

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: October 10, 2006

RICK'S CABARET INTERNATIONAL, INC.

(Exact Name of Registrant As Specified in Its Charter)

Texas
(State Or Other Jurisdiction
of Incorporation)

0-26958
(Commission File Number)

76-0037324
(IRS Employer
Identification No.)

10959 Cutten Road
Houston, Texas 77066
(Address Of Principal Executive Offices, Including Zip Code)

(281) 397-6730
(Issuer's Telephone Number, Including Area Code)

ITEM 1.01 ENTRY INTO A MATERIAL DEFINITIVE AGREEMENT.

On October 10, 2006, our subsidiary, RCI Entertainment (Austin), Inc. ("RCI"), entered a Purchase Agreement under which it will acquire from Behzad Bahrami ("Seller") 51% of the membership interest of Playmates Gentlemen's Club, LLC ("Playmates") which owns an adult entertainment cabaret known as "Playmates" (the "Club") located at 8110 Springdale Road, Austin, Texas 78724 (the "Premises"). The Purchase Agreement provides for a purchase price of \$1,500,000 which is payable \$500,000 cash at the time of closing and the issuance of 125,000 shares of our restricted common stock valued at \$8.00 per share (the "Shares").

Pursuant to the terms of the Purchase Agreement, on or after one year after the closing date, the Seller shall have the right, but not the obligation to have Rick's purchase from Seller 5,000 Shares per month (the "Monthly Shares"), calculated at a price per share equal to \$8.00 ("Value of the Shares") until the Seller has received a total of \$1,000,000 from the sale of the Shares. At our election during any given month, we may either buy the Monthly Shares or, if we elect not to buy the Monthly Shares from the Seller, then the Seller shall sell the Monthly Shares in the open market. Any deficiency between the amount which the Seller receives from the sale of the Monthly Shares and the Value of the Shares shall be paid by us within three (3) business days of the date of sale of the Monthly Shares during that particular month. Our obligation to purchase the Monthly Shares from the Seller shall terminate and cease at such time as the Seller has received a total of \$1,000,000 from the sale of the Shares.

As part of the transaction, RCI will enter into a Management Agreement with the Seller for the management of the Club under which RCI will be providing an initial \$200,000 line of credit for operation of the Club. Upon closing of the transaction, the Seller will enter a five-year covenant not to compete with us within a one (1) mile radius of the Club. Further, the landlord for the premises where the Club is operated will enter a new lease agreement with Playmates giving it the right to lease the Premises for ten (10) years at \$29,000 per month, with the right to an option for an additional ten (10) years at \$37,000 per month, with RCI agreeing to guarantee the first two (2) years of the lease. RCI and the Seller shall enter into a Buy-Sell Agreement relating to the ownership of their membership interest. Finally, as part of the transaction, we will enter into a Lock-up/Leak-out Agreement with the Seller regarding the Rick's Shares.

The Agreement provides for the transaction to close on or before the earlier of December 31, 2006, or within ten (10) days after the issuance of a Certificate of Occupancy by the City of Austin, contingent upon normal due diligence for transactions of this nature, including obtaining all necessary licenses and permits.

A copy of the Purchase Agreement is attached hereto as Exhibit 10.1. A copy of the press release related to this transaction is attached hereto as Exhibit 99.1.

ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS

(c) Exhibits

Exhibit Number	Description
10.1	Purchase Agreement dated October 10, 2006
99.1	Press release dated October 12, 2006

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.

	By:	<i>/s/ Eric Langan</i>

<i>Date: October 12, 2006</i>		<i>Eric Langan</i>
		<i>Chairman, President,</i>
		<i>Chief Executive Officer and</i>
		<i>Principal Accounting Officer</i>

PURCHASE AGREEMENT

This Purchase Agreement (the "Agreement") is made and entered into this 10th day of October, 2006, by and among Behzad Bahrami ("Seller" or "Bahrami"), Playmates Gentlemen's Club, L.L.C., a Texas limited liability company (the "Company"), Rick's Cabaret International, Inc., a Texas corporation ("Rick's") and RCI Entertainment (Austin), Inc., a Texas corporation ("Buyer").

WHEREAS, Seller owns 100% of the membership interest of the Company (the "Membership Interest"); and

WHEREAS, the Buyer is a wholly owned subsidiary of Rick's; and

WHEREAS, the Company owns an adult entertainment cabaret known as "Playmates" (the "Club"), located at 8110 Springdale Road, Austin 78724 (the "Premises"); and

WHEREAS, Seller desires to sell 51% of the issued and outstanding Membership Interest of the Company to Buyer on the terms and conditions set forth herein; and

WHEREAS, Buyer desires to purchase 51% of the issued and outstanding Membership Interest of the Company 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 MEMBERSHIP INTEREST

Section 1.1 Sale of the Membership Interest. Subject to the terms and conditions set forth in this Agreement, at the Closing (as hereinafter defined) Seller hereby agrees to sell, transfer, convey and deliver to Buyer 51% of the issued and outstanding Membership Interest of the Company, free and clear of all encumbrances, and shall deliver to Buyer certificates representing the Membership Interest, duly endorsed to Buyer or accompanied by duly executed stock powers in form and substance satisfactory to Buyer.

Section 1.2 Purchase Price for the Membership Interest. As consideration for the purchase of the Membership Interest, Buyer shall pay to Seller the total consideration of \$1,500,000 (the "Purchase Price"), which shall be payable as follows:

(a) \$500,000 cash payable at Closing; and

(b) 125,000 shares of restricted common stock \$.01 par value of Rick's (the "Shares") to be valued at \$8.00 per share.

