

RICKS CABARET INTERNATIONAL INC

FORM POS AM

(Post-Effective Amendment to Registration Statement)

Filed 7/16/1996

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Industry	Restaurants
Sector	Services
Fiscal Year	09/30

REGISTRATION NO. 33-88372

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

POST EFFECTIVE AMENDMENT TO
FORM SB-2
REGISTRATION STATEMENT
UNDER THE SECURITIES ACT OF 1933

RICK'S CABARET INTERNATIONAL, INC.

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

TEXAS
(STATE OR OTHER JURISDICTION
OF INCORPORATION OR ORGANIZATION)

5813
(PRIMARY STANDARD INDUSTRIAL
CLASSIFICATION CODE NUMBER)

76-0037324
(I.R.S. EMPLOYER
IDENTIFICATION NUMBER)

3113 BERING DRIVE
HOUSTON, TEXAS 77057
(713) 785-0444
(ADDRESS, INCLUDING ZIP CODE, AND
TELEPHONE NUMBER, INCLUDING AREA CODE,
OR REGISTRANT'S PRINCIPAL EXECUTIVE
OFFICES AND PLACE OF BUSINESS)

ROBERT L. WATERS
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APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC:

As soon as practicable after the Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE SECURITIES AND EXCHANGE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

RICK'S CABARET INTERNATIONAL, INC.

Cross-Reference Sheet
showing location in the Prospectus of

Information Required by Items of Form SB-2

FORM SB-2 ITEM NUMBER AND CAPTION -----	LOCATION IN PROSPECTUS -----
1. Front of Registration Statement and Outside Front Cover of Prospectus	Forepart of the Registration Statement and Outside Front Cover Page of Prospectus
2. Inside Front and Outside Back Cover Pages of Prospectus	Inside Front Cover Page; Outside Back Cover Page
3. Summary Information and Risk Factors	Prospectus Summary; Risk Factors
4. Use of Proceeds	Use of Proceeds
5. Determination of Offering Price	Outside Front Cover Page
6. Dilution	*
7. Selling Security-Holders	*
8. Plan of Distribution	Plan of Distribution; Outside Front Cover Page
9. Legal Proceedings	Business-Litigation
10. Directors, Executive Officers, Promoters and Control Persons	Management; Executive Compensation; Principal Stockholders; Certain Transactions
11. Security Ownership of Certain Beneficial Owners and Management	Principal Stockholders
12. Description of Securities	Description of Securities
13. Interest of Named Experts and Counsel	Experts
14. Disclosure of Commission Position on Indemnification for Securities Act Liabilities	*
15. Organization Within Last Five Years	Business
16. Description of Business	Business
17. Management's Discussion and Analysis or Plan of Operation	Management's Discussion and Analysis of Financial Condition and Results of Operations
18. Description of Property	Business
19. Certain Relationships and Related Transactions	Certain Transactions
20. Market for Common Equity and Related Stockholder Matters	Price Range of Common Stock; Risk Factors; Description of Securities; Shares Eligible for Future Sale
21. Executive Compensation	Executive Compensation
22. Financial Statements	Financial Statements
23. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	*

(*) None or Not Applicable

RICK'S CABARET INTERNATIONAL, INC.

920,000 Shares of Common Stock issuable upon exercise of 920,000 Redeemable Common Stock Purchase Warrants

160,000 Shares of Common Stock issuable upon exercise of 160,000 Representative's Warrants

80,000 Shares of Common Stock issuable upon exercise of 80,000 Underlying Warrants

This Prospectus relates to an Offering (the "Offering") by Rick's Cabaret International, Inc., a Texas corporation ("Ricks" or the "Company") of 1,160,000 shares of Common Stock, \$.01 par value per share of the Company ("Common Stock") consisting of: (i) 920,000 shares of Common Stock underlying 920,000 Redeemable Common Stock Purchase Warrants (the "Warrants"); (ii) 160,000 shares of Common Stock underlying 160,000 Representative Warrants ("Representative's Warrants"); and (iii) 80,000 shares of Common Stock issuable upon the exercise of the Underlying Warrants ("Underlying Warrants"). Each Warrant entitles the holder to purchase one share of Common Stock for \$3.00 per share, subject to adjustment under certain circumstances, until October 12, 1998. The Warrants are not exercisable unless, at the time of exercise, the Company has a current Prospectus covering the shares of Common Stock issuable upon exercise of the Warrants. The Warrants may be redeemed by the Company at \$.05 per Warrant, at any time prior to their expiration, on not less than thirty (30) days written notice, if the closing price of the Common Stock for a period of thirty (30) consecutive trading days equals or exceeds \$6.00 per share, subject to adjustment, provided that such notice is mailed not later than ten (10) days after the end of such period. The Company has agreed to use its best efforts to have a current Registration Statement in effect with respect to the Common Stock underlying the Warrants at any time when the holders thereof may exercise their Warrants.

Each Representative's Warrant entitles the holder to purchase one share of Common Stock for \$4.35 per share. The Representative's Warrants are exercisable until October 12, 2000. The Underlying Warrants entitle the holder to purchase one share of Common Stock at an exercise price of \$4.35 per share. The Underlying Warrants are exercisable until October 12, 1998.

The outstanding Warrants were initially issued in connection with an October, 1995, public offering of the Company's securities (the "Public Offering"), and the Representative's Warrants and Underlying Warrants were sold to the Representative of the several underwriters of the Public Offering. The Company will receive the proceeds from the exercise of the Warrants, the Representative's Warrants and the Underlying Warrants.

The Company's Common Stock and Warrants are traded on The NASDAQ SmallCap Market ("NASDAQ") under the symbols "RICK" and "RICKW", respectively. On July 8, 1996, the last trade prices for the Common Stock and Warrants as reported on NASDAQ were \$5 3/8 per share and \$2 9/16 per warrant, respectively.

THE SECURITIES OFFERED HEREBY ARE SPECULATIVE AND INVOLVE A HIGH DEGREE OF RISK AND SHOULD NOT BE PURCHASED BY INVESTORS WHO CANNOT AFFORD THE LOSS OF THEIR ENTIRE INVESTMENT. SEE "RISK FACTORS."

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	EXERCISE PRICE PER SHARE	UNDERWRITING DISCOUNTS AND COMMISSIONS	PROCEEDS TO COMPANY (1)
Redeemable Common Stock Purchase Warrants	\$ 3.00	-----	\$2,760,000
Representative Warrants	\$ 4.35	-----	696,000
Underlying Warrants	\$ 4.35	-----	348,000
Total			\$3,804,000

(1) Before deducting expenses estimated at \$12,000, payable by the Company.

THE DATE OF THIS PROSPECTUS IS JULY 16, 1996

No dealer, salesperson representative, or other person has been authorized to give any information or to make any representations other than those contained in this Prospectus, and if given or made, such information or representations must not be relied upon as having been authorized by the Company. This Prospectus does not constitute an offer to sell or solicitation of an offer to buy any securities other than securities offered by this Prospectus or an offer to sell, or a solicitation of an offer to buy any securities by, any person in any jurisdiction in which such offer or solicitation is unlawful. Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, imply that the information contained herein is correct as of any time subsequent to the date of this Prospectus.

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AVAILABLE INFORMATION

The Company is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and, in accordance therewith, files reports and other information with the Securities and Exchange Commission (the "Commission"). Reports, proxy statements, and other information filed by the Company with the Commission pursuant to informational requirements of the Exchange Act may be inspected and copied, at prescribed rates, at the public reference facilities maintained by the Commission at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington D.C. 20549, and at the following Regional Offices of the Commission: New York Regional Office, 7 World Trade Center, Suite 1300, New York, New York 10048; and Chicago Regional Office, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661.

The Company has filed with the Commission a Registration Statement on Form SB-2 ("Registration Statement") under the Securities Act of 1933, as amended, with respect to the securities offered by this Prospectus. This Prospectus does not contain all of the information set forth in the Registration Statement, certain parts of which are omitted in accordance with the rules and regulations of the Commission. Statements contained in this Prospectus as to the contents of any contract or other document are not necessarily complete and, where the contract or other document has been filed as an exhibit to the Registration Statement, each such statement is qualified in all respects by reference to the applicable document filed with the Commission. Copies of the Registration Statement may be inspected, without charge, at the offices of the Commission, or obtained at prescribed rates from the Public Reference Section of the Commission, at the address set forth above.

PROSPECTUS SUMMARY

The following summary is qualified in its entirety by reference to the more detailed information and financial statements, including the notes thereto, appearing elsewhere in this Prospectus. Each prospective investor is urged to read this Prospectus in its entirety. All dollar amounts in this Prospectus are stated in U.S. dollars.

THE COMPANY

The Company was organized in 1994 to acquire all of the outstanding capital stock of Trumps, Inc. ("Trumps"), a Texas corporation formed in 1982, from Robert L. Watters, its sole stockholder. This acquisition was authorized and approved by the Board of Directors of the Company in December, 1994, and was consummated in February, 1995. Since 1983, Trumps has operated Rick's Cabaret ("Rick's"), a premiere adult nightclub offering topless entertainment in Houston, Texas. Rick's Cabaret has sought to develop a clientele base which includes professionals, business executives and other individuals with disposable income who seek adult entertainment in an attractive, upscale, yet discreet environment.

Trumps has operated Rick's Cabaret since 1983. Mr. Watters acquired a 10% stock ownership interest in Trumps from a shareholder in November, 1987, becoming one of three stockholders in Trumps. Mr. Watters' ownership interest in Trumps increased to 50% of the outstanding stock in 1989 with another purchase of stock from a shareholder. Mr. Watters became the sole stockholder of Trumps in 1993 through a series of business transactions with the then remaining former stockholder of Trumps. In August, 1995, the Board of Directors of the Company authorized the acquisition from Mr. Watters of his wholly owned companies, Tantric Enterprises, Inc., Tantra Dance, Inc., and Tantra Parking, Inc. (hereinafter collectively referred to as "Tantra") which own and operate Tantra, a non-sexually oriented discotheque and billiard club in Houston, Texas. See "Business--History."

In February, 1996, the Company formed RCI Entertainment, Louisiana, Inc., a Louisiana corporation, for the purpose of administering, operating, managing and leasing its new location in New Orleans, Louisiana. The Company presently anticipates that it will open its new facility in New Orleans in November, 1996. In addition, the Company formed RCI Entertainment (Texas), Inc. in June, 1996, for the purpose of acquiring 1.13 acres of land in Houston, Texas. The Company plans to build a new adult oriented nightclub at this location within the next twelve to eighteen months.

The Rick's Cabaret adult nightclub located in Houston, Texas is presently the Company's only currently operating location.

RICK'S CABARET

The key elements of Rick's operating strategy are as follows:

Female Entertainment. Management of the Company has a policy of maintaining high standards of both personal appearance and personality for its topless entertainers and waitresses. Though this policy has the effect of limiting the number of topless entertainers who are permitted to perform at Rick's Cabaret, management believes that its policy of maintaining these high standards is in the best interest of its long-term market position.

Management. The Company has recruited its management staff from outside the topless entertainment industry. The Company believes that this practice results in a management team characterized by the highest standards of integrity. This practice of training management without prior adult club experience could result in a delay in the Company's anticipated growth plans due to the time required to attract qualified managers.

Food and Drink. Management of the Company believes a key to the success of a premiere adult nightclub is a quality, first-class bar and restaurant operation to compliment its adult entertainment. Rick's Cabaret currently employs a chef with approximately 28 years experience and a bar manager with five years experience. It offers an extensive and varied menu, as well as selections of premiere wine, liquor and beer.

Controls. Management of the Company believes that operational and accounting controls are essential to the successful operation of a cash-intensive business such as a nightclub, restaurant and bar. For example, the Company separates management personnel from all cash handling and uses a combination of accounting and physical inventory control devices to insure a high level of security in its accounting practices. Deposits of cash and credit card receipts are reconciled each day to a daily income report. In addition, daily computer reports alert management of any variances from expected financial results based on historical norms.

Compliance Policies. The management of Rick's Cabaret has a policy of ensuring that its business is carried on in conformity with local, state and federal laws. In particular, the Company's management has a "no tolerance" policy as to illegal drug use in or around the premises. Posters placed throughout the nightclub reinforce this policy as do periodic unannounced searches of the entertainer's lockers. Entertainers and waitresses who arrive for work are not allowed to leave the premises without the permission of management. Once an entertainer does leave the premises, she is not allowed to return to work until the next day. Management continually monitors the behavior of entertainers, waitresses and customers to ensure that proper standards of behavior are observed. The Company's management has the power to levy fines on entertainers for breaches of the Company's rules. In the event an entertainer is fined three times by management, the entertainer is barred from future performances at Rick's Cabaret.

Management also reviews all credit card charges made by customers while at Rick's. Specifically, management has in place a formal policy which provides that all credit card charges must be approved, in writing, by management before any charges are accepted. Management is particularly trained to review credit card charges to ensure that the only credit card charges approved for payment are for food, drink and entertainment at Rick's Cabaret.

Atmosphere. Rick's Cabaret maintains high standards in its facility and its decor. The environment of music selection, employee appearance and demeanor and all aspects of customer service are carefully monitored on a continuous basis.

Advertising and Promotion. The Company's marketing philosophy is to portray Rick's Cabaret as the premier topless cabaret in the markets it serves, providing adult entertainment in an enjoyable, yet discreet, environment.

TANTRA

The Company owns and operates Tantra, a non-sexually oriented discotheque and billiard club in Houston, Texas. The Company intends to evaluate opening a nightclub similar or identical to Tantra in each city into which it expands its adult nightclub operations, subject to acceptable site location and adequate financing.

Unless otherwise indicated, references to the Company include Trumps and Tantra, its wholly-owned subsidiaries. The offices of the Company are located at 3113 Bering Drive, Houston, Texas 77057 and its telephone number is (713) 785-0444.

THE OFFERING

Securities Offered	1,160,000 shares of Common Stock consisting of: (i) 920,000 shares of Common Stock underlying 920,000 Warrants; (ii) 160,000 shares of Common Stock underlying 160,000 Representative's Warrants; and (iii) 80,000 shares of Common Stock issuable upon exercise of the underlying Warrants. Each Warrant entitles the holder to purchase one share of Common Stock at \$3.00 per share, subject to adjustment, at any time prior to October 12, 1998. The Warrants are subject to redemption by the Company at \$.05 per Warrant under certain circumstances. Prior to the first anniversary of the date of this Prospectus, the Warrants will not be redeemable by the Company without the written consent of the Representative. Each Representative's Warrant and each Underlying Warrant entitle the holder to purchase one share of Common Stock for \$4.35 per share, exercisable until October 12, 2000 and October 12, 1998, respectively. See "Description of Securities."
Common Stock outstanding before the Offering(1)	3,723,333
Common Stock outstanding after the Offering(1)	4,883,333
Use of Proceeds	The Company intends to use the net proceeds of this Offering for working capital and general corporate purposes. The Company may also utilize the proceeds for expansion of its business through acquisition. See "Use of Proceeds."
Risk Factors	The securities offered hereby are speculative and involve a high degree of risk and should not be purchased by anyone who cannot afford the loss of such person's investment. See "Risk Factors."
Nasdaq Symbols	Common Stock--RICK Warrants--RICKW

(1) Does not include 300,000 shares of Common Stock reserved for issuance upon the exercise of options under the Company's Stock Option Plan, of which 105,000 options have been granted as of the date of this Prospectus but none have been exercised. See "Executive Compensation--Employee Stock Option Plan," "Description of Securities."

SUMMARY FINANCIAL INFORMATION

The summary financial information set forth below is derived from the financial statements appearing elsewhere in this Prospectus. Such information should be read in conjunction with such financial statements, including the notes thereto.

STATEMENT OF INCOME DATA:	AS ADJUSTED	HISTORICAL			
	FOR PROCEEDS	SIX MONTHS ENDED		YEAR ENDED SEPTEMBER 30,	
	-----	MARCH 31,		-----	
	MARCH 31, 1996 (2)	1996	1995	1995	1994
	-----	-----		-----	
	(UNAUDITED)	(UNAUDITED)			
Revenues					
Sale of alcoholic beverages		\$1,196,006	\$1,191,293	\$2,286,157	\$2,381,250
Sale of food		137,729	109,566	213,537	196,773
Service revenues		912,330	833,717	1,700,133	1,730,653
Other		127,944	149,946	334,879	258,617
		-----	-----	-----	-----
Total Revenues		2,369,009	2,284,522	4,534,706	4,567,293
Income (loss) from operations		(163,353)	172,031	593,670	348,017
Income (loss) before income taxes		(78,992)	155,369	553,427	292,041
Net income (loss)		(83,792)	95,069	359,427	191,041
Net income (loss) per common share		(0.02)	0.05	0.20	0.11
Weighted average shares outstanding		3,640,000	1,800,000	1,800,000	1,800,000
		=====	=====	=====	=====
BALANCE SHEET DATA:					
Total assets	\$9,930,844	\$5,226,844	\$1,355,422	\$1,449,458	\$ 629,755
Working capital (deficit)	7,980,510	3,276,510	785,420	(741,220)	(448,445)
Total liabilities	823,451	823,451	1,402,554	1,232,232	771,956
Stockholders' equity (deficit)(1)	9,107,726	4,403,393	(47,132)	217,226	(142,201)

(1) The Company's negative stockholder equity at the end of 1994 is a result of stock repurchases by the Company in prior years, and is not the result of operating losses of the Company.

(2) Assumes issuance of (i) 920,000 shares of Common Stock issuable upon exercise of the Warrants, and (ii) 240,000 shares of Common Stock issuable upon the exercise of the Representative's Warrants and the Underlying Warrants. Also assumes issuance of 200,000 shares relating to Consultants's Warrants at an exercise price of \$4.50 per share of Common Stock previously registered pursuant to Form S-8, of which 50,000 were exercised on July 8, 1996. There can be no assurance that any other warrants will be exercised. An additional 200,000 shares of Consultants Warrants are not included, as they have not vested.

INITIAL PUBLIC OFFERING

In October, 1995, the Company completed an offering of 1,840,000 shares of Common Stock and 920,000 Redeemable Common Stock Purchase Warrants ("Warrants") pursuant to a Registration Statement filed under the Securities Act of 1933, as amended (the "IPO"). Barron Chase Securities, Inc. (the "Representative") served as the Underwriter in the IPO. Since the date of the IPO and through the date of this Prospectus, no Warrants sold in the IPO have been exercised to purchase shares of Common Stock. 920,000 shares of Common Stock are hereby offered by the Company pursuant to the terms of the outstanding Warrants. For a more complete description of the terms of the Warrants, see "Description of Securities."

As a portion of the consideration paid to the Representative in the IPO, the Company issued to the Representative, Representative's Warrants to purchase 160,000 shares of Common Stock at an exercise price of \$4.35 per share and 80,000 Underlying Warrants to purchase 80,000 shares of Common Stock at an exercise price of \$4.35 per share. For a complete description of the terms of the Representative's Warrants and the Underlying Warrants, see "Description of Securities."

RISK FACTORS

The Shares of Common Stock offered hereby are speculative and involve a high degree of risk. In addition to the other information set forth in this Prospectus each prospective investor should carefully consider the following risk factors before making an investment decision.

