

# RICKS CABARET INTERNATIONAL INC

## FORM 8-K (Unscheduled Material Events)

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Industry	Restaurants
Sector	Services
Fiscal Year	09/30

# SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

## FORM 8-K

### CURRENT REPORT

Pursuant to Section 13 or 15(d) of  
The Securities Exchange Act of 1934

Date of Report: March 29, 1999

## RICK'S CABARET INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

Texas	0-26958	76-0037324
(State or other jurisdiction of incorporation or organization)	(Commission File Number)	(IRS Employer Identification No.)

505 North Belt, Suite 630  
Houston, Texas 77060  
(Address of principal executive offices, including zip code)

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

## Item 1. Changes in control of Registrant

References to shares of common stock in this Form 8-K refer to pre-reverse split shares with respect to the March 15, 1999 two for one reverse split of the Company's common stock.

On March 29, 1999, E.S. Langan, L.P., a Texas limited partnership ("Langan, L.P."), of which Eric Langan is the general partner, and Ralph McElroy purchased, in the aggregate, 1,790,000 shares of common stock (the "Shares") of Rick's Cabaret International, Inc. (the "Company") from Robert L. Watters for a combined purchase price of \$1,560,072. Mr. Watters is a Director of the Company and, prior to the completion of this transaction, was President and Chief Executive Officer of the Company. The Shares were acquired as follows:

1. Langan, L.P. acquired 1,041,064 shares of common stock of the Company from Mr. Watters for \$907,328, payable \$707,328 in cash and a \$200,000 promissory note to Mr. Watters, due in full on May 3, 1999, which bears interest at the rate of 18% per annum. Eric Langan is a Director of the Company and, upon the completion of this transaction, was appointed President of the Company.

As a result of this transaction, Langan, L.P., is now the beneficial owner of 1,133,464 shares of common stock of the Company, representing approximately 17.7% of the common stock of the Company. In addition, Mr. Langan is the beneficial owner of 414,811 shares of common stock of the Company or approximately 6.4%. Accordingly, as a result of his indirect beneficial ownership through Langan, L.P., Mr. Langan is now the beneficial owner, directly or indirectly, of a total of 1,548,275 shares of common stock of the Company or 24.1%.

The source of funds used by Langan, L.P. for the acquisition of the shares of common stock of the Company were funds from Langan, L.P., except that Langan, L.P. borrowed \$175,000 from Mr. Steve Wadley, a private investor, pursuant to a short term promissory note due in full on May 1, 1999, which bears interest at the rate of eighteen percent (18%) per annum. The note is secured by 512,650 shares of common stock of the Company presently owned by Mr. Langan or Langan, L.P.

2. Mr. McElroy acquired 748,936 shares of common stock of the Company from Mr. Watters for \$652,744, which was paid by Mr. McElroy pursuant to a secured promissory note made payable to Mr. Watters (the "McElroy Note"). The McElroy Note which is due July 31, 2004, bears interest at the rate of twelve percent (12%) per annum with interest being paid monthly. The principal of the McElroy Note is due in one lump sum payment. The McElroy Note is secured by (i) a convertible debenture of the Company in the original principal amount of \$366,000, which was issued August, 11, 1998, in favor of Mr. McElroy (the "Convertible Debenture") and (ii) a promissory note of Taurus Entertainment Companies, Inc. (a subsidiary of the Company) and guaranteed by the Company (which has a conversion feature) in the original principal amount of \$286,744.61, dated August 11, 1998, in favor of Mr. McElroy, (the "Convertible Promissory Note"). Both the Convertible Debenture and the Convertible Promissory Note are secured by certain real estate of the Company or its subsidiaries.

As a result of this transaction, Mr. McElroy is now the beneficial owner of 1,337,936 shares of common stock of the Company, representing approximately 20.9% of the common stock of the Company. This amount does not include shares of the Company issuable upon the conversion of the Convertible Debenture or upon conversion of the Convertible Promissory Note. The Convertible Debenture and the Convertible Promissory Note are in the aggregate amount of \$652,744 and are convertible at any time at \$2.75 per share, subject to adjustment. If the Convertible Debenture and the Convertible Promissory Note were converted, Mr. McElroy would receive an additional 237,361 shares of common stock of the Company. Accordingly, Mr. McElroy is deemed beneficial owner of a total of 1,575,297 shares of common stock of the Company, or approximately 24.6% of the common stock of the Company.

Mr. Langan, as General Partner of Langan, L.P., has voting rights for Langan, L.P. and as such, Mr. Langan and Langan, L.P. will vote as a group. There is no voting agreement between Mr. Langan, Langan, L.P. and Mr. McElroy.

## **Item 2. Acquisition or Disposition Assets**

On March 29, 1999, Robert L. Watters, a Director of the Company, purchased RCI Entertainment Louisiana, Inc. ("RCI Louisiana"), a subsidiary of the Company, for the purchase price of \$2,200,000 consisting of \$1,057,327 in cash, the endorsement over to the Company of the McElroy Note, a guaranteed promissory note in the amount of \$326,773 made by Mr. Watters (the "Watters Note"), and the cancellation by Mr. Watters of the Company's \$163,156 indebtedness to him. The Watters Note is guaranteed by RCI Louisiana, which operates a Rick's Cabaret in New Orleans, Louisiana. The McElroy Note is secured as reflected above in Item

1. In connection with the acquisition of the stock of RCI Louisiana, Mr. Watters also assumed RCI Louisiana's liabilities of approximately \$1,400,000. As a condition of this transaction, Mr. Watters arranged for the release by a lender of the Company's liability of \$763,199 owed to the lender by RCI Louisiana, which the Company had guaranteed. The Company obtained an opinion from Chaffe & Associates, Inc., a New Orleans investment banking firm, stating that the purchase price paid by Mr. Watters for RCI Louisiana was fair from a financial point of view to the shareholders of the Company. The terms of this transaction were the result of arms-length negotiations between the Company and Mr. Watters.

In connection with the sale of RCI Louisiana, Mr. Watters and Erich Norton White, a Vice-president and Director of the Company entered into agreements with the Company to terminate their Employment Agreements and to cancel all stock options of the Company which they held. Messrs. Watters and White continue to serve as Directors of the Company.

Further, in connection with the sale of RCI Louisiana, the Company entered into an Exclusive Licensing Agreement with Mr. Watters which granted Mr. Watters the right to the use of the name "Rick's Cabaret" and all logos, trademarks and service marks attendant thereto for use in the states of Louisiana, Florida, Mississippi and Alabama.

**Item 5. Other Events**

On March 29, 1999, Mr. Langan was appointed President and acting Chief Accounting Officer of the Company and Mr. Watters resigned as President, Chief Executive Officer and Chief Financial Officer of the Company. Mr. White also resigned as Vice-President of the Company. Messrs. Watters and White continue to serve as Directors of the Company.

**Item 7. Financial Statements and Exhibits**

**Financial Statements:**

The financial information required in this item is not included herein, but will be filed by amendment by June 14, 1999.

Exhibits:

- Exhibit 10.1 Stock Purchase Agreement between the E. S. Langan, L.P., Ralph McElroy, and Robert L. Watters.
- Exhibit 10.2 Stock Purchase Agreement between the Company and Robert L. Watters.
- Exhibit 10.3 Exclusive Licensing Agreement
- Exhibit 10.4 Termination and Non-compete Agreement of Robert L. Watters
- Exhibit 10.5 Termination and Non-compete Agreement of Erich Norton White

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report on Form 8-K to be signed on its behalf by the undersigned hereunto duly authorized.

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

Date: April 5, 1999

By: /s/ Eric Langan  
-----  
President

**Exhibit 10.1**  
**STOCK PURCHASE AGREEMENT**

THIS STOCK PURCHASE AGREEMENT ("Agreement") is made and entered into as of March 29, 1999, made by and among ROBERT L. WATTERS, a resident of Houston, Texas, ("Seller"), on the one hand and E. S. LANGAN, L.P., a Texas limited partnership ("Langan") and RALPH McELROY, a resident of Austin, Texas ("McElroy") (Langan and McElroy collectively referred to as "Purchasers"), on the other hand.

**WITNESSETH:**

WHEREAS, Seller owns 1,790,000 shares of common stock of Rick's Cabaret International, Inc., a Texas corporation (the "Company"); and

WHEREAS, of the shares of the Company owned by Seller, 1,600,000 are in escrow ("Escrowed Shares") pursuant to an escrow agreement dated October 11, 1995, among the Company, the Seller and Austin Trust Company, as Escrow Agent, a copy of which is attached hereto as Exhibit A ("Escrow Agreement") and the remainder of the shares owned by Seller are unencumbered by the Escrow Agreement ("Unencumbered Shares") (the Escrowed Shares and the Unencumbered shares collectively referred to herein as "Shares");

WHEREAS, the Seller desires to sell the Shares to the Purchasers and the Purchasers desire to purchase the Shares from the Seller, on the terms and conditions set forth in this Agreement;

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants and agreements hereinafter set forth and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

**ARTICLE I.**  
**SALE AND PURCHASE OF STOCK**

SECTION 1.1. Sale and Purchase of Stock. Upon the terms and subject to the conditions set forth in this Agreement, on the Closing Date (as hereinafter defined),

- a. the Seller shall sell 110,504 of the Unencumbered Shares to Langan and 79,496 of the Unencumbered Shares to McElroy;
- b. the Seller shall transfer and convey all of his rights and interest in 930,560 (58.16%) of the Escrowed Shares to Langan and 669,440 (41.84%) of the Escrowed Shares to McElroy and shall assign all of his rights, title and interests under the Escrow Agreement to the Purchasers, in accordance with and pursuant to the terms of an Assignment and Assumption Agreement substantially in the form attached hereto as form 1.1(b)(i) and Purchasers assume all of his obligations and limitations under the Escrow Agreement, and a Voting Agreement pursuant to which Seller grants to Purchasers all of his voting rights with respect to the Escrowed Shares, substantially in the form attached hereto as form 1.1(b)(ii) hereof.

c. It is the intent of the parties and it is expressly understood that when the Escrowed Shares are released from escrow, each Purchaser shall have record title to the number of Escrowed Shares identified in Section 1.1(b) above, or any number thereof that may be released from time to time. Upon release of such shares, Seller shall do and take all such further actions as may be deemed reasonably necessary to vest in Purchasers record title.