Section 1.3 Right of Bahrami to "Put" Shares. On or after one year from the Closing Date, Bahrami shall have the right but not the obligation to have Rick's purchase from Bahrami 5,000 Shares per month (the "Monthly Shares"), calculated at a price per share equal to \$8.00

("Value of the Shares") until Bahrami has received a total of \$1,000,000 from the sale of the Shares (the "Put"). Bahrami shall notify Rick's during any given month of its election to "Put" the Monthly Shares to Rick's during that particular month. Thereafter Rick's shall have three (3) business days to elect, at its option, to buy the Monthly Shares or instruct Bahrami to sell the Monthly Shares in the open market. At Rick's election, during any given month, it may either buy the Monthly Shares or if Rick's elects not to buy the Monthly Shares from Bahrami, then Bahrami shall sell the Monthly Shares in the open market and any deficiency between the amount which Bahrami receives from the sale of the Monthly Shares and the Value of the Shares shall be paid by Rick's within three (3) business days after receipt of written notice of the sale of the Monthly Shares and the amount of the deficiency during that particular month. Rick's obligation under this Section 1.3 to purchase the Monthly Shares from Bahrami shall terminate and cease at such time as Bahrami has received a total of \$1,000,000 from the sale of the Shares. Bahrami agrees to provide monthly statements to Rick's as to the total number of Shares which he has sold and the amount of proceeds derived therefrom. Nothing contained in this Section 1.3 shall limit or preclude Bahrami from selling the Shares in the open market or require Bahrami to "Put" the Shares to Rick's during any given month.

In the event the Seller elects not to "Put" the Shares to Rick's, the Seller shall not sell more than 10,000 Shares per week in the open market, provided that Seller complies with Rule 144 of the Securities Act of 1933, as amended, in connection with his sale of the Shares.

ARTICLE II CLOSING

Section 2.1 The Closing. The closing of the transactions provided for in this Agreement shall take place on the earlier of: (i) December 31, 2006, or

(ii) ten (10) days after the issuance of a Certificate of Occupancy by the City of Austin (the "Closing Date"), or at such other time and place as agreed upon in writing among the parties hereto (the "Closing"). The parties have agreed further to close at the law offices of Axelrod, Smith & Kirshbaum, 5300 Memorial Drive, Suite 700, Houston, Texas 77007.

Section 2.2 Delivery and Execution. At the Closing: (a) the Seller shall deliver to Buyer certificates evidencing the Membership Interest of the Company, free and clear of any liens, claims, equities, charges, options, rights of first refusal or encumbrances, duly endorsed to Buyer or accompanied by duly executed stock powers in form and substance satisfactory to Buyer against delivery by Buyer to the Seller of payment in an amount equal to the Purchase Price of the Membership Interest being purchased by Buyer in the manner set forth in Section 1.2; and (b) the Related Transactions (as defined below) shall be consummated concurrently with the Closing.

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

(i) The Buyer and the Seller will enter into a Management Agreement with terms and conditions for the management of the Club which will include an agreement of the Buyer to provide an initial \$200,000 line of credit for the operation of the Club;

(ii) The Seller will enter into a five (5) year covenant not to compete pursuant to the terms of which the Seller will agree not to compete, either directly or indirectly, with the Company, the Club, Rick's or any of their affiliates, by operating an establishment featuring live adult entertainment within a one (1) mile radius of the Premises;

(iii) The Landlord for the Premises shall have entered into a new lease agreement with the Company acceptable to all of the parties (the "Lease"), giving the Company the right to lease the Premises for at least ten (10) years at not more than \$29,000 per month, with the right to an option to an additional ten (10) years at not more than \$37,000 per month, with the Buyer agreeing to guarantee the first two (2) years of the Lease;

(iv) Buyer and Seller shall have entered into a Buy-Sell Agreement relating to the ownership of their Membership Interests in the Company; and

(v) Rick's and the Seller shall have entered into a Lock-Up/Leak-Out Agreement.

ARTICLE III REPRESENTATIONS AND WARRANTIES OF SELLER AND THE COMPANY

Seller and the Company, jointly and severally, hereby represent and warrant to the Buyer and Rick's as follows:

Section 3.1. Organization, Good Standing and Qualification.

(a) The Company (i) is an entity duly organized, validly existing and in good standing under the laws of the state of Texas, (ii) has all requisite power and authority to own, operate and lease its properties and 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 Seller or the Company, respectively.

(b) The authorized capital of the Company consists of _____ units of Membership Interest of which _____ units of Membership Interest are validly issued and outstanding. There is no other class of capital authorized or issued by the Company. All of the issued and outstanding Membership Interest of the Company are owned by Seller and are fully paid and non-assessable. None of the Membership Interest issued are in violation of any preemptive rights. The Company has no obligation to repurchase, reacquire, or redeem any of its outstanding Membership Interest. There are no outstanding securities convertible into or evidencing the right to purchase or subscribe for any Membership Interest of the Company, there are no outstanding or authorized options, warrants, calls, subscriptions, rights, commitments or any other agreements of any character obligating the Company to issue any Membership Interest or any securities convertible into or evidencing the right to purchase or subscribe for any Membership Interest, and there are no agreements or understandings with respect to the voting, sale, transfer or registration of any Membership Interest of the Company.

Section 3.2 Ownership of the Membership Interest. Seller owns, beneficially and of record, all of the Membership Interest of the Company free and clear of any liens, claims, equities, charges, options, rights of first refusal, or encumbrances. Seller has the unrestricted right and power to transfer, convey and deliver full ownership of the Membership Interest without the consent or agreement of any other person and without any designation, declaration or filing with any governmental authority. Upon the transfer of the Membership Interest to Buyer as contemplated herein, Buyer 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 Company has all requisite corporate power and authority to execute and deliver this Agreement and to perform its obligations hereunder and to consummate the transactions contemplated hereby. All action on the part of the Company necessary for the authorization, execution, delivery and performance of this Agreement and all documents related to consummate the transactions contemplated herein have been taken or will be taken prior to the Closing Date by the Company. This Agreement, when duly executed and delivered in accordance with its terms, will constitute legal, valid and binding obligations of the Company and Seller enforceable against them in accordance with its terms, except as may be limited by bankruptcy, insolvency, reorganization and other similar laws of general application affecting creditors' rights generally or by general equitable principles.