RISK OF ADULT NIGHTCLUB OPERATIONS

Historically, the adult entertainment, restaurant and bar industry has been an extremely volatile industry. The industry tends to be extremely sensitive to the general local economy, in that when economic conditions are prosperous, entertainment industry revenues increase, and when economic conditions are unfavorable, entertainment industry revenues decline. Coupled with this economic sensitivity is the trendy personal preferences of the customers who frequent adult cabarets. The Company continuously monitors trends in its customers' tastes and entertainment preferences so that, if necessary, it can make appropriate changes which will allow it to remain one of the premiere adult cabarets. However, any significant decline in general corporate conditions or uncertainties regarding future economic prospects that affect consumer spending could have a material adverse effect on the Company's business. In addition, Rick's has historically catered to a clientele base from the upper end of the market. Accordingly, further reductions in the amounts of entertainment expenses allowed as deductions from income under the Internal Revenue Code of 1954, as amended, could adversely affect sales to customers dependent upon corporate expense accounts.

FINANCIAL CONTROLS

A significant part of the revenues earned by the Company through its adult nightclub operations will be collected in cash by full and part-time employees. Comprehensive financial controls are required to minimize the potential loss of revenue through theft or misappropriation of cash. To the extent that these controls are not structured or executed properly, significant cash revenues could be lost and profitability of the Company impaired. The Company believes that it has implemented significant cash controls, including separating management personnel from actually

handling cash and utilizing a combination of accounting and physical inventory control devices to deter theft and to ensure a high level of security within its accounting practices and procedures. See "Business--Business Strategy--Controls."

COMPETITION

The adult topless club entertainment business is highly competitive with respect to price, service and location, as well as the professionalism of the entertainment. Rick's Cabaret in Houston competes with a number of locally-owned adult cabarets, some of whose names may enjoy recognition that equals that of Rick's. There are approximately 50 adult cabarets located in the Houston area of which approximately 10 are in direct competition with the Company. In the past year, Rick's has been the sixth highest adult nightclub in the Houston area in alcoholic beverage sales, according to the information made available by the Texas Alcoholic Beverage Commission. In the year prior thereto, Rick's was the fourth highest adult nightclub in alcoholic beverage sales in the Houston area. Although the Company believes that it is well-positioned to compete successfully, there can be no assurance that Rick's will be able to maintain its high level of name recognition and prestige within the marketplace. See "Business--Competition."

DEPENDENCE ON AND AVAILABILITY OF MANAGEMENT; MANAGEMENT OF GROWTH

The success of the Company is substantially dependent upon the time, talent, and experience of Robert Watters, its President and Chief Executive Officer. In 1995, the Company entered into a three-year employment agreement with Mr. Watters. Additionally, the Company has obtained key-man life insurance on the life of Mr. Watters in the amount of \$3,000,000. The loss of the services of Mr. Watters would have a material adverse impact on the Company and its business. In the event of Mr. Watters' unavailability or in the event that he should become temporarily disabled, the Company believes that it presently has in place management systems and controls which are sufficiently strong to enable it to run efficiently and effectively until Mr. Watters' return or until a replacement could be found. No assurance can be given, however, that a replacement for Mr. Watters could be located in the event of his unavailability. Further, in order for the Company to expand its business operations, it must continue to improve and expand the level of expertise of its personnel and must attract, train and manage qualified managers and employees to oversee and manage the expanded operations. The Company's practice of training management without prior adult topless club experience could result in a delay in the Company's anticipated growth plans due to the time required to attract and train such qualified managers and employees. See "Business--Business Strategy--Management."

KEY EMPLOYEES AND ENTERTAINERS

The Company's success depends on maintaining a high quality of female entertainers and waitresses. Competition for topless entertainers in the adult entertainment business is intense. The lack of availability of quality, personable, attractive entertainers or the Company's inability to attract and retain other key employees, such as kitchen personnel and bartenders, could adversely impact the business of the Company.

ABILITY TO MANAGE GROWTH

It is the intention of the Company to expand its existing business operations by opening additional topless nightclubs in other metropolitan areas under the trade name "Rick's Cabaret." The opening of additional topless nightclubs will subject the Company to a variety of risks associated with rapidly growing companies. In particular, the Company's growth may place a significant strain on its accounting systems and internal controls and personal overview of its day-to-day operations. Although management intends to ensure that its internal controls remain adequate to meet the demands of further growth, there can be no assurance that its systems, controls or personnel will be sufficient to meet these demands. Inadequacies in these areas could have a material adverse effect on Rick's business, financial condition and results of operations.

PERMITS RELATING TO THE SALE OF ALCOHOL

Rick's derives a significant portion of its revenues from the sale of alcoholic beverages. 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. Rick's presently holds a Mixed Beverage Permit and a Late Hours Permit (the "Permits"). These Permits are subject to annual renewal, provided Rick's has 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 a member of the general 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. While Rick's has never been subject to a protest hearing against the renewal of its Permits, there can be no assurance that such a protest could not be made in the future, nor can there be any assurance that the Permits would be granted in the event such a protest was made. Other states may have similar laws which may limit the availability of a permit to sell alcoholic beverages or which may provide for suspension or revocation of a permit to sell alcoholic beverages in certain circumstances. The temporary or permanent suspension or revocations of either of the Permits or the inability to obtain permits in areas of expansion would have a material adverse effect on the revenues, financial condition and results of operations of the Company. See "Business--Governmental Regulations."

NECESSARY PERMITS

In Houston, Texas, where Rick's is located, and in many other cities, location of a topless cabaret is subject to restriction by city ordinance. Rick's is 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 other sexually oriented businesses and from schools and churches, 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. Rick's has held a Business Permit since passage of the Ordinance in 1986. The Business Permit, which is transferable, is valid for a period of one year and is renewable by application of the permit holder. The permit holder for Rick's Cabaret is Robert Watters who, prior to this offering, was the sole stockholder of the Company. In the event of the failure by Mr. Watters to renew the Business Permit, it is likely that a new Business Permit would not be granted for the location of Rick's Cabaret, because of the location of another

sexually oriented business enterprise within the prohibited distance from Rick's Cabaret. The loss of the Business Permit would have a material adverse effect on Rick's business, financial condition and results of operations. See "Business--Governmental Regulations."

A dancehall permit is required for the operation of a discotheque in the city of Houston. The dancehall permit is not a discretionary permit, but must be granted by the city if the provisions of the applicable ordinance are satisfied. A dancehall permit may be revoked or renewal may be refused if certain criminal activities occur on the premises or if the person listed as the applicant has committed certain named offenses. Tantra's dancehall permit is held by Mr. Watters. The Company believes that it could obtain a new dancehall permit if for any reason Mr. Watters failed to renew or was refused the renewal of the dancehall permit.

STATUS OF ENTERTAINERS AS INDEPENDENT CONTRACTORS

The Company believes its entertainers to be independent contractors and not employees for federal income tax purposes and that the entertainers should be treated as self-employed independent contractors under the income tax withholding provisions of the Internal Revenue Code and under the Federal Insurance Contributions Act and the Federal Unemployment Tax Act. In addition, the Company believes the entertainers are independent contractors for purposes of regulations administered by the United States Department of Labor. However, the status of the entertainers as independent contractors is not free from doubt. The Company has sought neither a ruling from either the Internal Revenue Service or the Department of Labor nor an opinion of counsel as to the status of its entertainers as independent contractors. After consultation with counsel, the Company does not believe that it could obtain an opinion on this issue at a cost which the Company would find acceptable. Moreover, the Company believes that any such opinion, if obtained, would be of very limited value, given the inherently factual nature of the issue. To the extent that a determination were made that the entertainers are not independent contractors, but rather are employees for tax or labor purposes, and a similar determination were not made as to other adult cabarets, the Company could be at a competitive disadvantage with other adult cabarets. Moreover, such a determination could result in the imposition of penalties against the Company for its prior treatment, the effect of which could be material. The Company is a member of the Texas Entertainment Association, an organization composed of the largest adult cabarets in Texas. One of the objectives of the Texas Entertainment Association has been to keep the membership informed of changes in the law relating to the status of entertainers as independent contractors and to coordinate the policies of the major adult cabarets in an effort to ensure that changes in the policies and procedures relating to the employment status of entertainers are made uniformly by the entire adult industry in Texas. The Company presently intends to change its treatment of its entertainers from independent contractors to employees in the near future. The Company is working cooperatively with the Texas Entertainment Association in an effort to achieve an orderly transition within the entire industry.

EXISTING LITIGATION; POSSIBLE MATERIAL ADVERSE EFFECTS

The Company and Mr. Watters are presently involved in certain litigation (the "Zu Lawsuit") with a former stockholder of the Company (the "Defendant") which, if decided unfavorably, could have a material adverse effect on the Company. See Business--Litigation. The litigation, which was initiated by Mr. Watters, seeks to compel the Defendant to convey to Mr. Watters all of its ownership interest in Zu Corporation, which is the lessor to the Company of the land and building where Rick's is located. The Defendant joined the Company as a party to the lawsuit, claiming that

the Company had breached its lease agreement due to the alleged late payment of rent for one month. The case was tried in August, 1992, and judgment was rendered in favor of Mr. Watters and the Company. The Defendant, however, appealed this decision and in an opinion rendered in August 1995 the Texas Court of Appeals reversed and remanded the decision of the District Court. Upon a re-hearing of this case, the Court of Appeals, in an opinion rendered February 1, 1996, from which one of three Justices dissented, reversed and rendered judgment against Mr. Watters and the Company. The Company filed a motion for rehearing of the decision of the Court of Appeals, which was denied on May 2, 1996.

The Company intends to file an Application for Writ of Error with the Texas Supreme Court. Based on the reasoning of the dissenting opinion to the decision of the Court of Appeals, counsel to the Company believes that there is a likelihood that the Supreme Court will grant the Company's Application for Writ of Error. Counsel has advised the Company that this appellate process is likely to require from four to thirty months depending upon whether the Texas Supreme Court grants the Company's Application for Writ of Error. During this time, the Company anticipates that it will continue to operate in its present location.

If the Company is unsuccessful in overturning the decision of the Court of Appeals and is unable to successfully renegotiate a new lease, it will be necessary for the Company to relocate Rick's. While the Company believes that it could relocate Rick's to an equally desirable location, and, in fact, has recently completed the acquisition of a tract of land in Houston, Texas, upon which to build a new facility, such a move could have a material adverse impact on the Company. While the Company would extensively advertise its new location, it is possible that some customers would be lost to other competing clubs in the vicinity of Rick's present location. It is likely that a change in location would result in some decline in revenue for a period until goodwill could be established at the new location. Other adverse effects of a change of location could include the cost of the move and the lost revenue during any period that Rick's would be unable to operate during such move. See "Business -- Litigation."

The Company and Mr. Watters are also presently involved in certain litigation (the "Young Lawsuit") which was initiated in 1989 when one of the former stockholders of the Company was sued over his ownership interest in the Company. Mr. Watters and the Company were joined in the litigation based on allegations that they had improperly transferred certain assets to the Company from another corporation that had previously operated Rick's. In June, 1993, summary judgment was rendered by the district court in favor of the Company and Mr. Watters. Subsequent to an appeal by the parties suing the former stockholder, the Texas Court of Appeals, 8th Judicial District, reversed the summary judgment and remanded the case to the trial court. The Company filed an application for a Writ of Error with the Texas Supreme Court. This Writ was denied and the case was remanded to the district court for trial. The Company and Mr. Watters recently mediated this matter and pursuant to such mediation, entered into a settlement agreement with the Plaintiff, Mr. Young. The settlement agreement provides that the litigation will be dismissed, with prejudice, as to the Company, Mr. Watters and all other entities with which Mr. Watters is or was associated. The documents evidencing this settlement agreement are presently being prepared by legal counsel. If, for any reason, this settlement is not consummated, the Company believes, after consultation with counsel that it has substantial defenses to the claims being asserted against it and that the risk of material financial exposure to the Company is remote. There can be no assurance, however, that the Company will be successful in asserting its defenses or that any judgment that may be rendered against the Company will not be material. See "Business -- Litigation."

CONFLICTS OF INTEREST; CERTAIN TRANSACTIONS

In 1991 Mr. Watters exercised an option to purchase all of the outstanding shares of capital stock of Zu Corporation which owns the land on which the present operation of Rick's Cabaret is located. The seller of Zu Corporation has protested the validity of the exercise of this option and Mr. Watters initiated litigation. Trumps, Inc.'s lease with Zu Corporation expired in February, 1996, and Trumps exercised its option to renew the lease for an additional term of 10 years. The Seller of Zu Corporation has, likewise, protested the validity of the exercise of this renewal option. See "Risk Factors--Litigation" and "Business--Litigation." Although the terms and conditions of the lease between Trumps, Inc. and Zu Corporation were not the result of arm's length negotiations, management believes that the terms are comparable to or better than those that would be available from unaffiliated parties. See "Certain Transactions."

UNINSURED RISKS

The Company maintains insurance in amounts it considers adequate for personal injury and property damage to which the business of the Company may be subject. Because of what the Company deems to be prohibitively expensive premium costs, however, the Company does not maintain any personal injury liquor liability insurance. Therefore, the Company may be exposed to potential uninsured liabilities which may be imposed pursuant to the Texas "Dram Shop" statute or similar "Dram Shop" statutes or common law theories of liability in other states where the Company may expand. The Texas "Dram Shop" statute provides a person injured by an intoxicated person the right to recover damages from an establishment that wrongfully served alcoholic beverages to such person if it was apparent to the server that the individual being sold, served or provided with an alcoholic beverage was obviously intoxicated to the extent that he presented a clear danger to himself and others. An employer is not liable for the actions of its employee who overserves if (i) the employer requires its employees to attend a server training program approved by the TABC; (ii) the employee has actually attended such a training program; and (iii) the employer has not directly or indirectly encouraged the employee to violate the law. It is the policy of Rick's to require that all servers of alcohol working at Rick's be certified as servers under a training program approved by the TABC, which certification gives statutory immunity to the sellers of alcohol from damage caused to third parties by those who have consumed alcoholic beverages at such establishment pursuant to the Texas Alcoholic Beverage Code. There can be no assurance, however, that uninsured liabilities may not arise which could have a material adverse effect on the Company. In 1993, the Company was sued by the relatives of a deceased car accident victim who alleged that one of the Company's employees wrongfully caused the death of the accident victim. The Company recently settled this litigation making a nominal payment of less than \$4,000 to the Plaintiffs. See "Business--Litigation."

BROAD DISCRETION IN APPLICATION OF PROCEEDS

The Company is allocating all of the net proceeds of this Offering for working capital and general corporate purposes, including the opening of adult cabarets in the format and bearing the name "Rick's Cabaret" in cities other than Houston, Texas. Accordingly, management will retain broad discretion in the use of proceeds. In addition, the Company may, when and if the opportunity arises, acquire other businesses involved in the topless entertainment business. Accordingly, a prospective investor will not have an opportunity to evaluate the precise locations where the Company will expand or to review and evaluate the financial condition of any other entity involved

in the topless entertainment business which the Company may acquire. Consequently, prospective investors will be relying upon the judgment of management of the Company for such decisions. Investors should consider such broad discretion in the application of proceeds of the offering prior to making a determination to purchase the securities offered hereby. See "Use of Proceeds," "Business--Future Expansion" and "Management."

CONTROL BY MANAGEMENT

The Chief Executive Officer and Chairman of the Board of the Company owns approximately 49% of the outstanding Common Stock of the Company. As a result, management, as a practical matter, will be able to elect all directors and otherwise control the affairs of the Company for the foreseeable future. However, the Company has agreed with the Representative to appoint, for a period of three years ending October, 1998, two persons to the Board of Directors, who shall not be affiliated with the Company. See "Principal Stockholders."

LIMITATIONS ON PROTECTION OF SERVICE MARKS

Rights of the Company to the tradenames "Rick's" and "Rick's Cabaret" are established under the common law, based upon the Company's substantial and continuous use of these trademarks in interstate commerce since at least as early as 1987. "RICK'S AND STARS DESIGN" logo was registered through service mark registrations issued by the United States Patent and Trademark Office ("PTO") in 1989. Due to an oversight, these registrations were canceled by the PTO for failure of the Company to file a required affidavit with the PTO setting forth that the service mark was still in use in commerce. Applications for service mark registration have been filed to re-register the Company's RICK'S AND STARS DESIGN logo service mark with the PTO. These applications were published for opposition on May 28, 1996 and June 4, 1996. If an opposition or request for extension of time to file an opposition is not filed within 30 days of the corresponding date of publication, the registrations should issue within six months following publication.

Applications for service mark registration for the Company's RICK'S CABARET service mark have also been filed. These applications were published for opposition on May 28, 1996. If an opposition or request for extension of time to file an opposition is not filed within 30 days of the date of publication, the registrations should issue within about six months following publication.

There can be no assurance that these steps taken by the Company to protect its service marks will be adequate to deter misappropriation of its protected intellectual property rights. Litigation may be necessary in the future to protect the Company's rights from infringement, which may be costly and time consuming. The loss of the intellectual property rights owned or claimed by the Company could have a material adverse affect on the Company.

POSSIBLE VOLATILITY OF COMMON STOCK PRICE

The market price of the Common Stock may be highly volatile, as has been the case with the securities of many other small capitalization companies. Additionally, in recent years, the securities markets have experienced a high level of price and volume volatility and the market prices of securities for many companies, particularly small capitalization companies, have experienced wide fluctuations which have not necessarily been related to the operating performances or underlying asset values of such companies.

SHARES ELIGIBLE FOR FUTURE SALE

Upon completion of this offering, assuming the exercise of the Warrants, the Representative's Warrants, and the Underlying Warrants, the Company will have outstanding 4,883,333 shares of Common Stock, of which 3,083,333 shares will be freely tradeable without restriction or further registration under the Securities Act, except for any shares purchased by an "affiliate" of the Company (in general, a person who has a control relationship with the Company).

There are 1,800,000 shares of Common Stock outstanding, which are owned by Mr. Watters and, which are deemed to be "restricted securities" as that term is defined under Rule 144 of the Securities Act ("Rule 144"), in that such shares were issued in private transactions not involving a public offering.

In addition to the limitations placed on the sale of restricted securities pursuant to Rule 144, Mr. Watters has entered into a letter agreement with the Representative not to sell or otherwise dispose of any securities of the Company prior to April 12, 1997, without the prior written consent of the Representative. Further, Mr. Waters has entered into an agreement at the request of the Securities Commissioner of Texas which places further restrictions on the sale and transfer of 1,600,000 of his shares of Common Stock.

No prediction can be made as to the effect, if any, that sales of shares of Common Stock or the availability of such shares for sale will have on the market prices prevailing from time to time. Nevertheless, the possibility that substantial amounts of Common Stock may be sold in the public market would likely have a material adverse effect on prevailing market prices for the Common Stock and could impair the Company's ability to raise capital through the sale of its equity securities. See "Shares Eligible for Future Sale."

NO CASH DIVIDENDS

The Company has never paid cash dividends on its Common Stock and the Board of Directors does not anticipate paying cash dividends in the foreseeable future. It currently intends to retain future earnings to finance the growth of its business. See "Dividend Policy."