**SECTION 1.2. Purchase Price.** In consideration for such sale and assignment by the Seller of the Shares to Purchasers, Purchasers shall collectively deliver to Seller the Purchase Price at the closing. Subject to and upon the terms and conditions set forth herein, Purchasers shall pay to Seller an aggregate purchase price of \$1,560,072 ("Purchase Price") for the Shares, payable as follows:

a. \$707,327.39 payable by wire transfer of immediately available funds ("Cash Purchase Price");

b. \$200,000 payable pursuant to a Promissory Note of even date herewith payable to Seller due May 3, 1999 ("Langan Note") in the form attached hereto as Form 1.2(b); and

c. McElroy's promissory note, in the original principal amount of \$652,744.61, substantially in the form attached hereto as Form 1.2(b)(i) ("McElroy's Promissory Note") which shall be secured by McElroy's Convertible Debenture from the Company represented by Certificate-RCI-C.D. No. 100 in the original principal sum of \$366,000, dated August 11, 1998 and a promissory note from Taurus Entertainment Companies, Inc. dated August 11, 1998, in the original principal sum of \$286,744.61. Such security shall be evidenced by a Security Agreement between Seller and McElroy, substantially in the form attached hereto as Form 1.2(c) (the Cash Purchase Price, the Langan Note and McElroy's Promissory Note collectively referred to as the "Purchase Price").

## **ARTICLE II. CLOSING; PROCEDURES AT CLOSING**

**SECTION 2.1. CLOSING.** The consummation of the purchase and sale and assignment of the Shares pursuant hereto and the consummation of the other transactions contemplated hereby ("Closing") shall be effective as of March 29, 1999, and shall take place at the offices of Axelrod, Smith & Kirshbaum, 5300 Memorial Drive, Suite 700, Houston, Texas 77007-8217 or at such other time and place as the Seller and the Purchasers may mutually agree in writing ("Closing Date").

**SECTION 2.2. CLOSING DELIVERIES BY THE SELLER.** On the Closing Date, the Seller shall deliver, or cause to be delivered to the Purchasers, the following:

a. Certificates evidencing the Unencumbered Shares, or appropriate stock transfer powers with respect to the Unencumbered Shares, duly endorsed for transfer to the Purchasers;

b. Appropriate stock transfer powers with respect to the Escrowed Shares, duly endorsed for transfer to the Purchasers;

c. The Assignment and Assumption Agreement, duly executed;

- d. The Voting Agreement with respect to the Escrowed Shares, duly executed;
- e. Appointment of Agents, duly executed;
- f. Special Durable Power of Attorney, duly executed; and
- g. Such other instruments or documents as the Purchasers may reasonably request.

SECTION 2.3. Closing Deliveries and Payments by Purchasers. On the Closing Date, Purchasers shall deliver or cause to be delivered to the Seller the following:

- a. The Cash Purchase Price;
- b. The McElroy Promissory Note;
- c. The Security Agreement referred to in Section 1.2(b) hereof and related documents referred to therein, all duly executed;
- d. The Langan Note;
- e. The Assignment and Assumption Agreement, duly executed;
- f. The Voting Agreement with respect to the Escrow Shares, duly executed;
- g. Appointment of Agents, duly executed; and
- h. Such other instruments or documents as the Seller may reasonably request.

### **ARTICLE III REPRESENTATIONS AND WARRANTIES OF SELLER**

The Seller hereby represents and warrants to the Purchasers:

SECTION 3.1. AUTHORIZATION. Seller is a person of full age of majority, with full power, capacity, and authority to enter into this Agreement and perform the obligations contemplated hereby by and for himself and his spouse. All action on the part of Seller necessary for authorization, execution, delivery and performance of this Agreement by him has been taken and will be taken prior to Closing. This Agreement, when duly executed and delivered in accordance with its terms, will constitute the legal, valid and binding obligations of Seller, enforceable against Seller in accordance with its terms, except as limited by laws effecting creditors' rights or equitable principles generally.

SECTION 3.2. OWNERSHIP OF THE SHARES. The Seller owns beneficially and of record all of the Shares free and clear of any liens, claims, equities, charges, options, rights of first refusal, or encumbrances except for the encumbrance imposed on the Escrowed Shares pursuant to the Escrow Agreement.



### SECTION 3.3 TRANSFER OF THE SHARES.

a. The Seller has the unrestricted right and power to transfer, convey and deliver full ownership of the Unencumbered Shares without the consent or agreement of any other person and, except for filings required under the applicable securities laws, without any designation, declaration or filing with any governmental authority. Upon the transfer of the Unencumbered Shares to the Purchasers, as contemplated herein, except as imposed by applicable securities laws, purchasers will receive good and valid title to the Unencumbered Shares, free and clear of any liens, claims, charges, options, and rights of first refusal, encumbrances or other restrictions.

b. Seller has the unrestricted right and power to assign his rights under the Escrow Agreement and to assign his voting rights with respect to the Escrowed Shares, and transfer and convey his rights and interest to the Escrowed Shares, without the consent or agreement of any other person and except for filings required under the applicable securities laws, without any designation, declaration or filing with any governmental authority. Upon the assignment of his rights, title and interests under the Escrow Agreement, his voting rights with respect to the Escrowed Shares, and the transfer and conveyance of his rights and interest to the Escrowed Shares, Purchasers shall become the beneficial holders of the Escrowed Shares free and clear of any liens, claims, charges, options, and rights of first refusal or other restrictions except for the encumbrance imposed by the Escrow Agreement to which the Escrowed Shares will remain subject.

SECTION 3.4. DISCLOSURE. The representations and warranties contained in this Agreement with respect to Seller to do not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements and information contained in this Agreement not misleading.

### **ARTICLE IV. REPRESENTATIONS AND WARRANTIES OF THE PURCHASERS**

Each of the Purchasers represents and warrants as to him or itself, as the case may be, to the Seller as follows:

SECTION 4.1. AUTHORIZATION AND BINDING AGREEMENT. Each Purchaser has all requisite power and authority to execute, deliver and perform this Agreement and to consummate the transactions contemplated hereby. With respect to Langan, on the Closing Date, the execution and delivery of this Agreement and all the transactions provided for herein shall have been duly authorized by proper partnership proceedings. On the Closing Date, this Agreement will be, in all respects legally binding upon each of the Purchasers, except as limited by laws effecting creditors' rights or equitable principles generally.

SECTION 4.2. INVESTMENT CONSIDERATIONS. With respect to the purchase of the **Shares**:

a. Securities Laws. Each Purchaser is acquiring the Shares as an investment solely for his/its own account and not with the view toward, or for resale in connection with, the distribution of the Shares within the meaning of the Securities Act of 1933 (the "Act"). Each Purchaser acknowledges that he or it, as the case may be, is an Accredited Investor as that term is defined in Rule 501(a) of Regulation D of the Act, as amended.

b. Risk. Each Purchaser and each Purchaser's respective representatives

have received, or have had access to, and have had sufficient opportunity to review, all books, records, financial information and other information which the Purchaser considers necessary or advisable to enable him to make a decision concerning his/its purchase of the Shares, and that he/it possesses such knowledge and experience in financial and business matters that renders him/it capable of evaluating the merits and risks of his investment hereunder. Purchasers are able to bear the economic risk of the investment which is hereby being made, including the complete loss of Purchaser's investment in such securities. The Purchaser understands that the Shares will be deemed restricted securities under the Act and subject to certain holding periods before they are able to be resold.

SECTION 4.3 DISCLOSURE. The representations and warranties contained in this Agreement with respect to each Purchaser do not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements and information contained in this Agreement not misleading.

## **ARTICLE V. CONDITIONS TO THE CLOSING**

The obligations of Seller to sell the Shares and Purchasers to purchase the Shares shall be subject to the simultaneous or prior fulfillment of each of the following conditions:

SECTION 5.1 RCI LOUISIANA. The Company shall enter into an agreement with Seller whereby the Company will sell to Seller all of the outstanding shares of common stock of RCI Entertainment Louisiana, Inc.

SECTION 5.2 LICENSE AGREEMENT. The Company shall enter into a License Agreement with Seller to license Seller to use the name "Rick's Cabaret" and related trademarks, in the States of Louisiana, Florida, Alabama and Mississippi.

SECTION 5.3 AUTHORIZATION OF SALE. With respect to Langan, all partnership action necessary by Langan to authorize the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby shall have been duly and validly taken.

SECTION 5.4 CONSENTS. All consents, authorizations, orders and approvals of (or filings or registrations with) any governmental commission, board or other regulatory body required in connection with the execution, delivery and performance of this Agreement shall have been obtained.

SECTION 5.5 AUSTIN TRUST ACKNOWLEDGMENT. The parties shall have received the written acknowledgment from Austin Trust Company, as Escrow Agent under the Escrow Agreement, of the appointment by Seller of Purchasers as Seller's agents and attorneys in fact with respect to the Escrowed Shares.

SECTION 5.6 DOCUMENTS. The Purchasers shall have furnished the Seller with all documents, certificates and other instruments required to be furnished to the Seller by the Purchasers pursuant to the terms of this Agreement.

SECTION 5.7 REPRESENTATIONS AND WARRANTIES CORRECT. The representations and warranties of Seller contained in Article III hereof shall be true and correct as of the Closing Date and the representations and warranties of Purchasers, and each of them, contained in Article IV hereof, shall be true and correct as of the Closing Date.

## **ARTICLE VI INDEMNIFICATION**

SECTION 6.1 INDEMNIFICATION FROM THE SELLER. The Seller hereby agrees to and shall indemnify, defend (with legal counsel reasonably acceptable to Purchasers), and hold Purchasers, their affiliates, assigns, agents and legal counsel and successors (the "Purchaser Group") harmless at all times after the date of this Agreement, from and against any and all actions, suits, claims, demands, debts, liabilities, obligations, losses, damages, costs, expenses, penalties or injury (including reasonable attorneys' fees and costs of any suit related thereto) suffered or incurred by any of the Purchaser Group arising from

(a) any misrepresentation by, or breach of any covenant or warranty of the Seller contained in this Agreement, or any exhibit, certificate, or other instrument furnished or to be furnished by the Seller hereunder, (b) any nonfulfillment of any agreement on the part of the Seller under this Agreement, or (c) from any material misrepresentation in or material omission from, any certificate or other instrument furnished or to be furnished to Purchasers hereunder.

SECTION 6.2 INDEMNIFICATION FROM PURCHASERS. Each of the Purchasers hereby agrees to and shall indemnify, defend (with legal counsel reasonably acceptable to the Seller) and hold the Seller, his officers, directors, employees, agents, legal counsel, successors and assigns (the "Seller Group") harmless at all times after the date of the Agreement from and against any and all actions, suits, claims, demands, debts, liabilities, obligations, losses, damages, costs, expenses, penalties or injury (including reasonable attorneys' fees and costs of any suit related thereto) suffered or incurred by any of the Seller Group, arising from (a) any misrepresentation by, or breach of any covenant or warranty of Purchasers contained in this Agreement or any exhibit, certificate, or other agreement or instrument furnished or to be furnished by Purchasers hereunder; (b) any nonfulfillment of any agreement on the part of Purchasers under this Agreement; or (c) from any material misrepresentation in or material omission from, any exhibit, certificate or other agreement or instrument furnished or to be furnished to the Seller hereunder.