Bahrami represents that he 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. All action on the part of Bahrami necessary for the authorization, execution, delivery and performance of this Agreement by him has been taken and will be taken prior to Closing Date. This Agreement, when duly executed and delivered in accordance with its terms, will constitute legal, valid and binding obligations of Bahrami enforceable against him in accordance with its terms, except as may be limited by bankruptcy, insolvency, reorganization and other similar laws of general application affecting creditors' rights generally or by general equitable principles.

Section 3.4 Consents. No consent of, approval by, order or authorization of, or registration, declaration or filing by the Seller or the Company with any court or any governmental or regulatory agency or authority having jurisdiction over the Seller or the Company or any of its property or assets is required on the part of the Seller or the Company (a) in connection with the consummation of the transactions contemplated by this Agreement or (b) as a condition to the legality, validity or enforceability as against the Company of this Agreement, excluding any registration, declaration or filing the failure to effect which would not have a material adverse effect on the financial condition of the Company.

Section 3.5 Acquisition of Stock for Investment. The Seller understands that any issuance of the Shares (as referenced in Section 1.2 herein) will not have been registered under the Securities Act of 1933, as amended (the "Act"), or any state securities acts, and accordingly, are restricted securities, and the Seller represents and warrants to the Buyer and Rick's that the Seller's present intention is to receive and hold the Shares for investment only and not with a view to the distribution or resale thereof.

Additionally, the Seller understands that any sale of any the Shares issued, under current law, will require either (a) the registration of the Shares under the Act and applicable state securities acts; (b) compliance with Rule 144 of the Act; or (c) the availability of an exemption from the registration requirements of the Act and applicable state securities acts.

To assist in implementing the above provisions, the Seller hereby consents to the placement of the legend, or a substantially similar legend, set forth below, on all certificates representing ownership of the Shares acquired hereby until the Shares have been sold, transferred, or otherwise disposed of, pursuant to the requirements hereof. The legend shall read substantially as follows:

"THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY APPLICABLE STATE SECURITIES ACTS. THESE SECURITIES HAVE BEEN ACQUIRED FOR INVESTMENT, ARE RESTRICTED AS TO TRANSFERABILITY, AND MAY NOT BE SOLD, HYPOTHECATED, OR OTHERWISE TRANSFERRED WITHOUT COMPLIANCE WITH THE REGISTRATION AND QUALIFICATION PROVISIONS OF APPLICABLE FEDERAL AND STATE SECURITIES LAWS OR APPLICABLE EXEMPTIONS THEREFROM."

Section 3.6 Sellers' Access to Information. The Seller hereby confirms and represents that he (a) has received a copy of Rick's Form 10-KSB filed with the Securities and Exchange Commission (the "SEC") for the year ended September 30, 2005, as amended, and a copy of Rick's Form 10-QSB's for the quarter ended December 31, 2005, March 31, 2006 and June 30, 2006, as filed with the SEC; (b) a copy of Rick's Form 14C filed with the SEC on April 24, 2006; (c) a copy of the Form 8-K's filed with the SEC on March 27, 2006, April 6, 2006, April 14, 2006, May 11, 2006, July 12, 2006, July 13, 2006, August 10, 2006 and August 28, 2006; (d) has been afforded the opportunity to ask questions of and receive answers from representatives of Rick's concerning the business and financial condition, properties, operations and prospects of Rick's; (e) has such knowledge and experience in financial and business matters so as to be capable of evaluating the relative merits and risks of the transactions contemplated hereby; (f) has had an opportunity to engage and is represented by an attorney of his choice; (g) has had an opportunity to negotiate the terms and conditions of this Agreement; (h) has been given adequate time to evaluate the merits and risks of the transactions contemplated hereby; and (i) has been provided with and given an opportunity to review all current information about Rick's. Seller has asked such questions to representatives of Rick's about Rick's as he desires to ask and all such questions have been answered to the full satisfaction of each Seller. The forms filed by Rick's with the SEC as set forth in Section 3.6(a), (b) and (c) are hereafter collectively referred to as "SEC Reports".

Section 3.7 Purchase for Investment. The Seller is acquiring the Rick's Shares for his own account, for investment purposes only and not with view to any public resale or other distribution thereof. Seller 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. Seller 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 Seller considers necessary or advisable to enable him to make a decision concerning its acquisition 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 3.8 No Default. The Company is not (a) in violation of any provision of its Articles of Organization or Regulations or (b) in default under any term or condition of any instrument evidencing, creating or securing any indebtedness of the Company, and there has been no default in any material obligation to be performed by the Company under any other contract, lease, agreement, commitment or undertaking to which it is a party or by which it or its assets or properties are bound, nor has the Company waived any material right under any such contract, lease, agreement, commitment or undertaking.

Section 3.9 Taxes. The Company has timely and accurately filed all federal, state, foreign and local tax returns and reports required to be filed prior to such dates and have timely paid all taxes shown on such returns as owed for the periods of such returns, including all sales taxes and withholding or other payroll related taxes shown on such returns and any taxes required to have been withheld and paid in connection with amounts paid or owing to any employee, creditor or independent contractor. The Company has made adequate provision for the payment of all taxes accruable for all periods ending on or before the Closing Date to any taxing authority and are not delinquent in the payment of any tax or governmental charge of any nature. No assessments or notices of deficiency or other communications have been received by the Company with respect to any tax return which has not been paid, discharged or fully reserved against and no amendments or applications for refund have been filed or are planned with respect to any such return. Neither the Company nor the Seller has knowledge of any action by any taxing authority in connection with assessing additional taxes against or in respect of it for any past period. There are no agreements between the Company and any taxing authority waiving or extending any statute of limitations with respect to any tax return.

Section 3.10 Financial Statements. Seller has delivered to Buyer the financial information available relating to the Company (the "Financial Information"). Such Financial Information, are in accordance with the books and records of the Company and fairly represent the financial position of the Company and the results of operations and changes in financial position of the Company as of the dates and for the periods indicated. Except as set forth in Exhibit 3.10, the Company, as of the date of the Financial Information, has no material liability or obligation of any nature, whether absolute, accrued, continued or otherwise. As of the Closing Date, Seller represents there have been no adverse changes in the financial condition or other operations, business, properties or assets of the Company from that reflected in the latest Financial Information of the Company as furnished pursuant to this Agreement.

