

# RICKS CABARET INTERNATIONAL INC

## FORM 10QSB

(Quarterly Report of Financial Condition)

Filed 5/15/2000 For Period Ending 3/31/2000

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

**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, 2000**

☐ **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)

Check whether the issuer (1) has 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 (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No  
☐

**APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY  
PROCEEDINGS DURING THE PRECEDING FIVE YEARS**

Check whether the registrant filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Exchange Act after the  
distribution of securities under a plan confirmed by court. Yes ☒ No ☐

**APPLICABLE ONLY TO CORPORATE ISSUERS**

On May 9, 2000, there were 3,699,178 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		
-----		
	3/31/2000	9/30/99
	(UNAUDITED)	(AUDITED)
CURRENT ASSETS		
Cash	\$ 390,646	\$ 378,161
Accounts receivable	309,793	225,565
Prepaid expenses	158,864	102,031
Inventories	122,579	115,773
Land held for sale	200,000	200,000
	-----	-----
Total current assets	1,181,882	1,021,530
	-----	-----
PROPERTY AND EQUIPMENT		
Buildings, land and leasehold improvements	8,519,711	8,324,297
Furniture & equipment	1,625,170	1,569,767
	-----	-----
	10,144,881	9,894,064
Accumulated depreciation	(1,517,966)	(1,340,343)
	-----	-----
	8,626,915	8,553,721
	-----	-----
OTHER ASSETS		
Goodwill less accumulated amortization	2,757,311	2,839,745
Other	184,740	223,141
	-----	-----
	2,942,051	3,062,886
	-----	-----
	\$12,750,848	\$12,638,137
	=====	=====

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

LIABILITIES AND STOCKHOLDERS' EQUITY

	3/31/2000 (UNAUDITED)	9/30/99 (AUDITED)
CURRENT LIABILITIES		
Current portion of long term debt	\$ 323,478	\$ 375,622
Accounts payable - trade	451,948	514,447
Accrued expenses	324,983	115,752
	-----	-----
Total current liabilities	1,100,409	1,005,821
LONG TERM DEBT, LESS CURRENT PORTION		
Long-term debt less current portion	4,120,525	4,282,777
	-----	-----
Total Liabilities	5,220,934	5,288,598
	-----	-----
COMMITMENTS AND CONTINGENCIES	---	---
MINORITY INTERESTS	26,778	34,247
STOCKHOLDERS' EQUITY		
Preferred stock - \$.10 par, authorized 1,000,000 shares; none outstanding	---	---
Common stock - \$.01 par, authorized 15,000,000 shares issued 3,699,178 and 3,613,678	36,992	36,137
Additional paid in capital	9,943,550	9,727,309
Retained earnings (deficit)	(2,477,406)	(2,448,154)
	-----	-----
Total stockholder's equity	7,503,136	7,315,292
	-----	-----
	\$12,750,848	\$12,638,137
	=====	=====

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

	FOR THE THREE MONTHS ENDED MARCH 31, 2000		FOR THE SIX MONTHS ENDED MARCH 31, 2000	
	1999	2000	1999	2000
REVENUES				
Sales	\$2,841,515	\$3,096,483	\$5,559,690	\$6,414,452
	-----	-----	-----	-----
OPERATING EXPENSES				
Cost of goods sold	467,679	402,846	831,458	890,705
Salaries and wages	988,057	965,646	1,898,213	1,970,589
Other general and administrative				
Taxes and permits	435,156	503,355	840,657	792,051
Charge card fees	39,961	34,982	79,046	92,489
Rent	15,235	132,879	26,725	268,034
Legal and accounting	173,988	185,689	286,054	327,797
Advertising	210,737	112,231	408,142	310,654
Other	527,070	566,868	1,021,472	1,144,339
	-----	-----	-----	-----
	2,857,883	2,904,496	5,391,767	5,796,658
	-----	-----	-----	-----
INCOME/(LOSS) FROM OPERATIONS	(16,368)	191,987	167,923	617,794
Interest Expense	(104,834)	(167,182)	(213,511)	(310,426)
Interest Income	7,924	145	16,336	656
Loss on Termination of Lease	0	(219,780)	0	(219,780)
Gain on Sale of Subsidiary	0	347,991	0	347,991
	-----	-----	-----	-----
NET INCOME/(LOSS) BEFORE EXTRAORDINARY ITEM	(113,278)	153,161	(29,252)	436,235
EXTRAORDINARY ITEM				
Gain on Fire Damage	0	256,592	0	256,592
	-----	-----	-----	-----
NET INCOME/(LOSS)	\$ (113,278)	\$ 409,753	\$ (29,252)	\$ 692,827
	=====	=====	=====	=====
BASIC NET INCOME (LOSS) PER COMMON SHARE:				
INCOME (LOSS) BEFORE EXTRAORDINARY ITEM	\$ (0.03)	\$ 0.05	\$ (0.01)	\$ 0.13
EXTRAORDINARY ITEM	0.00	0.08	0.00	0.08
	-----	-----	-----	-----
NET INCOME (LOSS)	\$ (0.03)	\$ 0.13	\$ (0.01)	\$ 0.21
	=====	=====	=====	=====
WEIGHTED AVERAGE SHARES OUTSTANDING	3,683,845	3,273,727	3,648,761	3,263,727
	=====	=====	=====	=====

