cost of goods sold from our internet operations for the three months ended March 31, 2004 was 11.56% compared to 20.22% for the three months ended March 31, 2003. The cost of goods sold for same-location-same-period of club operations for the three months ended March 31, 2004 was 12.55%, compared to 14.25% for the same period ended March 31, 2003.

Payroll and related costs for the three months ended March 31, 2004 were \$1,353,453 compared to \$1,293,060 for the three months ended March 31, 2003. Payroll for same-location-same-period of club operations increased to \$1,078,631 for the three months ended March 31, 2004 from \$1,048,542 for the same period ended March 31, 2003. Management has implemented labor cost reduction and currently believes that its labor and management staff levels are appropriate.

Other general and administrative expenses for the three months ended March 31, 2004 were \$1,849,333 compared to \$1,677,375 for the three months ended March 31, 2003. The increase was due primarily to an increase in taxes related to the increase in revenues, direct operating expenses, rents, utilities, marketing and promotional expenses, and insurance from opening new locations.

Interest expense for the three months ended March 31, 2004 was \$82,423 compared to \$99,036 for the three months ended March 31, 2003. The decrease was attributable to the Company's effort to reduce long-term debts. As of March 31, 2004, the balance of long-term debts was \$3,994,881 compared to \$4,283,972 a year earlier.

Net income for the three months ended March 31, 2004 was \$368,254 compared to a net loss of \$28,971 for the three months ended March 31, 2003. The increase in net income was primarily due to the increase in the Company's club business and reductions in corporate overhead. Net income for same-location-same-period of club operations increased to \$798,437 for the three months ended March 31, 2004 from \$401,077 for same period ended March 31, 2003, or by 99.07%.

RESULTS OF OPERATIONS FOR THE SIX MONTHS ENDED MARCH 31, 2004 AS COMPARED TO THE SIX MONTHS ENDED MARCH 31, 2003

For the six months ended March 31, 2004, the Company had consolidated total revenues of \$8,003,357 compared to consolidated total revenues of \$7,273,302 for the six months ended March 31, 2003, or an increase of \$730,055. The increase in total revenues was primarily attributable to the increase in revenues generated by the Company's club businesses in the amount of \$923,284, an increase of 13.83% from a year ago, offset by a decrease of \$193,229 by the Company's internet business. The Company's club operations in Houston benefited from the Super Bowl. Total revenues for same-location-same-period of club operations increased to \$7,459,091 for the six months ended March 31, 2004 from \$6,660,740 for same period ended March 31, 2003, or by 11.98%. The decrease in internet revenues was due to the Company's transition from programs which generate high revenues with very low margins to programs which will produce higher margins from lower revenues.

The cost of goods sold for the six months ended March 31, 2004 was 12.85% of total revenues compared to 14.91% for the six months ended March 31, 2003. This decrease is attributable to the reduction in costs of maintaining our internet operations. The cost of goods sold for the club operations for the six months ended March 31, 2004 was 12.96% and 14.90% for the six months ended March 31, 2003. Management continued its efforts to achieve reductions in cost of goods sold through improved inventory management. The Company continues a program to improve margins from liquor and food sales and food service efficiency. The cost of goods sold from our internet operations for the six months ended March 31, 2004 was 10.82% compared to 21.61% for the six months ended March 31, 2003. The cost of goods sold for same-location-same-period of club operations for the six months ended March 31, 2004 was 12.90%, compared to 14.34% for the same period ended March 31, 2003.

Payroll and related costs for the six months ended March 31, 2004 were \$2,641,440 compared to \$2,636,478 for the six months ended March 31, 2003. This nominal increase was the result of additional personnel added to the Company's new club operations offset by labor cost reduction in the Company's existing club operations. Management currently believes that its labor and management staff levels are appropriate.

Other general and administrative expenses for the six months ended March 31, 2004 were \$3,597,018 compared to \$3,311,372 for the six months ended March 31, 2003. The increase was due primarily to an increase in taxes related to the increase in revenues, direct operating expenses, rents, utilities, marketing and promotional expenses, and insurance from opening new locations.

Interest expense for the six months ended March 31, 2004 was \$168,588 compared to \$196,856 for the six months ended March 31, 2003. The decrease was attributable to the Company's effort to reduce long-term debts. As of March 31, 2004, the balance of long-term debts was \$3,994,881 compared to \$4,283,972 a year earlier.

Net income for the six months ended March 31, 2004 was \$607,512 compared to \$65,704 for the six months ended March 31, 2003. The increase in net income was primarily due to the increase in the Company's club business and reductions in corporate overhead. Net income for same-location-same-period of club operations increased to \$1,410,877 for the six months ended March 31, 2004 from \$929,714 for same period ended March 31, 2003, or by 51.75%. Management currently believes that the Company is in the position to continue to be profitable in fiscal 2004.