SECTION 6.3 DEFENSE OF CLAIMS. If any lawsuit or enforcement action is filed against any party entitled to the benefit of indemnity hereunder, written notice thereof shall be given to the indemnifying party as promptly as practicable (and in any event not less than fifteen (15) days prior to any hearing date or other date by which action must be taken); provided that the failure of any indemnified party to give timely notice shall not affect rights to indemnification hereunder except to the extent that the indemnifying party demonstrates actual damage caused by such failure. After such notice, the indemnifying party shall be entitled, if it so elects, to take control of the defense and investigation of such lawsuit or action and to employ and engage attorneys of its own choice to handle and defend the same, at the indemnifying party's cost, risk and expense; and such indemnified party shall cooperate in all reasonable respects, at its cost, risk and expense, with the indemnifying party and such attorneys in the investigation, trial and defense of such lawsuit or action and any appeal arising therefrom; provided, however, that the indemnified party may, at its own cost, participate in such investigation, trial and defense of such lawsuit or action and any appeal arising therefrom. The indemnifying party shall not, without the prior written consent of the indemnified party, effect any settlement of any proceeding in respect of which any indemnified party is a party and indemnity has been sought hereunder unless such settlement of a claim, investigation, suit, or other proceeding only involves a remedy for the payment of money by the indemnifying party and includes an unconditional release of such indemnified party from all liability on claims that are the subject matter of such proceeding.

SECTION 6.4 DEFAULT OF INDEMNIFICATION OBLIGATION. If an entity or individual having an indemnification, defense and hold harmless obligation, as above provided, shall fail to assume such obligation, then the party or entities or both, as the case may be, to whom such indemnification, defense and hold harmless obligation is due shall have the right, but not the obligation, to assume and maintain such defense (including reasonable counsel fees and costs of any suit related thereto) and to make any settlement or pay any judgment or verdict as the individual or entities deem necessary or appropriate in such individual's or entities' absolute sole discretion and to charge the cost of any such settlement, payment, expense and costs, including reasonable attorneys' fees, to the entity or individual that had the obligation to provide such indemnification, defense and hold harmless obligation and same shall constitute an additional obligation of the entity or of the individual or both, as the case may be.

## **ARTICLE VII. GENERAL PROVISIONS**

SECTION 7. 1. NOTICES. Any notice, request, instrument or other document to be given hereunder shall be in writing and shall be delivered ( ) on the date of delivery when delivered personally, or by facsimile with electronic confirmation of receipt, ( ) one day after dispatch when sent by a reputable overnight delivery service maintaining records or receipt; or ( ) three (3) days after dispatch when sent by certified or registered mail, return receipt requested, postage prepaid:

**If to the Seller:**

Robert L. Watters  
1810 Elmen  
Houston, Texas 77019  
Telecopy: (713) 942-9656

with copies to:

Chaffe, McCall, Phillips, Toler & Sarpy, L.L.P. 2300 Energy Center  
1100 Poydras Street  
New Orleans, Louisiana 70163  
Attention: E. Howell Crosby, Esq.

Telecopy: (504) 585-7587

If to the Purchasers:

Langan  
-----

14514 Kinghead Drive  
Houston, Texas 77044  
Telecopy: (281) 820-1145

McElroy  
-----

1211 Choquette  
Austin, Texas 78757  
Telecopy: (512) 474-5605

with a copies to:

Hill, Ducloux, Carnes & Clark  
400 W, 15th Street, Ste. 750  
Austin, Texas 78701  
Attention: H. Allen Hill, Esq.  
Telecopy: (512) 474-5605

SECTION 7.2. ENTIRE AGREEMENT. This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior agreements and undertakings, both written and oral, between the parties with respect to the subject matter hereof.

SECTION 7.3. GOVERNING LAW. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Texas, regardless of the laws that might otherwise govern under applicable principles of conflicts of laws thereof.

SECTION 7.4. HEADINGS. The descriptive headings contained in this Agreement are included for convenience of reference only and shall not affect in any way the meaning or interpretation of this Agreement.

SECTION 7.5. NUMBER, GENDER. Whenever the context so requires, the singular shall include the plural and the plural shall include the singular, and the gender of any pronoun shall include the other genders.

SECTION 7.6. SEVERABILITY. Wherever possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or invalidated under applicable law, such provision shall be ineffective to the extent of such provision and the remaining provisions of this Agreement shall remain fully effective.

SECTION 7.7. COUNTERPARTS. This Agreement may be executed in one or more counterparts, and by the different parties hereto in separate counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement.

SECTION 7.8. ASSIGNMENT; SUCCESSORS. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto, their respective successors, successors in title, and lawful assigns. No party shall have the right to assign this Agreement, or any interest under this Agreement, without the prior written consent of the other party.

SECTION 7.9 COSTS AND EXPENSES. The Seller shall pay all of the fees and expenses incurred by him and each Purchaser shall pay all of the fees and expenses incurred by him or it, as the case may be, in negotiating and preparing this Agreement (and all other agreements executed in connection herewith or therewith) and in consummating the transactions contemplated by this Agreement.

IN WITNESS WHEREOF, the Purchasers and the Seller have each caused this Agreement to be executed by a duly authorized officer as of the date first written above.

WITNESSES:

/s/ Vivian Tipps  
/s/ Joel Seidner

SELLER:

/s/ ROBERT L. WATTERS  
ROBERT L. WATTERS

ATTEST:

/s/ Vivian Tipps  
/s/ Joel Seidner  
By: /s/ ERIC LANGAN  
Name: ERIC LANGAN  
Title: General Partner  
WITNESSES:

PURCHASERS:

E.S. LANGAN, L.P.

/s/ Vivian Tipps  
/s/ Joel Seidner

/s/ RALPH McELROY  
RALPH McELROY

**Exhibit 10.2**  
**STOCK PURCHASE AGREEMENT**

This STOCK PURCHASE AGREEMENT (the "Agreement") is made and entered into this 29th day of March, 1999, by and among RICK'S CABARET INTERNATIONAL, INC., a Texas corporation (the "Seller") and ROBERT L. WATTERS ("Watters").

WHEREAS, the Seller owns 200 shares of common stock, no par value (the "Shares") of RCI Entertainment Louisiana, Inc., a Louisiana corporation ("RCI Louisiana") which Shares represent all of the shares of common stock of RCI Louisiana presently outstanding; and

WHEREAS, Watters is the President and Chief Executive Officer of the Seller and of RCI Louisiana; and

WHEREAS, the Seller desires to sell the Shares of RCI Louisiana to Watters on the terms and conditions set forth herein; and

WHEREAS, Watters desires to purchase the Shares of RCI Louisiana from Seller on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the premises, the mutual covenants and agreements and the respective representations and warranties herein contained, and on the terms and subject to the conditions herein set forth, the parties hereto, intending to be legally bound, hereby agree as follows:

**ARTICLE I**  
**PURCHASE AND SALE OF THE SHARES**

Section 1.1 Sale of the Shares. Subject to the terms and conditions set forth in this Agreement, at the Closing (as hereinafter defined) the Seller hereby agrees to sell, transfer, convey and deliver to Watters all of the Shares of common stock of RCI Louisiana and shall deliver to Watters stock certificates representing the Shares, duly endorsed to Watters or accompanied by duly executed stock powers in form and substance satisfactory to Watters.

Section 1.2 Purchase Price. As consideration for the purchase of the Shares, Watters shall pay to Seller total consideration of \$2,200,000 being the aggregate of the following components (the "Purchase Price"):

(a) An amount equal to \$2,200,000, payable as follows:

(i) \$1,057,327.39 in cash, cashier's check, or wire transfer; and

(ii) assignment of a \$652,744.61 promissory note from Ralph McElroy issued to Watters, (the "Secured Promissory Note") in the form attached hereto as Exhibit 1.2(a)(ii); and

(iii) Execution and delivery by Watters of a promissory note, bearing interest at the rate of eight percent (8%) per annum and payable in forty-eight (48) equal monthly installments (the "Additional Promissory Note"), in the form attached hereto as Exhibit 1.2(a)(iii), in a principal amount equal to \$326,773.32.

(b) Release by Watters of indebtedness of Seller in the amount of \$163,154.68.

Section 1.3 Allocation of Purchase Price. The \$2,200,000 Purchase Price shall be allocated first to the net book value of RCI Louisiana as of February 28, 1999, and the balance, if any, shall be allocated to the License Agreement referred to in Section 2.3(i).

## **ARTICLE II CLOSING**

Section 2.1 The Closing. The closing of the transactions contemplated by this Agreement shall take place on March 29, 1999 (the "Closing Date"), at the offices of Axelrod, Smith & Kirshbaum, 5300 Memorial Drive, Suite 700, Houston, Texas 77007, or at such other time and place as agreed upon among the parties hereto (the "Closing").

Section 2.2 Delivery and Execution. At the Closing: (a) the Seller shall deliver to Watters certificates evidencing the Shares of RCI Louisiana, duly endorsed to Watters or accompanied by duly executed stock powers in form and substance satisfactory to Watters against delivery by Watters to the Seller of payment in an amount equal to the Purchase Price of the Shares being purchased by Watters in the manner set forth herein; (b) the Related Transactions (as defined below) shall be consummated concurrently with the Closing; and (c) the Conditions to Closing of the Seller and Watters as set forth in Article V and VI, respectively, shall have been satisfied or waived in writing by the party authorized to waive such condition.

Section 2.3 Related Transactions. In addition to the purchase and sale of the Shares, the following actions shall take place contemporaneously at the Closing (collectively, the "Related Transactions"):

(i) The Seller will enter into a License Agreement with Watters which will license the use of the name "Rick's" (plus appropriate trademarks) in the states of Louisiana, Florida, Alabama and Mississippi, in the form attached hereto as Exhibit 2.3(i);

(ii) E.S. Langan, L.P. and Ralph McElroy will enter into a Stock Purchase Agreement with Watters to acquire all of his shares of common stock of the Seller on the terms and conditions set forth in that Agreement;

(iii) The Seller and Watters will enter into a Termination and Non-Competition Agreement in the form attached hereto as Exhibit 2.3(iii) which will, among other things, terminate all outstanding options of the Seller presently held by Watters;



(iv) The Seller and Erich Norton White ("White") will enter into a Termination and Non-Competition Agreement in the form attached hereto as Exhibit 2.3(iv) which will, among other things, terminate all outstanding options of the Seller presently held by White; and

(v) The Seller will enter into an Indemnification Agreement with Watters which will indemnify Watters against certain potential liabilities in the form attached hereto as Exhibit 2.3(v).

**ARTICLE III  
REPRESENTATIONS AND WARRANTIES  
OF THE SELLER**

The Seller hereby represents and warrants to Watters as follows:

Section 3.1. Organization, Good Standing and Qualification. Each of the Seller and RCI Louisiana (i) is an entity duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, (ii) has all requisite power and authority to carry on its business, and (iii) is duly qualified to transact business and is in good standing in all jurisdictions where its ownership, lease or operation of property or the conduct of its business requires such qualification, except where the failure to do so would not have a material adverse effect to the Seller or RCI Louisiana, respectively. The authorized capital stock of RCI Louisiana consists of 200 shares of common stock, no par value, of which 200 shares are validly issued and outstanding. All of the issued and outstanding shares of common stock of RCI Louisiana are owned by the Seller and are fully paid and non-assessable. There are no existing warrants, options, rights of first refusal, conversion rights, calls, commitments or other agreements of any character pursuant to which RCI Louisiana is or may become obligated to issue any of its stock or securities.