ANTI-TAKEOVER EFFECTS OF ISSUANCE OF PREFERRED STOCK

The Board of Directors has the authority to issue up to 1,000,000 shares of Preferred Stock, \$.10 par value per share, in one or more series, to fix the number of shares constituting any such series, and to fix the rights and preferences of the shares constituting any series, without any further vote or action by the stockholders. The issuance of Preferred Stock by the Board of Directors could adversely affect the rights of the holders of Common Stock. For example, such issuance could result in a class of securities outstanding that would have preferences with respect to voting rights and dividends and in liquidation over the Common Stock, and could (upon conversion or otherwise) enjoy all of the rights appurtenant to Common Stock. The Board's authority to issue Preferred Stock could discourage potential takeover attempts and could delay or prevent a change in control of the Company through merger, tender offer, proxy contest or otherwise by making such attempts more difficult to achieve or more costly. There are no issued and outstanding shares of Preferred Stock; there are no agreements or understandings for the issuance of Preferred Stock, and the Board of Directors has no present intention to issue Preferred Stock.

INABILITY TO EXERCISE WARRANTS

No Warrants will be exercisable unless at the time of exercise the Company has a current prospectus effective with the SEC covering shares of Common Stock issuable upon exercise of such Warrants and such shares have been registered or qualified or deemed to be exempt under the securities laws of the state of residence of the holder. The Company will use its best efforts to have all such shares so registered or qualified on or before the exercise date and to maintain a current prospectus relating thereto until the expiration of the Warrants, although there is no assurance that it will be able to do so. See "Description of Securities--Public Warrants."

POTENTIAL ADVERSE EFFECTS OF REDEMPTION OF WARRANTS

The Warrants may be redeemed by the Company, at any time prior to the expiration, at a price of \$0.05 per Warrant upon at least 30 days' notice mailed within 10 days after the market value of the Common Stock has equaled or exceeded \$6.00 per share for a period of 30 consecutive trading days. The Company may only redeem the Warrants if at the time of redemption the Company has a current prospectus effective with the SEC covering the shares of Common Stock issuable upon exercise of such Warrants and such shares have been registered or qualified or deemed to be exempt under the securities laws of the state of residence of the holder. Redemption of the Warrants could force the holders to exercise the Warrants and to pay the exercise price at a time when it may be disadvantageous for the holders to do so, to sell the Warrants at the then-current market price when they might otherwise wish to hold the Warrants, or to accept the redemption price, which is likely to be substantially less than the market value of the Warrants at the time of redemption. The Warrants are not redeemable by the Company prior to the first anniversary of the effective date of this Prospectus without the written consent of the Representative. See "Description of Securities--Public Warrants."

LIMITATION ON DIRECTOR LIABILITY

The Company's Articles of Incorporation provide, as permitted by governing Texas law, that a director of the Company shall not be personally liable to the Company or its stockholders for monetary damages for breach of fiduciary duty as a director, with certain exceptions. These provisions may discourage stockholders from bringing suit against a director for breach of fiduciary duty and may reduce the likelihood of derivative litigation brought by stockholders on behalf of the Company against a director. See "Management--Limitation on Directors' Liability; Indemnification."

USE OF PROCEEDS

In the event that shares of Common Stock are issued upon exercise of all of the Warrants, the Representative's Warrants and the Underlying Warrants described herein, the Company will receive as net proceeds, a maximum of \$3,792,000, after deducting estimated offering expenses. The Company expects to use the net proceeds, if and when available, for working capital and general corporate purposes. As there are no commitments from the holders of the Warrants, the Representative's Warrants or the Underlying Warrants to so exercise such securities and purchase Common Stock, there can be no assurance that any Warrants, Representative's Warrants or Underlying Warrants will be exercised.

The Company reserves the right to change its use of proceeds when and if market conditions or unexpected changes in operating conditions or results occur. In addition, the Company may, when and if the opportunity arises, acquire other businesses involved in activities which are compatible with the Company's business. If such an opportunity arises, the Company may use a portion of the proceeds of this offering for that purpose. The Company has no specific plans, arrangements, agreements or understanding with respect to any acquisition in which these funds would be used, and there is no assurance that any acquisitions will be made.

The Company believes that the cash flow from operations, together with the proceeds from the IPO will be sufficient to meet operating requirements and capital expenditures for at least 12 months. Proceeds not immediately required for the purposes described above will be invested principally in U.S. government securities or money market funds.

PRICE RANGE OF COMMON STOCK

Since October 13, 1995, the Company's Common Stock has been traded on The NASDAQ SmallCap Market under the symbol "RICK." The following table sets forth the quarterly high and low last sales prices per share for the Common Stock, as reported by NASDAQ.

		Common Stock Price Range	
		High	Low
1995	Fourth Quarter	\$ 5	\$ 3 7/8
1996	First Quarter	\$ 5	\$ 3 15/16
	Second Quarter	\$ 5 3/4	\$ 4 1/2
	Third Quarter (through July 8, 1996)	\$ 5 3/8	\$ 5 1/4

On July 8, 1996, the last sales price for the Common Stock as reported by The NASDAQ SmallCap Market was \$5 3/8 per share. On July 8, 1996, there were approximately 300 stockholders of record of the Common Stock.

DIVIDEND POLICY

The Company has never declared a cash dividend on its Common Stock. The Board of Directors presently intends to retain all earnings for use in the Company's business, and, therefore, does not anticipate paying any cash dividends in the foreseeable future. The declaration of dividends, if any, in the future will be subject to the discretion of the Board of Directors, which may consider such factors as the Company's results of operations, financial condition, capital needs and acquisition strategy, among others. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

CAPITALIZATION

The following table sets forth the capitalization of the Company at March 31, 1996, and as adjusted to reflect the exercise of the 920,000 Warrants at \$3.00 per share and 240,000 Representative's Warrants and Underlying Warrants at an exercise price of \$4.35 per share of Common Stock. The table should be read in conjunction with the Company's financial statements and notes thereto that are included elsewhere in this Prospectus.

	MARCH 31, 1996	
	HISTORICAL	AS ADJUSTED (1)
Stockholders' Equity:		
Common Stock--\$.01 par value; 15,000,000 shares authorized 3,640,000 shares issued and outstanding	\$ 36,400	\$ 50,333
Additional Paid In Capital	4,251,559	8,941,959
Retained earnings	115,434	115,434
	-----	-----
Total Stockholders' Equity	\$4,403,393	\$9,107,726
	=====	=====
Total Capitalization	\$4,403,393	\$9,107,726
	=====	=====

(1) Assumes issuance of (i) 920,000 shares issuable upon exercise of the Warrants, and (ii) 240,000 shares of Common Stock issuable upon the exercise of the Representative's Warrants and the Underlying Warrants. Also assumes issuance of 200,000 shares relating to Consultant's Warrants at an exercise price of \$4.50 per share of Common Stock previously registered pursuant to Form S-8, of which 50,000 were exercised on July 8, 1996. There can be no assurance that any other warrants will be exercised. An additional 200,000 shares of Consultants Warrants are not included, as they have not vested.

SELECTED FINANCIAL DATA

The selected combined financial data presented below for each of the two-years ended September 30, 1995, and 1994, have been derived from the audited financial statements of the Company. The selected combined financial data for the six months ended March 31, 1996, and 1995 have not been audited but in management's opinion includes all adjustments consisting only of normal recurring adjustments necessary to present fairly the financial data for and at the end of such periods. The data presented below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and with the Company's financial statements, related notes and other financial information included elsewhere in this Prospectus.

	AS ADJUSTED FOR PROCEEDS	HISTORICAL			
	SIX MONTHS ENDED MARCH 31, 1996(2)	SIX MONTHS ENDED MARCH 31,		YEAR ENDED SEPT. 30,	
	(UNAUDITED)	1996	1995	1995	1994
	(UNAUDITED)	(UNAUDITED)		(UNAUDITED)	(UNAUDITED)
STATEMENT OF INCOME DATA:					
Revenues					
Sale of alcoholic beverages		\$1,196,006	\$1,191,293	\$2,286,157	\$2,381,250
Sale of food		137,729	109,566	213,537	196,773
Service revenues		912,330	833,717	1,700,133	1,730,653
Other		127,944	149,946	334,879	258,617
Total Revenues		2,369,009	2,284,522	4,534,706	4,567,293
Income (loss) from operations		(163,353)	172,031	593,670	348,017
Income (loss) before income taxes		(78,992)	155,369	553,427	292,041
Net income (loss)		(83,792)	95,069	359,427	191,041
Net income (loss) per common share		(0.02)	0.05	0.20	0.11
Weighted average shares outstanding		3,640,000	1,800,000	1,800,000	1,800,000
		=====	=====	=====	=====
BALANCE SHEET DATA:					
Total assets	\$9,930,844	\$5,226,844	\$1,355,422	\$1,449,458	\$ 629,755
Working capital (deficit)	7,980,510	3,276,510	785,420	(741,220)	(448,445)
Total liabilities	823,451	823,451	1,402,554	1,232,232	771,956
Stockholders' equity (deficit)(1)	9,107,726	4,403,393	(47,132)	217,226	(142,201)

(1) The Company's negative stockholders' equity at the end of 1994 is a result of stock repurchases by the Company in prior years, and is not the result of operating losses of the Company.

(2) Assumes issuance of (i) 920,000 shares of Common Stock issuable upon exercise of the Warrants, and (ii) 240,000 shares of Common Stock issuable upon the exercise of the Representative's Warrants and the Underlying Warrants. Also assumes issuance of 200,000 shares relating to Consultant's Warrants at an exercise price of \$4.50 per share of Common Stock previously registered pursuant to Form S-8, of which 50,000 were exercised on July 8, 1996. There can be no assurance that any other warrants will be exercised. An additional 200,000 shares of Consultants Warrants are not included, as they have not vested.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the financial statements appearing in the Company's Annual Report on Form 10-KSB filed with the Securities and Exchange Commission for the fiscal year ending September 30, 1995 and the unaudited financial statements appearing in the Company's Quarterly Reports on Form 10-QSB for the quarters ending December 31, 1995 and March 31, 1996.

GENERAL

The Company was formed in December 1994 to acquire all of the outstanding capital stock of Trumps, Inc., a Texas corporation ("Trumps") formed in 1982. Since 1983, Trumps has operated Rick's Cabaret, a premier adult nightclub offering topless entertainment in Houston, Texas. In 1995, the Company acquired Tantra, a non-sexually oriented discotheque and billiard club also located in Houston, Texas from Robert L. Watters, the principal shareholder. Tantra became operational during the second quarter of fiscal 1995. The Company's fiscal year end is September 30.

Revenues are derived from the sale of liquor, beer, wine and food, which comprises approximately 60% of total revenues, and charges to the entertainers and cover charges which comprise approximately 38% of total revenues for the second quarter of fiscal 1996 revenues. For the second quarter of fiscal 1995, these percentages were 56% and 36%, respectively. The remaining revenues are derived from the sale of memberships, merchandise, and miscellaneous other revenue sources. Membership sales are for access to Rick's VIP Room, and range in price from \$550 to \$1,200 for a lifetime membership. Additional benefits include waiver of cover charges, 10% to 15% discount on drink prices, complimentary drink tickets and miscellaneous other benefits depending on the type of membership purchased. Membership sales were \$9,550 and \$14,850, which represented sales of 12 and 18 memberships, respectively, for the second quarter of fiscal years 1996 and 1995.

RESULTS OF OPERATIONS

Six Months Ended March 31, 1996 compared to the Six Months Ended March 31, 1995. For the six months March 31, 1996, the Company had consolidated net revenues of \$2,369,009, an increase of \$84,487 from the net revenues of \$2,284,522 for the six months ended March 31, 1995. Single location revenues of Rick's Cabaret declined 7% as compared to the first six months of fiscal 1995 or approximately \$134,000. The decline at Rick's Cabaret is offset by Tantra revenues of \$373,581 during the six months ended March 31, 1996.

Cost of goods sold were 33% and 26% of sales of alcoholic beverages and food for the first six months of fiscal 1996 and 1995, respectively. Renovations to the kitchen area at Rick's Cabaret during the months of November and December, 1995 required the Company to use outside sources for catering lunch and dinner meals which resulted in limited menu offerings at higher costs.

Salaries and wages increased 26% or \$164,976 from the first six months of fiscal 1995 due to the addition of Tantra (\$46,716) and the addition of management personnel and staff in anticipation of opening additional locations.

Other general and administrative expenses increased 14% or \$162,038 from the first six months of fiscal 1995. Taxes and permits increased 9% from the first six months of fiscal 1995 due to the acquisition and opening of Tantra. Charge card fees decreased \$30,605 largely due to increased cash sales during fiscal 1996. Rent declined due to the acquisition of a parking lot which was previously leased and is currently used extensively with the Tantra operation. Advertising and promotion increased by \$167,633 as the Company started and extensive outdoor and radio advertising campaign. Management believes the positive effects of advertising for the Company are often deferred for a period of several months. During fiscal year 1995, the Company engaged an advertising and public relations firm to assist with the placement of advertising. Other costs increased as result of increased travel and lodging costs incurred by staff involved with the opening of the New Orleans location and the review of other potential acquisitions.

Interest income increased to \$92,943 for the six months ended March 31, 1996 as a result of investing the proceeds of the Company's public offering. Interest expense was reduced to \$8,582 from \$17,101 during the six months of fiscal 1996 due to a reduction in the average amount of bank and lease financing debt outstanding.

The Company experienced a net loss for the six months ended March 31, 1996 of (\$83,792) compared to net income of \$95,069 for the six months of fiscal 1995. Management anticipates that the Company may also experience losses for the third and fourth quarters of fiscal 1996 until revenue growth from acquisitions and the opening of new locations is realized.

Year Ended September 30, 1995 compared to Year Ended September 30, 1994. For the 1995 fiscal year, the Company had consolidated total revenues of \$4,534,706, a decrease of \$32,587 from fiscal 1994 revenues of \$4,567,293. Single location revenues for Rick's Cabaret declined 11% from fiscal 1994 or approximately \$489,000. The decline at Rick's Cabaret is offset by the addition and opening of Tantra during the second quarter of fiscal 1995 which provided revenues of \$490,000. The overall decline in revenues is attributable to the increased level of competition in the Houston, Texas area and a decline in advertising expenditures during early fiscal 1995. Additionally, management time and working capital which otherwise would have been invested by the Company in advertising was committed to the successful completion in October 1995 of the Company's initial public offering. During the later quarters of fiscal 1995 and after completing the initial public offering, management has increased advertising expenditures and has retained the services of an advertising and public relations firm.

Cost of goods sold were 28% and 27% of sales of alcoholic beverages and food for fiscal 1995 and 1994, respectively. This increase is believed to be attributable to a slight increase in food sales which carries a higher cost than beverage sales.

Salaries and wages decreased 3% or \$39,891 from fiscal 1994 due to a reduction in the bonus accrued to the Chief Executive Officer and a reduction in management staffing, offset by \$122,281 in Tantra salaries for fiscal 1995.

Other general and administrative expenses decreased 23% or \$251,035 from fiscal 1994 to fiscal 1995. Decreases occurred in all general and administrative expense categories except Taxes and Permits which increased 4% from 1994 due to the acquisition and opening of Tantra. Charge card fees decreased \$25,746 due to the decrease in sales noted above. Legal and accounting decreased \$29,047 due to a lower level of activity relating to the defense of lawsuits. Advertising

and promotion was lower by \$109,746 at Rick's Cabaret as the Company reduced advertising during the early quarters of fiscal 1995 due to increased working capital needs in preparation for its initial public offering, offset by \$96,627 in Tantra advertising. Additionally, the amortization of a non-compete agreement (\$48,000) was completed in 1994 with no corresponding expense in 1995. Management believes that the reductions in all categories, in addition to the reasons stated above, are attributable to additional management controls instituted at the beginning of fiscal year 1995.

Interest expense was reduced to \$55,976 from \$129,377 due to a reduction in the average amount of bank and lease financing debt outstanding during the year.

Net income increased for fiscal 1995 by \$168,386 or 88% as compared to fiscal 1994.

For the Years Ended September 30, 1994 and September 30, 1993. For the year ended September 30, 1994 ("1994"), the Company had revenues of \$4,567,293 compared with \$4,551,775 for the year ended September 30, 1993 ("1993"), an increase of \$15,518. Overall revenues remained flat due to (1) the effects of the 1993 tax increase which primarily affected the high revenue customers of the club, (2) the reduction in the deductible percentage of entertainment expenses, (3) the increased level of competition in the Houston, Texas area, as well as (4) the under funding of advertising in the fiscal years ending September 30, 1993 and 1992. In addition, the Company changed several policies regarding charges to the entertainers which reduced revenue from services from \$1,819,213 to \$1,730,653 and resulted in a larger portion of the overall revenues of the Company being derived from the sale of food and beverages. These policy changes related to a decrease in the facility fee charged to entertainers for day shifts to encourage entertainers to perform during the day and early evening.

Costs of goods sold of food and beverages increased from \$583,795 to \$686,944, or from 23% to 27% of total revenues in part as a result of the increase in the percentage of sales attributable to beverages and food as compared with total revenues. Additionally, food costs increased by \$83,307 from 1993 to 1994. This increase was due to the Company pursuing the lunch market by means of lunch buffets. The Company believes that this market has developed sufficiently to allow adjustment to its marketing plans and has since reduced food cost in comparison to revenues. Cost of goods sold as a percentage of sales of alcoholic beverages remained consistent from year to year. Salaries and wages decreased from \$1,458,000 in 1993 to \$1,311,095 in 1994, a decrease of 10%, primarily as a result of a reduction in management salaries. The individual components of other general and administrative expenses remained consistent from 1993 to 1994 except for advertising, rent, and other expenses. Advertising increased \$252,401 to \$311,159 in 1994. Management believes that advertising was under funded in the prior two fiscal years and that the effect was not felt until the 1994 fiscal year due to the time delay in benefits from advertising expenditures. Rent increased from \$273,435 to \$326,563, or \$53,128. This increase was primarily due to the increase in the monthly rent due on the principal location of the Company. Rent is calculated on a percentage of alcohol sales which increased in 1994. Legal and accounting expenses were \$135,618 and \$127,360 in 1994 and 1993 respectively, or an increase of \$8,258. The remaining increase in other general and administrative costs was a result of general increases in various operating expenses.

Interest expense was reduced from \$129,377 to \$55,976 or a decrease of 57%. This reduction from 1993 to 1994 was due to the elimination by the Company of \$300,000 of debt.

The Company had income before income taxes of \$292,041 in 1994 compared with \$570,510 for 1993. As noted above, this was the result of an increase in advertising, rent, and other general and administrative expenses.

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 1996 the Company had working capital of \$3,276,510 as a result of the successful completion of the Company's initial public offering. Funds available to the Company (after deducting underwriting commissions and expenses associated with the offering) approximated \$4,270,000 and will be used for capital improvements to the original Houston location, opening two additional locations, and for general corporate working capital purposes.

At September 30, 1995 the Company had a working capital deficit of \$741,220, compared to a working capital deficit of \$448,445 at the end of fiscal 1994. The increase in negative working capital is primarily due to the provision of working capital from operations less equipment and leasehold improvements acquired. This decrease in working capital was offset during October 1995 when the Company completed its initial public offering by selling 1,840,000 common shares to the public market.