RICK'S CABARET INTERNATIONAL, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF CASH FLOWS  
SIX MONTHS ENDED MARCH 31, 2000 AND 1999

	2000 (UNAUDITED)	1999 (UNAUDITED)
NET INCOME/(LOSS)	\$ (29,252)	\$ 692,827
ADJUSTMENTS TO RECONCILE NET LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Depreciation and amortization	260,057	236,013
Gain on fire damage and disposal of assets	0	(247,865)
Loss on termination of lease	0	219,780
Gain on sale of subsidiary	0	(347,991)
Minority Interest	(7,469)	8,390
Changes in assets and liabilities:		
Accounts receivable	(84,228)	(611,271)
Prepaid expenses	(56,833)	(155,360)
Inventories	(6,806)	90
Other assets	38,401	52,747
Accounts payable and accrued expenses	146,732	(383,583)
	-----	-----
Cash provided (used) by operating expenses	260,602	(536,224)
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property equipment	(250,817)	(239,316)
Proceeds from insurance on fire damage	0	504,457
Proceeds from sale of subsidiary	0	1,057,327
	-----	-----
Cash provided (used) by investing activities	(250,817)	1,322,468
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Common stock issued, less offering costs	217,086	0
Payments on long-term debt	(214,386)	(187,904)
	-----	-----
Cash provided (used) by financing activities	2,700	(187,904)
	-----	-----
NET (INCREASE) IN CASH	12,485	598,340
CASH AT BEGINNING OF PERIOD	378,161	597,644
	-----	-----
CASH AT END OF PERIOD	\$ 390,646	\$1,195,984
	=====	=====
CASH PAID DURING PERIOD FOR:		
Interest	\$ 104,834	\$ 167,182
	=====	=====

**RICK'S CABARET INTERNATIONAL, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
MARCH 31, 2000

**1. BASIS OF PRESENTATION**

The accompanying unaudited financial statements have been prepared in accordance with generally accepted accounting principles 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 generally accepted accounting principles 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, 1999 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, 2000 are not necessarily indicative of the results that may be expected for the year ending September 30, 2000.

**2. SEGMENT INFORMATION**

In October 1999, the Company launched its web-sites operation. This segment derives revenues from membership fees, traffic sold, and sale of feeds to other web-site operators. Below is the financial information on this segment. Since the web-sites operation started in October 1999, there is no comparison to the previous year of operation.

	FOR THE THREE MONTHS ENDED MARCH 31, 2000	FOR THE SIX MONTHS ENDED MARCH 31, 2000
REVENUES		
Internet Web-sites	\$ 133,267	\$ 183,131
Clubs operation	2,708,248	5,376,559
	-----	-----
	\$ 2,841,515	\$ 5,559,690
	=====	=====
NET INCOME/(LOSS)		
Internet Web-sites	\$ (194,724)	\$ (270,392)
Clubs operation	221,491	493,466
Corporate expenses	(140,045)	(252,326)
	-----	-----
	\$ (113,278)	\$ (29,252)
	=====	=====
PROPERTY & EQUIPMENT		
Internet Web-sites	\$	233,822
Clubs operation	\$	8,393,033
	\$	-----
	\$	8,626,915
		=====



## **Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following discussion should be read in conjunction with the Company's unaudited consolidated financial statements and related notes thereto included in this quarterly report and in the audited consolidated Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations contained in the Company's 10-KSB for the year ended September 30, 1999.

