

# RICKS CABARET INTERNATIONAL INC

## FORM 10QSB

(Quarterly Report of Financial Condition)

Filed 8/14/2000 For Period Ending 6/30/2000

Address	505 NORTH BELT SUITE 630 HOUSTON, Texas 77060
Telephone	281-820-1181
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: June 30, 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 CORPORATE ISSUERS**

On August 10, 2000, there were 4,595,494 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

	6/30/2000 (UNAUDITED)	9/30/99 (AUDITED)
CURRENT ASSETS		
Cash	\$ 439,082	\$ 378,161
Accounts receivable	342,112	225,565
Prepaid expenses	98,310	102,031
Inventories	135,862	115,773
Land held for sale	200,000	200,000
	-----	-----
Total current assets	1,215,366	1,021,530
	-----	-----
PROPERTY AND EQUIPMENT		
Buildings, land and leasehold improvements	8,554,446	8,324,297
Furniture & equipment	1,690,105	1,569,767
	-----	-----
	10,244,551	9,894,064
Accumulated depreciation	(1,622,889)	(1,340,343)
	-----	-----
	8,621,662	8,553,721
	-----	-----
OTHER ASSETS		
Goodwill less accumulated amortization	2,717,384	2,839,745
Other	177,896	223,141
	-----	-----
	2,895,280	3,062,886
	-----	-----
	\$ 12,732,308	\$ 12,638,137
	=====	=====

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

LIABILITIES AND STOCKHOLDERS' EQUITY

	6/30/2000 (UNAUDITED)	9/30/99 (AUDITED)
CURRENT LIABILITIES		
Current portion of long term debt	\$ 331,561	\$ 375,622
Accounts payable - trade	488,527	514,447
Accrued expenses	371,414	115,752
	-----	-----
Total current liabilities	1,191,502	1,005,821
LONG TERM DEBT, LESS CURRENT PORTION		
Long-term debt less current portion	3,896,797	4,282,777
	-----	-----
Total Liabilities	5,088,299	5,288,598
	-----	-----
COMMITMENTS AND CONTINGENCIES	---	---
MINORITY INTERESTS	42,422	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 3,710,178 and 3,613,678	37,102	36,137
Additional paid in capital	9,968,814	9,727,309
Retained earnings (deficit)	(2,404,329)	(2,448,154)
	-----	-----
Total stockholder's equity	7,601,587	7,315,292
	-----	-----
	\$ 12,732,308	\$ 12,638,137
	=====	=====

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

	FOR THE THREE MONTHS ENDED JUNE 30, 2000	1999	FOR THE NINE MONTHS ENDED JUNE 30, 2000	1999
REVENUES				
Sales	\$ 3,066,228	\$ 2,025,907	\$ 8,625,918	\$ 8,440,359
OPERATING EXPENSES				
Cost of goods sold	439,399	274,966	1,270,857	1,165,671
Salaries and wages	1,109,908	785,678	3,008,121	2,756,267
Other general and administrative				
Taxes and permits	443,625	330,446	1,284,282	1,122,497
Charge card fees	49,680	30,763	128,726	123,252
Rent	41,534	14,785	68,259	282,819
Legal and accounting	209,524	110,798	495,578	438,595
Advertising	204,971	127,320	613,113	437,974
Other	604,716	474,919	1,626,188	1,619,257
	3,103,357	2,149,674	8,495,124	7,946,332
INCOME/(LOSS) FROM OPERATIONS	(37,129)	(123,766)	130,794	494,027
Interest Expense	(102,811)	(111,295)	(316,322)	(421,721)
Interest Income	6,311	10,207	22,646	10,863
Loss on Termination of Lease	0	0	0	(219,780)
Gain on Sale of Subsidiary	0	0	0	347,991
Other Income	206,707	0	206,707	0
INCOME/(LOSS) BEFORE EXTRAORDINARY ITEM	73,078	(224,855)	43,825	211,380
EXTRAORDINARY ITEM				
Gain on Fire Damage	0	0	0	256,592
NET INCOME/(LOSS)	\$ 73,078	\$ (224,855)	\$ 43,825	\$ 467,972
BASIC NET INCOME (LOSS) PER COMMON SHARE:				
INCOME (LOSS) BEFORE EXTRAORDINARY ITEM	\$ 0.02	\$ (0.07)	\$ 0.01	\$ 0.06
EXTRAORDINARY ITEM	0.00	0.00	0.00	0.08
NET INCOME (LOSS)	\$ 0.02	\$ (0.07)	\$ 0.01	\$ 0.14
WEIGHTED AVERAGE SHARES OUTSTANDING	3,710,178	3,391,227	3,669,234	3,306,219