In the opinion of management, working capital is not a true indicator of the status of the Company due to the short cycle to liquidity, which results in the realization of cash within no more than five (5) days after the culmination of a transaction. In addition, trade payables are comprised of more than \$100,000 in legal fees that are paid on extended terms, and other charges related to the initial public offering that will be paid from the proceeds of the offering. These legal fees resulted from litigation concluded in 1992 and the Company does not anticipate incurring legal fees to this extent in the future. The Company had negative stockholder's equity of \$142,201 at the end of 1994 as a result of agreements by the Company to repurchase shares representing the entire ownership of previous shareholders, not from operating losses. These shares were subsequently canceled by the Company.

Net cash provided by operating activities increased to \$756,827 in 1995 from \$193,796 in 1994. The reason for the net increase in cash provided by operating activities was due to the increase in net income of \$168,386, an increase in accounts payable and accrued liabilities of \$188,652 and an increase in income taxes payable of \$140,319. Net cash used in investing activities was \$416,082 in 1995 and was due to investments in property and equipment almost totally accounted for by the acquisition of Tantra. Cash used by financing activities in 1995 was used primarily to finance the costs associated with the initial public offering of the Company.

The Company has established a line of credit with its bank, Sunbelt National Bank -- Houston, Texas which has been used on an "as-needed" basis to fund various improvements. As of September 30, 1995, the Company's maximum borrowing limit was \$120,000 with an outstanding balance of \$110,000. Repayment of the note began in August 1995, with monthly payments of principle of \$10,000 plus interest at bank prime plus 1% (10.75% at September 30, 1995). This note is secured by accounts receivable, furniture and equipment, and a certificate of deposit owned by the current shareholder.

Although the Company has not established lines of credit other than the existing debt, there can be no assurance that the Company will be able to obtain additional financing on reasonable

terms, if at all. Management believes, however, that proceeds from this offering will provide adequate liquidity to meet the expansion plans and working capital needs of the Company for the next 12 months. The Company has no material capital commitments as of September 30, 1995.

Because of the large volume of cash handled by the company, stringent cash controls have been implemented by the Company. These procedures have been improved over the life of the Company, to take advantage of improvements in technology. Management believes that it will be able to duplicate the financial controls that exist at its current location at future locations, and that these controls will provide sufficient safeguards to protect the interests of the Company. In the event the topless club industry is required to convert the entertainers who perform from independent contractor to employee status, the Company has prepared alternative plans that Management believes will protect the profitability of the Company. In addition, Management believes that the industry standard of treating the entertainers as independent contractors provides sufficient safe harbor protection to preclude any tax assessment for prior years payroll taxes.

The adult topless club entertainment business is highly competitive with respect to price, service and location, as well as the professionalism of the entertainment. Rick's Cabaret in Houston competes with a number of locally-owned adult cabarets, some of whose names enjoy recognition that equals that of Rick's. Although the Company believes that it is well-positioned to compete successfully in the future, there can be no assurance that Rick's will be able to maintain its high level of name recognition and prestige within the marketplace.

SEASONALITY

The Company is significantly affected by seasonal factors. Typically, Rick's has experienced reduced revenues from May through September. The Company has historically experienced its strongest operating results during October through April.

BUSINESS

The Company currently owns and operates Rick's Cabaret, a premiere adult nightclub offering topless entertainment and restaurant and bar operations in Houston, Texas. Rick's Cabaret, which caters primarily to businessmen, has developed a clientele base which includes professionals, business executives and other individuals who tend to entertain more frequently than the average person and who tend to have greater disposable income. From its inception, the Company's objective was to provide a first-class entertainment environment for the business consumer. To achieve this goal and reach its target market, Rick's created an attractive, yet discreet environment, complimented by a first-class bar and restaurant operation conducive to attracting businessmen and out-of-town convention clientele. The Company also currently owns and operates Tantra, a non-sexually oriented discotheque and billiard club in Houston, Texas.

HISTORY

The Company was organized as a Texas corporation in 1994 to acquire all of the outstanding capital stock of Trumps, Inc., a Texas corporation ("Trumps") from Robert L. Watters, its sole stockholder. As a result of this transaction, Trumps became a wholly owned subsidiary of the Company.

Trumps was incorporated in 1982 and has operated Rick's Cabaret since 1983. Mr. Watters initially became a 10% stockholder of Trumps in November, 1987, becoming one of three stockholders in Trumps. Mr. Watters' ownership interest in Trumps increased to 50% of the outstanding stock in 1989. Mr. Watters became the sole stockholder of Trumps in 1993 through a series of business transactions with the only other then remaining stockholder.

In September, 1995, the Company acquired all of the capital stock of Tantric Enterprises, Inc., Tantra Dance, Inc., and Tantra Parking, Inc. (collectively "Tantra") from Mr. Watters. The Tantra companies own and operate Tantra, a non- sexually oriented discotheque and billiard club in Houston, Texas.

In February, 1996, the Company formed RCI Entertainment, Louisiana, Inc., a Louisiana corporation, for the purpose of administering, operating, managing and leasing its new location in New Orleans, Louisiana. The Company presently anticipates that it will open its new facility in New Orleans in November, 1996. In addition, the Company formed RCI Entertainment (Texas), Inc. in June, 1996, for the purpose of acquiring 1.13 acres of land in Houston, Texas. The Company plans to build a new adult oriented nightclub at this location within the next twelve to eighteen months.

BUSINESS STRATEGY

Prior to Rick's opening in 1983, the topless nightclub business was characterized by small establishments generally managed by their owner. Such establishments were often dimly lit and the standards for performers' personal appearance and personality were not maintained. It was

customary for performers to alternate between dancing and waitressing. 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 who frequently interrupted the music to make general announcements. Usually, only cash was accepted and businessmen felt uncomfortable in such an environment. Recognizing a void in the market for a first-class adult cabaret, the Company designed Rick's and targeted the businessmen's segment of the market by providing a unique quality entertainment environment. The following summarize the areas of operation of Rick's which management believe distinguish it from its competitors.

Female Entertainment. Management of the Company has followed a policy of maintaining high standards in the areas of both personal appearance and personality of its topless entertainers and waitresses. Though a performer's physical appearance is very important, of equal importance is her ability to present herself attractively and to converse intelligently with customers. Management insists that the performers it hires are experienced dancers. Prospective performers are initially interviewed by the Company's management personnel. Management makes a determination as to whether a particular applicant is suitable based on such factors of appearance, attitude, dress, communication skills and demeanor. If an applicant is found to be suitable, she is given an identification card and a computer number. New performers are given a brief orientation to the club and the applicable rules and regulations which govern each performer's conduct. The Company charges each performer a facility fee ranging from \$17.00 per shift for day shifts, to \$27.00 per shift for evening and night shifts. Each entertainer retains 100% of all cash payments made to her by customers for any dance performed. If a customer desires to pay by credit card, the Company processes the credit card charge and pays the entertainer 80% of any performance charged to a credit card. All credit card charges made by customers while at Rick's must be approved, in writing, by management before any charge is accepted.

The performers dance on the main stage or on smaller stages throughout the club. While their performances include topless dancing, management insists that they be elegantly attired when not performing, as opposed to being scantily dressed as in many other adult cabarets. Full nudity is never permitted in the club. Management will not hire any performers who have tattoos and the performers who are hired are provided guidelines as to the manner of dress, hairstyle, makeup and general demeanor, in an effort to maintain a high standard of professionalism amongst the performers and to ensure that they maintain a pleasant, congenial demeanor at all times. Further, management evaluates each performer's appearance and performance on a nightly basis and advises performers if their dress, makeup, hairstyle, general appearance or demeanor do not meet the standards which Rick's sets forth. Rick's has had 18 entertainers who have performed at Rick's featured as centerfolds in the country's leading men's entertainment magazines. Though these policies have the effect of limiting the number of performers who are permitted to dance or serve as waitresses at Rick's Cabaret, the Company believes that its policy of maintaining these high standards is in its best interest of long-term market position.

Management. It is common practice in the adult cabaret industry to allow its day-to-day operational management to receive the bulk of their income directly from the performers in the form

of cash tips. Rick's, however, was the first cabaret, to its knowledge, to place managers on a salary and to prohibit managers from receiving cash tips. The Company has recruited its management staff exclusively from outside of the topless industry, in the belief that management which has not been exposed to operating practices prevalent in the topless industry and with diverse management backgrounds will produce a management team that operates with a high level of integrity. This practice of training management without adult nightclub experience may cause the Company to experience a shortage of qualified management necessary to fulfill its anticipated growth plans due to the additional time required to train such personnel.

Compliance Policies. The management of Rick's Cabaret has a policy of ensuring that its business is carried on in conformity with local, state and federal laws. In particular, the Company's management has a "no tolerance" policy as to illegal drug use in or around the premises. Posters placed throughout the nightclub reinforce this policy as do periodic unannounced searches of the entertainer's lockers. Entertainers and waitresses who arrive for work are not allowed to leave the premises without the permission of management. Once an entertainer does leave the premises, she is not allowed to return to work until the next day. Management continually monitors the behavior of entertainers, waitresses and customers to ensure that proper standards of behavior are observed. The Company's management has the power to levy fines on entertainers for breaches of the Company's rules. In the event an entertainer is fined three times by management, the entertainer is barred from future performances at Rick's Cabaret.

Management also reviews all credit card charges made by customers while at Rick's. Specifically, management has in place a formal policy which provides that all credit card charges must be approved, in writing, by management before any charges are accepted. Management is particularly trained to review credit card charges to ensure that the only credit card charges approved for payment are for food, drink and entertainment at Rick's Cabaret.

Food and Drink. The Company believes a key to the success of a premiere adult nightclub is a quality, first-class bar and restaurant operation to compliment its adult entertainment. The Company employs a full-time Service Manager who is in charge of recruiting and training a professional waitress staff and ensuring that each customer receives prompt and courteous service. Rick's employs a Chef with approximately 28 years experience and a Bar Manager, who is in charge of ordering inventory and scheduling of bar staff, with five years experience. The Company believes 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. The Company's restaurant operation is a full service operation which provides business lunch buffets and a full-scale lunch and dinner menu service offering hot and cold appetizers, salads, seafood, steak and lobster. An extensive selection of premiere wines are offered to compliment any customer's lunch or dinner selection. Drinks are provided to customers in large glasses with a generous measure of alcohol.

Controls. Operational and accounting controls are essential to the successful operation of a cash intensive nightclub and bar business. The Company has implemented internal procedures and

controls designed to ensure the integrity of its operational and accounting records. The Company separates management personnel from all cash handling to ensure that management is isolated from and does not handle any cash. The Company uses a combination of accounting and physical inventory control mechanisms to ensure a high level of integrity in its 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, management reviews 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. Further, the Company conducts, on a monthly basis, an independent overview of its financial condition and has engaged independent accountants to conduct an annual audit and to review and advise the Company relating to its internal controls.

Atmosphere. Rick's maintains a high standard in its facility and in its decor. The furniture and furnishings in the club area were designed to create the feeling of an upscale restaurant. The sound system was designed to provide quality sound at levels where conversations could still take place. This environment is carefully monitored, in terms of maintenance, music selection, entertainer and waitress appearance and all aspects of customer service on a continuous basis.

VIP Room. In keeping with Rick's emphasis on serving the upper-end of the business market, Rick's opened its VIP room in 1987, which is open only to individuals who purchase memberships. This room is approximately 3,000 square feet in size and memberships are sold which give access to the room and discounts on food and drinks. The VIP room provides a higher level of luxury in its decor and services. Membership in Rick's VIP room requires a joining membership fee which ranges from \$250 for a non-resident individual membership to \$550 for an individual resident membership and \$1,200 for a corporate membership. Additionally, a non-member may use the VIP room for a one-night admission fee of \$100. Membership in Rick's VIP room will also entitle members to access to other VIP rooms at all other locations opened by the Company.

Advertising and Promotion. Rick's marketing philosophy towards customers is to portray Rick's as a premiere cabaret providing topless entertainment in a fun, yet discreet, environment. Hotel publications, local radio, cable television, newspapers, billboards, taxi-cab reader boards as well as a variety of promotional campaigns ensure that Rick's name is kept before the public.

Rick's has received a significant amount of media exposure over the years. Mr. Watters has appeared twice on the talk show "Geraldo" talking about Rick's and was featured in an episode of "Lifestyles of the Rich and Famous" focusing on the topless industry. In addition, Penthouse magazine produced a nine page article on the club and Playboy magazine covered Rick's spring 1993 golf tournament in a recent article. For the past 12 years, Rick's has sponsored a semi-annual golf tournament and outing which has generated significant interest and tradition. Articles covering the

nightclub have appeared in Glamour magazine as well as Ladies Home Journal. The nightclub has been mentioned in an inside cover story in Time magazine as well as being mentioned on numerous occasions in both the Houston Chronicle and the Houston Post and in a recent 1995 article published in Texas Monthly. In 1993 Rick's produced the Girls of Rick's, a 90 minute video feature, which was aired as a Pay-per-View feature on Warner cable. The video was reviewed in several local newspapers as well as the Hollywood Variety magazine. In December, 1994, Rick's provided entertainers for a Pay-Per-View feature produced by a local radio station.

Rick's received extensive national coverage of its IPO and articles appeared in The Wall Street Journal, Los Angeles Times, Houston Business Journal, and numerous other regional newspapers. The television program "Extra" ran a short feature on Rick's as did the program "Inside Edition."

TANTRA

The Company owns and operates Tantra, a non-sexually oriented discotheque and billiard club in Houston, Texas. Tantra is located in a 6,500 square foot building and incorporates separate areas for bar service, dancing and playing billiards. The billiard area of the club is also designed to accommodate occasional live performances by local and national acts. Tantra is designed to appeal to an audience of people between the ages of 21 through 40 who wish to dance to music which may be categorized as modern dance music. Tantra is designed to appeal to both couples and single men and women. The Company intends to evaluate opening a nightclub similar or identical to Tantra in each city in which it expands its adult nightclub operations, subject to acceptable site location and adequate financing. Tantra is seen as a separate, but complimentary, business activity to Rick's Cabaret and is part of the Company's business philosophy to diversify into a broader based entertainment company.

RECENT DEVELOPMENTS

On July 11, 1996, the Company entered into a Stock Purchase Agreement (the "Agreement") to acquire all of the outstanding shares of capital stock of Classic Affairs, Inc., a Minnesota corporation, d/b/a Schiek's Palace Royale ("Palace Royale"). Palace Royale, a first class cabaret featuring an adult entertainment restaurant and bar, is located in downtown Minneapolis, Minnesota. The Company believes that Palace Royale, which has been in existence for eight years, is currently the premiere adult cabaret in Minneapolis, Minnesota. Palace Royale is situated in a historic landmark building which once housed the Federal Reserve Bank in Minneapolis. The Company's plans for the facility include minor interior refurbishing and expansion of the kitchen facilities. The Company intends to offer a first class menu to complement the outstanding adult entertainment presently offered by Palace Royale. The Agreement with Palace Royale is subject to the completion of due diligence and approval of regulatory authorities.

FUTURE EXPANSION

It is the Company's intention to open adult cabarets in the format and bearing the name "Rick's Cabaret" in other cities. Construction has commenced on its newly acquired location in New Orleans, Louisiana, which is located at 315 Bourbon Street in the New Orleans celebrated French Quarter. The Company's lease for the New Orleans' location commenced on May 7, 1996, and has a term of 39 1/2 years. The lease is a triple net lease with tenant paying taxes, maintenance and insurance. The club will occupy 16,200 square feet in a three story building. The club will be comprised of two entertainment venues, the first being a cabaret in the format of Rick's Cabaret in Houston, Texas, which will occupy the bottom floor. The second venue and format will occupy the second floor of the building and will be a theater, seating 250 patrons. Live choreographed shows will take place twice a night with a cast separate from the cabaret facilities. Rent is based on a fixed minimum payment with a percentage supplement in the event that gross sales exceed certain numbers.

Additionally, a one acre tract of land has been purchased on U.S. Highway 59 in Houston, Texas, to serve as a new location for Rick's Cabaret in Houston, Texas. Management believes that the new site is superior in many respects to its existing location. There are over 250,000 cars per day which will view the new facility and the location is convenient to the three main business districts in Houston, Texas, including the downtown business district. It is also in close proximity to Houston's main sports facilities. The Company plans to build the new club at this location within the next twelve months.

The Company also will consider the acquisition of adult cabarets in other cities. In determining which cities will be prime locations for a "Rick's Cabaret" a variety of factors will be considered. The current regulatory environment will be one of such factors. The city must presently permit alcoholic beverages to be sold in a topless cabaret and must permit table dancing in the table-side style similar to Rick's present location in Houston, Texas. Another factor which will be considered is the availability of sites. The city must have available a number of sites suitable for conversion to a Rick's style cabaret, located in high traffic commercial areas. The Company also will review potential competition in the area and will attempt to analyze the current market conditions and profitability of other adult cabarets in the city. The proximity to Houston of a particular city will also be considered. In the early years of expansion the city must be within easy commuting distance by air of Houston. This will facilitate the training of management in Houston and enable the participation of Houston-based management in the construction and opening of the new enterprise. It is anticipated that a significant number of personnel from the Houston operation will be used to ensure that the same operational systems and controls used at its location in Houston will be implemented and maintained at its new locations. The existing business climate will also be of critical importance. The city must have a significant population of indigenous businessmen, be a recognized tourist destination and have a well developed convention business.

COMPETITION

The adult topless club entertainment business is highly competitive with respect to price, service and location, as well as the professionalism of its entertainment. Rick's Cabaret in Houston competes with a number of locally-owned adult cabarets, some of whose names may enjoy recognition that equals that of Rick's. While there are restrictions on the location of a so-called

"sexually oriented business" there are no barriers to entry into the adult cabaret entertainment market and only the name "Rick's" and "Rick's Cabaret" are proprietary. There are approximately 50 adult cabarets located in the Houston area of which approximately 10 are in direct competition with the Company. The Company believes that the combination of its existing name recognition and the entertainment environment that it has created which is distinctive and unique will allow the Company to effectively compete within the industry. In the past year, Rick's has been the fourth highest adult nightclub in the Houston area in alcoholic beverage sales, according to the information made available by the Texas Alcoholic Beverage Commission. In the two years prior thereto, Rick's was either the second or third highest adult nightclub in alcoholic beverage sales in the Houston area. Although the Company believes that it is well-positioned to compete successfully, there can be no assurance that Rick's will be able to maintain its high level of name recognition and prestige within the marketplace.

GOVERNMENTAL REGULATIONS

The Company is subject to various federal, state and local laws affecting its 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. Rick's presently holds a Mixed Beverage Permit and a Late Hours Permit (the "Permits"). These Permits are subject to annual renewal, provided Rick's has 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 a member of the general 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 its Permits. Other states may have similar laws which may limit the availability of a permit to sell alcoholic beverages or which may provide for suspension or revocation of a permit to sell alcoholic beverages in certain circumstances. Prior to expanding into any new market, the Company will take all steps necessary to ensure compliance with all licensing and regulatory requirements for the sale of alcoholic beverages as well as the sale of food.