Section 3.11 Labor Matters. The Company is not a party or otherwise subject to any collective bargaining agreement with any labor union or association. The Company is not a party to any written or oral contract, agreement or understanding for the employment of any officer, director or employee of the Company. The Company is not a party to any employee benefits plans (as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended) or any other fringe or employee benefits plan, programs or arrangements.

Section 3.12 Compliance with Laws; Permits. The Company is, and at all times prior to the date hereof has been in compliance with all statutes, orders, rules, ordinances and regulations applicable to it or to the ownership of its assets or the operation of their businesses. The Company owns, holds or possesses, or will own, hold or possess prior to the Closing Date, all permits and licenses which are in any manner necessary for it to conduct its sexually oriented business, including the right to serve alcoholic beverages.

Section 3.13 No Conflicts. The execution and delivery by the Company and the Seller of this Agreement does not, and the performance and consummation by the Company and the Seller of the transactions contemplated hereby will not

(i) conflict with the articles of organization or regulations of the Company;

(ii) conflict with or result in a breach or violation of, or default under, or give rise to any right of acceleration or termination of, any of the terms, conditions or provisions of any note, bond, lease, license, agreement or other instrument or obligation to which the Company is a party or by which the Company's or Seller's assets or properties are bound; (iii) result in the creation of any encumbrance on any of the assets or properties of the Company; or (iv) violate any law, rule, regulation or order applicable to the Company or Seller or any of the Company's assets or properties.

Section 3.14 Title to Properties; Encumbrances. The Company has good and marketable title to all of the personal property and assets, that are used in the business that are material to the condition (financial or otherwise), business, operations or prospects of the Company, free and clear of all mortgages, claims, liens, security interests, charges, leases, encumbrances and other restrictions of any kind and nature, except (i) as disclosed in the Financial Statements of the Company, (ii) statutory liens not yet delinquent, and (iii) such liens consisting of zoning or planning restrictions, imperfections of title, easements, pledges, charges and encumbrances, if any, as do not materially detract from the value or materially interfere with the present use of the property or assets subject thereto or affected thereby. The Company does not own any real property.

Section 3.15 No Pending Transactions. Except for the transactions contemplated by this Agreement, neither Seller nor the Company is a party to or bound by or the subject of any agreement, undertaking, commitment or discussions or negotiations with any person that could result in (i) the sale, merger, consolidation or recapitalization of the Company, (ii) the sale of any of the assets of the Company except in the ordinary course of business, (iii) the sale of any outstanding Membership Interest of the Company, (iv) the acquisition by the Company of any operating business or the capital stock of any other person or entity, (v) the borrowing of money by the Company, whether secured or unsecured, or (vi) any agreement with any of the respective officers, managers or affiliates of the Company.

Section 3.16 Contracts and Leases. Except as set forth in Exhibit 3.16, the Company (i) has no leases of personal property relating to the assets of the Company, whether as lessor or lessee; (ii) has no contractual or other obligations relating to the assets of the Company, whether written or oral; and (iii) has not given any power of attorney to any person or organization for any purpose relating to the assets of the Company. Other than as contemplated by this Agreement, as of the Closing Date, there will not be any lease agreements for the Premises where the Club is located. The Company has provided Buyer access to each and every contract, lease or other document relating to the assets of the Company to which they are subject or are a party or a beneficiary. To Seller's knowledge, such contracts, leases or other documents are valid and in full force and effect according to their terms and

constitutes a legal, valid and binding obligation of the Company and the other respective parties thereto and are enforceable in accordance with their terms. Seller has no knowledge of any default or breach under such contracts, leases or other documents or of any pending or threatened claims under any such contracts, leases or other documents.

Section 3.17 No Default. The Company is not (a) in violation of any provision of its articles of organization or regulations or (b) in default under any term or condition of any instrument evidencing, creating or securing any indebtedness of the Company, and there has been no default in any material obligation to be performed by the Company under any other contract, lease, agreement, commitment or undertaking to which it is a party or by which it or its assets or properties are bound, nor has the Company waived any material right under any such contract, lease, agreement, commitment or undertaking.

Section 3.18 Books and Records. The books of account, minute books, stock record books or other records of the Company that exist are accurate and complete and have been maintained in accordance with sound business practices and will be located at the Premises upon Closing.

Section 3.19 Insurance Policies. Copies of all insurance policies maintained by the Company relating to the operation of the Club have been delivered or made available to Buyer. The policies of insurance held by the Company are in such amounts, and insure against such losses and risks, as the Company reasonably deems appropriate for its property and business operations. All such insurance policies are in full force and effect, and all premiums due thereon have been paid. Valid policies for such insurance will be outstanding and duly in force at all times prior to the Closing.

Section 3.20 Pending Claims. Except as set forth in Exhibit 3.20, there is no claim, suit, arbitration, investigation, action or other proceeding, whether judicial, administrative or otherwise, now pending or, to the best of the Company's or Bahrami's knowledge, threatened before any court, arbitration, administrative or regulatory body or any governmental agency which may result in any judgment, order, award, decree, liability or other determination which will or could reasonably be expected to have any effect upon the Company, or the business of the Club or the transfer of the Membership Interest by the Seller to Buyer under this Agreement or the operation of the Club after the Closing Date, nor is there any basis known to the Company or Bahrami for any such action. No litigation is pending, or, to the Company's or Bahrami's knowledge, threatened against the Company, or the business of the Club, or their assets or properties which seeks to restrain or enjoin the execution and delivery of this Agreement or any of the documents referred to herein or the consummation of any of the transactions contemplated thereby or hereby. Neither the Company nor Bahrami is subject to any judicial injunction or mandate or any quasi-judicial or administrative order or restriction directed to or against them which would affect the Company or the business of the Club, or the Membership Interest to be transferred under this Agreement.

Section 3.21 No Liabilities. As of the Closing Date, Company shall have no obligations or liability (contingent or otherwise) to any third party, except as set forth in exhibit 3.16.