RICK'S CABARET INTERNATIONAL, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF CASH FLOWS  
NINE MONTHS ENDED JUNE 30, 2000 AND 1999

	2000 (UNAUDITED)	1999 (UNAUDITED)
NET INCOME	\$ 43,825	\$ 467,972
ADJUSTMENTS TO RECONCILE NET LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Depreciation and amortization	404,907	344,345
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	8,175	11,204
Changes in assets and liabilities:		
Accounts receivable	(116,547)	(251,850)
Prepaid expenses	3,721	(101,195)
Inventories	(20,089)	12,218
Other assets	45,245	(182,861)
Accounts payable and accrued expenses	229,742	(1,001,696)
	-----	-----
Cash provided (used) by operating expenses	598,979	(1,077,939)
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property equipment	(350,487)	(741,117)
Proceeds from insurance on fire damage	0	504,457
Proceeds from sale of subsidiary	0	1,057,327
	-----	-----
Cash provided (used) by investing activities	(350,487)	820,667
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Common stock issued, less offering costs	242,470	567,187
Payments on long-term debt	(430,041)	(294,231)
	-----	-----
Cash used by financing activities	(187,571)	272,956
	-----	-----
NET INCREASE IN CASH	60,921	15,684
CASH AT BEGINNING OF PERIOD	378,161	597,644
	-----	-----
CASH AT END OF PERIOD	\$ 439,082	\$ 613,328
	=====	=====
CASH PAID DURING PERIOD FOR:		
Interest	\$ 316,322	\$ 421,721
	=====	=====

**RICK'S CABARET INTERNATIONAL, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
JUNE 30, 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 nine months ended June 30, 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 JUNE 30, 2000	FOR THE NINE MONTHS ENDED JUNE 30, 2000
REVENUES		
Internet Web-sites	\$ 246,525	\$ 429,656
Clubs operation	2,819,703	8,196,262
	-----	-----
	\$ 3,066,228	\$ 8,625,918
	=====	=====
NET INCOME/(LOSS)		
Internet Web-sites	\$ (57,169)	\$ (327,562)
Clubs operation	284,426	777,892
Corporate expenses	(154,179)	(406,505)
	-----	-----
	\$ 73,078	\$ 43,825
	=====	=====
PROPERTY & EQUIPMENT, NET DEPRECIATION		
Internet Web-sites		\$ 258,410
Clubs operation		\$ 8,363,252
		-----
		\$ 8,621,662
		=====



## **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), [www.amateurdan.com](http://www.amateurdan.com), [www.smutdog.com](http://www.smutdog.com), and [www.xxxpassword.com](http://www.xxxpassword.com).

We also own and operate adult nightclubs under the name "Rick's Cabaret" and "XTC" which offer live adult entertainment, 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 a 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 NINE MONTHS ENDED JUNE 30, 2000 AS COMPARED TO THE THREE AND NINE MONTHS ENDED JUNE 30, 1999**

For the quarter ended June 30, 2000, the Company had consolidated total revenues of \$3,066,228 compared to consolidated total revenues of \$2,025,907 for the fiscal quarter ended June 30, 1999, or an increase of \$1,040,321. The increase in total revenues was due to the increase in revenues in the Company's existing locations of \$220,665 and to the revenues generated in the Company's new locations of \$819,656.

The cost of goods sold for the quarter ended June 30, 2000 was 14.33% of total revenues compared to 13.58% for the quarter ended June 30, 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 June 30, 2000 was 13.49%. The management continued its efforts to achieve reductions in cost of goods sold of the club operations 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 June 30, 2000 were \$1,109,908 compared to \$785,678 for the quarter ended June 30, 1999. The increase was a reflection of the additional personnel experienced by the Company as it adds more locations and continues to increase the size and the scope of its internet operation. The labor cost for the internet operation was \$129,042 and for club operations was \$980,866. Management currently believes that its labor and management staff levels are of appropriate levels.

Other selling, general and administrative expenses for the quarter ended June 30, 2000 were \$1,554,050 compared to \$1,089,030 for the quarter ended June 30, 1999. The increase was due to increased number of the Company's locations.

Interest expense for the quarter ended June 30, 2000 was \$102,811 compared to \$111,295 for the quarter ended June 30, 1999. The decrease was primarily due to the Company's position in not obtaining new debts, but to aggressively reduce its debt burden.

Other Income for quarter ended June 30, 2000 of \$206,707 was vendors' concessions on Company's liabilities.