Section 3.2 Ownership of the Shares. The Seller owns, beneficially and of record the Shares free and clear of any liens, claims, equities, charges, options, rights of first refusal, or encumbrances. The Seller has the unrestricted right and power to transfer, convey and deliver full ownership of the Shares without the consent or agreement of any other person and without any designation, declaration or filing with any governmental authority and upon the transfer of the Shares to Watters as contemplated herein, Watters will receive good and valid title thereto, free and clear of any liens, claims, equities, charges, options, rights of first refusal, encumbrances or other restrictions (except those imposed by applicable securities laws).

Section 3.3 Authorization. The Seller is a corporation with full power, capacity, and authority to enter into this Agreement and perform the obligations contemplated hereby by and for itself. All action on the part of the Seller necessary for the authorization, execution, delivery and performance of this Agreement by the Seller has been taken or will be taken prior to Closing. This Agreement, when duly executed and delivered in accordance with its terms, will constitute legal, valid, and binding obligations of the Seller enforceable against the Seller in accordance with its terms, except as may be limited by bankruptcy, insolvency, and other similar laws affecting creditors' rights generally or by general equitable principles.

Section 3.4 No Breaches or Defaults. Except as set forth in Exhibit 3.4, the execution, delivery, and performance of this Agreement by the Seller does not: (i) conflict with, violate, or constitute a breach of or a default under, (ii) result in the creation or imposition of any lien, claim, or encumbrance of any kind upon the Shares, or (iii) require any authorization, consent, approval, exemption, or other action by or filing with any third party or Governmental Authority under any provision of: (a) any applicable Legal Requirement, or (b) any credit or loan agreement, promissory note, or any other agreement or instrument to which the Seller is a party or by which the Shares may be bound or affected. For purposes of this Agreement, "Governmental Authority" means any foreign governmental authority, the United States of America, any state of the United States, and any political subdivision of any of the foregoing, and any agency, department, commission, board, bureau, court, or similar entity, having jurisdiction over the parties hereto or their respective assets or properties. For purposes of this Agreement, "Legal Requirement" means any law, statute, injunction, decree, order or judgment (or interpretation of any of the foregoing) of, and the terms of any license or permit issued by, any Governmental Authority.

Section 3.5 Consents. Except as set forth in Exhibit 3.5, no permit, consent, approval or authorization of, or designation, declaration or filing with, any Governmental Authority or any other person or entity is required on the part of the Seller in connection with the execution and delivery by the Seller of this Agreement or the consummation and performance of the transactions contemplated hereby other than as required under the federal securities laws.

Section 3.6 Pending Claims. There is no claim, suit, action or proceeding, whether judicial, administrative or otherwise, pending or, to the best of the Seller's knowledge, threatened with respect to the transfer to Watters of the Shares or the performance of this Agreement by the Seller.

Section 3.7 Disclosure. No representation or warranty of the Seller contained in this Agreement (including the exhibits hereto) contains any untrue statement or omits to state a material fact necessary in order to make the statements contained herein or therein, in light of the circumstances under which they were made, not misleading.

#### **ARTICLE IV REPRESENTATIONS AND WARRANTIES OF WATTERS**

Watters hereby represents and warrants to the Seller as follows:

Section 4.1 Ownership of the Secured Promissory Note. Watters owns, beneficially and of record, the Secured Promissory Note free and clear of any liens, claims, equities, charges, options, rights of first refusal, or encumbrances. Watters has the unrestricted right and power to transfer, convey and deliver full ownership of the Secured Promissory Note without the consent or agreement of any other person and without any designation, declaration or filing with any governmental authority and upon the transfer of the Secured Promissory Note to the Seller as contemplated herein, the Seller will receive good and valid title thereto, free and clear of any liens, claims, equities, charges, options, rights of first refusal, encumbrances or other restrictions.

Section 4.2 Authorization. Watters is a person of full age of majority, with full power, capacity, and authority to enter into this Agreement and perform the obligations contemplated hereby by and for himself and his spouse. All action on the part of Watters necessary for the authorization, execution, delivery and performance of this Agreement by him has been taken and will be taken prior to Closing. This Agreement, when duly executed and delivered in accordance with its terms, will constitute legal, valid, and binding obligations of Watters enforceable against Watters in accordance with its terms, except as may be limited by bankruptcy, insolvency, and other similar laws affecting creditors' rights generally or by general equitable principles.

Section 4.3 Purchase for Investment. Watters is purchasing the Shares for his own account, for investment purposes only and not with view to any public resale or other distribution thereof. Watters acknowledges that he is an Accredited Investor as that term is defined in Rule 501(a) of Regulation D of the Securities Act of 1933, as amended. Watters and his representatives have received, or have had access to, and have had sufficient opportunity to review, all books, records, financial information and other information which Watters considers necessary or advisable to enable him to make a decision concerning his purchase of the Shares, and that he possesses such knowledge and experience in financial and business matters that he is capable of evaluating the merits and risks of his investment hereunder.

Section 4.4 No Breaches or Defaults. Except as set forth in Exhibit 3.4, the execution, delivery, and performance of this Agreement by Watters does not: (i) conflict with, violate, or constitute a breach of or a default under, (ii) result in the creation or imposition of any lien, claim, or encumbrance of any kind upon the Secured Promissory Note, or (iii) require any authorization, consent, approval, exemption, or other action by or filing with any third party or Governmental Authority under any provision of: (a) any applicable Legal Requirement, or (b) any credit or loan agreement, promissory note, or any other agreement or instrument to which Watters is a party or by which the Secured Promissory Note may be bound or affected.

Section 4.5 Corporate Documents. Watters has inspected and is fully satisfied with: (i) copies of the articles of incorporation and bylaws of RCI Louisiana; (ii) the minute book of RCI Louisiana containing all records required to be set forth of all proceedings, consents, actions, and meetings of the shareholders and boards of directors of RCI Louisiana; (iii) the stock transfer books of RCI Louisiana setting forth all transfers of any common stock; and (iv) the financial statements and financial condition of RCI Louisiana.

Section 4.6 Liabilities of RCI Louisiana. Watters hereby represents that RCI Louisiana has made adequate provision for all liabilities of RCI Louisiana (real and contingent) and RCI Louisiana will discharge all of its liabilities on a timely basis. To the extent that there is any claim made against Seller arising out of any liabilities (real and contingent) of RCI Louisiana, Watters hereby agrees to indemnify Seller for all such liabilities (real and contingent).

Section 4.7 Consents. Except as set forth in Exhibit 3.5, no permit, consent, approval or authorization of, or designation, declaration or filing with, any Governmental Authority or any other person or entity is required on the part of Watters in connection with the execution and delivery by Watters of this Agreement or the consummation and performance of the transactions contemplated hereby other than as required under the federal securities laws.

Section 4.8 Pending Claims. There is no claim, suit, action or proceeding, whether judicial, administrative or otherwise, pending or, to the best of Watters' knowledge, threatened with respect to the transfer to the Seller of the Secured Promissory Note owned by Watters or the performance of this Agreement by Watters.

Section 4.9 No Additional Representations. Watters, in his capacity as President and Chief Executive Officer of the Seller and RCI Louisiana, has had access to and knowledge of the Seller's and RCI Louisiana's books and records and financial statements and condition and, except for the representations contained in Sections 3.1 through 3.7 herein, Watters is acquiring the Shares solely as a result of such access to and knowledge of the books and records and financial statements and condition or RCI Louisiana. Watters further acknowledges that the Seller has made no representations or warranties to Watters as to the financial condition or otherwise of RCI Louisiana other than as contained in Sections 3.1 through 3.7.

Section 4.10 Disclosure. No representation or warranty of Watters contained in this Agreement (including the exhibits hereto) contains any untrue statement or omits to state a material fact necessary in order to make the statements contained herein or therein, in light of the circumstances under which they were made, not misleading.

## **ARTICLE V CONDITIONS TO CLOSING OF SELLER**

Each obligation of Seller to be performed on the Closing Date shall be subject to the satisfaction of each of the conditions stated in this Article V, except to the extent that such satisfaction is waived by Seller in writing.

Section 5.1 Representations and Warranties Correct. The representations and warranties made by Watters in Article IV hereof shall be true and correct as of the Closing Date.

Section 5.2 Covenants. All covenants, agreements and conditions contained in this Agreement to be performed by Watters on or prior to the Closing Date shall have been performed or complied with in all respects.

Section 5.3 Consents. All of the consents described in Exhibit 3.5 shall have been obtained.

Section 5.4 Payment of Purchase Price. Watters shall have tendered the **Purchase Price for the Shares to the Seller.**

Section 5.5 Related Transactions. The Related Transactions as set forth in Section 2.3 shall be consummated concurrently with the Closing.

Section 5.6 Fairness Opinion. The Seller shall have received a satisfactory fairness opinion from Chaffe & Associates, Inc. on the transactions contemplated hereby.

Section 5.7 Corporate Resolutions. The Board of Directors of the Seller shall have approved and authorized the transactions contemplated herein and in the Related Transactions to which it is a party.

Section 5.8 Transfer of Seller's Obligations to Watters. Prior to the Closing, the Seller shall transfer to RCI Louisiana and RCI Louisiana shall assume all of the existing indebtedness of the Seller to Watters in the amount of \$163,154.68, which represents all outstanding principal and accrued interest on the prior loan from Watters to the Seller. Watters does hereby agree that such transfer shall constitute full and final satisfaction of all liability of Seller to Watters with respect to such indebtedness.

Section 5.9 Release of Liability. The Seller shall have received a release of its liability from the Whitney National Bank in New Orleans, Louisiana (the "Whitney Bank"), relating to all of the loans at Whitney Bank to which the Seller is the Maker or Guarantor.

Section 5.10 Consent to Transaction. A consent to the transaction contemplated by this Agreement shall have been obtained from 315 Bourbon, L.L.C., the landlord of the leased premises occupied by RCI Louisiana at 315 Bourbon Street, New Orleans, Louisiana, pursuant to the lease agreement between RCI Louisiana and 315 Bourbon, L.L.C.

Section 5.11 Resignation. Watters shall provide to the Seller his written resignation as an officer of the Seller.

Section 5.12 Absence of Proceedings. No action, suit or proceeding by or before any court or any governmental or regulatory authority shall have been commenced and no investigation by any governmental or regulatory authority shall have been commenced seeking to restrain, prevent or challenge the transactions contemplated hereby or seeking judgments against Seller or any of its subsidiaries or assets.

## **ARTICLE VI CONDITIONS TO CLOSING OF WATTERS**

Each obligation of Watters to be performed on the Closing Date shall be subject to the satisfaction of each of the conditions stated in this Article VI, except to the extent that such satisfaction is waived by Watters in writing.

