

RICKS CABARET INTERNATIONAL INC

FORM SC 13D (Statement of Beneficial Ownership)

Filed 4/7/1999

Address	505 NORTH BELT SUITE 630 HOUSTON, Texas 77060
Telephone	281-820-1181
CIK	0000935419
Industry	Restaurants
Sector	Services
Fiscal Year	09/30

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 13D

Under the Securities Exchange Act of 1934

Rick's Cabaret International, Inc.

(Name of Issuer)

Common Stock, par value \$0.01

(Title of Class of Securities)

765641-30 3

(CUSIP Number)

Eric Langan, 505 North Belt, Suite 630, Houston, Texas 77060, (281) 820-1181

(Name, Address, and Telephone Number of Person Authorized to Receive Notices and Communications)

March 29, 1999

(Date of Event which Requires Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D and is filing this schedule because of "240.13d-1(e), 240.13d-1(f) or 240.13d-1(g), check the following box.

NOTE: Schedules filed in paper format shall include a signed original and five copies of the schedule, including all exhibits. See '240,13d-7(b) for other parties to whom copies are to be sent.

* The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 (Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

(1) Name of Reporting Person and IRS Identification No. of Above Person:

E.S. Langan, L.P.

(2) Check the Appropriate Box if a Member of a Group (See Instructions).

(a) |X|
(b) |_|

(3) SEC Use Only

(4) Source of Funds (See Instructions)

PF

(5) Check if Disclosure of Legal Proceedings
is Required Pursuant to Items 2(d) or 2(e). |_|

(6) Citizenship or Place of Organization

Texas

Number (7) Sole Voting Power -0-
of
Shares

Bene- (8) Shared Voting Power
ficially Owned 566,732
Owned
by

Each (9) Sole Dispositive Power -0-
Report-
ing
Person

With: (10) Shared Dispositive Power
566,732

(11) Aggregate Amount Owned by Each Reporting Person
566,732

(12) Check if the Aggregate Amount in Row (11) Excludes
Certain Shares (See Instructions) |_|

(13) Percent of Class Represented by Amount in Row (11)

17.7%

(14) Type of Reporting Person

PN

ITEM 1 Security and Issuer

This statement is filed with respect to shares of common stock par value \$0.01 (the "Shares") of Rick's Cabaret International, Inc. (the "Company", "Rick's" or the "Issuer"), whose address is 505 North Belt, Suite 630, Houston, Texas 77060. The shares described herein take into account the reverse split with respect to the Company's 2:1 reverse split effective March 15, 1999.

ITEM 2.A. Identity and Background

- (a) E.S. Langan, L.P., a Texas Limited Partnership, which principally invests in the adult entertainment business.
- (b) Principal business and office address: 505 North Belt, Suite 630, Houston, Texas 77060
- (c) No.
- (d) No.

ITEM 2.B. Identity and Background

- (a) Eric Scott Langan, General Partner
- (b) Business address: 505 North Belt, Suite 630, Houston, Texas 77060
- (c) Director and President of Rick's, and Director and President of Taurus Entertainment Companies, Inc. ("Taurus"). The address of Rick's and Taurus is 505 North Belt, Suite 630, Houston, Texas 77060. Mr. Langan is also the General Partner of E.S. Langan, L.P. at the same address.
- (d) No.
- (e) No.
- (f) U.S.A.

ITEM 3. Source and Amount of Funds or Other Consideration

On January 13, 14, & 15, 1999, E.S. Langan, L.P. purchased a total of 92,400 shares for cash in market transactions, which, after the reverse split of March 15, 1999, equals 46,200 shares

On March 29, 1999, E.S. Langan, L.P. purchased a total of 1,041,064 shares, which, after the reverse split of March 15, 1999, equals 520,532 shares, for \$907,328 consisting of \$ 707,328 in cash and a promissory note for \$200,000 from the Seller. Eric Scott Langan and E.S. Langan, L.P. are a group.

ITEM 4. Purpose of Transaction

E.S. Langan, L.P. made these transactions as investments in an industry in which E. S. Langan, L.P. has invested in the past.

(a) E. S. Langan, L.P. may, from time to time, acquire additional securities of the Company for investment purposes. E. S. Langan, L.P. acquired these shares from Robert L. Watters, who resigned as President of Rick's. Mr. Watters continues to be a Director.

(b) E. S. Langan, L.P. has no present plans or proposals for an extraordinary corporate transaction involving the Company. E. S. Langan L.P. acquired the shares in the March 29, 1999 transaction from Robert L. Watters. Mr. Langan is the General Partner of E.S. Langan, L.P. Also on March 29, 1999, Mr. Watters acquired a subsidiary of Rick's, RCI Entertainment Louisiana, Inc., which was reported by Rick's on a Form 8-K dated March 29, 1999.

(c) E. S. Langan, L.P. has no present plans or proposals involving the sale or transfer of a material amount of assets of the Company or any of its subsidiaries.

