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Securities and Exchange Commission  
Washington, D.C. 20549

FORM 8-K

Current Report  
Pursuant To Section 13 or 15(d) Of  
The Securities Exchange Act of 1934

Date of Report: March 22, 2011

**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)

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ITEM 8.01 OTHER EVENTS.

On March 22, 2011, our wholly owned subsidiary, RCI Dining Services MN (4<sup>th</sup> Street), Inc., a Minnesota corporation ("RCI Minnesota"), entered into an Asset Purchase Agreement with Classic Affairs, Inc., a Minnesota corporation ("Classic") and VCG Holding Corp., a Colorado corporation ("VCGH"). Classic is a wholly owned subsidiary of VCGH. Classic owns and operates an adult entertainment cabaret known as "Schiek's Palace Royale," located at 115 South 4th Street, Minneapolis, Minnesota. Pursuant to the Asset Purchase Agreement, RCI Minnesota will acquire substantially all of the assets owned by Classic or VCGH, associated or used in connection with the operation of Schiek's Palace Royale for the purchase price of \$3,050,000. The transaction will close on or before five business days after RCI Minnesota has been issued all licenses needed to operate an adult cabaret at that location.

4th Street Partnership LLLP, a Minnesota limited liability limited partnership ("4<sup>th</sup> Street"), owns the real property where Schiek's Palace Royale is located. In a transaction related to the Asset Purchase Agreement, 4<sup>th</sup> Street and our wholly owned subsidiary, RCI Holdings, Inc. ("RCI Holdings"), entered into a Real Estate Purchase Agreement whereby 4<sup>th</sup> Street agreed to sell the real property to RCI Holdings for the purchase price of \$3,250,000. This transaction is to close contemporaneously with the Asset Purchase Agreement.

At closing of the above transactions, Troy Lowrie, the Chief Executive Officer of VCGH, Micheal Ocello, the Chief Operating Officer and President of VCGH, Classic and VCGH will each enter into a Non-Competition Agreement providing for each to agree not to compete with RCI Minnesota, Schiek's Palace Royale or any of their affiliates for a period of five years in the seven county, twin-city metropolitan area of Minneapolis-St. Paul.

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The terms and conditions of the Asset Purchase Agreement and the Real Estate Purchase Agreement were the result of arm's length negotiations between the parties. A copy of the Asset Purchase Agreement is attached hereto as Exhibit 10.1. A copy of the Real Estate Purchase Agreement is attached hereto as Exhibit 10.2. A copy of the press release related to this transaction is attached hereto as Exhibit 99.1.

#### ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS

##### (d) Exhibits

Exhibit Number	Description
<u>10.1</u>	Asset Purchase Agreement
<u>10.2</u>	Real Estate Purchase Agreement
<u>99.1</u>	Press Release dated March 23, 2011

#### SIGNATURES

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

RICK'S CABARET INTERNATIONAL, INC.

Date: March 23, 2011

By: /s/ Eric Langan

Eric Langan

President and Chief Executive Officer

## **ASSET PURCHASE AGREEMENT**

This Asset Purchase Agreement (the “Agreement”) is made and entered into this \_\_\_ day of March, 2011, by and among **Classic Affairs, Inc.**, a Minnesota corporation (the “Company”), **VCG Holding Corp.**, a Colorado corporation (“VCGH”) and **RCI Dining Services MN (4<sup>th</sup> Street), Inc.**, a Minnesota corporation (the “Purchaser”).

**WHEREAS**, the Company owns and operates an adult entertainment cabaret known as Schiek’s Palace Royale (“Schiek’s Palace”) located at 115 South 4<sup>th</sup> Street, Minneapolis, Minnesota ; and

**WHEREAS**, VCGH owns all of the outstanding common stock of the Company, which represents 100% of all of the outstanding capital stock of the Company presently issued and outstanding (the “Capital Stock”); and

**WHEREAS**, 4<sup>th</sup> Street Partnership LLP, a Minnesota limited liability partnership (the “Partnership”) owns the real property commonly known as 115 South 4<sup>th</sup> Street, Minneapolis, Minnesota and the improvements, including building and fixtures, located thereon (the “Real Property” or “Premises”) as more fully described on Exhibit “A” attached hereto; and

**WHEREAS**, the Company and the Partnership entered into a Lease Agreement in June, 2007 (the “Lease Agreement”), for the lease of the Premises by the Partnership to the Company; and

**WHEREAS**, VCG Real Estate Holdings, Inc., a Colorado corporation, a wholly owned subsidiary of VCGH, is the general partner of the Partnership; and

**WHEREAS**, the Company and VCGH desire to sell, transfer and convey substantially all of the assets owned by them which are associated or used in connection with the operation of Schiek’s Palace to the Purchaser, on the terms and conditions set forth herein; and

**WHEREAS**, the Purchaser desires to purchase substantially all of the assets owned by the Company or VCGH, associated or used in connection with the operation of Schiek’s Palace on the terms and conditions set forth herein; and

**WHEREAS**, in connection with this transaction, the Partnership desires to (i) sell the Real Property to RCI Holdings, Inc., a Texas corporation (“RCI”), a wholly owned subsidiary of Rick’s Cabaret International, Inc., free and clear of all liens, claims or encumbrances, (ii) terminate the existing Lease Agreement between the Partnership and the Company and (iii) release VCGH as the guarantor of the Company’s obligations under the Lease Agreement; and

**WHEREAS**, RCI desires to purchase the Real Property from the Partnership.

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**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 ASSETS**

Section 1.1      Assets of the Company to be Transferred to Purchaser . On the Closing Date (as defined in Section 4.1 hereof), and subject to the terms and conditions set forth in this Agreement, the Company shall sell, convey, transfer and assign, or cause to be sold, conveyed, transferred and assigned to Purchaser free and clear of all liens, claims or encumbrances, and Purchaser shall acquire (except for the Excluded Assets as hereinafter defined) all of the tangible and intangible assets and personal property of every kind and description and wherever situated of the business of Schiek's Palace from the Company, including but not limited to, the following personal property of the Company:

- (i) all of the tangible and intangible assets and personal properties of every kind and description and wherever situated of the business of Schiek's Palace, including, without limitation, inventories, furniture, fixtures, equipment (including office and kitchen equipment), computers, appliances, sign inserts, sound and lighting and telephone systems, telephone numbers, and other personal property of whatever kind and nature owned or leased by the Company, installed, located, situated or used in, on, or about, or in connection with the operation, use and enjoyment of the Premises and all other items on the subject Premises and used in connection with the operation of Schiek's Palace;
- (ii) all of the Company's inventory of supplies, accessories and any and all other items of personal property of whatever nature utilized or relating to the operation of Schiek's Palace, including but not limited to all alcoholic beverages (the "Inventory");
- (iii) all supplies and other "consumable supplies" used in connection with the operation of Schiek's Palace (the "Supplies");
- (iv) all of the Company's right, title, and interest, as lessee, of any and all equipment leased by the Company and located at Schiek's Palace (the "Leased Equipment") if the Purchaser agrees in writing to assume payment for the Leased Equipment ;
- (v) all right, title, and interest of the Company to the use of the telephone numbers presently being used by Schiek's Palace, including all rotary extensions thereto, and all advertisements in the "Yellow Pages", "City Directory" and other similar publications (the "Telephone Numbers") and after the Closing, Purchaser shall assume all expenses for the Telephone Numbers and advertising;

- (vi) copies of the Company's lists of suppliers, and any and all of books, records, papers, files, memoranda and other documents relating to or compiled in connection with the operation of Schiek's Palace which are requested by Purchaser (the "Records");
- (vii) all intellectual property of every kind of the Company, including but not limited to all trade marks, trade names, service marks, patents, copyrights, and trade secrets;
- (viii) all universal resource locators ("URL's") and internet domain names, and all goodwill associated with or used in connection with the operation or business of the URL's and internet domain names;
- (ix) to the extent transferable, any and all necessary permits and authorizations which are needed to conduct an adult entertainment business serving alcoholic beverages at Schiek's Palace which the Company has the right to transfer and convey, including its sexually oriented business permit and license and all other licenses, consents, authorizations, accreditations, waivers and approvals (together with all government filings pertaining thereto), however designated, established, maintained or renewed and issued evidencing or authorizing the Company, the Company's agent(s) or nominee (s) for the purpose of engaging in the business and/or operation of an adult cabaret nightclub business, gaming facility, restaurant, bar, lounge, sale of liquor or any other business currently operating or capable of being operated on the Premises however characterized.

All of the items set forth in Section 1.1 are collectively referred to as the "Purchased Assets". Exhibit 1.1 shall be a list of all furniture, fixtures, equipment, supplies, URL's, intellectual property and inventory included within the Purchased Assets.