Section 3.22 Brokerage Commission. No broker or finder has acted for the Seller, or the Company in connection with this Agreement or the transactions contemplated hereby, and no person

is entitled to any brokerage or finder's fee or compensation in respect thereof based in any way on agreements, arrangements or understandings made by or on behalf of Seller or the Company.

Section 3.23 Environmental. The Company has not received any citation, directive, letter or other communication, written or oral, or any notice of any proceeding, claim or lawsuit relating to any environmental issue arising out of the ownership or occupation of the Club.

Section 3.24 Banks and Brokerage Accounts. Exhibit 3.24 sets forth (a) a true and complete list of the names and locations of all banks, trust companies, securities brokers and other financial institutions at which the Company has an account or safe deposit box or maintains a banking, custodial, trading or other similar relationship, and (b) a true and complete list and description of each such account, box and relationship, indicating in each case the account number and the names of the respective officers, employees, agents or other similar representatives of the Company having signatory power with respect thereto.

Section 3.25 Disclosure. No representation or warranty of Seller or the Company 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 BUYER

Buyer hereby represents and warrants to Seller as follows:

Section 4.1 Organization, Good Standing and Qualification. Buyer (i) is an entity duly organized, validly existing and in good standing under the laws of the state of Texas, (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 Buyer.

Section 4.2 Authorization. Buyer is a corporation duly organized in the state of Texas and has full power, capacity, and authority to enter into this Agreement and perform the obligations contemplated hereby. All action on the part of Buyer necessary for the authorization, execution, delivery and performance of this Agreement by it has been or will be taken. This Agreement, when duly executed and delivered in accordance with its terms, will constitute legal, valid, and binding obligations of Buyer enforceable against Buyer 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 Consents. 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 Buyer in connection with the execution and delivery by Buyer of this Agreement or the

consummation and performance of the transactions contemplated hereby other than as may be required under the federal securities laws.

Section 4.4 Disclosure. No representation or warranty of Buyer 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.

Section 4.5 Brokerage Commission. No broker or finder has acted for the Buyer in connection with this Agreement or the transactions contemplated hereby, and no person is entitled to any brokerage or finder's fee or compensation in respect thereof based in any way on agreements, arrangements or understandings made by or on behalf of Buyer.

ARTICLE V REPRESENTATIONS AND WARRANTIES OF RICK'S

Rick's hereby represents and warrants to Seller as follows:

Section 5.1 Organization, Good Standing and Qualification. Rick's (i) is a corporation duly organized, validly existing and in good standing under the laws of the State of Texas, (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 Rick's.

Section 5.2 Authorization. Rick's is a corporation duly organized in the state of Texas and has full power, capacity, and authority to enter into this Agreement and perform the obligations contemplated hereby. All action on the part of Rick's necessary for the authorization, execution, delivery and performance of this Agreement by it has been or will be taken. This Agreement, when duly executed and delivered in accordance with its terms, will constitute legal, valid, and binding obligations of Rick's enforceable against it 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 5.3 Consents. 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 Buyer or Rick's in connection with the execution and delivery by Rick's of this Agreement or the consummation and performance of the transactions contemplated hereby other than as may be required under the federal securities laws.

Section 5.4 Disclosure. No representation or warranty of Rick's 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.

Section 5.5 Brokerage Commission. No broker or finder has acted for Rick's in connection with this Agreement or the transactions contemplated hereby, and no person is entitled to any brokerage or finder's fee or compensation in respect thereof based in any way on agreements, arrangements or understandings made by or on behalf of Rick's.

Section 5.6 Compliance with Laws; Permits. Except as disclosed in the SEC Reports, Rick's is, and at all times prior to the date hereof has been, to the best of its knowledge, in compliance with all statutes, orders, rules, ordinances and regulations applicable to it or to the operation of its business or ownership of its assets or the operation of its businesses, except for failures to be in compliance that would not have a material adverse effect on the business, properties or condition (financial or otherwise) of Rick's.

Section 5.7 No Conflicts. The execution and delivery of this Agreement by Rick's does not, and the performance and consummation of the transactions contemplated hereby by the Buyer and Rick's, will not (i) conflict with the articles of incorporation or bylaws of Rick's; (ii) conflict with or result in a breach or violation of, or default under, or give rise to any right of acceleration or termination of, any of the terms, conditions or provisions of any note, bond, lease, license, agreement or other instrument or obligation to which Rick's is a party or by which Rick's assets or properties are bound; (iii) result in the creation of any encumbrance on any of the assets or properties of the Buyer; or (iv) violate any law, rule, regulation or order applicable to Rick's or any of Rick's securities, assets or properties

Section 5.8 No Default. Rick's is not (a) in violation of any provision of its articles of incorporation or bylaws or (b) in default under any term or condition of any instrument evidencing, creating or securing any indebtedness of Rick's, and there has been no default in any material obligation to be performed by Rick's under any other contract, lease, agreement, commitment or undertaking to which it is a party or by which it or its assets or properties are bound, nor has Rick's waived any material right under any such contract, lease, agreement, commitment or undertaking.

Section 5.9 Pending Claims. Except as described in the SEC Reports, there is no claim, suit, arbitration, investigation, action or other proceeding, whether judicial, administrative or otherwise, now pending or, to the best of the Rick's's knowledge, threatened before any court, arbitration, administrative or regulatory body or any governmental agency which may result in any judgment, order, award, decree, liability or other determination which will or could reasonably be expected to have a material adverse effect upon Rick's, nor is there any basis known to Rick's for any such action. No litigation is pending, or, to Rick's knowledge, threatened against Rick's or its assets or properties which seeks to restrain or enjoin the execution and delivery of this Agreement or any of the documents referred to herein or the consummation of any of the transactions contemplated thereby or hereby. Rick's is not subject to any judicial injunction or mandate or any quasi-judicial or administrative order or restriction directed to or against it which would have a material adverse affect on the Buyer.