(d) E. S. Langan, L.P. has no present plans or proposals involving any change in the present board of directors or management of the Company, nor any plans or proposals to change the number or term of directors or to fill any existing vacancies on the board. Eric Scott Langan has plans to add Board members, but no plans or proposals to change the term of directors. Mr. Langan was appointed as President of Rick's on March 29, 1999. Mr. Langan continues to be a Director.

(e) E. S. Langan, L.P. has no present plans or proposals for material change in the present capitalization or dividend policy of the Company.

(f) E. S. Langan, L.P. has no present plans or proposals for a material change in the Company's business or corporate structure.

(g) E. S. Langan, L.P. has no present plans or proposals for changes in the Company's charter or bylaws, or instruments corresponding thereto or other actions which may impede the acquisition of control of the Company by any person.

(h) E. S. Langan, L.P. has no present plans or proposals for causing a class of securities of the Company to be delisted from a national securities exchange or to cease to be authorized to be quoted in an inter-dealer quotation system of a registered national securities association.

(i) E. S. Langan, L.P. has no present plans or proposals for a class of securities of the Company becoming eligible for termination of registration pursuant to Section 12(g)(4) of the Act.

(j) E. S. Langan, L.P. has no present plans or proposals for any actions similar to those enumerated above.

ITEM 5. Interest in Securities of the Issuer

- (a) E. S. Langan, L.P. is the beneficial owner of 1,133,464 Shares of the Company, which, after the reverse split of March 15, 1999, equals 566,732 shares, which represents 17.7% of the class of securities.
- (b) E. S. Langan, L.P. has shared voting and dispositive power for all of the 1,133,464 Shares of the Company, which, after the reverse split of March 15, 1999, equals 566,732 shares.
- (c) None.
- (d) E. S. Langan, L.P. has the right to receive and power to direct receipt of dividends from, or the proceeds from the sale of, 1,133,064 shares, which, after the reverse split of March 15, 1999, equals 566,732 shares.
- (e) Not applicable.

ITEM 6. Contract, Agreements, Understandings or Relationships with Respect to Securities of the Issuer

Mr. Langan, as General Partner of E. S. Langan, L.P., has voting rights for E. S. Langan, L.P. and as such, Mr. Langan and E. S. Langan, L.P. will vote as a group.

ITEM 7. Material to be Filed as Exhibits

- 10.1 Promissory Note made by E.S. Langan, L.P. to Robert L. Watters
- 10.2 Stock Purchase Agreement

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete, and correct.

April 6, 1999

Date

E.S. Langan, L.P.
/s/ Eric Scott Langan
by: Eric Scott Langan, General Partner

Exhibit 10.1
PROMISSORY NOTE

HOUSTON, TEXAS

\$200,000 MARCH 29, 1999

DUE: MAY 3, 1999

FOR VALUE RECEIVED, E.S. LANGAN, L.P., a Texas limited partnership and ERIC S. LANGAN, a person of the full age of majority and resident of the State of Texas (collectively "maker") hereby jointly and severally promise to pay to the order of ROBERT WATTERS, a resident of Houston, Texas, Payee, of 1810 Elmen, Houston, Texas 77019, the sum of TWO HUNDRED THOUSAND AND No/100 DOLLARS (\$200,000.00), with interest thereon from the date hereof until maturity at the rate of eighteen percent (18%) per annum on the unpaid principal balance hereof; matured, unpaid principal and interest shall bear interest at the maximum legal rate of interest.

All payments and interest on this Note shall become due and payable on May 3, 1999.

Payment of any sums due to the Payee and/or holder under the terms of this Note shall be made in United States Dollars by check or wire transfer at the option of the Maker. Payment shall be made to any account or address designated by the Payee any time prior to the payment due hereunder.

It is expressly provided that in the event default is made in the prompt payment of this Note when due or declared due, and the same is placed in the hands of an attorney for collection, or suit is brought on same, or the same is collected through probate, bankruptcy or other judicial proceedings, then the Maker agrees and promises to pay reasonable attorney's fees.

If default occurs in the payment of any principal or interest when due hereunder, or upon Maker's insolvency or business failure, the appointment of a receiver of all or any part of Maker's property, an assignment for the benefit of creditors of Maker, a calling of a meeting of creditors of Maker, the commencement of any proceeding under any bankruptcy, insolvency or debtor relief laws by or against Maker, the holder hereof may, at its option, declare the entirety of this Note, principal and interest, immediately due and payable, and pursue any and all other remedies available to it at law or in equity, but failure to do so at any time shall not constitute a waiver of such holder's right to do so at any other time. Failure to exercise this option upon any default shall not constitute a waiver of the right to exercise it in the event of any subsequent defaults.

Each Maker, surety and endorser of this Note expressly waives all notices of any kind or character, demands for payment, presentment for payment, notices of intention to accelerate, notice of acceleration, the maturity, protest and notice of protest, as to this Note and as to each, every and all installments hereof.