### **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", "anticipates" 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 ordinance in the City of Houston, competitive factors, the timing of the openings of other clubs, the integration of operations of Taurus Entertainment Companies, Inc with our operations and management, the availability of acceptable financing to fund corporate expansion efforts, competitive factors, 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**

We currently own and operate three adult Internet membership web sites at [www.dancerdorm.com](http://www.dancerdorm.com) and [www.amateurdan.com](http://www.amateurdan.com), and [www.smutdog.com](http://www.smutdog.com). These web sites were launched in October, 1999. We also own and operate adult nightclubs under the name "Rick's Cabaret" and "XTC" which offer live adult entertainment and restaurant and bar operations. We own and operate our Internet content production studio and web site operations center, and two adult nightclubs in Houston, Texas. We also own and operate adult nightclubs in Austin and San Antonio, Texas, and Minneapolis, Minnesota. We have also entered into a letter of intent to purchase a third location in Houston with lease on the property.

In July, 1999, we opened a nightclub in San Antonio. In March, 1999, we sold our New Orleans location, and closed the location of XTC in Houston in December 1998.

Our revenues are derived from the sale of liquor, beer, wine and food, cover charges and other income. We anticipate significant revenue from Internet operations to begin during fiscal 2000. Our fiscal year end is September 30.

## **RESULTS OF OPERATIONS FOR THE THREE AND SIX MONTHS ENDED MARCH 31, 2000 AS COMPARED TO THE THREE AND SIX MONTHS ENDED MARCH 31, 1999**

For the quarter ended March 31, 2000, the Company had consolidated total revenues of \$2,841,515 compared to consolidated total revenues of \$3,096,483 for the fiscal quarter ended March 31, 1999, or a decrease of \$254,968. The decrease in total revenues was due to sale of the Company's location in New Orleans, Louisiana.

The cost of goods sold for the quarter ended March 31, 2000 was 16.46% of total revenues compared to 13.01% for the quarter ended March 31, 2000. The increase was due primarily to the initial costs of our internet operations. The cost of goods sold for the clubs operation for the quarter ended March 31, 2000 was 12.81%. The 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.

Payroll and related costs for the quarter ended March 31, 2000 were \$988,057 compared to \$965,646 for the quarter ended March 31, 1999. The increase was a reflection of the additional personnel experienced by the company as it adds more locations and continue to increase the size and the scope of its internet operation. The labor cost for the internet operation was \$89,053 and for the clubs operation was \$899,004. Management currently believes that its labor and management staff levels are of appropriate levels.

Other selling, general and administrative expenses for the quarter ended March 31, 2000 were \$1,402,147 compared to \$1,536,004 for the quarter ended March 31, 1998. The decrease was due to sale of the Company's club in New Orleans and the removal of its associated costs.

Interest expense for the quarter ended March 31, 2000 was \$104,834 compared to \$167,182 for the quarter ended March 31, 1999. The decrease was primarily due to the Company's position in not obtaining new debts, but to aggressively reduce its debt burden.

Net loss for the quarter ended March 31, 2000 was (\$113,278) compared to a net income of \$409,753 for the quarter ended March 31, 1999. The decrease was due to the sale of the Company's Louisiana subsidiary and the initial costs of entering the adult internet market, including set up and development of [www.dancerdorm.com](http://www.dancerdorm.com). Management currently believes that the Company is in the position to be profitable in fiscal 2000.

For the six months ended March 31, 2000, the Company had consolidated total revenues of \$5,559,690 compared to consolidated total revenues of \$6,414,452 for the fiscal six months ended March 31, 1999, or a decrease of \$854,762. The decrease in revenues was due to the sale of the Company's New Orleans, Louisiana location.

The cost of goods sold for the six months ended March 31, 2000 was 14.96% of total revenues compared to 13.89% for the six months ended March 31, 1999. The increase was due primarily to the initial costs of our internet operation. The cost of goods sold for the club operation for the six months ended March 31, 2000 was 12.90%. 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.

Payroll and related costs for the six months ended March 31, 2000 were \$1,898,213 compared to \$1,970,589 for the six months ended March 31, 1999. The decrease was due to the sale of the Company's New Orleans location. The labor cost for the internet operation was \$137,095 and for the clubs operation was \$1,761,118. Management currently believes that its labor and management staff levels are of appropriate levels.