Various groups have increasingly advocated certain restrictions on "happy hour" and other promotions involving alcoholic beverages. The Company feels its entertainment value, admittance charge beginning after normal "happy hours" and its policy of not discounting drink prices are effective tools in promoting its business. The Company cannot predict whether additional restrictions on the promotion of sales of alcoholic beverages will be adopted, or if adopted, the effect of such restrictions on its business.

In addition to various regulatory requirements affecting the sale of alcoholic beverages, in Houston, and in many other cities, location of a topless cabaret is subject to restriction by city ordinance. Rick's is 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. Rick's has held a Business Permit since passage of the city ordinance

in 1986. The Business Permit, which is transferable, is valid for a period of one year and is renewable by application of the permit holder. The permit holder for Rick's Cabaret is Robert Watters who, prior to the Company's recent public offering, was the sole stockholder of the Company. In the event of the failure by Mr. Watters to renew the Business Permit it is likely that a new Business Permit would not be granted for the location of Rick's Cabaret, because of the location of another sexually oriented business enterprise within the prohibited distance to Rick's Cabaret.

The Company is also required to have a dancehall permit for the operation of a discotheque in the city of Houston. The dancehall permit is not a discretionary permit, but must be granted by the city if the provisions of the applicable ordinance are satisfied. A dancehall permit may be revoked or renewal may be refused if certain criminal activities occur on the premises or the person listed as the applicant has committed certain named offenses. Tantra's dancehall permit is presently held by Mr. Watters. The Company believes that it could obtain a new dancehall permit if for any reason Mr. Watters failed to renew or was refused the renewal of the dancehall permit. Prior to expanding into any new market, the Company will take all steps necessary to obtain any required dancehall permits and to comply with any other related regulatory requirements within that market.

LITIGATION

In Dallas Fontenot and Robert L. Watters v. Casa El Sol--Acapulco, S.A. and Zu Corporation, Cause No. 91-09194 in the 125th District Court of Harris County, Texas (the "Zu Lawsuit"), filed in 1991, Mr. Watters and a former stockholder of the Company (the "Plaintiffs") filed suit against another former stockholder of the Company (the "Defendant"). The suit sought to compel the Defendant to convey to the Plaintiffs all of its ownership interest in two entities, one of which, Zu Corporation, owns the land and building where Rick's is located and which is leased by the Company. The Defendant joined the Company as a party to the lawsuit, claiming that the Company had breached its lease agreement due to the alleged late payment of rent for one month. The case was tried in August, 1992 and judgment was rendered in favor of the Plaintiffs and the Company. The Defendant appealed this decision to the Texas Court of Appeals 14th Judicial District. The Court of Appeals, in an opinion rendered in August, 1995, reversed and remanded the case for a new trial in the District Court. Upon a re-hearing of this case, the Court of Appeals, in an opinion rendered February 1, 1996, from which one of three Justices dissented, reversed and rendered judgment against Mr. Watters and the Company. The Company filed a motion for rehearing of the decision of the Court of Appeals, which was denied on May 2, 1996.

The Company intends to file an Application for Writ of Error with the Texas Supreme Court. Based on the reasoning of the dissenting opinion to the decision of the Court of Appeals, counsel to the Company believes that there is a likelihood that the Supreme Court will grant the Company's Application for Writ of Error. Counsel has advised the Company that this appellate process is likely to require from four to thirty months depending upon whether the Texas Supreme Court grants the Company's Application for Writ of Error. During this time, the Company anticipates that it will continue to operate in its present location.

If the Company is unsuccessful in overturning the decision of the Court of Appeals and is unable to successfully renegotiate a new lease, it will be necessary for the Company to relocate Rick's. While the Company believes that it could relocate Rick's to an equally desirable location,

and, in fact, has recently completed the acquisition of a tract of land in Houston, Texas, upon which to build a new facility, such a move could have a material adverse impact on the Company. While the Company would extensively advertise its new location, it is possible that some customers would be lost to other competing clubs in the vicinity of Rick's present location. It is likely that a change in location would result in some decline in revenue for a period until goodwill could be established at the new location. Other adverse effects of a change of location could include the cost of the move and the lost revenue during any period that Rick's would be unable to operate during such move. See "Business -- Litigation."

In *Vernon Young, Jr. v. Dallas J. Fontenot, Jr., Trumps, Inc. and Robert Lewis Watters*, Cause No. 87-33344 in the 11th District Court of Harris County, Texas (the "Young Lawsuit"), filed in 1987, Dallas Fontenot, one of the former stockholders of the Company was sued over his ownership interest in the Company. Mr. Watters and the Company were joined in the litigation based on allegations that they had improperly transferred certain assets to the Company from another corporation that had previously operated Rick's. In June, 1993, Summary Judgment was rendered in favor of the Company and Mr. Watters by the District Court. Subsequent to an appeal by the party suing the former stockholder, the Texas Court of Appeals, 8th Judicial District reversed the summary judgment and remanded the case to the trial court. The Company filed an application for Writ of Error with the Texas Supreme Court. This Writ was denied and the case was remanded to the district court for trial. The Company and Mr. Watters recently mediated this matter and pursuant to such mediation, entered into a settlement agreement with the Plaintiff, Mr. Young. The settlement agreement provides that the litigation will be dismissed, with prejudice, as to the Company, Mr. Watters and all other entities with which Mr. Watters is or was associated. The documents evidencing this settlement agreement are presently being prepared by legal counsel. If, for any reason, this settlement is not consummated, the Company believes, after consultation with counsel, that it has substantial defenses to the claims being asserted against it, and that the risk of material financial exposure to the Company is remote. There can be no assurance, however, that the Company will be successful in asserting its defenses or that any judgment that may be rendered against the Company will not be material. In 1989, the 11th District Court appointed Scott C. Mitchell as Receiver of the Company for the limited purpose of reviewing the receipt and disbursement of revenues of the Company. The District Court terminated the receivership in March, 1993. Mr. Mitchell's firm has continued to provide accounting services for the Company subsequent to the termination of the receivership. Mr. Mitchell is currently a Director of the Company.

In *Richard Ball, Cynthia Ball, Eric Ward, Malia Gurney, as next friend of Jonathan Ward and Joshua Ward, minors, Wayne Ward and Frances Ward v. Trumps, Inc., d/b/a Rick's Cabaret and 3113 Bering Corporation d/b/a Rick's Cabaret*, Cause No. 93-060776 (the "Ball Lawsuit"), filed in 1993, the Company was sued by the relatives of a deceased car accident victim. This suit, filed in the 190th District Court of Harris County, Texas, alleged that one of the Company's employees wrongfully caused the death of the accident victim. The suit alleged that an employee of the Company had become intoxicated at Rick's and subsequently was involved in an automobile accident in which the victim was killed. The Company answered the Original Complaint and denied all of the allegations. The Company recently settled this litigation making a nominal payment of less than \$4,000 to the Plaintiffs.

In *Dallas J. Fontenot v. Trumps, Inc. and Robert L. Watters*, Cause No. 94-057144 in the 127th District Court of Harris County, Texas (the "Fontenot Lawsuit"), Mr. Fontenot sued the

Company and Mr. Watters for alleged breaches of an Agreement entered into in April, 1993 among Mr. Fontenot, the Company and Mr. Watters. Mr. Fontenot alleges that Mr. Watters and the Company have breached this Agreement, but does not indicate the manner in which the breach has occurred. The Company believes that it has fully complied with its obligations under this Agreement. The litigation is in its initial stages and no trial date has been set. The Company believes, after consultation with counsel, that it has substantial defenses to the claims being asserted against it and that the risk of material financial exposure to the Company is remote.

TRADEMARKS

Rights of the Company to the tradenames "Rick's" and "Rick's Cabaret" are established under common law, based upon the Company's substantial and continuous use of these trademarks in interstate commerce since at least as early as 1987. "RICK'S AND STARS DESIGN" logo was registered by the United States Patent and Trademark Office ("PTO") in 1989. Due to an oversight, these registrations were canceled by the PTO for failure of the Company to file a required affidavit with the PTO setting forth that the service mark was still in use in commerce. Applications for service mark registration have been filed to re-register the Company's RICK'S AND STARS DESIGN logo service mark with the PTO. These applications were published for opposition on May 28, 1996 and June 4, 1996. If an opposition or request for extension of time to file an opposition is not filed within 30 days of the corresponding date of publication, the registrations should issue within about six months following publication.

Applications for service mark registration for the Company's RICK'S CABARET service mark have also been filed. These applications were published for opposition on May 28, 1996. If an opposition or request for extension of time to file an opposition is not filed within 30 days of the date of publication, the registrations should issue within about six months following publication.

EMPLOYEES AND INDEPENDENT CONTRACTORS

As of June 30, 1996, the Company had approximately 135 full-time employees, of which 10 are in management positions, including corporate and administrative operations and approximately 125 are engaged in food and beverage service, including bartenders and waitresses. None of the Company's employees are represented by a union and the Company considers its employee relations to be good.

Additionally, the Company has independent contractor relationships with over 400 entertainers, who are self-employed and work with the Company on a non-exclusive basis as independent contractors.

FACILITIES

The Company leases the premises where Rick's Cabaret is located in Houston, Texas. The cabaret contains an aggregate 12,300 square feet, divided into two separate club areas and executive and administrative offices. The main club area and the VIP club area together contain 10,500 square feet and seat approximately 300 people. The executive and administrative offices comprise 1,800 square feet. In addition, a woman's apparel boutique leases approximately 300 square feet at the same location. SRD Vending Company, Inc. ("SRD"), a Texas Corporation wholly-owned by

Mr. Watters also occupies 120 square feet at the same location. SRD provides and maintains the cigarette vending machines located at Rick's Cabaret. See "Certain Transactions."

The Company presently owns a 6,500 square foot building in which Tantra is located. The building incorporates separate areas for bar service, dancing and playing billiards. The building is currently leased to Tantra, pursuant to a ten year lease agreement which expires on August 1, 2004. The lease agreement provides for lease payments of the greater of (i) \$1,500 per month or (ii) 5% of Tantra's gross receipts per month until such time as the Company has received \$250,000 of rental income.

MANAGEMENT

EXECUTIVE OFFICERS AND DIRECTORS

The Company's executive officers and directors are as follows:

NAME ----	AGE ---	POSITION -----
Robert L. Watters	45	Chairman of the Board, President and Chief Executive Officer
Erich Norton White	26	Director, Vice-President and Secretary
Scott C. Mitchell	42	Director
Martin Sage	45	Director
Robert Gary White	41	Chief Financial Officer

Directors are elected annually and hold office until the next annual meeting of the stockholders of the Company 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 the directors and executive officers of the Company. The Company has agreed with the Representative to appoint for a period of three years ending October, 1998, two persons to the Company's Board of Directors who shall not be affiliated with the Company.

Robert Watters has been a director of the Company since 1986, and has been the sole stockholder of the Company since March 1993. Mr. Watters has been president and chief executive officer of the Company since 1991. He was also a founder in 1989 and operator until 1993 of the Colorado Bar & Grill, an adult cabaret located in Houston, Texas and in 1988 performed site selection, negotiated the property purchase and oversaw the design and permitting for the cabaret 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 the full-time management of the Company. 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.

Erich Norton White, vice president and secretary has served as a director of the Company since July, 1995. Mr. White joined the Company in January, 1993 as a night manager and from May, 1995 until November, 1995 was its General Manager. From October, 1989, until joining the Company in 1993, Mr. White worked in the hospitality industry for the Bennigan's restaurant chain. Mr. White completed the Bennigan's Restaurant Management Training Program in 1992.

Scott C. Mitchell has served as a director of the Company since December, 1994. Mr. Mitchell has been a certified public accountant in private practice since 1976 and has been a principal of his own firm since 1981. Mr. Mitchell's current firm Mitchell & Cavallo, P.C. serves

a wide range of business and individual clients. Mr. Mitchell has been licensed since 1980 to practice law in the State of Texas and since 1986 has been admitted to practice before the Tax Court of the United States. Further, Mr. Mitchell has been appointed by various District Courts as a receiver and special master of business entities under court jurisdiction. Mr. Mitchell was appointed a Receiver of the Company in September, 1989 with limited authority to oversee and review the receipt and disbursement of revenues of the Company. Mr. Mitchell, however, had no authority over the management of the Company. The receivership was terminated in March, 1993.

Martin Sage has served as a director of the Company since July, 1995. Mr. Sage is the founder and director of Sage Productions, Inc., which is involved in the development of applying advanced learning theory to business. The Sage Learning Method enables individuals to build innovative approaches to management, leadership and team building. The Sage Learning Method works to create dynamic relationships which motivate and create synergy between individuals and the businesses where they work. For the past 16 years, Mr. Sage has served as a consultant to businesses throughout the United States bringing his innovative approach to business to many organizations and corporations.

Robert Gary White, Chief Financial Officer, has been with the Company since February, 1996. A CPA in the state of Texas since 1979, Mr. White was previously an audit manager with Jackson & Rhodes, P.C., an accounting firm located in Dallas, Texas, from 1994 to 1996, where he was responsible for the Rick's Cabaret International, Inc. engagement. He has additional experience in managing his own accounting practice and consulting with entertainment companies, which he did from 1992 to 1994. Additionally, from 1989 through 1991, Mr. White was an officer of International Broadcast Systems, Ltd., a NASDAQ listed entertainment company, becoming a director in 1990. Prior thereto, he was with Deloitte Touche L.L.P. (formerly Touche Ross & Co.) for twelve and one half years. He is a 1977 graduate of the University of Texas at Austin with a B.B.A. in accounting.

LIMITATION ON DIRECTORS' LIABILITY; INDEMNIFICATION

Texas law authorizes corporations to limit or eliminate the personal liability of directors to corporations and their stockholders for monetary damages for breach of directors' fiduciary duty of care. The Articles of the Company limit the liability of directors of the Company (in their capacity as directors but not in their capacity as officers) to the Company or its stockholders to the fullest extent permitted by Texas law. Specifically, directors of the Company will not be personally liable for monetary damages for breach of a director's fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Article 2.41 under the Texas Business Corporation Act ("TBCA"), or (iv) for any transactions from which the director derived an improper personal benefit, whether or not the benefit resulted from an action taken in the person's official capacity.

Section 2.41 of the TBCA relates to directors' liability for unlawful dividends and stock issuances.

The inclusion of this provision in the Articles may have the effect of reducing the likelihood of derivative litigation against directors, and may discourage or deter stockholders or management from bringing a lawsuit against directors for breach of their duty of care, even though such an action, if successful, might otherwise have benefited the Company and its stockholders.

The Company's Articles provide for the indemnification of its executive officers and directors, and the advancement to them of expenses in connection with any proceedings and claims, to the fullest extent permitted by the TBCA law. The Articles include related provisions meant to facilitate the indemnitees' receipt of such benefits. These provisions cover, among other things: (i) specification of the method of determining entitlement to indemnification and the selection of independent counsel that will in some cases make such determination, (ii) specification of certain time periods by which certain payments or determinations must be made and actions must be taken, and (iii) the establishment of certain presumptions in favor of an indemnitee. Insofar as indemnification for liabilities arising under the Act may be permitted to directors, officers or persons controlling the Company pursuant to the foregoing provisions, the Company has been informed that, in the opinion of the SEC, such indemnification is against public policy as expressed in the Act and is therefore unenforceable.

KEY MAN INSURANCE

The Company has obtained "key man" insurance on the life of Robert L. Watters in the amount of \$3,000,000. The loss, incapacity or unavailability of Mr. Watters at the present time or in the foreseeable future, before a qualified replacement is found, could have a material, adverse effect on the Company's operations. See "Risk Factors--Dependence on and Availability of Management; Management of Growth."

EXECUTIVE COMPENSATION

The following table reflects all forms of compensation for services to the Company for the fiscal years ended September 30, 1995, 1994 and 1993 of the chief executive officer of the Company. No executive officer (other than the chief executive officer) of the Company received compensation which exceeded \$100,000 during 1995.

SUMMARY COMPENSATION TABLE

NAME & PRINCIPAL POSITION	YEAR	LONG-TERM ANNUAL COMPENSATION			COMPENSATION		ALL OTHER COMPEN- SATION
		SALARY	BONUS	OTHER (1)	RESTRICTED STOCK AWARDS	STOCK OPTIONS (SHARES)	
Robert L. Watters Chief Executive Officer	1995	\$298,000	-0-	-0-	-0-	-0-	-0-
	1994	\$382,970	-0-	-0-	-0-	-0-	-0-
	1993	\$514,125	-0-	-0-	-0-	-0-	-0-

(1) The Company provides Mr. Watters 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.

DIRECTOR COMPENSATION

The Company does not currently pay any cash directors' fees, but it pays the expenses of its directors in attending board meetings. Scott C. Mitchell, Martin Sage and Erich N. White, directors of the Company were granted stock options on October 12, 1995 for services provided to the Company as directors. Messrs. Mitchell, Sage and White were each granted 5,000 stock options, all at an exercise price of \$3.00 per share until January, 2005. The options are exercisable only as to one-fourth of the total number of shares covered by each grant of options during each 12-month period commencing 12 months after the grant date.

EMPLOYEE STOCK OPTION PLAN

While the Company has been successful in attracting and retaining qualified personnel, the Company believes that its future success will depend in part on its continued ability to attract and retain highly qualified personnel. The Company pays wages and salaries which it believes are competitive. The Company also believes that equity ownership is an important factor in its ability to attract and retain skilled personnel, and in 1995 adopted a Stock Option Plan (the "Plan") for employees and directors.

The purpose of the Plan is to further the interest of the Company, its subsidiaries and its stockholders by providing incentives in the form of stock options to key employees and directors who contribute materially to the success and profitability of the Company. The grants will recognize and reward outstanding individual performances and contributions and will give such persons a proprietary interest in the Company, thus enhancing their personal interest in the Company's continued success and progress. This Plan will also assist the Company and its subsidiaries in

attracting and retaining key employees and directors. The options granted under this Plan may be either Incentive Stock Options, as that term is defined in Section 422A of the Internal Revenue Code of 1986, as amended, or nonstatutory options taxed under Section 83 of the Internal Revenue Code of 1986, as amended. The Plan is 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 the participants in the Plan, 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 Plan. A total of 300,000 shares may be optioned and sold under the Company's Stock Option Plan. As of June 30, 1996, 105,000 stock options had been granted under the Plan, none of which have been exercised.

EMPLOYMENT AGREEMENT

The Company presently has a three year employment agreement with Robert L. Watters (the "Agreement") to serve as its President and Chief Executive Officer. The Agreement, which extends through December 31, 1997, provides for an annual base salary of \$300,000. The Agreement also allows for an annual bonus, in the discretion of the Board of Directors (excluding Mr. Watters), based upon the financial performance, including evaluation of the income and earnings of the Company during the year. The Agreement also provides for participation in all benefit plans maintained by the Company for salaried employees. Mr. Watters' Agreement contains a confidentiality provision and an agreement by Mr. Watters not to compete with the Company upon the expiration of the Agreement. The Company has not established, nor does it provide for, long-term incentive plans or defined benefit or actuarial plans.