Section 1.2 Excluded Assets. Specifically excluded from the Purchased Assets are (i) the corporate seals, books, accounting records and records related to corporate governance of the Company (ii) all Company bank accounts and all Company monies (including cash) on hand as of the Closing Date, (iii) all credit card receipts and ATM purchases as of the Closing Date, (iv) the software presently utilized for the Company's Aloha System, and (v) any rights or interests in the pending and/or existing litigation presently existing with Robert Sabes (hereinafter collectively referred to as the "Excluded Assets").

Section 1.3 Intent of the Parties. Although the description of the Purchased Assets in Section 1.1 is intended to be complete, in the event Section 1.1 fail to contain the description of any assets belonging to the Company or VCGH which are used for the business of Schiek's Palace, such assets shall nonetheless be deemed transferred to Purchaser at the Closing.

## **ARTICLE II NO ASSUMPTION OF LIABILITIES**

Section 2.1 Excluded Liabilities. Notwithstanding anything contained in this Agreement to the contrary, Purchaser shall have no obligation and is not assuming, and the Company and/or VCGH shall retain, pay, perform, defend and discharge, all of the liabilities and obligations of every kind whatsoever related or connected to the Purchased Assets or the business of Schiek's Palace arising or accruing prior to the Closing Date, whether disclosed or undisclosed, known or unknown on the Closing Date, direct or indirect, absolute or contingent, secured or unsecured, liquidated or unliquidated, accrued or otherwise, whether liabilities for taxes, liabilities of creditors, liabilities arising under any profit sharing, pension or other benefit under any plan of the Company, liabilities to any Governmental Agency (as hereinafter defined) or third parties, liabilities assumed or incurred by the Company by operation of law or otherwise (collectively, the "Excluded Liabilities"), including, but not limited to, (i) contractual liabilities arising from Schiek's Palace's business or ownership of the Purchased Assets prior to the Closing Date, and (ii) any taxes owing by the Company and/or VCGH, including but not limited to (x) any ad valorem taxes, including real estate and personal property taxes, waste disposal assessments or other assessments for public or municipal improvements that are assessed or imposed pursuant to the Lease Agreement and (y) any other taxes, whether related to the business of Schiek's Palace, the Purchased Assets or otherwise and any liens on the Purchased Assets relating to any such taxes.

Section 2.2 Taxes. The Company and/or VCGH shall pay when due any sales, transfer, excise, or other taxes which may be imposed in any jurisdiction in connection with or arising from the sale and transfer of any of the Purchased Assets to Purchaser due by the Company.

Section 2.3 Bulk Sales Laws. The Company and VCGH acknowledge that any applicable provisions of any tax clearance or bulk sales laws pertaining to the transactions contemplated by this Agreement are being complied with and that the Company and VCGH agree to indemnify and hold harmless Purchaser from and against any and all liabilities arising out of or relating to any such tax clearance or bulk sales law. Any such liability shall be an Excluded Liability.

## **ARTICLE III PURCHASE PRICE FOR THE PURCHASED ASSETS**

Purchase Price. As consideration for the purchase of the Purchased Assets, Purchaser shall pay to the Company and/or VCGH at Closing \$3,050,000, payable by cashier's check, certified funds or wire transfer (the "Purchase Price").

## **ARTICLE IV CLOSING**

Section 4.1 The Closing. The closing of the transactions contemplated by this Agreement will take place on or before five (5) business days after the Purchaser has been issued all licenses required to serve alcoholic beverages in an adult cabaret and all other licensing requirements for an adult cabaret to conduct topless entertainment have been satisfactorily issues to Purchaser, without any administrative actions pending or concluded that may challenge or present an obstacle to the continued performance of live female topless entertainment with the sale of alcoholic beverages on the Premises (the "Closing Date"), at the law office of Axelrod, Smith & Kirshbaum, 5300 Memorial Drive, Suite 700, Houston, Texas, 77007, or at such other time and place as agreed upon among the parties hereto (the "Closing"). Notwithstanding the foregoing, in the event that the Purchaser is unable to obtain the approval to possess all necessary permits, licenses and other authorizations as set forth herein by June 15, 2011, then either party hereto may terminate this Agreement by giving written notice to the other parties as provided for in Section 12.2, and this Agreement shall be of no further force or effect.

Section 4.2 Delivery of Documents at Closing. At the Closing: (a) the Company and VCGH shall deliver to Purchaser all instruments of assignment and bills of sale necessary to transfer to Purchaser good and marketable title to the Purchased Assets free and clear of all liens, charges, claims or encumbrances, against delivery by Purchaser to the Company and/or VCGH of payment in an amount equal to the Purchase Price for the Purchased Assets being purchased by Purchaser, in the manner set forth herein, (b) the Purchaser, the Company and VCGH shall deliver the various certificates, instruments and documents (and shall take the required actions) referred to in Articles VIII and IX herein; and (c) the Related Transactions as set forth in Section 4.3 shall be consummated concurrently with the Closing.

Section 4.3 Related Transactions. In addition to the purchase and sale of the Purchased Assets, the following actions shall take place contemporaneously at the Closing (collectively, the "Related Transactions"):

(i) *Sale of the Real Property*. At the Closing, the Partnership shall sell, transfer, convey and deliver by General Warranty Deed, which shall convey good and marketable title to the Real Property to RCI, free and clear of liens, claims and encumbrances. As consideration for the purchase of the Real Property, RCI shall pay to the Partnership at Closing, \$3,250,000 (the "Real Property Purchase Price") which shall be payable by cashier's check, certified funds or wire transfer. The Partnership and RCI shall execute the Real Estate Purchase Agreement, attached hereto as Exhibit 4.3(i), which will provide for the terms and conditions for the conveyance of good and marketable title to the Real Property.

(ii) *Covenant Not to Compete*. As partial consideration for the Purchaser entering into this Agreement, Troy Lowrie ("Lowrie"), Micheal Ocello ("Ocello"), the Company and VCGH will each enter into a Non-Competition Agreement pursuant to the terms of which Lowrie, Ocello, the Company and VCGH will each agree for a period of five (5) years not to compete, either directly or indirectly, with the Purchaser, Schiek's Palace or any of their affiliates, by owning, participating or operating an establishment featuring live female nude or semi-nude adult entertainment in the seven county, twin-city metropolitan area of Minneapolis-St. Paul, consisting of Hennepin, Ramsey, Scott, Washington, Dakota, Anoka, and Carver counties. A copy of the form of Non-Competition Agreement is attached hereto as Exhibit 4.3 (ii).

(iii) *Termination of Existing Lease Agreement and Guarantee*. The Partnership, the Company and VCGH will enter into a Termination Agreement pursuant to the terms of which (a) the existing Lease Agreement between the Company and the Partnership will be terminated and (b) the existing Guarantee of the Lease Agreement by VCGH shall be terminated. A copy of the form of Termination Agreement is attached hereto as Exhibit 4.3(iii).

**ARTICLE V**  
**REPRESENTATIONS AND WARRANTIES**  
**OF VCGH AND THE COMPANY**

VCGH and the Company, jointly and severally, hereby represent and warrant to Purchaser as follows:

Section 5.1.     Organization, Good Standing and Qualification of VCGH and the Company.

(i)       VCGH (i) is a Colorado corporation duly organized, validly existing and in good standing under the laws of the state of Colorado, (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 VCGH of the Company.

(ii)       The Company (i) is a Minnesota corporation duly organized, validly existing and in good standing under the laws of the state of Minnesota, (ii) has all requisite power and authority to carry on its business, and (iii) is duly qualified to transact business and is in good standing in all jurisdictions where its ownership, lease or operation of property or the conduct of its business requires such qualification, except where the failure to do so would not have a material adverse effect to the Company.

Section 5.2     Subsidiaries. The Company does not have any subsidiaries.

Section 5.3     Ownership of the Purchased Assets. The Company owns all of the Purchased Assets set forth in Section 1.1 herein free and clear of any liens, claims, equities, charges, options, rights of first refusal, or encumbrances. The Company has the unrestricted right and power to transfer, convey and deliver full ownership of the Purchased Assets without the consent or agreement of any other entity or person and without any designation, declaration or filing with any governmental authority. Upon the transfer of the Purchased Assets to Purchaser as contemplated herein, Purchaser will receive good and valid title thereto, free and clear of any liens, claims, equities, charges, options, rights of first refusal, encumbrances or other restrictions.