Section 6.1 Representations and Warranties Correct. The representations and warranties made by the Seller in Article III hereof shall be true and correct as of the Closing Date.

Section 6.2 Covenants. All covenants, agreements and conditions contained in this Agreement to be performed by the Seller on or prior to the Closing Date shall have been performed or complied with in all respects.

Section 6.3 Delivery of Certificates. The Seller shall have delivered certificates evidencing the Shares of RCI Louisiana, duly endorsed to Watters or accompanied by duly executed stock powers in form and substance satisfactory to Watters.

Section 6.4 Consents. All of the consents described in Exhibit 3.5 shall have been obtained.

Section 6.5 Related Transactions. The Related Transactions as set forth in Section 2.3 shall be consummated concurrently with the Closing.

Section 6.6 Fairness Opinion. The Seller shall have received a satisfactory fairness opinion from Chaffe & Associates, Inc. on the transactions contemplated hereby.

Section 6.7 Release of Liability. The Seller shall have received a release of its liability from the Whitney Bank in New Orleans, Louisiana, relating to all of the loans at Whitney Bank to which the Seller is the Maker or Guarantor.

Section 6.8 Consent to Transaction. A consent to the transaction contemplated by this Agreement shall have been obtained from 315 Bourbon, L.L.C., the landlord of the leased premises occupied by RCI Louisiana at 315 Bourbon Street, New Orleans, Louisiana, pursuant to the lease agreement between RCI Louisiana and 315 Bourbon, L.L.C.

Section 6.9 Absence of Proceedings. No action, suit or proceeding by or before any court or any governmental or regulatory authority shall have been commenced and no investigation by any governmental or regulatory authority shall have been commenced seeking to restrain, prevent or challenge the transactions contemplated hereby or seeking judgments against Watters or any of his assets.

## **ARTICLE VII INDEMNIFICATION**

Section 7.1 Indemnification from the Seller. The Seller hereby agrees to and shall indemnify, defend (with legal counsel reasonably acceptable to Watters), and hold Watters, his affiliates, assigns, agents and legal counsel ( the "Watters Group") harmless at all times after the date of this Agreement, from and against any and all actions, suits, claims, demands, debts, liabilities, obligations, losses, damages, costs, expenses, penalties or injury (including reasonable attorneys' fees and costs of any suit related thereto) suffered or incurred by any of the Watters Group arising from (a) any misrepresentation by, or breach of any covenant or warranty of the Seller contained in this Agreement, or any exhibit, certificate, or other instrument furnished or to be furnished by the Seller hereunder, (b) any nonfulfillment of any agreement on the part of the Seller under this Agreement, or (c) from any material misrepresentation in or material omission from, any certificate or other instrument furnished or to be furnished to Watters hereunder.

Section 7.2 Indemnification from Watters. Watters agrees to and shall indemnify, defend (with legal counsel reasonably acceptable to the Seller) and hold the Seller, its officers, directors, employees, agents, legal counsel, successors and assigns (the "Sellers Group") harmless at all times after the date of the Agreement from and against any and all actions, suits, claims, demands, debts, liabilities, obligations, losses, damages, costs, expenses, penalties or injury (including reasonable attorneys' fees and costs of any suit related thereto) suffered or incurred by any of the Sellers Group, arising from (a) any misrepresentation by, or breach of any covenant or warranty of Watters contained in this Agreement or any exhibit, certificate, or other agreement or instrument furnished or to be furnished by Watters hereunder, including a breach of Section 4.6; (b) any nonfulfillment of any agreement on the part of Watters under this Agreement; (c) from any material misrepresentation in or material omission from, any exhibit, certificate or other agreement or instrument furnished or to be furnished to the Seller hereunder; or (d) any suit, action, proceeding, claim or investigation against the Seller which arises from or which is based upon or pertaining to Watters' conduct or the operation or liabilities of the business of RCI Louisiana, either prior to or subsequent to Closing.

Section 7.3 Defense of Claims. If any lawsuit or enforcement action is filed against any party entitled to the benefit of indemnity hereunder, written notice thereof shall be given to the indemnifying party as promptly as practicable (and in any event not less than fifteen (15) days prior to any hearing date or other date by which action must be taken); provided that the failure of any indemnified party to give timely notice shall not affect rights to indemnification hereunder except to the extent that the indemnifying party demonstrates actual damage caused by such failure. After such notice, the indemnifying party shall be entitled, if it so elects, to take control of the defense and investigation of such lawsuit or action and to employ and engage attorneys of its own choice to handle and defend the same, at the indemnifying party's cost, risk and expense; and such indemnified party shall cooperate in all reasonable respects, at its cost, risk and expense, with the indemnifying party and such attorneys in the investigation, trial and defense of such lawsuit or action and any appeal arising therefrom; provided, however, that the indemnified party may, at its own cost, participate in such investigation, trial and defense of such lawsuit or action and any appeal arising therefrom. The indemnifying party shall not, without the prior written consent of the indemnified party, effect any settlement of any proceeding in respect of which any indemnified party is a party and indemnity has been sought hereunder unless such settlement of a claim, investigation, suit, or other proceeding only involves a remedy for the payment of money by the indemnifying party and includes an unconditional release of such indemnified party from all liability on claims that are the subject matter of such proceeding.

Section 7.4 Default of Indemnification Obligation. If an entity or individual having an indemnification, defense and hold harmless obligation, as above provided, shall fail to assume such obligation, then the party or entities or both, as the case may be, to whom such indemnification, defense and hold harmless obligation is due shall have the right, but not the obligation, to assume

and maintain such defense (including reasonable counsel fees and costs of any suit related thereto) and to make any settlement or pay any judgment or verdict as the individual or entities deem necessary or appropriate in such individual's or entities' absolute sole discretion and to charge the cost of any such settlement, payment, expense and costs, including reasonable attorneys' fees, to the entity or individual that had the obligation to provide such indemnification, defense and hold harmless obligation and same shall constitute an additional obligation of the entity or of the individual or both, as the case may be.

## **ARTICLE VIII MISCELLANEOUS**

Section 8.1 Amendment; Waiver. Neither this Agreement nor any provision hereof may be amended, modified or supplemented unless in writing, executed by all the parties hereto. Except as otherwise expressly provided herein, no waiver with respect to this Agreement shall be enforceable unless in writing and signed by the party against whom enforcement is sought. Except as otherwise expressly provided herein, no failure to exercise, delay in exercising, or single or partial exercise of any right, power or remedy by any party, and no course of dealing between or among any of the parties, shall constitute a waiver of, or shall preclude any other or further exercise of, any right, power or remedy.

Section 8.2 Notices. Any notices or other communications required or permitted hereunder shall be sufficiently given if in writing and delivered in Person, transmitted by facsimile transmission (fax) or sent by registered or certified mail (return receipt requested) or recognized overnight delivery service, postage pre-paid, addressed as follows, or to such other address as such party may notify to the other parties in writing:

(a) if to the Seller:

Rick's Cabaret International, Inc. 16770 Hedgecroft Drive, #714 Houston, Texas 77060  
Attn: Eric Langan  
Telephone No.: 281-820-1181 Facsimile No.: 281-820-1445

with a copy to:

Robert D. Axelrod  
Axelrod, Smith & Kirshbaum  
5300 Memorial Drive, Suite 700 Houston, Texas 77007  
Telephone No.: 713-861-1996  
Facsimile No.: 713-552-0202



(b) if to Watters:

Robert L. Watters  
1810 Elmen  
Houston, Texas 77019  
Telephone No.: 713-529-4110  
Facsimile No.: 713-942-9656

with a copy to:

Chaffe, McCall, Phillips, Toler & Sarpy, L.L.P. 2300 Energy Centre  
1100 Poydras Street  
New Orleans, Louisiana 70163 Attn: E. Howell Crosby, Esq.

Telephone No.: 504-585-7212

Facsimile No.: 504-585-7587

A notice or communication will be effective (i) if delivered in Person or by overnight courier, on the business day it is delivered, (ii) if transmitted by telecopier, on the business day of actual confirmed receipt by the addressee thereof, and (iii) if sent by registered or certified mail, three (3) business days after dispatch.

Section 8.3 Severability. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be prohibited by or invalid under applicable law, such provision will be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of this Agreement.

Section 8.4 Successors and Assigns. Except as otherwise provided herein, the provisions hereof shall inure to the benefit of, and be binding upon, the successors and permitted assigns of the parties hereto. No party hereto may assign its rights or delegate its obligations under this Agreement without the prior written consent of the other parties hereto.

Section 8.5 Survival of Representations, Warranties and Covenants. All representations and warranties made in, pursuant to or in connection with this Agreement shall survive the execution and delivery of this Agreement for a period of two (2) years.

Section 8.6 Publicity. All voluntary public announcements concerning the transactions contemplated by this Agreement shall be mutually acceptable to both Seller and Watters. With respect to any announcement that any of the parties is required by law or stock exchange regulation to issue, such party shall, to the extent possible under the circumstances, review the necessity for and the contents of the announcement with the other parties before issuing the announcement.

Section 8.7 Entire Agreement. This Agreement and the other documents delivered pursuant hereto constitute the full and entire understanding and agreement between the parties with regard to the subject matter hereof and thereof and supersede and cancel all prior representations, alleged warranties, statements, negotiations, undertakings, letters, acceptances, understandings, contracts and communications, whether verbal or written among the parties hereto and thereto or their respective agents with respect to or in connection with the subject matter hereof.

Section 8.8 Choice of Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Texas, without regard to principles of conflict of laws. In any action between or among any of the parties, whether arising out of this Agreement or otherwise, each of the parties irrevocably consents to the exclusive jurisdiction and venue of the federal and state courts located in Harris County, Texas.

Section 8.9 Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, with the same effect as if all parties had signed the same document. All such counterparts shall be deemed an original, shall be construed together and shall constitute one and the same instrument.

Section 8.10 Costs and Expenses. The Seller shall pay all of the fees and expenses incurred by it and Watters shall pay all of the fees and expenses incurred by him in negotiating and preparing this Agreement (and all other agreements executed in connection herewith or therewith) and in consummating the transactions contemplated by this Agreement.

Section 8.11 Section Headings. The section and subsection headings in this Agreement are used solely for convenience of reference, do not constitute a part of this Agreement, and shall not affect its interpretation.

Section 8.12 No Third-Party Beneficiaries. Nothing in this Agreement will confer any third party beneficiary or other rights upon any person (specifically including any employees of the Seller and its Subsidiaries) or entity that is not a party to this Agreement.

[Remainder of Page Intentionally Left Blank]

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

By: /s/ Eric Langan  
Eric Langan  
Its: Vice-president

/s/ Robert L. Watters  
Robert L. Watters

*Stock Purchase Agreement - Page 13*

**Exhibit 10.3**  
**EXCLUSIVE LICENSING AGREEMENT**

This Licensing Agreement ("Agreement") is made and entered into as of this 29th day of March, 1999, by and between RICK'S CABARET INTERNATIONAL, INC., a Texas corporation, having its principal place of business at 16770 Hedgcroft Drive, #714, Houston, Texas 77057 ("Licensor"), and ROBERT L. WATTERS, a person of the full age of majority and a resident of Houston, Texas ("Licensee").