Other selling, general and administrative expenses for the six months ended March 31, 2000 were \$2,662,096 compared to \$2,935,364 for the six months ended March 31, 1999. The decrease was due to the sale of the Company's New Orleans location.

Interest expense for the six months ended March 31, 2000 was \$213,511 compared to \$310,426 for the six months ended March 31, 1999. The decrease was primarily attributable to Company's aggressive effort to pay off its debt and not acquiring a new debt.

Net loss for the six months ended March 31, 2000 was (\$29,252) compared to a income of \$692,827 for the six months ended March 31, 1999. The decrease was due to the sale of the Company's New Orleans location and the initial costs in the Company's internet operation. Management currently believes that the Company is in the position to be profitable in fiscal 2000.

## **LIQUIDITY AND CAPITAL RESOURCES**

At March 31, 2000, the Company had working capital of \$81,476 compared to a working capital of \$ 15,709 at September 30, 1999. The increase in working capital was due primarily to the proceeds received from the issuance of the Company's shares and increase in clubs revenues.

Net cash provided by operating activities in the six months ended March 31, 2000 was \$260,602 compared to net cash used of \$536,224 for the six months ended March 31, 1999. The increase in cash provided by operating activities was due principally to certain non-cash gains in 1999 and an increase in accounts payable in 2000.

Depreciation and Amortization for the six months ended March 31, 2000 were \$260,057 compared to \$236,013 for the six months ended March 31, 1999.

In the opinion of management, working capital is not a true indicator of the financial status. Typically, the Company carries current liabilities in excess of current assets because the business receives 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 the Company 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 and mix of sales revenues, overall cash flow and profitability from operations and the level of long-term debt.

## **SEASONALITY**

The Company is significantly affected by seasonal factors. Typically, the Company has experienced reduced revenues from April through September with the strongest operating results occurring during October through March.

## **YEAR 2000 ISSUES**

We have not had any Year 2000 deficiencies internally or externally. We do not expect to have any Year 2000 deficiencies internally and externally. If a Year 2000 deficiency occurs internally or externally, we will shift our internal and external resources to fix the deficiency. We do not expect any Year 2000 deficiency to require an expenditure of more than \$10,000.

## **PART II - OTHER INFORMATION**

### **Item 2. Changes in Securities**

In January, 2000, we sold 62,500 shares of common stock to one investor for a total consideration of \$125,000. We made this transaction in reliance upon exemptions from registration under Section 4(2) of the Securities Act of 1933. Each certificate issued for unregistered securities contained a legend stating that the securities have not been registered under the Act and setting forth the restrictions on the transferability and the sale of the securities. No underwriter participated in, nor did the Company pay any commissions or fees to any underwriter in connection with any of these transactions. None of the transactions involved a public offering. The Company believes that each of these persons had knowledge and experience in financial and business matters, which allowed them to evaluate the merits and risk of the purchase or receipt of these securities of the Company. The Company believes that each of these persons were knowledgeable about the Company's operations and financial condition.

## **Item 5. Other Events**

In early April 2000, we entered into a letter of intent with Voice Media, Inc. to acquire the adult web site [www.XXXPASSWORD.com](http://www.XXXPASSWORD.com). This web site had gross revenues of \$2.15 million for the seven months ended January 31, 2000. Rick's proposed acquisition will be the first of a planned series of adult Internet web site acquisitions aimed at greatly increasing Rick's presence on the Internet. Under the terms of the letter of intent, Rick's will issue 700,000 restricted shares of Rick's common stock to Voice Media at the time the acquisition is completed, of which 250,000 shares will remain in escrow until certain earnings benchmarks are achieved. Voice Media could also receive up to \$1,305,000 during the six years following Rick's acquisition if certain other earnings benchmarks are achieved. The cash portion of the purchase price is payable only from up to 50% of the free cash flow from the web site. As part of the proposed acquisition, Voice Media will continue to manage and market the web site for a flat monthly fee. This letter of intent is subject to due diligence and the execution of definitive documentation, which Rick's expects to be completed in the near future.