CERTAIN TRANSACTIONS

Prior to the Company's reorganization, the Company, as a privately-held company engaged in certain business transactions with Mr. Watters, its sole stockholder. These transactions are described below. The Board of Directors of the Company has adopted a policy that Company affairs will be conducted in all respects by standards applicable to publicly-held corporations and that the Company will not enter into any future transactions and/or loans between the Company and its 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 the independent, disinterested directors of the Company. In the Company's view, all of the transactions described below involving the Company meet this standard.

The Company was organized in 1994 to acquire all of the outstanding common stock of Trumps, Inc. ("Trumps"), a Texas corporation formed in 1982, from Robert L. Watters, its sole stockholder. The Company issued to Mr. Watters 1,750,000 shares of its common stock in exchange for the common stock of Trumps. This exchange, which resulted in Trumps becoming a wholly owned subsidiary of the Company, was consummated in February 1995. The transaction was entered as part of a corporate reorganization, the result of which was to create the Company as a holding company for Trumps.

In August, 1995, the Board of Directors of the Company authorized the acquisition from Mr. Watters of all of the capital stock of Tantric Enterprises, Inc., Tantra Dance, Inc., and Tantra Parking, Inc. (collectively "Tantra"). The Company issued to Mr. Watters 50,000 shares of its common stock in exchange for the stock of Tantra. The exchange was consummated in September, 1995. The Tantra companies own and operate Tantra, a non-sexually oriented discotheque and billiard club in Houston, Texas. The Board of Directors determined that the combination of the business operations of Tantra and the Company will create a synergy which will enhance the profitability of both businesses. Moreover, the diversification of the Company's operations into the business of Tantra is anticipated to enhance the public image of the Company. The Board of Directors has received an opinion of an independent third-party appraiser that the terms of the transaction are fair and reasonable to the Company and are at least as favorable to the Company as would be the case between unrelated parties. Mr. Watters had no cost basis in the stock of Tantra.

In 1986, the Company entered into a lease agreement with Zu Corporation, a Texas corporation ("Zu"), for the land and building where Rick's Cabaret is located. In 1991, Mr. Watters exercised an option to purchase all of the outstanding shares of capital stock of Zu. The seller, however, contested the validity of the exercise of this option and Mr. Watters initiated litigation. See "Risk Factors--Existing Litigation; Possible Material Adverse Effects" and "Business--Litigation."

The lease agreement provided for lease payments equal to the greater of \$10,000 per month or 8% of gross receipts per month. The lease was amended in September, 1989, to reduce the monthly rent to the greater of \$10,000 or 5% of the gross receipts. The lease payments to Zu for 1994 and 1995 were \$224,996 and \$175,652, respectively. The lease expired in February, 1996 and Trumps exercised its option to renew the lease for an additional term of 10 years. The lease provides that the Company is obligated to pay for any maintenance to the premises, to maintain adequate insurance on the building and to pay all utilities and taxes.

As of September 30, 1993, SRD Vending Company, Inc. ("SRD"), a company wholly-owned by Robert L. Watters, had advanced the Company \$60,501. This amount was increased during the Company's 1994 fiscal year to \$69,722. During November, 1994, the Company converted these advances, which were demand obligations of the Company, to a promissory note bearing interest at the rate of 9% per annum in favor of SRD in the amount of \$69,722. The balance outstanding at September 30, 1995, was \$46,279. The promissory note was due on November 30, 1995, at which time it was paid in full.

SRD has provided and maintained the cigarette vending machines at Rick's Cabaret since 1986. SRD's revenues are generated from the sale of cigarettes from vending machines located at Rick's Cabaret. SRD is responsible

(i) to service the vending machines to ensure that they are in good working order and (ii) to maintain an adequate supply of cigarettes in the vending machines. The Company has agreed with SRD that any revenues received from the vending machines after December 31, 1994 will be split equally between the Company and SRD. During 1994 and 1995, SRD received less than \$25,000 per year from the vending machines.

During 1995 and 1994, the Company paid \$16,560 and \$29,172, respectively for accounting services to accounting firms in which Mr. Mitchell, a director of the Company, was a principal.

PRINCIPAL STOCKHOLDERS

The following table sets forth certain information as of June 30, 1996, with respect to the beneficial ownership of shares of Common Stock by (i) each person who owns beneficially more than 5% of the outstanding shares of Common Stock, (ii) each director of the Company, (iii) each executive officer of the Company and (iv) all executive officers and directors of the Company as a group.

NAME AND ADDRESS OF BENEFICIAL OWNER(1) -----	NUMBER OF SHARES BENEFICIALLY OWNED -----	PERCENTAGE OF OUTSTANDING -----	
		SHARES OF COMMON STOCK BEFORE OFFERING -----	AFTER OFFERING -----
Robert L. Watters 3113 Bering Houston, Texas 77057	1,800,000	49%	37.25%
Erich Norton White 3113 Bering Houston, Texas 77057	13,425 (2)	.43%	.33%
Scott C. Mitchell 820 Gessner Suite 1380 Houston, Texas 77024	10,000 (3)	.27%	.20%
Martin Sage 100 Congress Ave., Ste. 2100 Austin, Texas 78701	-0- (3)	0%	0%
Robert Gary White 3113 Bering Houston, Texas 77057	-0- (4)	0%	0%
All directors and officers as a group (5) persons -----	1,823,425	49.70%	37.78%

(1) Messrs. Watters, White and Mitchell have sole voting and investment power with respect to the shares shown as beneficially owned by them.

(2) Includes options to purchase 12,500 shares at an exercise price of \$3.00 per share, which are presently exercisable; and does not include options to purchase an additional 17,500 shares at an exercise price of \$3.00 per share, none of which will become exercisable within the next 60 days.

(3) Does not include options to purchase 5,000 shares, none of which will become exercisable within the next 60 days.

(4) Does not include options to purchase 25,000 shares at an exercise price of \$4 3/4 per share, none of which are exercisable within the next 60 days.

DESCRIPTION OF SECURITIES

The authorized capital stock of the Company consists of 15,000,000 shares of Common Stock, \$.01 par value, and 1,000,000 shares of preferred stock \$.10 par value ("Preferred Stock"). As of the date of this Prospectus, the Company has outstanding 3,723,333 shares of Common Stock and there are no shares of Preferred Stock outstanding.

The following summary description of the securities of the Company is qualified in its entirety by reference to the Articles of Incorporation ("Articles") of the Company, a copy of which is filed as an exhibit to the Registration Statement of which this Prospectus is a part. See "Additional Information."

COMMON STOCK

The holders of Common Stock are entitled to one vote per share with respect to all matters required by law to be submitted to stockholders of the Company. The holders of Common Stock have the sole right to vote, except as otherwise provided by law or by the Company's Articles of Incorporation, including provisions governing any Preferred Stock. The Common Stock does not have any cumulative voting, preemptive, subscription or conversion rights. Election of directors and other general stockholder action requires the affirmative vote of a majority of shares represented at a meeting in which a quorum is represented. The outstanding shares of Common Stock are, and the shares of Common Stock offered hereby will be, upon payment therefor as contemplated herein, validly issued, fully paid and non-assessable.

Subject to the rights of any outstanding shares of Preferred Stock, the holders of Common Stock are entitled to receive dividends when, as and if declared by the Board of Directors out of funds legally available therefor. In the event of liquidation, dissolution or winding up of the affairs of the Company, the holders of Common Stock are entitled to share ratably in all assets remaining available for distribution to them after payment or provision for all liabilities and any preferential liquidation rights of any Preferred Stock then outstanding.

PUBLIC WARRANTS

General. The 920,000 Warrants offered and sold by the Company during the IPO were issued in registered form pursuant to the terms of a warrant agreement ("Warrant Agreement") dated October 12, 1995, between the Company and American Stock Transfer and Trust Company, as warrant agent ("Warrant Agent"). The following statements and summaries of certain provisions of the Warrant Agreement are subject to the more detailed provisions of the Warrant Agreement, copies of which may be examined at the principal offices of the Warrant Agent and a copy of which is filed as an exhibit to the Registration Statement of which this Prospectus forms a part.

Rights to Purchase Shares of Common Stock. Each Warrant entitles the registered holder to purchase from the Company one share of Common Stock at an exercise price of \$3.00 per share during the three-year period commencing on October 12, 1995.

Exercise. Each holder of the Warrant may exercise such Warrant by surrendering the certificate evidencing such Warrant, with the form of election to purchase on the reverse side of such certificate properly completed and executed, together with payment of the exercise price to the Warrant Agent. No Warrants may be exercised unless at the time of exercise there is a current prospectus covering the shares of Common Stock issuable upon the exercise of such Warrants under an effective registration statement. The Company is required either to maintain the effectiveness of this Registration Statement or to file a new registration statement with respect to the Common Stock underlying the Warrants prior to the exercise or redemption of the Warrants. The Company has agreed to use its best efforts to have a current registration statement in effect with respect to the Common Stock underlying the Warrants at any time when the holders thereof may exercise their Warrants. While it is the Company's intention to do so, there can be no assurance that it will be able to do so.

The exercise price shall be payable in cash or by certified or official bank check payable to the Company. Subject to certain limited exceptions, no adjustment as to any dividends with respect to the shares of Common Stock of the Company will be made upon any exercise of Warrants. If less than all of the Warrants evidenced by a warrant certificate are exercised, a new certificate will be issued for the remaining number of Warrants. Certificates evidencing the Warrants may be exchanged for new certificates of different denominations by presenting the Warrant certificate at the office of the Warrant Agent.

Adjustments. The exercise price and the number of shares of Common Stock purchasable upon exercise of any Warrants and the number of Warrants are subject to adjustment upon the occurrence of certain events, including stock dividends, reclassifications, reorganizations, consolidations, mergers and certain issuances and redemptions of Common Stock and securities convertible into or exchangeable for Common Stock. No adjustment in the exercise price will be required to be made with respect to the Warrants until cumulative adjustments amount to \$.05. In the event of any capital reorganization, certain reclassification of the Common Stock, any consolidation or merger involving the Company (other than a consolidation or merger which does not result in any reclassification or change in the outstanding shares of Common Stock), or sale of the properties and assets of the Company, as, or substantially as, an entirety to any other corporation, Warrants would thereupon become exercisable only for the number of shares of stock or other securities, assets or cash to which a holder of the number of shares of Common Stock of the Company purchasable (at the time of such reorganization, reclassification, consolidation, merger or sale) upon exercise of such Warrants would have been entitled upon such reorganization, reclassification, consolidation, merger or sale.

Other Rights. In the event of an adjustment in the number of shares of Common Stock issuable upon exercise of the Warrants, the Company will not be required to issue fractional shares of Common Stock upon exercise of the Warrants. In lieu of fractional shares of Common Stock, there will be paid to the holder of the Warrants at the time of such exercise an amount in cash equal to the same fraction of the closing bid price of the Common Stock on the last trading day prior to the exercise date.

Warrant holders do not have voting or any other rights of stockholders of the Company and are not entitled to dividends.

Redemption of Warrants. If the closing price of the Common Stock shall have equalled or exceeded \$6.00 per share for a period of 30 consecutive trading days at any time, the Company may redeem the Warrants by paying holders \$.05 per Warrant; provided that such notice is mailed not later than 10 days after the end of such period and prescribes a redemption date at least 30 days thereafter. Warrant holders will be entitled to exercise Warrants at any time up to the business day next preceding the redemption date. The Warrants are not redeemable by the Company prior to the first anniversary of the effective date of this Prospectus without the prior written consent of the Representative.

Modification of the Warrant Agreement. The Warrant Agreement contains provisions permitting the Company and the Warrant Agent, without the consent of the Warrant holders, to supplement or amend the Warrant Agreement in order to cure any ambiguity, and to correct or supplement any provisions contained therein which may be to cure any ambiguity, and to correct or supplement any provision contained therein which may be defective or inconsistent with any other provision therein, or to make any other provision in regard to matters or questions arising thereunder which the Company and the Warrant Agent may deem necessary or desirable and which does not adversely affect the interests of the Warrant holders.

PREFERRED STOCK

The Board of Directors is authorized, without action by the holders of the Common Stock, to provide for the issuance of the Preferred Stock in one or more series, to establish the number of shares to be included in each series and to fix the designations, powers, preferences and rights of the shares of each such series and the qualifications, limitations or restrictions thereof. This includes, among other things, voting rights, conversion privileges, dividend rates, redemption rights, sinking fund provisions and liquidation rights which shall be superior to the Common Stock. The Company will not issue shares of Preferred Stock which are convertible into shares of Common Stock at a price less than the then current market price of the Common Stock. The issuance of one or more series of the Preferred Stock could adversely affect the voting power of the holders of the Common Stock and could have the effect of discouraging or making more difficult any attempt by a person or a group to attain control of the Company. The Company has no present plans to issue any additional shares of Preferred Stock.

REPRESENTATIVE'S WARRANTS

At the closing of the Company's IPO, the Company issued to Barron Chase Securities, Inc. (the "Representative"), Representative's Warrants to purchase 160,000 shares of Common Stock at an exercise price of \$4.35 per share, exercisable for a five year period ending October 12, 2000, and issued to the Representative 80,000 Underlying Warrants to purchase one share of Common Stock at an exercise price of \$4.35 per share for a three year period ending October 12, 1998.

The Representative's Warrants contain provisions providing for appropriate adjustment in the event of any merger, consolidation, recapitalization, reclassification, stock dividend, stock split or similar transaction. The Representative's Warrants contain net issuance provisions permitting the holder thereof to elect to exercise the Representative's Warrants in whole or in part and instruct the Company to withhold from the shares issuable upon exercise a number of shares, valued at the current fair market value on the date of exercise, to pay the exercise price. Such net exercise

provision has the effect of requiring the Company to issue shares of Common Stock without a corresponding increase in capital. A net exercise of the Representative's Warrants will have the same dilutive effect on the interests of the Company's stockholders as will a cash exercise. The Representative's Warrants do not entitle the Representative to any rights as a stockholder of the Company until such Representative's Warrants are exercised and the Representative's Shares are purchased thereunder.

TRANSFER AGENT AND REGISTRAR; WARRANT AGENT

The transfer agent and registrar for the Common Stock and the Warrant Agent for the Warrants will be American Stock Transfer and Trust Company. Its address is 40 Wall Street, New York, New York 10005.

PLAN OF DISTRIBUTION

The 920,000 shares of Common Stock issuable upon exercise of the Warrants, are being offered hereby by the Company and are distributable when and as such Warrants are exercised by the Warrant holders. No underwriters are employed with respect to the exercise of any of the Warrants, nor will the Company pay any fees upon their exercise. The Company will receive the exercise price upon exercise of the aforesaid Warrants as proceeds.

The Company has been informed that each of the holders of the Representative's Warrants and Underlying Warrants (the "Holders") has a direct or indirect business relationship with Barron Chase Securities, Inc., the underwriter of the Company's IPO. To the best of the Company's knowledge, there is no other material relationship between any of the Holders and the Company.

The 240,000 shares of Common Stock issuable upon the exercise of the outstanding Representative Warrants and Underlying Warrants will be offered for sale by the Holders from time to time in the public marketplace or otherwise. The Holders are not restricted as to the prices at which they may sell their shares and sales of such shares at less than the market price may depress the market price of the Common Stock. It is anticipated that none of the securities offered by the Holders are being offered through underwriters and no arrangements have been made with any outside broker, dealer or underwriter for the resale of such securities, all of which may be offered for sale from time to time through the NASDAQ system or otherwise. The Holders currently intend to publicly offer and sell the securities underlying the Representative's Warrants and Underlying Warrants through customary brokerage channels either through broker-dealers acting as agents or brokers for the seller, or through broker-dealers acting as principals, who may then resell the shares in the over-the-counter market, or in a private sale in the over-the-counter market or otherwise, at negotiated prices or at prevailing market prices at the time of the sales, or by a combination of such methods. Thus, the period for sale of such securities by the Holders may occur over an extended period of time. The Company will receive the exercise price upon exercise of the Representative's Warrants and Underlying Warrants, but will not receive any proceeds from the sale of such securities after exercise.

SHARES ELIGIBLE FOR FUTURE SALE

Upon completion of this Offering, assuming the exercise of the Warrants, the Representative's Warrants and the Underlying Warrants, the Company will have outstanding 4,883,333 shares of Common Stock, of which 3,083,333 shares will be freely tradeable without restriction or further registration under the Securities Act, except for any shares purchased by an "affiliate" of the Company (in general, a person who has a control relationship with the Company).

There are 1,800,000 shares of Common Stock outstanding, which are owned by Mr. Watters and, which are deemed to be "restricted securities" as that term is defined under Rule 144 of the Securities Act ("Rule 144"), in that such shares were issued in private transactions not involving a public offering.

Rule 144 governs resales of "restricted securities" for the account of any person (other than an issuer), and restricted and unrestricted securities for the account of an "affiliate" of the issuer. Restricted securities generally include any securities acquired directly or indirectly from an issuer or its affiliates which were not issued or sold in connection with a public offering registered under the Securities Act. An affiliate of the issuer is any person who directly or indirectly controls, is controlled by, or is under common control with, the issuer. Affiliates of the Company may include its directors, executive officers, and persons directly or indirectly owning 10% or more of the outstanding Common Stock. Under Rule 144 unregistered resales of restricted Common Stock cannot be made until it has been held for two years from the later of its acquisition from the Company or an affiliate of the Company. Thereafter, shares of Common Stock may be resold without registration subject to Rule 144's volume limitation, aggregation, broker transaction, notice filing requirements, and requirements concerning publicly available information about the Company ("Applicable Requirements"). Resales by the Company's affiliates of restricted and unrestricted Common Stock are subject to the Applicable Requirements. The volume limitations provide that a person (or persons who must aggregate their sales) cannot, within any three-month period, sell more than the greater of (i) one percent of the then outstanding shares, or (ii) the average weekly reported trading volume during the four calendar weeks preceding each such sale. A person who is not deemed an "affiliate" of the Company and who has beneficially owned shares for at least three years would be entitled to sell such shares under Rule 144 without regard to the Applicable Requirements.

In addition to the foregoing restrictions on resale of "restricted securities", Mr. Watters has agreed not to sell, contract to sell or otherwise transfer, pledge or dispose of any securities of the Company prior to April 12, 1997, without the prior written consent of the Representative. After the expiration of such agreement, 1,750,000 shares of Common Stock held by Mr. Watters will be eligible for sale, subject to the applicable requirements of Rule 144 and 50,000 shares will be eligible for sale in September, 1997, subject to the applicable requirements of Rule 144. Further, 1,600,000 shares of the Common Stock owned by Mr. Watters are subject to further restrictions on their resale and transfer imposed under an agreement between Mr. Watters, the Company, and the Securities Commissioner of Texas under the Texas Securities Act.

LEGAL MATTERS

Certain legal matters with respect to the securities offered hereby will be passed upon for the Company by Axelrod, Smith & Kirshbaum, Houston, Texas.

EXPERTS

The financial statements of Rick's Cabaret International, Inc. at September 30, 1995 and 1994, appearing in this Prospectus and Registration Statement have been audited by Jackson & Rhodes P.C., independent auditors, as set forth in their report thereon appearing elsewhere herein and in the Registration Statement, and are included in reliance upon such reports, given upon the authority of such firm as experts in accounting and auditing.