**W I T N E S S E T H**

WHEREAS, Licensor asserts that it is the sole and exclusive owner of the name "Rick's Cabaret" and all logos, trademarks and service marks attendant thereto, all as more fully described on Exhibit A hereto (the "Licensed Material");

WHEREAS, Licensor was issued certificates of registration by the United States Patent and Trademark Office for all or a portion of the Licensed Material, as set forth on Exhibits B, C, D and E; and

WHEREAS, Licensor and Licensee are parties to that certain Stock Purchase Agreement dated of even date herewith; and

WHEREAS, in connection with the Stock Purchase Agreement, Licensor agreed to grant Licensee an exclusive license for use and exploitation of the Licensed Material in the States of Louisiana, Mississippi, Florida and Alabama;

NOW THEREFORE, in consideration of Ten Dollars (\$10.00) and other good and valuable consideration as stated herein and as stated in the Stock Purchase Agreement, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, do hereby agree as follows:

**ARTICLE I**  
**TERM OF AGREEMENT**

The term of this Agreement and the rights granted and obligations assumed hereto, shall commence on the date and execution hereof, and shall endure and remain in full force in perpetuity.

**ARTICLE II  
LICENSE GRANT AND RIGHTS**

**2.1 LICENSE.**

(a) Licensor hereby grants to Licensee and Licensee hereby accepts from Licensor, subject to the terms and conditions hereinafter set forth, the sole and exclusive right throughout the Territory, as hereinafter defined, to use and exploit the Licensed Material; provided, however, that nothing contained herein shall be interpreted to grant Licensee any electronic commerce rights, except as such rights relate to literary works created by Licensee for distribution throughout the world. As used herein "Territory" shall mean the States of Louisiana, Florida, Alabama, and Mississippi.

(b) The foregoing notwithstanding, the license granted hereunder shall also include the right by Licensee, for advertising purposes only, to publish the Licensed Material, as it relates to the Territory, in books, magazines, newspapers or other media, including any and all forms of electronic media, whether currently existing or not yet developed, which publication may have a worldwide distribution; and to use and exploit the Licensed Material, and any derivatives therefrom in any literary works or publications created by Licensee for distribution throughout the world; provided, however, that nothing contained herein shall be interpreted to grant Licensee any e-commerce rights except as it relates to literary works created by Licensee for distribution throughout the world.

**2.2 TRANSFERABILITY.** Licensee shall have the right to transfer the license granted hereby to any entity of which Licensee owns greater than fifty percent (50%).

**2.3 BANKRUPTCY; ABANDONMENT.** As sole and exclusive owner of the Licensed Material, Licensor agrees that in the event of bankruptcy, or appointment of a receiver or trustee for conserving or distributing its assets for the benefit of creditors, with respect to the Territory, the Licensed Material shall, without notice, become the sole and exclusive property of Licensee, as of ninety-one (91) days prior to such event, and any and all rights of every kind and nature of Licensor in and to the Licensed Material shall terminate.

**ARTICLE III  
ENFORCEMENT OF RIGHTS**

**3.1 JOINT ENFORCEMENT.** Upon discovery of any infringement of the Licensed Material at the option of either Licensor or Licensee, appropriate legal action in connection therewith shall be undertaken either jointly or separately by Licensor and Licensee. In the event that such action is taken jointly, each party shall contribute equally to the expenses of any such action. If any damages for infringement are awarded by a final decree or judgment to Licensor and Licensee, then after deducting all expenses arising from the litigation and reimbursing each contributing party for its contributions, the remainder shall be divided equally among the contributing parties.

3.2 INDEPENDENT ENFORCEMENT. If one party shall not wish to join or continue in any such action, but the other party shall wish to institute or continue such action, said one party shall render all reasonable assistance to the other party in connection therewith at said other party's expense and said other party shall be entitled to retain all recoveries with respect to such action.

#### **ARTICLE IV REPRESENTATIONS AND WARRANTIES OF LICENSOR**

Licensor hereby represents and warrants as follows:

4.1 OWNERSHIP Licensor is the sole and exclusive owner of the Licensed **Material**.

4.2 AUTHORITY. Licensor is authorized to grant the rights conferred hereby.

4.3 NO VIOLATION. The execution and delivery of this Agreement, the granting of the rights contained herein and the use of the Licensed Material in accordance with the terms of this Agreement, will not violate any laws or regulations or violate or invalidate any agreement or documents to which Licensor is a party and by which Licensor is bound or to which the Licensed Material is subject.

4.4 NO OTHER GRANTS. To knowledge of Licensor, no person or entity is entitled to any claim for compensation from Licensee for the use of the Licensed Material in accordance with the terms and conditions of this Agreement, and no person or entity has been granted any right in or to the Licensed Material or any part hereof, in the Territory.

#### **ARTICLE V NOTICES**

Any notice, request or other document to be given herein shall be in writing and shall be delivered (i) on the date of delivery when delivered personally; (ii) one day after dispatch when sent by reputable overnight delivery service maintaining records or receipts; or (iii) three (3) days after dispatch when sent by certified or registered mail, return receipt requested, postage pre-paid:

##### **If to Licensor:**

Rick's Cabaret International, Inc. 16770 Hedgecroft Drive, #714  
Houston, Texas 77060  
Attention: President  
Telecopy: (281) 820-1445

With a copy to:

Axelrod, Smith & Kirshbaum  
5300 Memorial Drive, suite 700  
Houston, Texas 77007  
Attention: Robert Axelrod, Esq.  
Telecopy: (713) 552-0202

**If to Licensee:**

Mr. Robert L. Watters  
1810 Elmen  
Houston, Texas 77019  
Telecopy: (713) 942-9656

With a copy to:

Chaffe, McCall, Phillips, Toler & Sarpy, L.L.P. 1100 Poydras Street, Suite 2300 New Orleans, LA 70163  
Attention: E. Howell Crosby, Esq. Telecopy: (504) 585-7587

**ARTICLE VI  
GENERAL PROVISIONS**

6.1 BINDING EFFECT ON LICENSOR. This Agreement shall be binding upon and inure to the benefit of Licensor, its affiliates, legal representatives, successors, heirs and assigns.

6.2 BINDING EFFECT; ASSIGNABILITY BY LICENSEE. This Agreement shall be binding upon and inure to the benefit of Licensee, its legal representatives, successors, heirs, but shall not be transferable or assignable except as specifically set forth in Section 2.2 hereof, without the prior written consent of Licensor.

6.3 MODIFICATION AND AMENDMENT. No amendment or modification of this Agreement shall be valid or binding upon the parties unless made in writing or signed by or on behalf of each of the parties hereto.

6.4 ENTIRE AGREEMENT. This Agreement supercedes all prior discussions and agreements between the parties with respect to the subject matter hereof and this Agreement, including exhibits and any other documents delivered in connection herewith, contains the sole and entire agreement between the parties hereto with respect to the subject matter hereof.

6.5 COUNTERPARTS. This Agreement may be executed simultaneously in counterparts, each of which will be deemed an original, but all of which, taken together, will constitute one and the same instrument.

6.6 NO THIRD PARTY BENEFICIARY. The terms and provisions of this Agreement are intended solely for the benefit of the Licensor, Licensee and their respective successors or assigns, and it is not the intention of the parties to confer third-party beneficiary rights upon any person or entity.

6.7 GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of Texas, regardless of the laws that might otherwise govern or be applicable under principles or conflicts of laws.

6.8 HEADINGS. The descriptive headings contained in this Agreement are included for convenience of reference only and shall not affect in any way the meaning or interpretation of this Agreement.

6.9 GENDER. Whenever the context so requires, the singular shall include the plural and the plural shall include the singular, and the gender of any pronoun shall include other genders. Unless the context otherwise requires, the terms "hereof," "herein," "hereby" and derivative or similar words will refer to this entire Agreement.

6.10 SEVERABILITY. Wherever possible, each provision of this Agreement, shall be interpreted in such a manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited or invalidated under applicable law, such provision shall be ineffective to the extent of such provision only and the remaining provisions of this Agreement shall remain fully effective.

IN WITNESS WHEREOF, the Licensor and the Licensee each have caused this Agreement to be duly executed as of the date first above written.

ATTEST:

VivianTipps

Joel Seidner

WITNESSES:

VivianTipps

Joel Seidner

LICENSOR:

RICK'S CABARET INTERNATIONAL, INC.

By: /s/ Eric Langan

Name: Eric Langan

Title: Vice-president

LICENSEE:

/s/ ROBERT L. WATTERS

ROBERT L. WATTERS



**Exhibit 10.4**  
**TERMINATION AND NON-COMPETITION AGREEMENT**  
**(WATTERS)**

This Termination and Non-Competition Agreement (this "Agreement") dated March 29, 1999, by and between RICK'S CABARET INTERNATIONAL, INC., a Texas corporation having its principal office and place of business in Harris County, Texas (the "Company"), and ROBERT L. WATTERS, an individual residing in Harris County, Texas ("Watters").

**WITNESSETH:**

WHEREAS, on or about April 15, 1997, Watters executed an employment agreement with the Company upon terms and conditions as set forth on Exhibit "A" attached hereto and made a part hereof for all purposes (the "Employment Agreement"); and

WHEREAS, it is the intention of Watters to resign as an employee of the Company on or about March 15, 1999; and

WHEREAS, it is the desire of Watters to terminate his existing Employment Agreement with the Company and to terminate all of the 20,000 outstanding options of the Company which Watters presently holds (the "Options"); and

WHEREAS, the Company is willing to terminate the Employment Agreement of Watters and to terminate all of the outstanding Options of the Company which Watters presently holds; and

WHEREAS, effective upon the date of termination of Watters as an employee of the Company, the aforementioned Employment Agreement and the Options will be terminated; and

WHEREAS, contemporaneously herewith, Watters is acquiring the stock of RCI Entertainment (Louisiana), Inc., a wholly owned subsidiary of the Company, in order to operate an adult entertainment facility currently located in New Orleans, Louisiana; and

WHEREAS, in consideration of the termination of the Employment Agreement and of the sale of stock of RCI Entertainment (Louisiana), Inc. from the Company to Watters, Watters has agreed to execute a non-competition agreement as evidenced by the terms and conditions hereof.

NOW, THEREFORE, for a valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Company and Watters agree as follows:

**1. TERMINATION OF EMPLOYMENT AGREEMENT.**

a. Watters hereby tenders his resignation as President of the Company and any of its affiliates and subsidiaries, except RCI Entertainment (Minnesota), Inc., which resignations shall be effective on March 15, 1999.

b. This Agreement constitutes termination of the Employment Agreement with no further obligation of Watters to the Company or the Company to Watters pursuant to the Employment Agreement.

c. The salary of Watters will cease on February 28, 1999.