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2004, the Company had a working capital of \$469,991 compared to a working capital of \$74,990 at September 30, 2003. The increase in working capital was primarily due to an increase in cash, marketable securities, and other current assets offset by an increase in accounts payable and accrued liabilities. The value of available-for-sale marketable securities increased by \$47,922.

Net cash provided by operating activities in the six months ended March 31, 2004 was \$502,140 compared to net cash provided of \$329,245 for the six months ended March 31, 2003. The increase in cash provided by operating activities was primarily due to increases in net income and accounts payable offset by increases in other current assets and accrued liabilities.

The Company used \$409,834 and \$317,159 of cash in investing activities and \$31,454 and \$411,947 of cash in financing activities during the six months ended March 31, 2004 and 2003, respectively.

The Company's need for capital historically was a result of construction or acquisition of new clubs, renovation of older clubs, and investments in technology. During fiscal 2003, the Company has utilized capital to repurchase its common stock as part of the Company's share repurchase program. On March 15, 2004, the Company secured an additional \$300,000 debt from one of the lenders, bearing interest rate of 11% and it has a 3 year term.

On September 16, 2003, the Company was authorized by its board of directors to repurchase up to \$500,000 worth of the Company's common stock. No shares have been purchased under this plan.

In the opinion of management, working capital is not a true indicator of the financial status. Typically, businesses in the industry carry current liabilities in excess of current assets because the business receives substantially immediate payment for sales, with nominal receivables, while accounts payable and other current liabilities normally carry longer payment terms. Vendors and purveyors often remain flexible with payment terms providing businesses with opportunities to adjust to short-term business down turns. The Company considers the primary indicators of financial status to be the long-term trend of revenue growth and mix of sales revenues, overall cash flow, 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.

Because of the large volume of cash we handle, stringent cash controls have been implemented. In the event the sexually oriented business industry is required in all states to convert the entertainers who perform at our locations, from being independent contractors to employee status, we have prepared alternative plans that we believe will protect our profitability. We believe that the industry standard of treating the entertainers as independent contractors provides sufficient safe harbor protection to preclude payroll tax assessment for prior years.

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 to date indicates that there does not appear to be a seasonal fluctuation in our Internet activities.

GROWTH STRATEGY

The Company believes that its club operations can continue to grow organically and through careful entry into markets and demographic segments with high growth potential. Upon careful research, new clubs may be opened, or existing clubs acquired, 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 our Company contributing assets in the form of our brand name and management expertise. 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 and plan to focus in the future on high-margin activities that leverage our marketing skills while requiring a low level of start-up expense and ongoing operating costs.

Item 3. Controls and Procedures.

As of the end of the period of this report, the Company carried out an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures. This evaluation was carried out under the supervision and with the participation of the Company's management, including the Company's chief executive officer and chief financial officer. Based on that evaluation, the Company's chief executive officer and chief financial officer concluded that the Company's disclosure controls and procedures are effective in timely alerting them to material information required to be included in the Company's periodic reports to the Securities and Exchange Commission. There have been no significant changes in the Company's internal controls or in other factors, which could significantly affect internal controls subsequent to the date the Company carried out its evaluation.

PART II OTHER INFORMATION**Item 5. Other Information.**

The Board has not adopted a formal policy with regard to the process to be used for identifying and evaluating nominees for director. At this time, the consideration of candidates for the Board of Directors is in the Board's discretion, which we believe is adequate based on the size of the Company and each current board member's qualifications.

Item 6. Exhibits and Reports on Form 8-K.**(a) Exhibits**

Exhibit 31.1 - Certification of Chief Executive Officer and Chief Financial Officer of Rick's Cabaret International, Inc. 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 and Chief Financial Officer of Rick's Cabaret International, Inc. 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

None.

SIGNATURES

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

RICK'S CABARET INTERNATIONAL, INC.

Date: May 17, 2004

By: /s/ Eric S. Langan

Eric S. Langan
Chief Executive Officer and acting Chief
Financial Officer

EXHIBIT 31.1

Certification of Chief Executive Officer and Chief Financial Officer of Rick's Cabaret International, Inc. pursuant to 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.

I, Eric Langan, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Rick's Cabaret International, Inc.;
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of end of the period of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 17, 2004

By: /s/ Eric S. Langan

Eric S. Langan

Chief Executive Officer and Chief Financial Officer

EXHIBIT 32.1

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

I, Eric S. Langan, the Chief Executive Officer and acting Chief Financial Officer of Rick's Cabaret International, Inc., hereby certify that Rick's Cabaret International, Inc.'s periodic report on Form 10-QSB for the period ending March 31, 2004, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and that information contained in the periodic report on Form 10-QSB fairly presents, in all material respects, the financial condition and results of the operations of Rick's Cabaret International, Inc.

RICK'S CABARET INTERNATIONAL, INC.

Date: May 17, 2004

By: /s/ Eric S. Langan

*Eric S. Langan
Chief Executive Officer and
acting Chief Financial Officer*