**ARTICLE VI
COVENANTS OF THE COMPANY**

Section 6.1 Stand Still. To induce Buyer and Ricks to proceed with this Agreement, the Company and Seller agree that until the Closing Date or the termination of this Agreement, neither any representative of the Company nor the Seller will offer to sell or solicit any offer to purchase or engage in any discussions or activities of any nature whatsoever, directly or indirectly, involving in any manner the actual or potential sale, transfer, encumbrance, pledge, collateralization or hypothecation of any assets of the Company or Membership Interest of the Seller. The Company and the Seller hereby agree to advise the Buyer and Ricks of any contact from any third party regarding the acquisition of any Membership Interest of the Seller or other investment in the Company, or of any contact which would relate to the transactions contemplated by this Agreement.

Section 6.2 Access; Due Diligence. Between the date of this Agreement and the Closing Date, the Company and Seller shall (a) provide Buyer and their authorized representatives reasonable access to all plants, offices, warehouse and other facilities and properties of the Company and to the books and records of the Company; (b) permit the Buyer to make inspections thereof; and (c) cause the officers and advisors of the Company to furnish the Buyer with such financial and operating data and other information with respect to the business and properties of the Company and to discuss with the Buyer and their authorized representatives the affairs of the Company as the Buyer may from time to time reasonably request.

Section 6.3 Conduct of Business. From the date of the execution hereof until the Closing Date, the Company shall operate the business of the Club in the ordinary course of business, and:

(a) The Company will not authorize, declare, pay or effect any dividend except as is consistent with past practices of the Company or liquidation or other distribution in respect of the units of membership interest of the Company or other equity interest or any direct or indirect redemption, purchase or other acquisition of any equity interest of the Company;

(b) The Company will not make any changes in their condition (financial or otherwise), liabilities, assets, or business or in any of their business relationships, including relationships with suppliers or customers, that, when considered individually or in the aggregate, might reasonably be expected to have a material adverse effect on the Company;

(c) The Company will not increase the salary or other compensation payable or to become payable by the Company to any employee, or the declaration, payment, or commitment or obligation of any kind for the payment by the Company of a bonus or other additional salary or compensation to any such person except in the normal course of business, consistent with past practices of the Company;

(d) The Company will not sell, lease, transfer or assign any of their assets, tangible or intangible, other than for a fair consideration in the ordinary course of business;

- (e) The Company will not accelerate, terminate, modify or cancel any agreement, contract, lease or license (or series of related agreements, contracts, leases and licenses) involving more than \$1,000 to which the Company is a party;
- (f) The Company will not make any loans to any person or entity, or guarantee any loan, absent the consent of the Buyer;
- (g) The Company will not waive or release any right or claim held by the Company, absent the consent of the Buyer;
- (h) The Company will operate its business in the ordinary course and consistent with past practices so as to preserve their business organization intact, to retain the services of their employees and to preserve their goodwill and relationships with suppliers, creditors, customers, and others having business relationships with them;
- (i) The Company will not issue any note, bond or other debt security or create, incur or assume, or guarantee any indebtedness for borrowed money or capitalized lease obligations;
- (j) The Company will not delay or postpone the payment of accounts payable and other liabilities outside the ordinary course of business;
- (k) The Company will not make any loan to, or enter into any other transaction with, any of their directors, officers, and employees, outside the ordinary course of business;
- (l) The Company will not make any change in any method, practice, or principle of accounting involving the Company's business, or the assets of the Company;
- (m) The Company will not issue, sell or otherwise dispose of any of its membership interests, or create, sell or dispose of any options, rights, conversion rights or other agreements or commitments of any kind relating to the issuance, sale or disposition of any of their membership interests;
- (n) The Company will not reclassify, split up or otherwise change any of their membership interests;
- (o) The Company will not be a party to any merger, consolidation or other business combination; and
- (p) The Company will not agree to take any action described in this Section 6.3.

ARTICLE VII CONDITIONS TO CLOSING

The obligations of the parties to effect the transactions contemplated hereby are subject to the satisfaction at or prior to the Closing of the following conditions:

Section 7.1 Conditions to Obligations of Buyer and Rick's.

- (a) Representations and Warranties of the Company and the Seller. The representations and warranties of the Company and the Seller shall be true and correct on the date hereof and on and as of the Closing Date, as though made on and as of the Closing Date.
- (b) Covenants. All covenants, agreements and conditions contained in this Agreement to be performed by the Company and Seller on or prior to the Closing Date shall have been performed or complied with in all respects.
- (c) Delivery of Certificates. The Company shall provide to Buyer certificates, dated as of the Closing Date and signed by a representative of the Company to effect set forth in Section 7.1(a) and 7.1(b) for the purpose of verifying the accuracy of such representations and warranties and the performance and satisfaction of such covenants and conditions.
- (d) Resolutions. The Company shall have delivered resolutions of the Company, which authorize the execution, delivery and performance of this Agreement and the documents referred to herein to which it is or is to be a party dated as of the Closing Date.
- (e) Delivery of Membership Interest. The Seller shall deliver or cause to be delivered to Buyer originally issued certificate representing the Membership Interest of the Company duly endorsed over to the Buyer in a form satisfactory to the Buyer.
- (f) Related Transactions. The Related Transactions set forth in Section 2.3 shall be consummated concurrently with the Closing.
- (g) Third-Party Consents. Any and all consents or waivers required from third parties relating to this Agreement or any of the other transactions contemplated hereby shall have been obtained.
- (h) Satisfactory Diligence. Buyer shall have concluded its due diligence investigation of the Company and its assets and properties and all other matters related to the foregoing, and shall be satisfied, in its absolute and sole discretion, with the results thereof.
- (i) No Actions or Proceedings. No claim, action, suit, investigation or proceeding shall be pending or threatened before any court or governmental agency which presents a substantial risk of the restraint or prohibition of the transactions contemplated by this Agreement.
- (j) Government Approvals. All authorizations, permits, consents, orders, licenses or approvals of, or declarations or filings with, or expiration of waiting periods imposed by, any governmental entity necessary for the consummation of the transactions contemplated by this Agreement shall have been filed, occurred or been obtained.
- (k) Appointment of Manager/Officer. Eric Langan shall have been appointed as a Manager of the Company and as its President and Chief Executive Officer.