## 2. NON-COMPETITION AGREEMENT.

1. Definitions. "Trade secrets and other proprietary and confidential information" mean and consist of, for example, and not intending to be inclusive, (i) methods of doing business; (ii) financial information, consisting of financial cost, and sales data and other information of the Company; (iii) personnel information of the Company; (iv) lists of customers and accounts, contracts, sales information, pricing list, vendor and supplier list of the Company; and (v) other information of a confidential nature of the Company which must remain confidential for the continuing success of the Company. Confidential information shall not include information available to the public through no fault of Watters or information required to be disclosed by court order.

2. Non-Disclosure and Confidentiality Covenants of Watters. Watters acknowledges that the Company's trade secrets and other proprietary and confidential information, as they may exist from time to time, are valuable, special and unique assets of the Company's business. Additionally, Watters acknowledges that the business goodwill and business contacts of the Company are the sole property of the Company and are among the Company's most valuable business property. Therefore, in consideration of the mutual promises herein contained, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and to protect the foregoing valuable property of the Company, Watters expressly covenants and agrees as follows:

Except as required in the course of Watters involvement with the current operations in New Orleans, Louisiana, which he is acquiring from the Company contemporaneously herewith, Watters will not, during the Term hereof (as defined below):

(i) Disclose, directly or indirectly, the Company's trade secrets and other proprietary and confidential information, or any part thereof, to any person, firm, corporation, association or other entity for any reason or purpose whatsoever; or

(ii) Directly or indirectly use the Company's trade secrets and other proprietary and confidential information, or any part thereof, for his own purpose or for his own benefit in any activity of any nature whatsoever.

c. Covenants of Watters

(i) Covenant Not to Compete. For a period of sixty (60) months after the date hereon (the "Term"), Watters specifically agrees that he will not, for himself, on behalf of, or in conjunction with any person, firm, corporation or entity, either as principal, employee, share-holder, member, director, partner, consultant, owner or part-owner of any corporation, partnership or any type of business entity (except that Watters may own up to 2% of the capital stock of any publicly held company), anywhere within the United States of America, except in Louisiana, Florida, Mississippi and Alabama (i) directly or indirectly, own, manage, operate, control, be employed by, participate in, or be connected in any manner with the ownership, management, operation, or control of any establishment which has live female nude or semi-nude entertainment or is in any business similar to or competitive with the business presently conducted by the Company; (ii) disclose, directly or indirectly, the Company's trade secrets and other proprietary and confidential information, or any part thereof, to any person, firm, corporation, association or other entity for any reason or purpose whatsoever; or (iii) directly or indirectly use the Company's trade secrets and other proprietary and confidential information, or any part thereof, for his own purpose or for his own benefit in any activity of any nature whatsoever.

(ii) Covenant of Non-Solicitation and Employment of Employees and Independent Contractors. During the Term hereof, Watters agrees not to hire, solicit or attempt to solicit for employment by Watters or any company to which he may be involved, either directly or indirectly, any party who is an employee or independent contractor of the Company or any entity which is affiliated with the Company, or a former employee or independent contractor of the Company or any entity which is affiliated with the Company, except for employees and independent contractors that presently work at RCI Entertainment (Louisiana), Inc., provided however, that Watters may hire any independent contractor or former independent contractor, if Watters does not solicit or attempt to solicit such independent contractor. If Watters is approached by any independent contractor or former independent contractor, such hiring would not be in violation of this Agreement.

d. Acknowledgments and Agreements. Watters acknowledges and agrees that:

(i) Due to the nature of the Company's business, the foregoing covenants place no greater restraint upon Watters than is reasonably necessary to protect the business and goodwill of the Company;

- (ii) These covenants protect the legitimate interests of the Company and do not serve solely to limit the Company's future competition;
- (iii) This Agreement is not an invalid or unreasonable restraint of trade;
- (iv) A breach of these covenants by Watters would cause irreparable damage to the Company;
- (v) These covenants are reasonable in scope and are reasonably necessary to protect the Company's business and goodwill and valuable and extensive trade which the Company has established through its own expense and effort;
- (vi) The signing of this Agreement is necessary as part of the consummation of the transactions previously discussed; and
- (vii) He has carefully read and considered all provisions of this Agreement and that all of the restrictions set forth are fair and reasonable and are reasonably required for the protection of the interests of the Company.

e. Remedies, Injunction. In the event of Watters' actual breach of any provisions of this Agreement, Watters agrees that the Company shall be entitled without the necessity of a bond or other security to a temporary restraining order, preliminary injunction and/or permanent injunction restraining and enjoining Watters from violating the provisions herein. Nothing in this Agreement shall be construed to prohibit the Company from pursuing any other available remedies for such breach or threatened breach, including the recovery of damages from Watters. Watters further agrees that for the purpose of any such injunction proceeding, it shall be presumed that the Company's legal remedies would be inadequate and that the Company would suffer irreparable harm as a result of Watters' violation of the provisions of this Agreement. In any proceeding brought by the Company to enforce the provisions of this Agreement, no other matter relating to the terms of any claim or cause of action of Watters against the Company will be defense thereto.

**TERMINATION AND NON-COMPETITION AGREEMENT (WATTERS) PAGE 4**

f. Severability. In the event that any of the provisions of this Agreement are held to be invalid or unenforceable in whole or in part, those provisions to the extent enforceable and all other provisions shall nevertheless continue to be valid and enforceable as though the invalid or unenforceable parts had not been included in this Agreement. In the event that any provision relating to the time period or scope of a restriction shall be declared by a court of competent jurisdiction to exceed the maximum time period or scope such court deems reasonable and enforceable, then the time period or scope of the restriction deemed reasonable and enforceable by the court shall become and shall thereafter be the maximum time period or the applicable scope of the restriction. Watters further agrees that such covenants and/or any portion thereof are severable, separate and independent, and should any specific restriction or the application thereof, to any person, firm, corporation, or situation be held to be invalid, that holding shall not affect the remainder of such provisions or covenants.

### 3. CANCELLATION OF OPTIONS.

Upon the execution of this Agreement, the Company shall cause to be cancelled on the books and records of the Company all of the outstanding Options presently issued to Watters.

### 4. GENERAL PROVISIONS.

a. Notices. Any notices or other communications required or permitted hereunder shall be sufficiently given if in writing and delivered in Person, transmitted by facsimile transmission (fax) or sent by registered or certified mail (return receipt requested) or recognized overnight delivery service, postage pre-paid, addressed as follows, or to such other address as such party may notify to the other parties in writing:

(i) if to the Seller:

Rick's Cabaret International, Inc. 16770 Hedgecroft Drive, #714  
Houston, Texas 77060  
Attn: Eric Langan  
Telephone No.: 281-820-1181  
Facsimile No.: 281-820-1445

with a copy to:

Robert D. Axelrod  
Axelrod, Smith & Kirshbaum  
5300 Memorial Drive, Suite 700  
Houston, Texas 77007  
Telephone No.: 713-861-1996  
Facsimile No.: 713-552-0202

(ii) if to Watters:

Robert L. Watters  
1810 Elmen  
Houston, Texas 77019  
Telephone No.: 713-529-4110  
Facsimile No.: 713-942-9656

with a copy to:

Chaffe, McCall, Phillips, Toler & Sarpy, L.L.P. 2300 Energy Centre  
1100 Poydras Street  
New Orleans, Louisiana 70163  
Attn: E. Howell Crosby, Esq.  
Telephone No.: 504-585-7212  
Facsimile No.: 504-585-7587

b. Law Governing and Venue. This Agreement shall be governed by and construed in accordance with the laws of the State of Texas. This Agreement is executed in Houston, Texas. Venue shall be in Harris County, Texas for any legal proceeding to enforce the terms, conditions or covenants contained herein.

c. Contract Terms to be Exclusive. This Agreement contains the sole and entire agreement between the parties and shall supersede any and all other agreements between the parties with respect to the termination of the Employment Agreement and Watters' agreement not to compete with the Company. The parties acknowledge and agree that neither of them has made any representation with respect to the subject matter of this Agreement or any other agreement executed between them or any representations inducing the execution and delivery hereof or any other agreement executed between them except such representations as are specifically set forth herein and each of the parties hereto acknowledges that he or it has relied on his or its own judgment in entering into the same. The parties hereto further acknowledge that any statements or representations that may have heretofore been made by either of them to the other are void and of no effect and that neither of them has relied thereon in connection with his or its dealings with the other.

d. Waiver or Modification Ineffective Unless in Writing. It is further agreed that no waiver or modification of this Agreement or of any covenant, condition, or limitation herein contained shall be valid unless in writing and duly executed by the party to be charged therewith and that no evidence of any waiver or modification shall be offered or received in evidence in any proceeding or litigation between the parties hereto arising out of or affecting this Agreement, or the rights or obligations of any party hereunder, unless such waiver or modification is in writing, duly executed as aforesaid, and the parties further agree that the provisions of this paragraph may not be waived as herein set forth.

**TERMINATION AND NON-COMPETITION AGREEMENT (WATTERS) PAGE 6**

e. Invalidation of Contract. Should any provision(s) of this Agreement be declared invalid or unenforceable by a court of competent jurisdiction, it shall be severed or modified and the remainder of this Agreement shall be enforced in total. Additionally, if Watters claims that any provision or covenant contained herein is invalid or unenforceable, he nevertheless agrees to comply with such provision or covenant as written until a court of competent jurisdiction determines the enforceability or validity of such provision or covenant, or limits the scope thereof, and further agrees to be liable for any and all damages to the Company pending such determination by the court.

f. Assignment. The rights and benefits of the Company under this Agreement shall inure to the benefit of and be binding upon the successors and assigns of the Company. The rights of Watters hereunder are personal and nontransfer-able except that the rights and benefits hereof shall inure to the benefit of the heirs, executors, legal representatives, administrators, successors and assigns of Watters.

g. Binding Effect. Except as otherwise provided herein, this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

IN WITNESS WHEREOF, this Agreement has been executed as of the date first above mentioned.

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

BY: /S ERIC LANGAN  
NAME: ERIC LANGAN  
TITLE: VICE-PRESIDENT

/S/ ROBERT L. WATTERS  
ROBERT L. WATTERS

**Exhibit 10.5**  
**TERMINATION AND NON-COMPETITION AGREEMENT**  
(WHITE)

This Termination and Non-Competition Agreement (this "Agreement") dated March 29, 1999, by and between RICK'S CABARET INTERNATIONAL, INC., a Texas corporation having its principal office and place of business in Harris County, Texas (the "Company"), RCI ENTERTAINMENT LOUISIANA, INC., a Louisiana corporation having its principal office in New Orleans, Louisiana, and ERICH NORTON WHITE, an individual residing in Louisiana ("White").