Net income for the quarter ended June 30, 2000 was \$73,078 compared to a net loss of (\$224,855) for the quarter ended June 30, 1999. The increase was due to the increase in net income in Company's locations and the vendors' concessions on Company's liability. Management currently believes that the Company is in the position to be profitable in fiscal 2000.

For the nine months ended June 30, 2000, the Company had consolidated total revenues of \$8,625,918 compared to consolidated total revenues of \$8,440,359 for the fiscal nine months ended June 30, 1999, or an increase of \$185,559. The increase in total revenues was due to both the increase in the number of locations and in the revenues in each of the Company's location.

The cost of goods sold for the nine months ended June 30, 2000 was 14.74% of total revenues compared to 13.81% for the nine months ended June 30, 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 nine months ended June 30, 2000 was 13.10%. 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 nine months ended June 30, 2000 were \$3,008,121 compared to \$2,756,267 for the nine months ended June 30, 1999. The increase was a reflection of the additional personnel experienced by the Company

as it adds more locations and continues to increase the size and the scope of its internet operation. The labor cost for the internet operation was \$266,137 and for club operations was \$2,741,984. Management currently believes that its labor and management staff levels are of appropriate levels.

Other selling, general and administrative expenses for the nine months ended June 30, 2000 were \$4,216,146 compared to \$4,024,394 for the nine months ended June 30, 1999. The increase was due to increase in marketing due to an increased number of the Company's locations.

Interest expense for the nine months ended June 30, 2000 was \$316,322 compared to \$421,721 for the nine months ended June 30, 1999. The decrease was primarily attributable to Company's aggressive effort to pay off its debt and not acquiring a new debt.

Other Income for the nine months ended June 30, 2000 of \$206,707 was vendors' concessions on Company's liabilities.

Net income before extraordinary item for the nine months ended June 30, 2000 was \$43,825 compared to a net income before extraordinary item of \$211,380 for the nine months ended June 30, 1999. The decrease was due to the initial costs in the Company's internet operations. Management currently believes that the Company is in the position to be profitable in fiscal 2000.

## **LIQUIDITY AND CAPITAL RESOURCES**

At June 30, 2000, the Company had working capital of \$23,864 compared to a working capital of \$15,709 at September 30, 1999. The increase in working capital was due primarily to the increase in accounts receivable.

Net cash provided by operating activities in the nine months ended June 30, 2000 was \$598,979 compared to net cash used of \$1,085,135 for the nine months ended June 30, 1999. The increase in cash provided by operating activities was due to and an increase in accounts payable and accrued expenses and significant profit before depreciation in 2000.

Depreciation and Amortization for the nine months ended June 30, 2000 were \$404,907 compared to \$344,345 for the nine months ended June 30, 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 6. EXHIBITS AND REPORTS ON FORM 8-K**

(a) Exhibits

#### **Financial Data Schedule - Exhibit 27.1**

Report of Independent Auditor on Review of Unaudited Financial Statements - Exhibit 99.1

(b) Reports on Form 8-K

Assets Purchase Agreement for acquisition of [www.xxxpassword.com](http://www.xxxpassword.com) -- incorporated by reference to Form 8-K filed on  
July 12, 2000.

### **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: August 7, 2000*

*By: /s/ Eric S. Langan*

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*Eric S. 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 June 30, 2000, and the related statements of income for the three month and nine month periods then ended and the statement of cash flows for the nine 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 earnings 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  
August 10, 2000

**ARTICLE 5**

MULTIPLIER: 1

PERIOD TYPE	3 MOS
FISCAL YEAR END	SEP 30 2000
PERIOD START	APR 01 2000
PERIOD END	JUN 30 2000
CASH	439,082
SECURITIES	0
RECEIVABLES	342,112
ALLOWANCES	0
INVENTORY	98,310
CURRENT ASSETS	1,215,366
PP&E	10,244,551
DEPRECIATION	1,622,889
TOTAL ASSETS	12,732,308
CURRENT LIABILITIES	1,191,502
BONDS	3,896,797
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	37,102
OTHER SE	7,564,485
TOTAL LIABILITY AND EQUITY	12,732,308
SALES	3,066,228
TOTAL REVENUES	3,066,228
CGS	439,399
TOTAL COSTS	3,103,357
OTHER EXPENSES	0
LOSS PROVISION	0
INTEREST EXPENSE	102,811
INCOME PRETAX	73,078
INCOME TAX	0
INCOME CONTINUING	73,078
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	73,078
EPS BASIC	.020
EPS DILUTED	.020

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