Section 7.2 Conditions to Obligations of the Company and the Seller

- (a) Representations, Warranties and Agreements of Buyer and Rick's. The representations and warranties of Buyer and Rick's shall be true and correct on the date hereof and on and as of the Closing Date, as though made on and as of the Closing Date.
- (b) Covenants. All covenants, agreements and conditions contained in this Agreement to be performed by the Buyer or Rick's on or prior to the Closing Date shall have performed or complied with in all respects.
- (c) Delivery of Certificates. Buyer and Rick's shall provide to the Company and Seller certificates dated as of the Closing Date and signed by a representative of the Buyer and Rick's to the effect set forth in Section 7.2(a) and 7.2(b) for the purpose of verifying the accuracy of such representations and warranties and the performance and satisfaction of such covenants and conditions.
- (d) Resolutions. Buyer and Rick's shall deliver resolutions of the Buyer and Rick's, which authorize the execution, delivery and performance of this Agreement and the documents referred to herein to which it is or is to be a party dated as of the Closing Date.
- (e) Payment of Purchase Price. Buyer (i) shall have tendered the cash portion of the Purchase Price set forth in Section 1.2, and (ii) shall have delivered the Shares representing a portion of the Purchase Price to Seller as set forth in Section 1.2, or shall deliver a letter of instruction to the transfer agent instructing the issuance of the Shares to Seller.
- (f) Related Transactions. The Related Transaction set forth in Section 2.3 shall be consummated concurrently with the Closing.
- (g) Consents; Transfer of Licenses. All necessary transfers of licenses and leases required for the operation of the business of the Company shall have been obtained. The Certificate of Occupancy issued by the City of Austin which zones the Premises for an adult oriented business shall be in full force and effect.
- (h) Third Party Consents. Any and all consents or waivers required from third parties relating to this Agreement or any of the other transactions contemplated hereby shall have been obtained.
- (i) No Actions or Proceedings. No claim, action, suit, investigation or proceeding shall be pending or threatened before any court or governmental agency which presents a substantial risk of the restraint or prohibition of the transactions contemplated by this Agreement.
- (j) Government Approvals. All authorizations, permits, consents, orders or approvals of, or declarations or filings with, or expiration of waiting periods imposed by, any governmental entity necessary for the consummation of the transactions contemplated by this Agreement shall have been filed, occurred or been obtained.

ARTICLE VIII INDEMNIFICATION

Section 8.1 Indemnification from the Seller and the Company. The Seller and the Company hereby agree to and shall indemnify, defend (with legal counsel reasonably acceptable to Buyer), and hold Buyer, its officers, directors, shareholders, employees, affiliates, parent, agents, legal counsel, successors and assigns (collectively, the "Buyer 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) (collectively, "Indemnifiable Loss" or "Indemnifiable Losses") suffered or incurred by any or all of the Buyer Group arising from:

- (a) any material misrepresentation by, or material breach of any covenant or warranty of the Seller or the Company contained in this Agreement, or any exhibit, certificate, or other instrument furnished or to be furnished by the Seller or the Company hereunder; (b) any nonfulfillment of any material agreement on the part of the Seller or the Company under this Agreement; or
- (c) any liabilities of the Company incurred prior to the Closing Date.

Section 8.2 Indemnification from Buyer. Buyer agrees to and shall indemnify, defend (with legal counsel reasonably acceptable to Company) and hold the Seller and the Company and their agents, officers, directors, shareholders, employees, affiliates, parent, agents, legal counsel, successors and assigns, (collectively, the "Company's 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 reasonably attorneys fees and costs of any suit related thereto) suffered or incurred by any or all of the Company's Group, arising from (a) any material misrepresentation by, or material breach of any covenant or warranty of Buyer contained in this Agreement or any exhibit, certificate, or other agreement or instrument furnished or to be furnished by Buyer hereunder; or (b) any nonfulfillment of any material agreement on the part of Buyer under this Agreement. Further, and so long as Buyer or its affiliates or designees hold more than 50% interest in the Company, Buyer agrees to and shall indemnify, defend (with legal counsel reasonably acceptable to Company) and hold the Seller harmless at all times after the Closing Date, from and against any and all actions, suits, claims, demands, debts, liabilities, obligations, losses, damages, costs, expenses, penalties or injury (including reasonably attorneys fees and costs of any suit related thereto) from third parties suffered or incurred by Seller arising from or related to any liabilities of the Buyer or Company incurred subsequent to the Closing Date.

Section 8.3 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 8.4 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 IX MISCELLANEOUS

Section 9.1 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 9.2 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: Behzad Bahrami 9010 IH 35, Suite 112 Austin, Texas 78753 Phone: (512) 658-4333 Fax: (512) 371-0401

with a copy to: Douglass D. Hearne, Jr.
700 Lavaca, Suite 910
Austin, Texas 78701
Fax: (512) 494-8819

(b) if to Buyer or Rick's: RCI Entertainment (Austin), Inc.
Attn: Eric Langan, President
10959 Cutten Road
Houston, Texas 77066
Fax: (281) 397-6765

with a copy to: Robert D. Axelrod
Axelrod Smith & Kirshbaum
5300 Memorial Drive, Suite 700
Houston, Texas 77007
Fax: (713) 552-0202

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 9.3 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 9.4 Assignment; 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, which consent will not be unreasonably withheld.

Section 9.5 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 9.6 Jurisdiction. 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. The parties agree that venue for purposes of construing or enforcing this Agreement shall be proper in Harris County, Texas, if litigation is initiated by the Seller or the Company or Travis County, Texas, if litigation is initiated by the Buyer.

Section 9.7 Counterparts and Facsimiles. This Agreement may be executed in multiple counterparts and in any number of counterparts, each of which shall be deemed an original, but all of which taken together shall constitute and be deemed to be one and the same instrument and each of which shall be considered and deemed an original for all purposes. This Agreement shall be effective with the facsimile signature of any of the parties set forth below and the facsimile signature shall be deemed as an original signature for all purposes and the Agreement shall be deemed as an original for all purposes.