Section 5.4     Authorization. All action on the part of the Company and VCGH necessary for the authorization, execution, delivery and performance of this Agreement and all documents related to consummate the transactions contemplated herein have been taken by the Company and VCGH. The Company and VCGH have the requisite power and authority to execute and deliver this Agreement and to perform their obligations hereunder and to consummate the transactions contemplated hereby. This Agreement, when duly executed and delivered in accordance with its terms, will constitute a valid and binding obligation of the Company and VCGH, enforceable against the Company and VCGH in accordance with its terms, except as may be limited by bankruptcy, insolvency, reorganization, and other similar laws of general application relating to or affecting creditors' rights and to general equitable principles.



Section 5.5      No Breaches or Defaults . The execution, delivery, and performance of this Agreement by VCGH and the Company does not: (i) conflict with, violate, or constitute a breach of or a default under any other outstanding agreements or the charter or bylaws of the Company or VCGH, (ii) result in the creation or imposition of any lien, claim, or encumbrance of any kind upon the Purchased Assets or the Premises or (iii) require any authorization, consent, approval, exemption, or other action by or filing with any third party or Governmental Authority (as defined below) under any provision of: (a) any applicable Legal Requirement (as defined below), or (b) any credit or loan agreement, promissory note, or any other agreement or instrument to which VCGH or the Company is a party or by which the Purchased Assets or the Premises may be bound or affected. For purposes of this Agreement, "Governmental Authority" means any foreign governmental authority, the United States of America, any state of the United States, and any political subdivision of any of the foregoing, and any agency, department, commission, board, bureau, court, or similar entity, having jurisdiction over the parties hereto or their respective assets or properties. For purposes of this Agreement, "Legal Requirement" means any law, statute, injunction, decree, order or judgment (or interpretation of any of the foregoing) of, and the terms of any license or permit issued by, any Governmental Authority.

Section 5.6      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 VCGH or the Company in connection with the execution and delivery by VCGH or the Company of this Agreement or the consummation and performance of the transactions contemplated hereby.

Section 5.7      Pending Claims . Except as reflected on Exhibit 5.7, there is no claim, suit, arbitration, investigation, action, litigation or other proceeding, whether judicial, administrative or otherwise, now pending or to VCGH's or the Company's knowledge, contemplated or threatened against VCGH or the Company 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 material effect upon the Company or the business of Schiek's Palace or the transfer by the Company to Purchaser of the Purchased Assets under this Agreement, or the operation of Schiek's Palace after the Closing Date and there is no basis known to VCGH or the Company for any such action. No litigation is pending, or to VCGH's or the Company's knowledge, contemplated or threatened against VCGH or the Company, 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 VCGH nor the Company is subject to any judicial injunction or mandate or any quasi-judicial or administrative order or restriction directed to or against them of which would affect the Company, the Purchased Assets, the Premises or the business of the Schiek's Palace.

Section 5.8 Taxes. The Company has timely and accurately prepared and filed all federal, state, foreign and local tax returns and reports required to be filed prior to such dates and has 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 is not delinquent in the payment of any tax or governmental charge of any nature. Neither the Company nor VCGH have any knowledge of any liability for any tax to be imposed by any taxing authorities upon the Company as of the date of this Agreement and as of the Closing that is not adequately provided for. No assessments or notices of deficiency or other communications have been received by VCGH or 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. None of the federal, state, foreign and local tax returns of the Company have been audited by any taxing authority. Neither VCGH nor the Company have any knowledge of any additional assessments, adjustments or contingent tax liability (whether federal or state) of any nature whatsoever, whether pending or threatened against the Company for any period, nor of any basis for any such assessment, adjustment or contingency. There are no agreements between the Company or VCGH and any taxing authority, including, without limitation, the Internal Revenue Service, waiving or extending any statute of limitations with respect to any tax return.

Section 5.9 Financial Statements. The Company has delivered to Purchaser the unaudited balance sheets of the Company as of December 31, 2009, December 31, 2010 and January 31, 2011, together with the related unaudited statements of income, for the periods then ended (collectively referred to as the "Financial Statements"). Such Financial Statements 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, in each case in conformity with generally accepted accounting principles applied on a consistent basis. Except as, and to the extent reflected or reserved against in the Financial Statements, the Company, as of the date of the Financial Statements, has no material liability or obligation of any nature, whether absolute, accrued, continued or otherwise, not fully reflected or reserved against in the Financial Statements. As of the Closing Date, the Company will represent 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 statements of the Company as furnished pursuant to this Agreement.

Section 5.10 No Material Adverse Change. Since the date of the Financial Statements, the Company has conducted its business in the ordinary course, consistent with past practice, and there has been no (i) change that has had or would reasonably be expected to have a material adverse effect upon the assets or business or the financial condition or other operations of the Company; (ii) acquisition or disposition of any material asset by the Company or any contract or arrangement therefore, otherwise than for fair value in the ordinary course of business; (iii) material change in the Company's accounting principles, practices or methods; (iv) incurrence of any material indebtedness or lending of money to any person or entity; (v) acceleration, termination, modification or cancellation of any agreement, contract, lease or license (or series of related agreements, contracts, leases or licenses) involving more than \$5,000 to which the Company is a party; (vi) no material change in, or removal of, Purchased Assets located at Schiek's Palace; or (vii) delay or postponement in the payment of any accounts payable or other liabilities.

Section 5.11 Labor Matters. The Company is not a party or otherwise subject to any collective bargaining agreement with any labor union or association. There are no discussions, negotiations, demands or proposals that are pending or have been conducted or made with or by any labor union or association, and there are not pending or threatened against the Company any labor disputes, strikes or work stoppages. To the best of the Company's and VCGH's knowledge, the Company is in compliance with all federal and state laws respecting employment and employment practices, terms and conditions of employment and wages and hours, and, to their knowledge, is not engaged in any unfair labor practices, except as reflected on Exhibit 5.11. Neither the Company nor Schiek's Palace is a party to any written or oral contract, agreement or understanding for the employment of any officer, director or employee of the Company.

Section 5.12 Compliance with Laws. To the best of VCGH's and the Company's knowledge, 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 its businesses. Neither VCGH nor the Company have any basis to expect, nor have they received, any order or notice of any such violation or claim of violation of any such statute, order, rule, ordinance or regulation by the Company. The Company owns, holds, possesses or lawfully uses in the operation of its business all permits and licenses which are in any manner necessary or required for it to conduct its operation and business as now being conducted. Exhibit 5.12 sets forth all licenses and permits held by the Company used in the operation of the business of Schiek's Palace, all of which are in good standing and in effect as of the Closing Date.

Section 5.13 No Conflicts. The execution and delivery of this Agreement by the Company and VCGH does not, and the performance and consummation of the transactions contemplated hereby by the Company and VCGH, will not 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 or VCGH is a party or by which the Company's or VCGH's assets or properties are bound.

Section 5.14 Title to Properties; Encumbrances. The Company has good and marketable title to all of the Purchased Assets set forth in Section 1.1 herein, which represents all of the assets, personal, tangible, and intangible, that are material to the conditions (financial or otherwise), business, operations or prospects of the Company and Schiek's Palace, 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 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, including the business of Schiek's Palace. As of the Closing Date, the assets of the Company shall include, but shall not be limited to, the non cash assets set forth in the Company's 2010 corporate income tax return, along with all equipment located on the premises at Schiek's Palace as of the Closing Date.

Section 5.15 No Liabilities. Except as to bills not yet received, (which the Company shall pay as to the amounts incurred prior to closing) as of the Closing Date, the Company does not and shall not have any obligation or liability (contingent or otherwise) or unpaid bill to any third party.

Section 5.16 Contracts and Leases. Except as shown on Exhibit 5.16, the Company does not (i) have any leases of personal property relating to the Purchased Assets, whether as lessor or lessee; (ii) have any contractual or other obligations relating to the Purchased Assets, whether written or oral; and/or (iii) have given any power of attorney to any person or organization for any purpose relating to the Purchased Assets or business of the Company or Schiek's Palace. The Company has an existing Lease Agreement covering the Premises where Schiek's Palace operates its adult entertainment cabaret (the "Lease Agreement") with the Partnership. The existing Lease Agreement will be terminated as of the Closing Date. The Company shall provide to Purchaser prior to the Closing Date each and every contract, lease or other document relating to the assets of the Company to which it is subject or is a party or a beneficiary. To the Company's and VCGH's knowledge, such contracts, leases or other documents are valid and in full force and effect according to their terms and constitute legal, valid and binding obligations of the Company and the other respective parties thereto and are enforceable in accordance with their terms. VCGH and the Company have 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. Neither the execution of this Agreement, nor the consummation of all or any of the transactions contemplated under this Agreement, will constitute a breach or default under any such contracts, leases or other documents which would have a material adverse effect on the financial condition of the Company or the operation of Schiek's Palace after the Closing.