**WITNESSETH:**

WHEREAS, on or about April 15, 1997, White executed an Employment Agreement (the "Employment Agreement") with the Company's subsidiary, RCI Entertainment Louisiana, Inc. ("RCI Louisiana") pursuant to which White is named, inter alia, as Vice-President of Operations of the Company; and

WHEREAS, on or about May 14, 1998, there was an amendment to the Employment Agreement which was executed by White and RCI Louisiana and the Company; and

WHEREAS, it is the intention of White to resign as an employee of the Company on or about March 15, 1999; and

WHEREAS, it is the desire of White to terminate his existing Employment Agreement with RCI Louisiana and to terminate all of the 65,000 outstanding options of the Company which White presently holds (the "Options"); and

WHEREAS, the Company and RCI Louisiana are willing to terminate the Employment Agreement of White and to terminate all of the outstanding Options of the Company which White presently holds; and

WHEREAS, effective upon the date of termination of White as an employee of the Company, the aforementioned Employment Agreement and the Options will be terminated and neither the Company, RCI Louisiana nor White shall have any further obligations to the other with respect thereto; and

WHEREAS, contemporaneously herewith, Robert L. Watters is acquiring the stock of RCI Louisiana, in order to operate an adult entertainment facility currently located in New Orleans, Louisiana; and



WHEREAS, it is the desire of White to continue his employment with RCI Louisiana subsequent to the sale of RCI Louisiana to Watters by entering into a new employment agreement with RCI Louisiana; and

WHEREAS, in consideration of the termination of the Employment Agreement and the Company's rights thereunder, White has agreed to execute a Non-Competition Agreement as evidenced by the terms and conditions hereof.

NOW, THEREFORE, for a valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Company and White agree as follows:

1. TERMINATION OF EMPLOYMENT AGREEMENT.

a. White hereby tenders his resignation as Vice-President of Operations of the Company.

b. This Agreement constitutes termination of the Employment Agreement with no further obligation of White to the Company or the Company to White pursuant to the Employment Agreement, and White shall have no further obligation to continue to act or provide services to the Company under the terms of the Employment Agreement and the Company shall have no further obligation to pay White any compensation under the terms of the Employment Agreement.

c. The salary of White will cease on February 28, 1999.

2. NON-COMPETITION AGREEMENT.

a. Definitions. "Trade secrets and other proprietary and confidential information" mean and consist of, for example, and not intending to be inclusive, (i) methods of doing business; (ii) financial information, consisting of financial cost, and sales data and other information of the Company; (iii) personnel information of the Company; (iv) lists of customers and accounts, contracts, sales information, pricing list, vendor and supplier list of the Company; and (v) other information of a confidential nature of the Company which must remain confidential for the continuing success of the Company. Confidential information shall not include information available to the public through no fault of White or information required to be disclosed by court order.

b. Non-Disclosure and Confidentiality Covenants of White. White acknowledges that the Company's trade secrets and other proprietary and confidential information, are valuable, special and unique assets of the Company's business. Additionally, White acknowledges that the business goodwill of the Company is the sole property of the Company and are among the Company's most valuable business property. Therefore, in consideration of the mutual promises herein contained, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and to protect the foregoing valuable property of the Company, White expressly covenants and agrees as follows:

Except as required in the course of White involvement with the current operations in New Orleans, Louisiana, which he is acquiring from the Company contemporaneously herewith, and except in the course of his current or future exploitation of business opportunities throughout the States of Louisiana, Florida, Mississippi and Alabama, White will not, during the Term hereof (as defined below):

- (i) Disclose, directly or indirectly, the Company's trade secrets and other proprietary and confidential information, or any part thereof, to any person, firm, corporation, association or other entity for any reason or purpose whatsoever; or
- (ii) Directly or indirectly use the Company's trade secrets and other proprietary and confidential information, or any part thereof, for his own purpose or for his own benefit in any activity of any nature whatsoever.

c. Covenants of White

(i) Covenant Not to Compete. For a period of thirty-six (36) months after the date hereon (the "Term"), White specifically agrees that he will not, for himself, on behalf of, or in conjunction with any person, firm, corporation or entity, either as principal, employee, shareholder, member, director, partner, consultant, owner or part-owner of any corporation, partnership or any type of business entity (except that White may own up to 2% of the capital stock of any publicly held company), anywhere within the United States of America, except in Louisiana, Florida, Mississippi and Alabama directly or indirectly, own, manage, operate, control, be employed by, participate in, or be connected in any manner with the ownership, management, operation, or control of any establishment which has live female nude or semi-nude entertainment or is in any business similar to or competitive with the female entertainment business presently conducted by the Company.

(ii) Covenant of Non-Solicitation and Employment of Employees and Independent Contractors. During the Term hereof, White agrees not to hire, solicit or attempt to solicit for employment by White or any company to which he may be involved, either directly or indirectly, any party who is an employee or independent contractor of the Company or any entity which is affiliated with the Company, or any person who was an employee or independent contractor of the Company or any entity which is affiliated with the Company within the one year period immediately preceding the date hereof, except for employees and independent contractors that presently work at RCI Entertainment Louisiana, Inc., provided however, that White may hire any independent contractor or former independent contractor, if White does not solicit or attempt to solicit such independent contractor. If White is approached by any independent contractor or former independent contractor, such hiring would not be in violation of this Agreement.

d. Acknowledgments and Agreements. White acknowledges that he has carefully read and considered all provisions of this Agreement and agrees that:

(i) Due to the nature of the Company's business, the foregoing covenants place no greater restraint upon White than is reasonably necessary to protect the business and goodwill of the Company;

(ii) These covenants protect the legitimate interests of the Company and do not serve solely to limit the Company's future competition;

(iii) This Agreement is not an invalid or unreasonable restraint of trade;

(iv) A breach of these covenants by White would cause irreparable damage to the Company;

(v) These covenants are reasonable in scope and are reasonably necessary to protect the Company's business and goodwill which the Company has established through its own expense and effort; and

(vi) The signing of this Agreement is necessary as part of the consummation of the transactions described in the preamble.

e. Remedies, Injunction. In the event of White's actual breach of any provisions of this Agreement, White agrees that the Company shall be entitled without the necessity of a bond or other security to a temporary restraining order, preliminary injunction and/or permanent injunction restraining and enjoining White from violating the provisions herein. Nothing in this Agreement shall be construed to prohibit the Company from pursuing any other available remedies for such breach or threatened breach, including the recovery of damages from White. White further agrees that for the purpose of any such injunction proceeding, it shall be presumed that the Company's legal remedies would be inadequate and that the Company would suffer irreparable harm as a result of White's violation of the provisions of this Agreement. In any proceeding brought by the Company to enforce the provisions of this Agreement, no other matter relating to the terms of any claim or cause of action of White against the Company will be defense thereto.

### 3. CANCELLATION OF OPTIONS.

Upon the execution of this Agreement, the Company shall cause to be cancelled on the books and records of the Company all of the outstanding Options presently issued to White.

### 4. GENERAL PROVISIONS.

a. Notices. Any notices or other communications required or permitted hereunder shall be sufficiently given if in writing and delivered in Person, transmitted by facsimile transmission (fax) or sent by registered or certified mail (return receipt requested) or recognized overnight delivery service, postage pre-paid, addressed as follows, or to such other address as such party may notify to the other parties in writing:

(i) if to the Seller:

Rick's Cabaret International, Inc. 16770 Hedgecroft Drive, #714  
Houston, Texas 77060  
Attn: Eric Langan  
Telephone No.: 281-820-1181  
Facsimile No.: 281-820-1445

with a copy to:

Robert D. Axelrod  
Axelrod, Smith & Kirshbaum  
5300 Memorial Drive, Suite 700  
Houston, Texas 77007  
Telephone No.: 713-861-1996  
Facsimile No.: 713-552-0202

(ii) if to White:

Erich Norton White  
930 Joans Street  
Mandeville, Louisiana 70448  
Telephone No.: 504-626-7956  
Facsimile No.: 504-524-3240

b. Law Governing and Venue. This Agreement shall be governed by and construed in accordance with the laws of the State of Texas. This Agreement is executed in Houston, Texas. Venue shall be in Harris County, Texas for any legal proceeding to enforce the terms, conditions or covenants contained herein.

c. Contract Terms to be Exclusive. This Agreement contains the sole and entire agreement between the parties with respect to the subject matter hereof and shall supersede any and all other agreements between the parties with respect thereto. The parties acknowledge and agree that neither of them has made any representation with respect to the subject matter of this Agreement or any other agreement executed between them or any representations inducing the execution and delivery hereof or any other agreement executed between them except such representations as are specifically set forth herein and each of the parties hereto acknowledges that he or it has relied on his or its own judgment in entering into the same. The parties hereto further acknowledge that any statements or representations that may have heretofore been made by either of them to the other are void and of no effect and that neither of them has relied thereon in connection with his or its dealings with the other.

d. Waiver or Modification Ineffective Unless in Writing. It is further agreed that no waiver or modification of this Agreement or of any covenant, condition, or limitation herein contained shall be valid unless in writing and duly executed by the party to be charged therewith and that no evidence of any waiver or modification shall be offered or received in evidence in any proceeding or litigation between the parties hereto arising out of or affecting this Agreement, or the rights or obligations of any party hereunder, unless such waiver or modification is in writing, duly executed as aforesaid, and the parties further agree that the provisions of this paragraph may not be waived as herein set forth.

**Termination and Non-Competition Agreement (White) - Page 6**

e. Severability. In the event that any of the provisions of this Agreement are held to be invalid or unenforceable in whole or in part, those provisions to the extent enforceable and all other provisions shall nevertheless continue to be valid and enforceable as though the invalid or unenforceable parts had not been included in this Agreement. In the event that any provision relating to the time period or scope of a restriction shall be declared by a court of competent jurisdiction to exceed the maximum time period or scope such court deems reasonable and enforceable, then the time period or scope of the restriction deemed reasonable and enforceable by the court shall become and shall thereafter be the maximum time period or the applicable scope of the restriction. White further agrees that such covenants and/or any portion thereof are severable, separate and independent, and should any specific restriction or the application thereof, to any person, firm, corporation, or situation be held to be invalid, that holding shall not affect the remainder of such provisions or covenants.

f. Binding Effect; Assignment. The rights and benefits of the Company under this Agreement shall inure to the benefit of and be binding upon the successors and assigns of the Company. The rights of White hereunder are personal and nontransferable except that the rights and benefits hereof shall inure to the benefit of the heirs, executors, legal representatives, administrators, successors and assigns of White.

[Signatures on following page]

IN WITNESS WHEREOF, this Agreement has been executed as of the date first above mentioned.

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

*BY: /s/ Eric Langan  
NAME: Eric Langan  
TITLE: VICE-PRESIDENT*

**RCI ENTERTAINMENT LOUISIANA, INC.**

*BY: /S/ ROBERT L. WATTERS  
NAME: ROBERT L. WATTERS  
TITLE: President*

*/s/ ERICH NORTON WHITE  
ERICH NORTON WHITE*

*Termination and Non-Competition Agreement (White) - Page 8*

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**End of Filing**

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