The parties intend to conform strictly to the applicable usury laws. All agreements between Maker and Payee are hereby limited by the provisions of this paragraph which shall override and control all such agreements, whether now existing or hereafter arising and whether written or oral. In no way, nor in any event or contingency (including but not limited to prepayment, default, demand for payment, or acceleration of the maturity of any Obligations or any part thereof), shall the interest contracted for, charged or received under the Note or otherwise exceed the maximum amount permissible under applicable law. If, from any possible construction of any document, interest would otherwise be payable to Payee in excess of the maximum lawful amount, any such construction shall be subject to the provisions of this paragraph and such document shall be automatically reformed and the interest payable to Payee shall be automatically reduced to the maximum amount permitted under applicable law, without the necessity of execution of any amendment or new document. If Payee shall ever receive anything of value which is characterized as interest under applicable law and which would apart from this provision be in excess of the maximum lawful amount, an amount equal to the amount which would have been excessive interest shall, without penalty, be applied to the reduction of the principal amount owing in the inverse order of its maturity and not to the payment of interest, or refunded to Maker to the extent that the amount which would have been excessive interest exceeds unpaid principal. The right to accelerate maturity of the Note or any other indebtedness does not include the right to accelerate any interest which has not otherwise accrued on the date of such acceleration, and Payee does not intend to charge or receive any unearned interest in the event of acceleration. All interest paid or agreed to be paid to Payee shall, to the extent permitted by applicable law, be amortized, prorated, allocated and spread throughout the full stated term (including any renewal or extension) of such indebtedness so that the amount of interest on account of such indebtedness does not exceed the maximum permitted by applicable law.

Maker may prepay all or any part hereof at anytime without penalty, and interest shall immediately cease on all amounts so prepaid. All prepayments shall be applied first to accrued but unpaid interest, the balance to principal.

Interest on this Note shall be computed for the actual number of days elapsed and on the basis of a year consisting of 365 days, unless the highest lawful rate permitted under applicable law would thereby be exceeded, in which event, to the extent necessary to avoid exceeding the highest lawful rate permitted under applicable law, interest shall be computed on the basis of the actual number of days elapsed in the applicable calendar year in which accrued.

In the event any provision of this Note (or any part of any provision) is held by a court of competent jurisdiction to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision (or remaining part of the affected provision) of this Note; but this Note shall be construed as if such invalid, illegal, or unenforceable provision (or part thereof) had not been contained in this Note, but only to the extent it is invalid, illegal, or unenforceable.

Each right, power, and remedy of the Payee as provided for in this Note, or now or hereafter existing under any applicable law or otherwise shall be cumulative and concurrent and shall be in addition to every other right, power, or remedy provided for in this Note now or hereafter existing under any applicable law, and the exercise or beginning of the exercise by the Payee of any one or more of such rights, powers, or remedies shall not preclude the simultaneous or later exercise by the Payee of any or all such other rights, powers, or remedies. No failure or delay by the Payee to insist upon the strict performance of any term, condition, covenant, or agreement of this Note, or to exercise any right, power, or remedy consequent upon a breach thereof, shall constitute a waiver of any such term, condition, covenant, or agreement or of any such breach, or preclude the Payee from exercising any such right, power, or remedy at a later time or times. By accepting payment after the due date of any amount payable under the terms of this Note, the Payee shall not be deemed to waive the right either to require prompt payment when due of all other amounts payable under the terms of this Note or to declare an event of default for the failure to effect such prompt payment of any such other amount. No course of dealing or conduct shall be effective to amend, modify, waive, release, or change any provisions of this Note.

Each Maker and all sureties and endorsers of this Note, and each party hereafter assuming or otherwise becoming liable hereon: (i) agree to any substitution, exchange or release of any security or the release of any party primarily or secondarily liable hereon; (ii) agree that the Payee or other holder hereof shall not be required first to institute suit or exhaust its remedies hereon against the Maker or others liable or to become liable hereon or enforce its rights against any security heretofore in order to enforce payment of this Note by it; (iii) agree that the obligations of each Maker shall be joint and several with all other Makers, sureties and endorsers of this Note; and (iv) consent to any extensions or postponement of time of payment of this Note and to any other indulgence with respect hereto without notice thereof to any of them.

This Note shall be governed by and construed in accordance with the laws of the State of Texas.

MAKER:

E. S. LANGAN, L.P.

BY: /S/ ERIC S. LANAGAN
 ERIC S. LANGAN, GENERAL PARTNER

 /s/ Eric S. Langan
 ERIC S. LANGAN, INDIVIDUALLY

Exhibit 10.2

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

ATTEST:

/s/ Vivian Tipps
/s/ Joel Seidner

WITNESSES:

/s/ Vivian Tipps
/s/ Joel Seidner

SELLER:

/s/ ROBERT L. WATTERS
ROBERT L. WATTERS

PURCHASERS:

E.S. LANGAN, L.P.

By: /s/ ERIC LANGAN
Name: ERIC LANGAN
Title: General Partner

/s/ RALPH McELROY
RALPH McELROY

End of Filing

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