Section 5.17 No Pending Transactions. Except for the transactions contemplated by this Agreement and the Related Transaction contemplated in Section 4.3 herein, the Company and/or VCGH is not 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 Purchased Assets; (iii) the sale of any outstanding capital stock 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; (vi) any agreement with any of the respective officers, managers or affiliates of the Company; or (vii) the expenditure of more than \$5,000 or the performance by the Company extending for a period more than one year from the date hereof.

Section 5.18 Material Agreements; Action. Except for the transactions contemplated by this Agreement and the Related Transactions contemplated in Section 4.3 herein, there are no contracts, agreements, commitments, understandings or proposed transactions, whether written or oral, to which VCGH or the Company are a party or by which they are bound that involve or relate to (i) any of the respective officers, directors, stockholder or partners of the Company or (ii) covenants of VCGH or the Company not to compete in any line of business or with any person in any geographical area or covenants of any other person not to compete with the Company in any line of business or in any geographical area.

Section 5.19 Insurance Policies. Copies of all insurance policies maintained by the Company and/or VCGH relating to the operation of Schiek's Palace have been or will be delivered or made available to Purchaser. The policies of insurance held by the Company and/or VCGH are in such amounts, and insure against such losses and risks, as the Company and/or VCGH reasonably deem appropriate for their property and business operations. All such insurance policies are in full force and effect and all premiums due thereon have been paid.

Section 5.20 No Default. Neither VCGH nor the Company is 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 VCGH or the Company under any other contract, lease, agreement, commitment or undertaking to which the Company is a party or by which it or its assets or properties are bound, nor have VCGH or the Company waived any material right under any such contract, lease, agreement, commitment or undertaking.

Section 5.21 Books and Records. The books of account, minute books, stock record books and other records of the Company, all of which have been made available to Purchaser, are accurate and complete and have been maintained in accordance with sound business practices.

Section 5.22 Unpaid Bills. As of the Closing, there will be no unpaid bills or claims in connection with any lease payments under the Lease Agreement or any repair of the Premises or other work performed or materials purchased in connection with the repair of the Premises.

Section 5.23 Notices. Neither the Company nor VCGH or any representative of the Company or VCGH have received any written notice (i) from any insurance companies, governmental agencies or from any other parties of any condition, defects or inadequacies with respect to the Premises which, if not corrected, would result in termination of insurance coverage or increase its cost, (ii) from any governmental agencies or any other third parties with respect to any violations of any building codes and/or zoning ordinances or any other governmental laws, regulations or orders affecting the Premises, including, without limitation, the Americans With Disabilities Act, (iii) of any pending or threatened condemnation proceedings with respect to the Premises, or (iv) of any proceedings which could or would cause the change, redefinition or other modification of the zoning classification of the Premises.

Section 5.24 Proceedings Relating to Premises. Except as reflected on Exhibit 5.24, there is no pending, or to the best knowledge of the Company or VCGH or any representative of the Company or VCGH, contemplated or threatened judicial, municipal or administrative proceedings with respect to, or in any manner affecting the Premises or any portion thereof, including, without limitation, proceedings for or involving tenant evictions, collections, condemnations, eminent domain, alleged building code or zoning violations, personal injuries or property damage alleged to have occurred on the Premises or by reason of the use and operation of the Premises, or written notice of any attachments, executions, assignments for the benefit of creditors, receiverships, conservatorships or voluntary or involuntary proceedings in bankruptcy or pursuant to any other debtor relief laws pending or threatened against VCGH or the Company or the Premises itself, or the taking of the Premises for public needs.

Section 5.25 Public Improvements. None of the Company, VCGH or any representative of the Company or VCGH has knowledge of any existing or proposed public improvements which involve or which may result in any charge being levied or assessed against the Premises or which will or could result in the creation of any lien upon the Premises or any part thereof.

Section 5.26 Certificates. To the best knowledge of the Company, VCGH or any representative of the Company or VCGH, all certificates of occupancy, licenses, permits, authorizations and approvals required by law or by any governmental authority having jurisdiction over the Premises have been obtained and are in full force and effect.

Section 5.27 Material Defect. To the best knowledge of the Company, VCGH or any representative of the Company or VCGH, there are no material defects to the Premises which have not been disclosed in writing to the Purchaser.

Section 5.28 Flooding. To the best knowledge of the Company, VCGH or any representative of the Company or VCGH no flooding has occurred on the Premises.

Section 5.29 Environmental. To the best of the Company's and VCGH's knowledge, except as reflected on Exhibit 5.29, neither the Company nor VCGH has caused, allowed to be caused, failed to prevent or has been made aware of, an environmental condition on the Premises that required or requires abatement or correction under an Environmental Law, or has given or is reasonably likely to give rise to any civil or criminal liability under an Environmental Law, or has created or may create a public or private nuisance, including the presence of asbestos, PCB's, hazardous substances, radioactive waste or radon, on, in or affecting the Property. Neither the Company nor VCGH or any of their representatives have 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 occupation of the Premises, and there is no basis known to the Company or VCGH for any such action.

For purposes of this warranty, "Environmental Law" shall mean any and all Applicable Laws (i) regulating the use, treatment, generation, transportation, storage, control, management, recycling or disposal of any Hazardous Material, including, but not limited to, the Comprehensive Environmental Response, Compensation and Liability Act (42 U.S.C. § 9601 et seq.), the Superfund Amendment and Reauthorization Act of 1986 ("SARA"), Public Law 99-499, 100 Stat. 1613, the Resource Conservation and Recovery Act (42 U.S.C. § 6901 et seq.), the Hazardous Materials Transportation Act (49 U.S.C. § 1801 et seq.), the Federal Water Pollution Control Act (33 U.S.C. § 1251 et seq.), the Clean Water Act (33 U.S.C. § 1251 et seq.), the Clean Air Act (42 U.S.C. § 7401 et seq.), the Toxic Substances Control Act (15 U.S.C. § 2601 et seq.), the Federal Insecticide, Fungicide and Rodenticide Act ("FIFRA"), 7 U.S.C. §136 et. seq., the Safe Drinking Water Act ("SWDA"), 42 U.S.C. §300f et. seq., the Surface Mining Control and Reclamation Act ("SMCR"), 30 U.S.C. §1201 et. seq., and/or (ii) relating to the protection, preservation or conservation of the environment.

Section 5.30 Disclosure. No representation or warranty of VCGH 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.

Section 5.31 Employee Benefit Plans. The Company is not a party to any employee-benefit plan.

Section 5.32 Brokerage Commission. No broker or finder has acted on behalf of VCGH 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 thereto based in any way on agreements, arrangements or understandings made by or on behalf of VCGH or the Company.

## **ARTICLE VI REPRESENTATIONS AND WARRANTIES OF PURCHASER**

The Purchaser hereby represents and warrants to the Company and VCGH as follows:

Section 6.1 Organization, Good Standing and Qualification of the Purchaser. The Purchaser (i) is an entity duly organized, validly existing and in good standing under the laws of the state of Minnesota, (ii) has all requisite power and authority to carry on its business, and (iii) is duly qualified to transact business and is in good standing in all jurisdictions where its ownership, lease or operation of property or the conduct of its business requires such qualification, except where the failure to do so would not have a material adverse effect to the Purchaser.

Section 6.2 Authorization. All action on the part of the Purchaser necessary for the authorization, execution, delivery and performance of this Agreement and all documents related to consummate the transactions contemplated herein has been taken by the Purchaser. The Purchaser has the requisite power and authority to execute and deliver this Agreement and to perform its obligations hereunder and to consummate the transactions contemplated hereby. This Agreement, when duly executed and delivered in accordance with its terms, will constitute a valid and binding obligation of the Purchaser, enforceable against the Purchaser in accordance with its terms, except as may be limited by bankruptcy, insolvency, reorganization, and other similar laws of general application relating to or affecting creditors' rights and to general equitable principles.

Section 6.3 No Breaches or Defaults. The execution, delivery, and performance of this Agreement by Purchaser does not: (i) conflict with, violate, or constitute a breach of or a default under or (ii) require any authorization, consent, approval, exemption, or other action by or filing with any third party or Governmental Authority under any provision of: (a) any applicable Legal Requirement, or (b) any credit or loan agreement, promissory note, or any other agreement or instrument to which Purchaser is a party.

Section 6.4 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 Purchaser in connection with the execution and delivery by Purchaser of this Agreement or the consummation and performance of the transactions contemplated hereby.

Section 6.5 Disclosure. No representation or warranty of Purchaser 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 6.6      Brokerage Commission. No broker or finder has acted on behalf of the Purchaser 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 thereto based in any way on agreements, arrangements or understandings made by or on behalf of the Purchaser.