**RICK'S CABARET INTERNATIONAL, INC.
AND SUBSIDIARIES**

AUDITED FINANCIAL INFORMATION

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INDEPENDENT AUDITORS' REPORT

Board of Directors and Stockholders
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, 1995 and 1994, and the related consolidated statements of operations, changes in stockholders' equity (deficit) 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 generally accepted auditing standards. 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 financial position of Rick's Cabaret International, Inc. and subsidiaries as of September 30, 1995 and 1994, and the results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles.

Jackson & Rhodes P.C.

Dallas, Texas
November 15, 1995

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

	MARCH 31, 1996	SEPTEMBER 30,	
	----- ----- ----- (UNAUDITED)	----- ----- ----- 1995	----- ----- ----- 1994
ASSETS			
Current assets:			
Cash	\$ 3,838,769	\$ 195,112	\$ 113,630
Accounts receivable	21,723	-	15,947
Inventories	31,606	31,612	25,291
Prepaid expenses	56,684	51,455	-
Total current assets	----- 3,948,782	----- 278,179	----- 154,868
Property and equipment:			
Buildings, land and leasehold improvements	949,090	664,902	378,692
Furniture and equipment	731,597	486,447	358,442
	----- 1,680,687	----- 1,151,349	----- 737,134
Less accumulated depreciation	(464,537)	(408,717)	(299,347)
	----- 1,216,150	----- 742,632	----- 437,787
Other assets:			
Deferred offering costs (Note 1)	-	389,680	-
Other	61,912	38,967	37,100
	----- \$ 5,226,844	----- \$ 1,449,458	----- \$ 629,755
	=====	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)			
Current liabilities:			
Current portion of long-term debt (Note 3)	\$ 117,703	\$ 193,139	\$ 106,524
Accounts payable - trade (Note 5)	338,542	501,012	337,321
Accrued expenses	169,532	97,753	72,292
Income taxes payable	46,495	227,495	87,176
Total current liabilities	----- 672,272	----- 1,019,399	----- 603,313
Long-term debt, less current portion (Note 3)	151,179	212,833	168,643
Total liabilities	----- 823,451	----- 1,232,232	----- 771,956
Commitments and contingencies (Note 6)	-	-	-
Stockholders' equity (deficit) (Note 1):			
Preferred stock - \$.10 par, authorized 1,000,000 shares; none issued	-	-	-
Common stock - \$.01 par, authorized 15,000,000 shares; issued 3,640,000 and 1,800,000	36,400	18,000	18,000
Additional paid in capital	4,251,559	-	-
Retained earnings (deficit)	115,434	199,226	(160,201)
Total stockholders' equity (deficit)	----- 4,403,393	----- 217,226	----- (142,201)
	----- \$ 5,226,844	----- \$ 1,449,458	----- \$ 629,755
	=====	=====	=====

See accompanying notes to consolidated financial statements.

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

	SIX MONTHS ENDED MARCH 31,		YEARS ENDED SEPTEMBER 30,	
	1996	1995	1995	1994
	(UNAUDITED)			
Revenues:				
Sales of alcoholic beverages	\$ 1,196,006	\$ 1,191,293	\$ 2,286,157	\$ 2,381,250
Sales of food	132,729	109,566	213,537	196,773
Service revenues	912,330	833,717	1,700,133	1,730,653
Other	127,944	149,946	334,879	258,617
	-----	-----	-----	-----
	2,369,009	2,284,522	4,534,706	4,567,293
	-----	-----	-----	-----
Operating expenses:				
Cost of goods sold	435,692	342,835	699,630	686,944
Salaries and wages	794,928	629,952	1,271,204	1,311,095
Other general and administrative:				
Taxes and permits	304,340	279,715	541,214	522,179
Charge card fees	37,540	68,145	149,176	174,922
Rent	148,200	204,819	294,592	326,563
Legal and accounting	39,573	57,335	106,571	135,618
Advertising	323,943	156,310	298,040	311,159
Other	448,146	373,380	580,609	750,796
	-----	-----	-----	-----
	2,532,362	2,112,491	3,941,036	4,219,276
	-----	-----	-----	-----
Income (loss) from operations	(163,353)	172,031	593,670	348,017
Other income (expense)				
Interest income	92,943	439	0	0
Interest expense	(8,582)	(17,101)	(40,243)	(55,976)
	-----	-----	-----	-----
	84,361	(16,662)	(40,243)	(55,976)
	-----	-----	-----	-----
Income (loss) before income taxes	(78,992)	155,369	553,427	292,041
Income taxes	4,800	60,300	194,000	101,000
	-----	-----	-----	-----
Net income (loss)	\$ (83,792)	\$ 95,069	\$ 359,427	\$ 191,041
	=====	=====	=====	=====
Net income (loss) per common share	\$ (0.02)	\$ 0.05	\$ 0.20	\$ 0.11
	=====	=====	=====	=====
Weighted average shares outstanding	3,640,000	1,800,000	1,800,000	1,800,000
	=====	=====	=====	=====

See accompanying notes to consolidated financial statements.

RICK'S CABARET INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	COMMON STOCK		ADDITIONAL PAID IN CAPITAL	RETAINED EARNINGS	TOTAL
	NUMBER OF SHARES	AMOUNT			
Balance, October 1, 1993	1,750,000	\$ 17,500	\$ -	\$ (351,242)	\$ (333,742)
Acquisition of Tantra (Note 1)	50,000	500	-	-	500
Net income	-	-	-	191,041	191,041
Balance, September 30, 1994	1,800,000	18,000	-	(160,201)	(142,201)
Net income	-	-	-	359,427	359,427
Balance, September 30, 1995	1,800,000	18,000	-	199,226	217,226
Sale of Common stock, net of offering costs of \$564,491	1,840,000	18,400	4,251,559	0	4,269,959
Net loss	-	-	-	(83,792)	(83,792)
Balance, March 31, 1996	3,640,000	\$ 36,400	\$ 4,251,559	\$ 115,434	\$ 4,403,393

See accompanying notes to consolidated financial statements.

RICK'S CABARET INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	SIX MONTHS ENDED MARCH 31,		YEARS ENDED SEPTEMBER 30,	
	1996	1995	1995	1994
	(UNAUDITED)			
Net (loss) income	\$ (83,792)	\$ 95,069	\$ 359,427	\$ 191,041
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:				
Depreciation	55,820	45,550	110,258	72,696
Amortization of deferred interest	-	-	-	48,000
Deferred taxes	-	-	-	84,700
Changes in assets and liabilities:				
Accounts receivable	(21,723)	(13,137)	15,947	(13,675)
Inventories	6	(12,226)	(6,321)	(1,138)
Prepaid expenses and other assets	(5,229)	-	(51,455)	10,288
Accounts payable and accrued liabilities	(90,691)	(74,676)	188,652	(186,063)
Income taxes payable	(181,000)	20,000	140,319	(12,053)
Net cash (used in) provided by operating activities	(326,609)	60,580	756,827	193,796
Cash flows from investing activities:				
Additions to property and equipment	(529,338)	(86,533)	(439,609)	(131,930)
Retirements of fully depreciated assets	-	-	25,394	-
Increase in other assets	(22,945)	(1,054)	(1,867)	-
Investment in film	-	-	-	(3,400)
Net cash used in investing activities	(552,283)	(87,587)	(416,082)	(134,930)
Cash flows from financing activities:				
Proceeds from the sale of common stock	4,834,450	1,777	-	-
Proceeds from borrowing	-	161,137	133,526	109,221
Payments on long-term debt	(137,090)	-	(3,109)	(430,136)
Increase in deferred financing costs	(174,811)	(150,043)	(389,680)	-
Net cash provided by (used in) financing activities	4,522,549	12,871	(259,263)	(320,915)
Net increase (decrease) in cash	3,643,657	(14,136)	81,482	(262,049)
Cash at beginning of period	195,112	113,630	113,630	375,679
Cash at end of period	\$ 3,838,769	\$ 99,494	\$ 195,112	\$ 113,630
Cash paid during the period for:				
Interest	\$ 8,582	\$ 10,505	\$ 34,083	\$ 55,976
Income taxes	\$ 181,000	\$ 20,000	\$ 53,681	\$ 70,000
Non-cash transaction:				
On December 29, 1994, the Company acquired certain land with a \$95,000 note.				

See accompanying notes to consolidated financial statements.

**RICK'S CABARET INTERNATIONAL, INC.
AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 1996 AND 1995 AND
SEPTEMBER 30, 1995 AND 1994**

1. ORGANIZATION

Rick's Cabaret International, Inc. (the "Company") was formed in December 1994, to acquire all the outstanding common stock of Trumps Inc. ("Trumps"), a company owned 100% by the Company's sole stockholder. The transaction has been accounted for as a reorganization of Trumps; therefore, the transaction has been given retroactive effect whereby Trumps has been deemed as the reporting entity. The accompanying consolidated financial statements represent the financial position and results of operations of Trumps until December 1994, except the common stock information and net income per share represents that of the Company. The Company intends to raise equity funds in the public market and has filed a registration statement with the Securities and Exchange Commission (Note 7). Rick's Cabaret is a premiere adult nightclub offering topless entertainment in Houston, Texas.

Effective August 1, 1995, the Company acquired Tantric Enterprises, Inc. and two related companies, Tantra Dance, Inc. and Tantra Parking, Inc. (collectively, "Tantra") from Mr. Watters (the "Combination") for 50,000 shares of the Company's common stock. The Tantra companies were incorporated on August 1, 1994 but had no operations until December 1994. The acquisition has been accounted for in a manner similar to the pooling-of-interests method due to Mr. Watter's control of the respective companies. Accordingly, the Company has presented, in the accompanying financial statements, the combination of the companies as if the acquisition had occurred upon the inception of Tantra. Outstanding common shares at September 30, 1995 and 1994 are represented by the Company's outstanding shares plus the 50,000 shares issued for Tantra.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unaudited Interim Information

The accompanying financial information as of March 31, 1996 and for the six month periods ended March 31, 1996 and 1995 has been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. The financial statements reflect all adjustments, consisting of normal recurring accruals, which are, in the opinion of management, necessary to fairly present such information in accordance with generally accepted accounting principles.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries and Tantra, as explained in Note 1. All significant intercompany balances and transactions are eliminated in consolidation.

Net Income Per Common Share

Net income per common share is computed by dividing net income by the weighted average number of shares outstanding during the years, after giving retroactive effect to the reorganization transaction and the Combination (Note 1).

Inventories

Inventories, consisting principally of liquor and food products, are stated at the lower of cost or market (first-in, first-out method).

Cash Equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Property and Equipment

Property and equipment are stated at cost. Cost of property renewals and betterments are capitalized; costs of property maintenance and repairs are charged against operations as incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the individual assets, as follows:

Building and improvements	31 years
Equipment	5-7 years
Leasehold improvements	5-7 years

Revenue Recognition

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

**RICK'S CABARET INTERNATIONAL, INC.
AND SUBSIDIARIES
NOTES TO CONSOLIDATED STATEMENTS**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Company accounts for its income taxes in accordance with Statement of Financial Accounting Standards No. 109, which reflects an asset and liability approach in accounting for income taxes. The objective of the asset and liability method is to establish deferred tax assets and liabilities for the temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities at enacted tax rates expected to be in effect when such amounts are realized or settled.

3. LONG-TERM DEBT

Following is a summary of long-term debt:

	MARCH 31, ----- 1996 -----	SEPTEMBER 30, ----- 1995 1994 -----	
	(UNAUDITED)		
Notes payable to a bank, due in monthly installments of approximately \$1,700, including interest at 9.75%, unsecured	\$ --	\$ --	\$ 24,085
Note payable to a bank, due in monthly installments of \$1,800, including interest at 10%, matures October 1996, secured by the Company's land and building	83,572	94,372	106,360
Note payable to a bank, due in monthly installments of \$8,333 plus interest at 9.25%, secured by the Company's accounts receivable, inventory and furniture and fixtures	--	--	75,000
Notes payable to affiliated companies owned by the Company's sole stockholder, interest at 9% and principal due November 30, 1995	--	46,279	69,722
Note payable to a bank, payable \$10,000 per month plus interest at the prime rate plus 1%, matures August 24, 1996, collateralized by accounts receivable, inventory, furniture and fixtures of the Company	50,000	110,000	--

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

3. LONG-TERM DEBT (CONTINUED)

	MARCH 31, ----- 1996 ----- (UNAUDITED)	SEPTEMBER 30, ----- 1995 1994 ----- -----	
Note payable to a bank, payable \$1,000 per month plus interest at the prime rate plus 1%, matures December 29, 1996, collateralized by the Company's accounts receivable, inventory, furniture, fixtures and equipment and a second lien on real estate	\$ 25,000	\$ 31,000	\$ --
Note payable to a bank, payable \$1,500 per month plus interest at the prime rate plus 1%, matures October 28, 1996, collateralized by the Company's accounts receivable, inventory, furniture, fixtures and equipment and a second lien on real estate	26,137	32,930	--
9% note payable to individuals, payable \$1,203 per month, including interest, until maturity on January 15, 2000, collateralized by a first lien on real estate	84,173	91,391	--
	-----	-----	-----
	268,882	405,972	275,167
Less current portion	(117,703)	(193,139)	(106,524)
	-----	-----	-----
Long-term debt	\$ 151,179	\$ 212,833	\$ 168,643
	=====	=====	=====

Substantially all the Company's assets are pledged to secure the above debt.

Following are the maturities of long-term debt:

	YEARS ENDING MARCH 31, -----	YEARS ENDING SEPTEMBER 30, -----
1996	\$ --	\$193,139
1997	117,703	134,607
1998	81,894	7,751
1999	6,957	8,879
2000	7,950	61,596
2001	54,378	--

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

4. INCOME TAXES

Income tax expense consisted of the following:

	SIX MONTHS ENDED MARCH 31,		YEARS ENDED SEPTEMBER 30,	
	----- (UNAUDITED) -----		----- ----- -----	
	1996	1995	1995	1994
Current	\$ 4,800	\$ 60,300	\$194,000	\$ 16,300
Deferred	--	--	--	84,700
	-----	-----	-----	-----
	\$ 4,800	\$ 60,300	\$194,000	\$101,000
	=====	=====	=====	=====

Deferred tax expense and the deferred tax asset in each year result from differences in the timing of deductions of certain tort claims for tax and financial purposes.

Following is a reconciliation of income taxes at the U.S. Federal tax rate to the amounts recorded by the Company:

	SIX MONTHS ENDED MARCH 31,		YEARS ENDED SEPTEMBER 30,	
	----- (UNAUDITED) -----		----- ----- -----	
	1996	1995	1995	1994
Taxes on income before income taxes at the statutory rate	\$ 4,800	\$ 60,300	\$188,200	\$ 99,300
Other differences	--	--	5,800	1,700
	-----	-----	-----	-----
	\$ 4,800	\$ 60,300	\$194,000	\$101,000
	=====	=====	=====	=====

5. RELATED PARTY TRANSACTIONS

The Company leases its nightclub space from a company whose ownership is subject to litigation. Ownership is claimed by the Company's sole stockholder, Mr. Robert Watters, and by a former Company stockholder (Note

6). Lease payments are equal to the larger of \$10,000 per month or 5% of gross receipts per month. The lease provides that the Company is obligated to pay for any maintenance to the premises, to maintain adequate insurance on the building and to pay all utilities and taxes. Rental expense amounted to \$175,652 and \$224,996 for the years ended September 30, 1995 and 1994, respectively and \$119,555 and \$138,959 for the six months ended March 31, 1996 and 1995, respectively.

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

5. RELATED PARTY TRANSACTIONS (Continued)

As of September 30, 1994, SRD Vending Company, Inc. ("SRD"), a company wholly-owned by Mr. Watters, had advanced the Company \$69,722. During November 1994, the Company converted these advances, which were demand obligations of the Company, to promissory notes in favor of SRD in the amount of \$69,722. The promissory note, which bears interest at the rate of 9% per annum, is due in full on November 30, 1995. The balance outstanding at September 30, 1995 was \$46,279. The obligations were subsequently paid and at March 31, 1996 there was no balance outstanding.

SRD has provided and maintained the cigarette vending machines at Rick's Cabaret since 1986. During 1994, SRD received less than \$25,000 per year from the vending machines. The Company agreed with SRD that any revenues received from the vending machines after December 31, 1994 will be split equally between the Company and SRD.

During 1995 and 1994, the Company paid \$16,550 and \$29,172, respectively, for accounting services to an accounting firm in which a director of the Company was a principal. During the six months ended March 31, 1996, the Company paid \$4,100 to that same firm for services.

Included in accounts payable at September 30, 1995 and 1994 and March 31, 1996 and 1995, is a \$100,000 liability to a former stockholder for the purchase of treasury stock under terms of a settlement agreement with the former stockholder.

6. COMMITMENTS AND CONTINGENCIES

Leases

The Company leases the nightclub space from a company whose ownership is subject to litigation, under terms of an operating lease (Note 5).

During February 1996, the Company entered into a lease for existing facilities located in New Orleans, Louisiana. The lease is for a period of thirty nine and one-half years and contains provisions for percentage rent at the rate of 5% of gross sales. Future minimum rental payments for the fiscal year ending September 30, 1996 is \$46,000. Minimum rental payments for the next five years are \$180,000 per year. Total minimum rental payments due over the term of the lease aggregate approximately \$7,100,000.

Rent expense amounted to approximately \$265,000 and \$311,000 for the years ended September 30, 1995 and 1994, and approximately \$134,000 and \$188,000 for each of the six month periods ended March 31, 1996 and 1995.

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

6. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Employment Agreement

The Company presently has a three year employment agreement with Robert L. Watters ("the Agreement") to serve as its President and Chief Executive Officer. The Agreement, which extends through December 31, 1997, provides for an annual base salary of \$300,000. The Agreement also allows for an annual bonus, at the discretion of the Board of Directors (excluding Mr. Watters), based upon the financial performance, including evaluation of income and earnings of the Company during the year. The Agreement also provides for participation in all benefit plans maintained by the Company for salaried employees. The Agreement contains a confidentiality provision and an agreement by Mr. Watters not to compete with the Company upon expiration of the Agreement.

Concentration of Credit Risk

The Company invests its cash and certificates of deposit primarily in deposits with major banks. Certain deposits are in excess of federally insured limits. The Company has not incurred losses related to its cash on deposit with banks.

Litigation

In 1991, Mr. Watters and a former stockholder of the Company (the "Plaintiffs") filed suit against another former stockholder of the Company (the "Defendant"). The suit sought to compel the Defendant to convey to the Plaintiffs all of its ownership interest in two entities, one of which, Zu Corporation, owns the land where Rick's is located and which is leased by the Company. The Defendant joined the Company as a party to the lawsuit, claiming that the Company had breached its lease agreement due to the alleged late payment of rent for one month. The case was tried in August, 1992 and judgment was rendered in District Court in favor of the Plaintiffs and the Company. The Defendant has appealed this decision to the Texas Court of Appeals, and in an opinion made in August 1995, the Court of Appeals reversed and remanded the decision of the District Court. Upon a re-hearing of this case, the Court of Appeals, in a opinion rendered February 1, 1996, from which one of the three justices dissented, reversed and rendered judgment against Mr. Watters and the Company. The Company filed a motion for re-hearing of the decision of the Court of Appeals, which was denied on May 2, 1996. The Company intends to file an Application for Writ of Error with the Texas Supreme Court. Based on the reasoning of the dissenting opinion to the decision of the Court of Appeals, counsel to the Company believes that there is a likelihood that the Supreme Court will grant the Company's Application for Writ of Error. Counsel has advised the Company that this appellate process is likely to require from four to thirty months depending on whether the Texas Supreme Court grants the Company's Application for Writ of Error. During this time, the Company anticipates that it will continue to operate in its present location. If the Company is unsuccessful in overturning the decision of the Court of Appeals and is unable to successfully renegotiate a new lease, it will be necessary for the Company to relocate Rick's in Houston. While the Company believes that it could relocate to an equally desirable location and, in fact, has recently completed the acquisition of a tract

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

6. COMMITMENTS AND CONTINGENCIES (CONTINUED)

of land in Houston, Texas, upon which to build a new facility, such a move could have a material adverse impact on the Company.