In late April 2000, we entered into another Letter of Intent with Voice Media, Inc. to acquire an additional adult entertainment website, [www.CLUBPIX.com](http://www.CLUBPIX.com). This website had gross revenues of \$10.29 million for the eight months ended February 2000. Under the terms of the Letter of Intent, Rick's will issue 1,700,000 restricted shares of Rick's common stock and \$3,128,000 to Voice Media. Of the 1,700,000 shares of Rick's, 700,000 shares will remain in escrow until certain earnings benchmarks are achieved. The entire 700,000 shares will be released if the EBIDTA of [www.clubpix.com](http://www.clubpix.com) equals or exceeds \$4,000,000 during the twelve months period following the closing of this transaction. Voice Media could also receive an additional 300,000 restricted shares of Rick's common stock and up to \$9,000,000 (inclusive of the \$3,128,000) if certain other earnings benchmarks are achieved. Voice Media would receive the entire amount if the EBIDTA of [www.clubpix.com](http://www.clubpix.com) during the twelve months period following the closing of this transaction exceeds \$6,000,000. The cash portion of the purchase price is payable only from up to 75% of the free cash flow from the web site payable over six years. The Letter of Intent is subject to the gross revenues of [clubpix.com](http://www.clubpix.com) for the preceding twelve months exceeding \$14,000,000 and earnings before EBIDTA derived from [clubpix.com](http://www.clubpix.com) for the twelve months period being in excess of \$3,500,000. In addition, the Letter of Intent is subject to shareholder approval of Rick's, the receipt by Rick's of a fairness opinion from an independent third party and the execution of definitive agreements by the parties.

These two proposed web site acquisitions are a planned series of adult Internet website acquisitions aimed at greatly increasing the size and scope of Rick's Internet business operations. Rick's anticipates that these transactions, when completed, will approximately double our gross revenues.

In April 2000, we entered into a letter of intent with WMF Investments Inc. to purchase the Chesapeake Bay Cabaret, an upscale gentlemen's club located just minutes from the NASA Space Center and Houston's Hobby Airport. The purchase price calls for 160,000 restricted shares of Rick's common stock to be issued and a 10-year lease agreement between Rick's and WMF Investments. The lease will grant Rick's an additional 10-year option. The terms of the Letter of Intent call for the closing to occur within three days after Rick's receives approval to sell liquor at the new location from the Texas Alcoholic Beverage Commission. Under the terms of the Letter of Intent Rick's will immediately enter into a Management Agreement to operate Chesapeake Bay Club until the permit is approved. The Letter of Intent is subject to execution of definitive documentation.

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

(a) Exhibits

**Financial Data Schedule -- Exhibit 27.1**

(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 10, 2000*

*By: /s/ Eric Langan*

*Eric Langan*

*President and Chief Accounting Officer*

## **REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS**

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

We have reviewed the accompanying balance sheets of Rick's Cabaret International, Inc. and Subsidiaries as of March 31, 2000, and the related Statements of operations for the three month and six month periods then ended and the statement of cash flows for the three month period then ended. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of analytical procedures applied to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

We have previously audited, in accordance with generally accepted auditing standards, the balance sheet of Rick's Cabaret International, Inc. and Subsidiaries. as of September 30, 1999, and the related statements of operations and cash flows for the year then ended (not presented separately herein), and in our report dated December 1, 1999, we expressed an unqualified opinion on those financial statements. In our opinion, the information set forth in the accompanying balance sheet as of September 30, 1999, is fairly stated, in all material respects, in relation to the balance sheet from which it has been derived.

**Jackson & Rhodes P.C.**

Dallas, Texas  
May 10, 2000

## ARTICLE 5

MULTIPLIER: 1

PERIOD TYPE	3 MOS
FISCAL YEAR END	SEP 30 2000
PERIOD START	JAN 01 2000
PERIOD END	MAR 31 2000
CASH	390646
SECURITIES	0
RECEIVABLES	309793
ALLOWANCES	0
INVENTORY	122579
CURRENT ASSETS	1181882
PP&E	10144881
DEPRECIATION	1517966
TOTAL ASSETS	12750848
CURRENT LIABILITIES	1100409
BONDS	4120535
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	36992
OTHER SE	7466134
TOTAL LIABILITY AND EQUITY	12750848
SALES	2841515
TOTAL REVENUES	2841515
CGS	467679
TOTAL COSTS	2857883
OTHER EXPENSES	0
LOSS PROVISION	0
INTEREST EXPENSE	104834
INCOME PRETAX	(113278)
INCOME TAX	0
INCOME CONTINUING	(113278)
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	(113278)
EPS BASIC	(.03)
EPS DILUTED	(.03)

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