## **ARTICLE VII COVENANTS OF THE COMPANY AND VCGH**

Section 7.1      Stand Still. To induce Purchaser to proceed with this Agreement, the Company and VCGH agree that until the Closing Date or the termination of this Agreement, none of the representatives of the Company or VCGH 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 of the Purchased Assets, or any common stock of the Company. The Company and VCGH hereby agree to advise the Purchaser of any contact from any third party regarding the possible acquisition of any of the Purchased Assets or any common stock of the Company or other investment in the Company, the acquisition of the Premises, or of any contact which would relate to the transactions contemplated by this Agreement.

Section 7.2      Access; Due Diligence. Between the date of this Agreement and the Closing Date, the Company shall (a) provide Purchaser and/or their authorized representatives reasonable access to Schiek's Palace, their offices, warehouse and other facilities and properties of the Company and to the books and records of the Company; (b) permit the Purchaser and/or their authorized representatives to make inspections thereof; and (c) cause the officers and advisors of the Company and Schiek's Palace to furnish the Purchaser with such financial and operating data and other information with respect to the business and properties of the Company and Schiek's Palace and to discuss with the Purchaser and their authorized representatives the affairs of the Company and Schiek's Palace as the Purchaser may from time to time reasonably request.

Section 7.3      Preservation of Business. From the date of the execution hereof until the Closing Date, the Company shall operate the business of Schiek's Palace in substantially the same manner as it has heretofore, consistent with past practices, and shall not do any of the following except in the ordinary course of business:

- (a)      The Company and VCGH will not authorize, declare, pay or effect any dividend or liquidation or other distribution in respect of the common stock of the Company, or any 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 its condition (financial or otherwise), liabilities, assets, or business or in any of its business relationships, including relationships with suppliers or customers, that, when considered individually or in the aggregate, might reasonably be expected to have a material effect on the Company or the results of operations of Schiek's Palace;



- (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;
- (d) The Company will not sell, lease, transfer or assign any of its assets, tangible or intangible;
- (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 Purchaser;
- (g) The Company will not waive or release any right or claim held by the Company, absent the consent of the Purchaser;
- (h) The Company will operate its business in the ordinary course and consistent with past practices so as to preserve its business organization intact, to retain the services of its employees and to preserve its goodwill and relationships with suppliers, creditors, customers, and others having business relationships with it;
- (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;
- (k) The Company will not make any loan to, or enter into any employment agreement or other transaction with, any of its directors, officers, or employees;
- (l) The Company will not make any change in any method, practice, or principle of accounting involving the business of the Company, or the assets of the Company;
- (m) The Company will not issue, sell or otherwise dispose of any of the Purchased Assets or any of its common stock, 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 the Purchased Assets or the its common stock;
- (n) The Company will not reclassify, split up or otherwise effect any change of its common stock;
- (o) The Company will not be a party to any merger, consolidation or other business combination; and

(p) The Company and VCGH will not agree to take any action described in this Section 7.3.

## **ARTICLE VIII CONDITIONS TO CLOSING OF THE COMPANY AND VCGH**

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

Section 8.1 Representations, Warranties and Agreements of Purchaser. The representations and warranties of Purchaser 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.

Section 8.2 Covenants. All covenants, agreements and conditions in this Agreement to be performed by the Purchaser on or prior to the Closing Date shall have been performed or complied with in all respects.

Section 8.3 Delivery of Certificates. Purchaser shall provide to the Company and VCGH certificates dated as of the Closing Date and signed by a representative of the Purchaser to the effect set forth in Section 8.1 and Section 8.2 for the purpose of verifying the accuracy of such representations and warranties and the performance and satisfaction of such covenants and conditions.

Section 8.4 Resolutions. Purchaser shall provide a corporate resolution of its Board of Directors which approves all of the transactions contemplated herein and authorizes 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.

Section 8.5 Related Transactions. The Related Transactions set forth in Section 4.3 shall be consummated concurrently with the Closing.

Section 8.6 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, if any, shall have been obtained.

Section 8.7 Payment of Purchase Price. Purchaser shall have tendered the Purchase Price for the Purchased Assets to the Company and/or VCGH concurrently with the Closing.

Section 8.8 Absence of Proceedings. No action, suit or proceeding by or before any court or any governmental or regulatory authority shall have been commenced and no investigation by any governmental or regulatory authority shall have been commenced seeking to restrain, prevent or challenge the transactions contemplated hereby or seeking judgments against Purchaser.

**ARTICLE IX  
CONDITIONS TO CLOSING OF  
PURCHASER**

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

Section 9.1      Representations and Warranties of the Company and VCGH. The representations and warranties of the Company and VCGH 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.

Section 9.2      Covenants. All covenants, agreements and conditions contained in this Agreement to be performed by the Company and VCGH on or prior to the Closing Date shall have been performed or complied with in all respects.

Section 9.3      Delivery of Certificates. The Company and VCGH shall each provide to Purchaser certificates, dated as of the Closing Date and signed by representatives of the Company and VCGH, respectively, to the effect set forth in Section 9.1 and Section 9.2 for the purpose of verifying the accuracy of such representations and warranties and the performance and satisfaction of such covenants and conditions.

Section 9.4      Delivery of Purchased Assets. The Company shall have delivered all instruments of assignment and bills of sale necessary to transfer to Purchaser good and marketable title to the Purchased Assets in form and substance satisfactory to the Purchaser, free and clear of all encumbrances.

Section 9.5      Resolutions. The Company and VCGH shall each provide a resolution of its Board of Directors which approves all of the transactions contemplated herein and authorizes 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.

Section 9.6      Consents; Status of Permits and Licenses. Purchaser shall possess all necessary permits, licenses, zoning classifications and other authorizations, whether city, county, state or federal, which may be needed to conduct live female semi-nude adult entertainment with the sale of alcoholic beverages on the Premises, without any interruption, and all such permits, licenses, zoning classifications and other authorizations shall be in good order, without any administrative actions threatened, pending or concluded that may challenge or present an obstacle to the continued performance of live female semi-nude adult entertainment with the sale of alcoholic beverages at Schiek's Palace.

Section 9.7      Related Transactions. The Related Transaction set forth in Section 4.3 shall be consummated concurrently with the Closing.

Section 9.8 No Assumption of Liabilities. Except for those set forth on Exhibit 9.8, the Purchaser shall not assume any liabilities of the Company or the business of Schiek's Palace as of the date of Closing.

Section 9.9 Termination of Existing Leases. Any and all existing leases for the Premises, including but not limited to the Lease Agreement shall have been terminated.

Section 9.10 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, if any, shall have been obtained.

Section 9.11 Satisfactory Diligence. Purchaser shall have concluded its due diligence investigation of the Company and its respective assets and properties and shall be satisfied, in its sole discretion, with the results thereof.

Section 9.12 Absence of Proceedings. No action, suit or proceeding by or before any court or any governmental or regulatory authority shall have been commenced and no investigation by any governmental or regulatory authority shall have been commenced seeking to restrain, prevent or challenge the transactions contemplated hereby or seeking judgments against the Company or any of its assets.

## **ARTICLE X CLOSING ADJUSTMENTS**

The Company, VCGH and the Purchaser agree that there shall be an adjustment made within ninety (90) days of the Closing Date to adjust for any liabilities that are found to exist of the Company as of the Closing Date, as such liabilities may relate to the Purchased Assets or the business of Schiek's Palace, so that the Company and VCGH shall be responsible and liable to the Purchaser for the liabilities of the Company that exist as of the Closing Date, less any credit which the Company or VCGH would be entitled to for cash on hand, credit card receivables or pro rata portion of prepaid items or any other credit due the Company or VCGH relating to the transactions set forth herein.

## **ARTICLE XI INDEMNIFICATION**

Section 11.1 Indemnification from the Company and VCGH. The Company and VCGH, jointly and severally, hereby agree to and shall indemnify, defend (with legal counsel reasonably acceptable to Purchaser), and hold Purchaser, its officers, directors, shareholders, employees, affiliates, parent, agents, legal counsel, successors and assigns (collectively, 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 VCGH or the Company contained in this Agreement, or any exhibit, certificate, or other instrument furnished or to be furnished by VCGH or the Company hereunder; (b) any nonfulfillment of any agreement on the part of VCGH or the Company under this Agreement; (c) any liability or obligation due to any third party by the Company incurred at or prior to the Closing Date; (d) any suit, action, proceeding, claim or investigation against Purchaser Group which arises from or which is based upon or pertaining to VCGH's or the Company's conduct or the operation or liabilities of the business of the Company or the business of Schiek's Palace prior to the Closing Date; or (e) any suit, action, proceeding, claim or investigation against any of the Purchaser Group arising out of or resulting in any claims by the former landlord that the Company failed to fulfill any of its obligations under its Lease Agreement at any time prior to the Closing Date.