In 1989, one of the former stockholders of the Company was sued over his ownership interest in the Company. Mr. Watters and the Company were joined in the litigation based on allegations that they had improperly transferred certain assets to the Company from another corporation that had previously operated Rick's. In 1992, Summary Judgment was rendered in favor of the Company and Mr. Watters. Subsequent to an appeal, the Texas Court of Appeals remanded the case to the trial court. As of June 1996, the Company and Mr. Watters mediated this matter and pursuant to such mediation, entered into a settlement agreement with the plaintiff. The settlement provides that the litigation will be dismissed, with prejudice, as to the Company, Mr. Watters and all other entities with which Mr. Watters is or was associated. The documents evidencing this settlement are currently being prepared by legal counsel. The Company believes, after consultation with counsel, that the risk of material financial exposure to the Company is remote.

A former Company stockholder has sued the Company and Mr. Watters for alleged breaches of an Agreement entered into in April 1993 among the stockholder, the Company and Mr. Watters. The stockholder alleges that Mr. Watters and the Company have breached this Agreement, but does not indicate the manner in which this breach has occurred. The Company believes that it has fully complied with its obligations under this Agreement. The litigation is in its initial stages and no trial date has been set. The Company believes, after consultation with counsel, that it has substantial defenses to the claims being asserted against it and that the risk of material financial exposure is remote.

The Company has been sued by the relatives of a deceased car accident victim. This suit alleges that one of the Company's employees wrongfully caused the death of the accident victim. The suit alleges that an employee of the Company had become intoxicated at Rick's and subsequently was involved in an automobile accident in which the victim was killed. The Company answered the original complaint and denied all of the allegations. The Company recently settled this litigation making a nominal payment of less than \$4,000 to the plaintiffs. The Company does not, however, carry liquor liability insurance against this type of claim.

7. SUBSEQUENT EVENT

In October 13, 1995, the Company successfully completed its initial public offering by selling 1,840,000 common shares to the public market. Funds available to the Company (after deducting underwriting commissions and expenses associated with the offering) approximate \$4,400,000 and will be used for capital improvements to the existing Houston location, for opening two additional locations and for general corporate working capital purposes.

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

8. EMPLOYEE STOCK OPTION PLAN

The Company has adopted a Stock Option Plan (the "Plan") for employees and directors. The options granted under this Plan may be either Incentive Stock Options, as that term is defined in Section 422A of the Internal Revenue Code of 1986 as amended, or nonstatutory options taxed under Section 83 of the Internal Revenue Code of 1986, as amended. The Plan is 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 the participants in the Plan, 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 Plan. A total of 300,000 shares may be optioned and sold under the Company's Stock Option Plan. As of March 31, 1996, 105,000 options have been granted under the Plan.

PART II
INFORMATION REQUIRED IN PROSPECTUS

ITEM 24. INDEMNIFICATION OF DIRECTORS AND OFFICERS

The Articles of Incorporation of the Company ("Articles") provide for indemnification of Directors and Officers in accordance with the Texas Business Corporation Act. Article Eight of the Articles provides as follows:

A director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of the law, or for which the person is found liable to the Corporation, (iii) under Article 2.41 of the Texas Business Corporation Act, or (iv) for any transaction from which the director derived an improper personal benefit, whether or not the benefit resulted from an action taken in the person's official capacity.

Article Nine of the Articles provides as follows:

Section 9.1 The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action, suit or proceeding, whether civil, criminal, administrative, or investigative (other than an action by or in the right of the Corporation) by reason of the fact that he is or was a director, officer employee or agent of the corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement, actually and reasonably incurred by him in connection with such action, suit or proceeding, if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit, or proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interest of the Corporation and with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

Section 9.2 The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that he is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best

interests of the Corporation and except that no indemnification shall be made in respect of any claim, issue, or matter as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which such court shall deem proper.

Section 9.3 To the extent that a director, officer, employee or agent of the Corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Sections 9.1 and 9.2., or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith.

Section 9.4 Any indemnification under Sections 9.1 and 9.2 of this Article Nine (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances because he has met the applicable standard of conduct set forth in Section 9.1 and 9.2. Such determination shall be made (1) by the Board of Directors by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding, or (2) if such a quorum is not obtainable, or, even if obtainable a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, or (3) by the shareholders in a vote that excludes the shares held by directors who are parties to such action, suit or proceeding.

Section 9.5 Expenses incurred in defending a civil or criminal action, suit or proceeding shall be paid by the Corporation in advance of the final disposition of such action, suit or proceeding as authorized by the Board of Directors upon receipt of an undertaking by or on behalf of the director, officer, employee or agent of his good faith belief that he has met the standard of conduct necessary for indemnification under Sections 9.1 and 9.2 and a written undertaking to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the Corporation as authorized in this Article Nine.

Section 9.6 The indemnification and advancement of expenses provided by, or granted pursuant to, the other paragraphs of this Article Nine shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any by-law, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his official capacity and as to acting in another capacity while holding such office.

Section 9.7 The Corporation shall have the power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Corporation would have the power to indemnify him against such liability under the provisions of this Article Nine.

Section 9.8 For the purpose of this Article Nine, references to "the Corporation" shall include, in addition to the resulting Corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers and employees or agents, so that any person who is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under the provisions of this Article Nine with respect to the resulting or surviving corporation as he would have with respect to such constituent corporation if its separate existence had continued.

Section 9.9 For purposes of this Article Nine, referenced to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to "serving at the request of the Corporation" shall include any service as a director, officer, employee or agent of the Corporation which imposes duties on, or involves services by, such director, officer, employee or agent with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner he reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the Corporation" as referred to in this Article Nine.

Section 9.10 The indemnification and advancement of expenses provided by, or granted pursuant to, this Article Nine shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

Section 9.11 The provisions of this Article Nine: (i) are for the benefit of, and may be enforced by, each person entitled to indemnification hereunder, the same as if set forth in their entirety in a written instrument duly executed and delivered by the Corporation and such person; and (ii) constitute a continuing offer to all present and future persons entitled to indemnification hereunder. The Corporation, by its filing of these Articles of Incorporation: (a) acknowledges and agrees that each person entitled to indemnification hereunder has relied upon and will continue to rely upon the provisions of this Article Nine in accepting and serving in any of the capacities entitling such person to indemnification hereunder; (b) waives reliance upon, and all notices of acceptance of, such provisions by such persons; and (c) acknowledges and agrees that no present

or future person entitled to indemnification hereunder shall be prejudiced in such person's right to enforce the provisions of this Article Nine in accordance with their terms by any act or failure to act on the part of the Corporation.

Section 9.12 No amendment, modification, or repeal of this Article Nine or any provision hereof shall in any manner terminate, reduce, or impair the right of any past, present or future person entitled to indemnification hereunder to be indemnified by the Corporation, nor the obligation of the Corporation to indemnify any such person, under and in accordance with the provisions of this Article Nine as in effect immediately prior to such amendment, modification, or repeal with respect to claims arising from or relating to matters occurring, in whole or in part, prior to such amendment, modification, or repeal, regardless of when such claims may arise or be asserted.

The foregoing discussion of the Company's Articles and of the Texas Business Corporation Act is not intended to be exhaustive and is qualified in its entirety by such Articles and statutes, respectively.

ITEM 25. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

The following table sets forth the estimated expenses to be incurred in connection with the distribution of the securities being registered. The expenses shall be paid by the Registrant.

SEC Registration Fee	\$0.00
NASD Fee	0.00
Nasdaq Application and Listing Fee	0.00
Printing and Engraving Expenses	3,000.00
Legal Fees and Expenses	6,000.00
Accounting Fees and Expenses	3,000.00
Blue Sky Fees and Expenses	0.00
Transfer Agent Fees	0.00
Financial Advisory Fees	0.00
Non-Accountable Expense Allowance	0.00
Total	\$12,000.00

ITEM 26. RECENT SALES OF UNREGISTERED SECURITIES.

On December 9, 1994, the Company issued 1,750,000 shares of Common Stock to Robert L. Watters in exchange for all of the shares of outstanding Common Stock of Trump's, Inc., a Texas corporation pursuant to Section 351 of the Internal Revenue Code, as amended. The transaction was effected in reliance upon an exemption from the registration under the Securities Act of 1933, as amended (the "Act"), provided in Section 4(2) thereof. The certificate for shares

of common stock issued to Mr. Watters contained a legend stating that the securities had not been registered under the Act in setting forth the restrictions on their transferability and sale. No underwriter participated in nor did the registrant pay any commissions or fees to any underwriter in connection with this transaction.

In August, 1995, the Board of Directors of the Company authorized the acquisition from Mr. Watters of all of the capital stock of Tantric Enterprises, Inc., Tantra Dance, Inc., and Tantra Parking, Inc. (collectively "Tantra") in exchange for 50,000 shares of common stock of the Company pursuant to Section 351 of the Internal Revenue Code, as amended. The exchange was consummated in September, 1995. The transaction was effective in reliance upon an exemption from the registration under the Act, provided in Section 4(2) thereof. The certificate for shares of common stock to be issued to Mr. Watters will contain a legend stating that the securities had not been registered under the Act in setting forth the restrictions on their transferability and sale. No underwriter participated in nor will the Registrant pay any commissions or fees to any underwriter in connection with this transaction.

Trumps, Inc. has not issued any securities within the past three years.

ITEM 27. EXHIBITS

The following exhibits are filed as part of this Registration Statement:

Exhibit No.	Identification of Exhibit
-----	-----
2.1(1) -	Consent of the Directors of Registrant
2.2(2) -	Consent of the Directors of Registrant relating to acquisition of Tantric Enterprises, Inc., Tantra Dance, Inc. and Tantra Parking, Inc.
3.1(1) -	Certificate of Incorporation of the Registrant
3.2(1) -	Bylaws of the Registrant
4.1(3) -	Common Stock specimen
4.2(1) -	See Exhibits 3.1 and 3.2 for provisions of the Articles of Incorporation and Bylaws of the Registrant defining rights of holders of common stock of the Registrant
4.3(2) -	Form of Representative's Warrant Agreement and Form of Warrant Certificate
4.4(2) -	Warrant Agreement and Warrant Specimen
5.1(4) -	Opinion of Axelrod, Smith & Kirshbaum, including Consent
10.1(1) -	Letter of Intent between Robert L. Watters and Edson C. Tung relating to the lease of premises located at 315-21 Bourbon Street, New Orleans, Louisiana dated November 9, 1994
10.2(1) -	Lease Agreement between Zu Corporation as Lessor and Trump's, Inc., as Lessee, dated February 28, 1986
10.3(1) -	Amendment to Lease Agreement between Zu Corporation, Lessor and Trump's, Inc., Lessee, dated September 10, 1989

- 10.4(1) - Lease Agreement between Trump's, Inc., as Lessor and Tantric Enterprises, Inc., as Lessee dated December 1, 1994
 - 10.5(1) - Agreement between Trump's, Inc., and SRD Vending Company, Inc.
 - 10.6(2) - Form of Financial Advisory Agreement between Barron Chase Securities, Inc. and Registrant
 - 10.7(2) - Form of Merger and Acquisition Agreement between Barron Chase Securities, Inc. and the Registrant
 - 10.8(3) - Employee Stock Option Plan
 - 10.9(1) - Employment Agreement between the Registrant and Robert L. Watters
 - 23.1(4) - Consent of Axelrod, Smith & Kirshbaum (included in Exhibit 5.1)
 - 23.2(4) - Consent of Jackson & Rhodes, P.C.
 - 24.1(4) - Power of Attorney with respect to certain signatures in the Registration Statement (contained on signature page of this Registration Statement)
-

(1) Previously filed as an exhibit to the Company's Registration Statement on Form SB-2 (No. 33-88372).

(2) Previously filed as an exhibit to Amendment No. 1 to the Company's Registration Statement on Form SB-2 dated August 24, 1995. (No. 33-88372).

(3) Previously filed as an exhibit to Amendment No. 2 to the Company's Registration Statement on Form SB-2 dated September 28, 1995. (No. 33-88372).

(4) Filed herewith.

ITEM 28. UNDERTAKINGS

(a) The undersigned registrant hereby undertakes:

(1) To file, during any period in which offer or sales are being made, a post-effective amendment to this registration statement:

i. To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

ii. To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement; and

iii. To include any additional or changed material information with respect to the plan of distribution.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) To provide to the underwriter at the closing specified in the underwriting agreements certificates in such denominations and registered in such names as required by the underwriter to permit prompt delivery to each purchaser.

(5) i. That, for the purpose of determining liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4), or 497(h) under the Securities Act of 1933 shall be deemed to be part of this registration statement as of the time it was declared effective.

ii. That, for the purpose of determining liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(b) Insofar as indemnification for liabilities arising under the Securities Act of 1933 (the "Act") may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form SB-2 and authorized this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Houston, State of Texas, on July 11, 1996.

RICK'S CABARET INTERNATIONAL, INC.

By: /s/ Robert L. Watters

*Robert L. Watters, Chairman of the
Board and Chief Executive Officer*

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that Rick's Cabaret International, Inc., and each of its undersigned officers and directors hereby constitutes and appoints Robert L. Watters its true and lawful attorney-in-fact and agent with full power of substitution and resubstitution for his and in his name, place and stead, in any and all capacities, to sign all or any amendments (including post-effective amendments) of and supplements to this Registration Statement on Form SB-2 and to the same; with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto such attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, to all intents and purposes and as fully as said Corporation itself and each said officer or director might or could do in person, hereby ratifying and confirming all that such attorney-in-fact and agent, or his substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed below by the following persons in the capacities and on the dates indicated:

Signature -----	Title -----	Date -----
/s/ Robert L. Watters ----- Robert L. Watters	Chairman of the Board, Chief Executive Officer and Director	July 11, 1996
/s/ Erich Norton White ----- Erich Norton White	Director and Executive Vice President	July 11, 1996
/s/ Scott C. Mitchell ----- Scott C. Mitchell	Director	July 10, 1996
----- Martin Sage	Director	July __, 1996
/s/ Robert Gary White ----- Robert Gary White	Chief Financial Officer and Principal Accounting Officer	July 11, 1996

EXHIBIT INDEX

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4.2(1)	- See Exhibits 3.1 and 3.2 for provisions of the Articles of Incorporation and Bylaws of the Registrant defining rights of holders of common stock of the Registrant
4.3(2)	- Form of Representative's Warrant Agreement and Form of Warrant Certificate
4.4(2)	- Warrant Agreement and Warrant Specimen
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24.1(4)	- Power of Attorney with respect to certain signatures in the Registration Statement (contained on signature page of this Registration Statement)
27(4)	- Financial Data Schedule

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(4) Filed herewith.

EXHIBIT 5.1(4)

July 10, 1996

Robert L. Watters, President
Rick's Cabaret International, Inc.
3113 Bering Drive
Houston, Texas 77057

Dear Mr. Watters:

As counsel for Rick's Cabaret International, Inc., a Texas corporation ("Company"), you have requested our firm to render this opinion in connection with the registration statement of the Company on Form SB-2 ("Registration Statement") under the Securities Act of 1933, as amended (the "Act"), filed with the Securities and Exchange Commission relating to the registration of the issuance of up to 1,160,000 shares of common stock, par value \$.01 per share (the "Common Stock"), consisting of (i) 920,000 shares of Common Stock underlying 920,000 Redeemable Common Stock Purchase Warrants (the "Warrants") of the Company, (ii) 160,000 shares of Common Stock underlying 160,000 Representative's Warrants ("Representative's Warrants") and (iii) 80,000 shares of Common Stock issuable upon the exercise of the Underlying Warrants ("Underlying Warrants"). The Warrants, Representative's Warrants and the Underlying Warrants are referred to collectively herein as "Warrants."

We are familiar with the Registration Statement and the registration contemplated thereby. In giving this opinion, we have reviewed the Registration Statement and such other documents and certificates of public officials and of officers of the Company with respect to the accuracy of the factual matters contained therein as we have felt necessary or appropriate in order to render the opinions expressed herein. In making our examination, we have assumed the genuineness of all signatures, the authenticity of all documents presented to us as originals, the conformity to original documents of all documents presented to us as copies thereof, and the authenticity of the original documents from which any such copies were made, which assumptions we have not independently verified.

July 10, 1996

Based upon the foregoing, we are of the opinion that:

1. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Texas.
2. The shares of Common Stock underlying the Warrants to be issued upon exercise of such Warrants are validly authorized and, upon exercise of the Warrants in accordance with their terms, will be validly issued, fully paid and nonassessable.

We consent to the use in the Registration Statement of the reference to Axelrod, Smith, & Kirshbaum under the heading "LEGAL MATTERS."

This opinion is conditioned upon the Registration Statement being declared effective by the Securities and Exchange Commission and upon compliance by the Company with all applicable provisions of the Act and such state securities rules, regulations and laws as may be applicable.

Very truly yours,

Axelrod, Smith & Kirshbaum

EXHIBIT 23.2(4)

The Board of Directors
Rick's Cabaret International, Inc.

We consent to the use of our reports included herein and to the reference to our firm under the heading "Experts" in the Prospectus.

Jackson & Rhodes P.C.

Dallas, Texas

July 15, 1996

ARTICLE 5

PERIOD TYPE	6 MOS
FISCAL YEAR END	SEP 30 1996
PERIOD START	OCT 01 1995
PERIOD END	MAR 31 1996
CASH	3,838,769
SECURITIES	0
RECEIVABLES	21,723
ALLOWANCES	0
INVENTORY	31,606
CURRENT ASSETS	3,948,782
PP&E	1,680,687
DEPRECIATION	(464,537)
TOTAL ASSETS	5,226,844
CURRENT LIABILITIES	672,272
BONDS	0
COMMON	36,400
PREFERRED MANDATORY	0
PREFERRED	0
OTHER SE	4,366,993
TOTAL LIABILITY AND EQUITY	5,226,844
SALES	2,369,009
TOTAL REVENUES	2,369,009
CGS	435,692
TOTAL COSTS	2,096,670
OTHER EXPENSES	2,096,670
LOSS PROVISION	0
INTEREST EXPENSE	8,528
INCOME PRETAX	(78,992)
INCOME TAX	4,800
INCOME CONTINUING	(83,792)
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	(83,792)
EPS PRIMARY	(0.02)
EPS DILUTED	0

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