Section 9.8 Costs and Expenses. Each party shall pay their own respective fees, costs and disbursements incurred in connection with this Agreement.

Section 9.9 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 9.10 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 Company) or any entity that is not a party to this Agreement.

Section 9.11 Attorneys' Review. In connection with the negotiation and drafting of this Agreement, the parties represent and warrant to each other they have had the opportunity to be advised by attorneys of their own choice.

Section 9.12 Further Assurances. Each party covenants that at any time, and from time to time, after the Closing Date, it will execute such additional instruments and take such actions as may be reasonably be requested by the other parties to confirm or perfect or otherwise to carry out the intent and purposes of this Agreement.

Section 9.13 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 the maximum period allowed by law.

Section 9.14 Public Announcements. The parties hereto agree that prior to making any public announcement or statement with respect to the transactions contemplated by this Agreement, the party desiring to make such public announcement or statement shall consult with the other parties hereto and exercise their best efforts to (i) agree upon the text of a joint public announcement or statement to be made by all of such parties or (ii) obtain approval of the other parties hereto to the text of a public announcement or statement to be made solely by the party desiring to make such public announcement; provided, however, that if any party hereto is required by law to make such public announcement or statement, then such announcement or statement may be made without the approval of the other parties.

Section 9.15 Validity. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provisions of this Agreement, which shall remain in full force and effect.

Section 9.16 Exhibits Not Attached. Any exhibits not attached hereto on the date of execution of this Agreement shall be deemed to be and shall become a part of this Agreement as if executed on the date hereof upon each of the parties initialing and dating each such exhibit, upon their respective acceptance of its terms, conditions and/or form.

IN WITNESS WHEREOF, the undersigned have executed this Purchase Agreement to become effective as of the date first set forth above.

RCI ENTERTAINMENT (AUSTIN), INC.

/s/ Eric Langan

By: Eric Langan, President

Date: October 10, 2005

RICK'S CABARET INTERNATIONAL, INC.

/s/ Eric Langan

By: Eric Langan, President

Date: October 10, 2005

SELLER

/s/ Behzad Bahrami

Behzad Bahrami, Individually

Date: October 5, 2006

PLAYMATES GENTLEMEN CLUB, LLC

/s/ Behzad Bahrami

By: Behzad Bahrami, Manager

Date: October 5, 2006

EXHIBITS

Purchase Agreement - Page 21

[LOGO OMITTED]

Rick's
Cabaret

FOR IMMEDIATE RELEASE

RICK'S CABARET SIGNS PURCHASE AGREEMENT FOR CONTROL OF NEW GENTLEMEN'S CLUB IN AUSTIN, TEXAS

HOUSTON-(October 12, 2006)-RICK'S CABARET INTERNATIONAL, INC. (NASDAQ: RICK), the national chain of adult entertainment nightclubs, said today it has entered into a Purchase Agreement to acquire a 51 percent interest in a new 22,000-square-foot gentlemen's club in fast-growing Austin, Texas. As part of the transaction, the Company will enter into a Management Agreement under which it will manage the club as a Rick's Cabaret.

The transaction is expected to close upon issuance of final permits by the City of Austin, subject to normal due diligence for transactions of this nature. Rick's Cabaret will pay \$500,000 in cash and will issue 125,000 shares of the company's restricted common stock valued at \$8 per share to the current owner of PLAYMATES GENTLEMEN'S CLUB at 8110 Springdale Road. The club is located in the northern part of Austin just east of the busy I-35 corridor. Constructed earlier this year, the club is expected to open in late October or early November and will become one of the company's flagship locations along with the company's other upscale locations.

"We are delighted to have completed the negotiations for this outstanding venue, which we predict will become one of the premier adult nightclubs in the country," said ERIC LANGAN, CEO of Rick's Cabaret. "We will have the majority ownership and will operate the club with our famous Rick's Cabaret model - beautiful women, unequaled customer service and friendliness, plus a great steakhouse in a luxurious setting."

The Playmates transaction is the fourth this year for Rick's Cabaret, bringing the total number of clubs owned or operated by the company to 13. "This is the latest in our active acquisition program, which is continuing as we study other possibilities throughout the country," said Mr. Langan.

Austin, with a current population of 1.4 million, is one of the fastest growing cities in the United States adding over 400,000 people during the 1990s and increasing its population by nearly 50 percent, according to the Texas Office of Economic Development and Tourism.

Earlier this year Rick's Cabaret acquired three clubs in South Houston and San Antonio, Texas.

ABOUT RICK'S CABARET

Rick's Cabaret International, Inc. (NASDAQ: RICK) operates upscale adult nightclubs serving primarily businessmen and professionals that offer live adult entertainment, restaurant and bar operations. The company owns and operates or licenses adult nightclubs in New York City, New Orleans, Charlotte, Houston, Minneapolis and other cities under the names "Rick's Cabaret," "XTC" and "Club Onyx." No sexual contact is permitted at any of these locations. Rick's Cabaret also owns the adult Internet membership Web site, www.couplestouch.com, and a network of online adult auction sites under the flagship URL www.naughtybids.com. Rick's Cabaret common stock is traded on NASDAQ under the symbol RICK. For further information contact ir@ricks.com.

FORWARD-LOOKING STATEMENTS:

This document contains forward-looking statements that involve a number of risks and uncertainties that could cause the company's actual results to differ materially from those indicated in this document, including the risks and uncertainties associated with operating and managing an adult business, the business climates in New York City and elsewhere, the success or lack thereof in launching and building the company's businesses in New York City and elsewhere, risks and uncertainties related to the operational and financial results of our Web sites, conditions relevant to real estate transactions, and numerous other factors such as laws governing the operation of adult entertainment businesses, competition and dependence on key personnel. Rick's has no obligation to update or revise the forward-looking statements to reflect the occurrence of future events or circumstances. For further information go to www.ricks.com.

CONTACT FOR FURTHER INFORMATION: ALLAN PRIAULX, 212-338-0050, IR@RICKS.COM