Section 11.2     Indemnification from Purchaser . Purchaser agrees to and shall indemnify, defend (with legal counsel reasonably acceptable to the Company and VCGH) and hold the Company and VCGH, and their respective officers, directors, shareholders, affiliates, agents, legal counsel, successors and assigns (collectively, the "VCGH 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 attorney's fees and costs of any suit related thereto) suffered or incurred by any of the VCGH Group, arising from (a) any misrepresentation by, or breach of any covenant or warranty of Purchaser contained in this Agreement or any exhibit, certificate, or other agreement or instrument furnished or to be furnished by Purchaser hereunder; (b) any nonfulfillment of any agreement on the part of Purchaser under this Agreement; or (c) any suit, action, proceeding, claim or investigation against the VCGH Group which arises from or which is based upon or pertaining to Purchaser's conduct or the operation of the business of Schiek's Palace subsequent to the Closing Date.

Section 11.3     Defense of Claims . If any lawsuit enforcement action or any attempt to collect on an alleged liability is filed against any party entitled to the benefit of indemnity hereunder, written notice thereof shall be given to the indemnifying party within ten (10) business days after receipt of notice 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 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 11.4 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 individuals 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.

Section 11.5 Survival of Representations and Warranties . The respective representations, warranties and indemnities given by the parties to each other pursuant to this Agreement shall survive the Closing for a period ending forty-eight (48) months from the Closing Date ("Survival Date"). Notwithstanding anything to the contrary contained herein, no claim for indemnification may be made against the party required to indemnify (the "Indemnitor") under this Agreement unless the party entitled to indemnification (the "Indemnitee") shall have given the Indemnitor written notice of such claim as provided herein on or before the Survival Date. Any claim for which notice has been given prior to the expiration of the Survival Date shall not be barred hereunder.

## **ARTICLE XII MISCELLANEOUS**

Section 12.1 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 12.2 Notices . Any notices or other communications required or permitted hereunder shall be sufficiently given if in writing and delivered in Person or sent by registered or certified mail (return receipt requested) or nationally 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 Company  
or VCGH:

VCG Holding Corp.  
Attn: Troy Lowrie  
390 Union Blvd., Suite 540  
Lakewood, Colorado 80228

with a copy to:

Martin A. Grusin, Esq.  
780 Ridge Lake Blvd., Suite 202  
Memphis, TN 38120

(b) If to the Purchaser:

RCI Dining Services MN (4<sup>th</sup> Street), Inc.  
Attn: Eric Langan, President  
10959 Cutten Road  
Houston, Texas 77066

with a copy to:

Robert D. Axelrod  
Axelrod, Smith & Kirshbaum  
5300 Memorial Drive, Suite 700  
Houston, Texas 77007

A notice or communication will be effective (i) if delivered in person or by overnight courier, on the business day it is delivered and (ii) if sent by registered or certified mail, three (3) business days after dispatch.

Section 12.3 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 12.4 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 12.5 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 agree upon the text of a public announcement or statement to be made 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 12.6 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 12.7 Choice of Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Minnesota, without regard to principles of conflict of laws. In any action between or among any of the parties, whether arising out of this Agreement or otherwise, each of the parties irrevocably consents to the exclusive jurisdiction and venue of the federal and state courts located in Minneapolis, Minnesota.

Section 12.8 Execution. This Agreement may be executed in two or more counterparts, all of which when taken together shall be considered one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to the other party, it being understood that both parties need not sign the same counterpart. In the event that any signature is delivered by facsimile transmission or by e-mail delivery of a “.pdf” format data file, such signature shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such facsimile or “.pdf” signature page were an original thereof.

Section 12.9 Costs and Expenses. Each party shall pay their own respective fees, costs and disbursements incurred in connection with this Agreement.

Section 12.10 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 12.11 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 12.12 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 requested by the other parties to confirm or perfect or otherwise to carry out the intent and purposes of this Agreement.

Section 12.13 Exhibits or Schedules Not Attached. Any exhibits or schedules 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 or schedule, upon their respective acceptance of its terms, conditions and/or form.

Section 12.14 Attorney Review - Construction. In connection with the negotiation and drafting of this Agreement, the parties represent and warrant to each other that they have had the opportunity to be advised by attorneys of their own choice and, therefore, the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement or any amendments hereto.

Section 12.15 Gender. All personal pronouns used in this Agreement shall include the other genders, whether used in the masculine, feminine or neuter gender and the singular shall include the plural and vice versa, wherever appropriate.



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

**RCI DINING SERVICES MN (4<sup>TH</sup> STREET), INC.**

/s/ Eric Langan, President

By: Eric Langan, President

**CLASSIC AFFAIRS, INC.**

/s/ Troy Lowrie

By: Troy Lowrie, President

**VCG HOLDING CORP.**

/s/ Troy Lowrie

By: Troy Lowrie, CEO/Chairman

## **EXHIBITS**

Exhibit A – description of Real Property or Premises

Exhibit 1.1 – List of Purchased Assets

Exhibit 4.3(i) – Real Estate Purchase Agreement

Exhibit 4.3(ii) – form of Non-Competition Agreement

Exhibit 4.3(iii) – form of Termination Agreement

Exhibit 5.7 – Pending Claims

Exhibit 5.11 – Labor Matters

Exhibit 5.12 – List of licenses and permits held by Company for Schiek's Palace

Exhibit 5.16 – Contracts or Leases

Exhibit 5.24 – Proceedings relating to Premises

Exhibit 5.29 – Environmental conditions

Exhibit 9.8 – Assumption of liabilities

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**REAL ESTATE PURCHASE AGREEMENT**  
**("AGREEMENT")**

**THIS REAL ESTATE PURCHASE AGREEMENT** is made and entered into as of the \_\_\_\_ day of \_\_\_\_\_, 2011 (" **Effective Date** "), by and between Fourth Street Partnership, LLLP, a Minnesota limited liability limited partnership (" **Seller** ") and RCI Holdings, Inc., a Texas corporation, and / or its successors and assigns (" **Purchaser** ").

In consideration of the covenants and agreements contained herein, the parties agree as follows:

1. Property to be Purchased / Asset Purchase Concurrent.

- a. Subject to compliance with the terms and conditions of this Agreement, Seller shall sell to Purchaser and Purchaser shall purchase from Seller the following (collectively the " **Property** "):
    - (i) The real property located at 115 South Fourth Street, City of Minneapolis, County of Hennepin, State of Minnesota, legally described in **Exhibit A** attached hereto consisting of approximately 11,600 square feet of space, together with all easements, tenements, hereditaments, and appurtenances belonging thereto (the " **Real Property** ") and all buildings, structures, fixtures, and other improvements erected or placed on said Real Property (the " **Improvements** ").
    - (ii) All permits, licenses, warranties, contract rights and intangibles affecting the Real Property and Improvements which are to be assigned to Purchaser pursuant to this Agreement.
    - (iii) All existing surveys, blue prints, drawings, plans and specifications (including, without limitation, structural, HVAC, mechanical and plumbing plans and specifications) and other documentation for or with respect to the Property or any part thereof; all construction drawings, soil tests, environmental reports and appraisals and related reliance letters as more specifically set forth herein; and all available correspondence with other third parties concerning the Property.
    - (iv) All supplies, tools, machinery, equipment, appliances, and fixtures owned by Seller and located in the Improvements or on site at the Real Property and used in connection with the maintenance and operation of said Real Property or the Improvements (the "Personal Property").
  - b. RCI Dining Services MN (4<sup>th</sup> Street), Inc., a Minnesota corporation and an affiliated entity of Purchaser (" **RCI Dining** "), Classic Affairs, Inc., a Minnesota corporation (" **Classic** "), and VCG Holding Corp., a Colorado corporation (" **VCGH** "), are parties to that certain Asset Purchase Agreement of even date herewith (the " **Asset Purchase Agreement** ") whereby RCI Dining has agreed to purchase from Classic and VCGH substantially all the assets owned by Classic and VCGH associated or used in connection with the operation of Schiek's Palace Royale, an adult entertainment business serving alcoholic beverages operating at the Property under the terms of the Lease, as that term is defined in the Asset Purchase Agreement. Purchaser's consummation of the transaction contemplated herein is explicitly subject to and conditioned upon the closing of the transaction contemplated in the Asset Purchase Agreement.
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- c. Seller warrants that, on or before the Closing Date, Seller shall cancel and terminate the Lease so that Purchaser shall take title to the Property free and clear of the Lease.
2. Purchase Price. The purchase price for the Property (" **Purchase Price** ") shall be Three Million Two Hundred Fifty Thousand and 00/100 Dollars (\$3,250,000.00) payable (subject to prorations, reductions and credits as provided below) by wire transfer on the Closing Date.
3. Title to Be Delivered. Seller agrees to convey good, marketable, insurable, fee simple title in the Property to Purchaser subject only to such exceptions to title as are permitted according to this Agreement.
- a. As soon hereafter as reasonably possible and in any event within 10 days of the date hereof, the following shall occur:
- i. Purchaser shall request, at Seller's expense, a commitment for an ALTA Form B extended coverage owner's title insurance policy (the " **Commitment** ") issued by Stewart Title Guaranty Company (" **Title Company** ") wherein said Title Company agrees to issue to Purchaser upon the recording of the deed and other conveyance documents referred to herein an ALTA Form B Owner's Title Insurance Policy (the " **Title Policy** ") in the full amount of the Purchase Price, with a zoning endorsement, so-called owner's extended coverage endorsement, and any other endorsements reasonably requested by Purchaser. The Commitment will be accompanied by copies of all recorded documents affecting the Property. At Closing, Seller shall pay the premium associated with issuance of the Title Commitment to Purchaser or directly to Title Company at Purchaser's direction.
- ii. Purchaser shall request, at Seller's expense, a current "as built" survey of the Property (the " **Survey** ") prepared by a duly licensed land surveyor in the State of Minnesota, which survey shall be prepared in accordance with the Minimum Standard Detail Requirements for ALTA/ACSM Land Title Surveys jointly adopted by the American Land Title Association and American Congress on Surveying and Mapping in 1992, shall delineate the boundary lines of the Real Property and the location of the Improvements thereon, together with setbacks, physical encroachments from or on the Real Property, easements and rights of way, and all other matters affecting the Real Property. The Survey shall be certified to Purchaser and the Title Company, and shall be sufficient to cause the Title Company to delete any exception for survey matters from the Title Policy. In the event that the Survey shows any matters adversely affecting title, such matters shall be deemed "Objections" for purposes of this Section.

- b. Purchaser shall have twenty (20) days after receipt of the Title Commitment and the Survey to render objections to the Commitment and Survey in writing to Seller (the “ **Objections** ”). Any items reflected on the Title Commitment or the Survey which are not objected to by Purchaser within such period shall be deemed “ **Permitted Exceptions.**”

Seller shall have twenty (20) days from the date it receives the Objections to have the same removed or satisfied. Seller shall use commercially reasonable efforts to cause such Objections to be removed or satisfied. If Seller is unable to remove the Objections within that time frame, after using commercially reasonable efforts to do so, Purchaser may, at its sole option hereunder, at any time prior to the Closing Date, either (a) terminate this Agreement by written notice to Seller, without any liability on its part, and receive a refund of any amounts paid to Seller hereunder, or (b) take title subject to such Objections, in which event such Objections shall be deemed Permitted Exceptions.

4. Delivery of Documents Upon Execution . Seller shall deliver to Purchaser within five (5) business days of full execution and delivery of this Agreement, all of the following (the “ **Property Data** ”):

- a. The Lease and copies of any other leases pertaining to the Property, if any, lease amendments, lease guaranties, and correspondence and / or letter agreements related to the Lease or any other leases affecting the Property.
- b. Copies of any and all plans and specifications for the Property in Seller's possession or reasonably available to Seller, including, but not limited to, site plans, building layouts and floorplans, and seating and space layout plans.
- c. Copies of all service contracts or agreements in effect at the Property (the “ **Service Contracts** ”).
- d. Copies of all licenses, permits, warranties and guarantees, including construction, structural, mechanical and occupancy certificates, affecting the Real Property and Improvements.
- e. Copies of Seller's current insurance certificates relating to the Property and copies of all information relating to the insurance loss history of the Property during Seller's ownership of the Property.
- f. Copies of any existing surveys of the Property in Seller's possession or reasonably available to Seller.
- g. Copies of any and all utility, grading, street development and other plans and specifications for the Property in Seller's possession or reasonably available to Seller.

- h. Copies of any soil test borings, environmental studies or any other documentation pertaining to the physical condition of the Real Property or the Improvements in Seller's possession or reasonably available to Seller, and reliance letters to Purchaser from the contractor's conducting such boring, studies and evaluations.
  - i. Copies of the most recent real estate tax bills for the Property and any subsequent notices of reassessment.
  - j. Copies of all bids, proposals, and construction contracts in connection with any work performed at the Property within the twelve (12) months prior to the Effective Date.
  - k. Copies of all warranties on major components of the Improvements and on the Personal Property.
  - l. Copies of all documents, correspondence and agreements relating to ingress and egress to the Property and all signage located on the Property.
  - m. A copy of any engineering or construction condition survey performed on the Property.
  - n. To the extent that the same is in Seller's possession or control, a copy of any existing appraisal of the Property.
  - o. A listing and explanation of any pending litigation pertaining to Seller or the Property.
  - p. A description of any factor known to Seller that might change the current use of the Property (eminent domain, street widening, fire, easements, reciprocal parking or occupancy agreements, change in access, contingencies, etc.).
  - q. Copies of any existing ADA reports or plans to meet compliance requirements with respect to the Property.
  - r. A copy of any notices received by Seller from any governing authorities with respect to the Property, including, but not limited to, all correspondence with the City of Minneapolis regarding the occupancy and condition of the Property, and code compliance issues at the Property.
  - s. Copies of all documents evidencing any mortgage financing.
  - t. Any other information relating to the Property reasonably requested by Purchaser.
5. Inspections. Purchaser, its counsel, accountants, agents, property inspectors, and other representatives, shall have access to the Property and all parts thereof, as well as to all Property Data items referred to in Section 4 from the Effective Date for a period of sixty days (60) days from the Effective Date (" **Inspection Period** ") for the following (collectively, the "**Inspections** "):

a. Property Inspections. Purchaser and its agents and representatives shall have the right, subject to the provisions of this Section, to enter upon the Property during the Inspection Period for any purpose whatsoever, including inspecting, surveying, engineering, test boring, performance of environmental tests and such other work as Purchaser shall consider appropriate to ascertain the physical condition of the Property (collectively the "**Inspections**"). Purchaser shall give Seller not less than 24 hours advance notice of any Inspection for which Purchaser or Purchaser's representatives will enter the Property. Seller shall be entitled to have a representative accompany Purchaser's representatives. Purchaser shall indemnify and hold Seller harmless from any damage or destruction of the Property or physical injuries occurring as a result of Purchaser's acts while conducting Inspections.

b. Governmental Approvals. During the Inspection Period, Purchaser shall have the right to make inquiries of governmental agencies, utility companies and other third parties, and to make such feasibility studies and analyses as it considers necessary and appropriate, in its sole discretion, to satisfy itself as to all zoning, use, and code compliance matters related to the Property. In addition, during the Inspection Period, Purchaser shall satisfy itself as to its ability to obtain all applicable permits and approvals for Purchaser's continued use of the Property as an adult entertainment business serving alcoholic beverages. Seller shall reasonably cooperate with Purchaser's Inspections and Purchaser's efforts to confirm and secure related permits and approvals. Purchaser's independent inquiry as to these matters shall have no effect on Seller's warranties and representations and Seller and Purchaser acknowledge that, in addition to its Inspections, Purchaser is relying on Seller's warranties and representations contained herein as an inducement for Purchaser to purchase the Property.

6. Damage to Property, Eminent Domain.

- a. Damage to Property. If, at any time on or before the Closing Date, all or any portion of the Property is damaged, destroyed or rendered inoperative (collectively, the "**Damage**"), by fire, flood, natural elements or other causes beyond Seller's control, then the following shall apply:
- i. If the Damage is not Material, Purchaser shall proceed to close and purchase the Property as diminished by such Damage, subject to a reduction in the Purchase Price equal to the full estimated cost of repairing and/or replacing the Damage or if the Damage is covered by insurance an assignment of proceeds and credit as set forth in Section 6(a)(ii).
  - ii. If the Damage is Material, then Purchaser, may elect either (A) to terminate this Agreement by written notice to Seller given at or prior to the Closing and neither party hereto shall have any further rights against or obligations to the other under this Agreement; or (B) to agree to close and deduct from the Purchase Price the full estimate cost of repairing and/or replacing the Damage or if the Damage is covered by Insurance an assignment of proceeds and credit as set forth in Section 6(a)(iii).

- iii. If the Damage is covered by insurance, the Purchaser shall have the right to elect to close the purchase of the Property in its condition (with respect to the Damage covered by insurance) on the Closing Date and to take an assignment of the Seller's insurance proceeds, in which event Seller shall assign such insurance proceeds to the Purchaser on the Closing Date, shall permit Purchaser to conduct any remaining settlement or other negotiations with the Seller's insurance carrier as to the amount of proceeds payable on account of the Damage and shall give Purchaser a credit against the Purchase Price equal to the deductible amount, if any, under Seller's insurance policy, in lieu of any other deduction from the Purchase Price provided in this Section 6(a).
- iv. For the purposes of this Section 6(a), Damage shall be deemed to be " **Material** " if (A) the cost of repairing such Damage equals or exceeds \$5,000, or (B) the operation of the Property is adversely affected by the Damage.
- b. Eminent Domain. If prior to the Closing Date, all or any portion of the Property is taken by, or made subject to, condemnation, eminent domain or other governmental acquisition proceedings, then Purchaser, at its sole option, may elect either:
  - i. to terminate this Agreement by written notice to Seller given at or prior to the Closing and neither party hereto shall have any further rights against or obligations to the other under this Agreement; or
  - ii. to agree to close and deduct from the Purchase Price an amount equal to any sum paid to Seller for such governmental acquisition or in the event Seller has not yet received such sums, Seller shall assign, transfer and set over to Purchaser all of Seller's right, title and interest in and to any awards which may in the future be made on account of such governmental acquisition.
- 7. Operation of Property Prior to Closing. Until the Closing Date, Seller shall have the full responsibility for the continued operation of the Property. Prior to the Closing Date:
  - a. Seller shall not cause any new liens, contracts or encumbrances to be created by Seller against the Property, except Service Contracts which may be cancelled on or before the Closing Date.
  - b. Seller shall continue to operate, repair, and maintain the Property in substantially the same manner as it has prior to the date of this Agreement.
  - c. Seller shall not enter into any new leases without Purchaser's written consent, which consent may be withheld for any reason.



- d. Seller shall maintain all necessary permits and authorizations to operate an adult entertainment business serving alcoholic beverages at the Property, including its sexually oriented business permit and license.
8. Representations of Seller. In order to induce Purchaser to enter into this Agreement and purchase the Property, Seller hereby represents to Purchaser as follows:
- a. Seller (i) is a Minnesota limited liability partnership, duly organized, validly existing, and in good standing under the laws of the State of Minnesota, and (ii) is duly qualified to transact business and is in good standing in all jurisdictions where its ownership, lease, or operation of the Property or the conduct of its business requires such qualification.
- b. There is no action in condemnation, eminent domain or public taking proceedings now pending or to the best of Seller's knowledge contemplated against the Real Property.
- c. Seller has a good and marketable fee simple title interest to the Real Property and, no person or entity has any right, title, or interest in or to the Real Property or any portion thereof except those to be disclosed in the Title Commitment and the Survey.
- d. Seller has the capacity and full power and has obtained all requisite authorizations to enter into and carry out this Agreement and the transactions contemplated hereby, and neither the execution of this Agreement nor the consummation of the transactions contemplated hereby will constitute a default or an event which with notice or the passage of time or both would constitute a default under, or violation or breach of, any indenture, license, lease, franchise, mortgage, deed of trust, or other instrument or agreement to which Seller is a party or by which Seller or the Property may be bound.
- e. No real property tax or special assessment with respect to the Property is delinquent, and Seller has received no notice of any pending special assessments with respect to the Property.
- f. There is no suit, action, or arbitration, or legal, administrative, or other proceeding or governmental investigation, formal or informal, pending or threatened which adversely affects the Property in a material manner or which adversely affects Seller's ability to perform its obligations hereunder.
- g. The Property will as of the Closing Date be free and clear of all liens, security interests, encumbrances, leases or other restrictions or objections to title except as permitted by this Agreement.
- h. Payment has been made for all labor or materials which have been furnished to the Property by Seller, or such payment will be made prior to the Closing Date so that no lien for labor or materials rendered can be asserted against the Property.

- i. Other than the tenant under the Lease, there are no tenants of the Property or parties with rights to possession of the Property.
- j. To the best of Seller's knowledge, except as may be disclosed herein, there are no wells or underground storage tanks now located on the Property.
- k. Seller has received no notices of any violation or applicable building, zoning, health or safety laws, ordinances or regulations with respect to the Property which have not been cured.
- l. The Property Data to be delivered to Purchaser pursuant to Section 4 hereof is and shall be true, correct and accurate.
- m. Inclusive of the Service Contracts, if any, there are no agreements or contracts affecting the Property which may not be terminated prior to the Closing Date.
- n. To the best of Seller's knowledge, the Property, its current use, and all prior uses comply with and have at all times complied with, and Seller is not in violation of and has not violated, in connection with its ownership, use, maintenance or operation of the Property and the conduct of the business related thereto, any applicable federal, state, county or local statutes, laws, regulations, rules, ordinances, codes, standards, orders, licenses and permits of any governmental authorities relating to environmental matters (being hereinafter collectively referred to as the "Environmental Laws"), including by way of illustration and not by way of limitation (A) the Clean Air Act, the Federal Water Pollution Control Act of 1972, the Resource Conservation and Recovery Act of 1976, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, the Toxic Substances Control Act, or the Minnesota Environmental Response and Liability Act, (including any amendments or extensions thereof and any rules, regulations, standards or guidelines issued pursuant to any of said Environmental Laws), and (B) all other applicable environmental standards or requirements. Without limiting the generality of the foregoing:
  - i. Neither Seller, its agents, employees and independent contractors nor any tenant has operated the Property for the purpose of receiving, handling, using, storing, treatment, transporting or disposing of petroleum products or any Hazardous Material as defined in said Environmental Laws, other toxic, dangerous or hazardous chemicals, materials, substances, pollutants and wastes, or any chemical, material or substance, exposure to which is prohibited, limited or regulated by any federal, state, county, regional or local authority (all the foregoing being hereinafter collectively referred to as "Hazardous Materials").
  - ii. There are no existing or pending remedial actions or other work, repairs, construction or capital expenditures with respect to the Property in connection with the Environmental Laws, nor has Seller received any notice of any of the same.

- iii. No Hazardous Materials have been or will be released into the environment, or have been or will be deposited, spilled, discharged, placed or disposed of at, on, or, to the best of Seller's knowledge, adjacent to the Property, nor has the Property been used at any time by any person as a landfill or a disposal site for Hazardous Materials or for garbage, waste or refuse of any kind.
- iv. To the best of Seller's knowledge, there are no electrical transformers or other equipment containing dielectric fluid containing polychlorinated biphenyls located in, on or under the Property, nor are there any asbestos containing materials contained in, on or under the Property.
- v. To the best of Seller's knowledge, there are no locations off the Property where Hazardous Materials generated by or on the Property have been treated, stored, deposited or disposed of.
- vi. To the best of Seller's knowledge, there is no fact pertaining to the physical condition of either the Property or the area surrounding the Property not disclosed in the Property Data and which materially adversely affects or will materially adversely affect the Property or the use or enjoyment or the value thereof or Seller's ability to perform the transactions contemplated by this Agreement.
- vii. The sale of the Property by Seller to Purchaser does not require notice to or the prior approval, consent or permission of any federal, state or local governmental agency, body, board or official.
- viii. No notices of any violation of any of the matters referred to in the foregoing sections relating to the Property or its use have been received by Seller and there are no writs, injunctions, decrees, orders or judgments outstanding, no lawsuits, claims, proceedings or investigations pending or threatened, relating to the ownership, use, maintenance or operation of the Property, nor is there any basis for any such lawsuit, claim, proceeding or investigation being instituted or filed.
- o. Seller is not a "foreign person," "foreign partnership," "foreign trust" or "foreign estate" as those terms are defined in Section 1445 of the Internal Revenue Code of 1986 (as amended).
- p. No personnel employed by Seller in connection with the operation of the Property have the right to continue such employment after the Closing Date.
- q. Seller has not granted any other party any option to purchase the Property or any portion thereof.
- r. There have been no bankruptcy or dissolution proceedings involving Seller during the time Seller has had any interest in the Property; there are no unsatisfied judgments or state or federal tax liens of record against Seller; and there have been no labor or materials furnished to the Property for which payment has not been made.

- s. To the best of Seller's knowledge, either (i) there are no wells on the Property, or (ii) all wells located on the Property have been capped as required by Minnesota law, or at the option of Purchaser, will be capped by Seller at Seller's expense prior to closing, and a completed Minnesota Well Disclosure Statement will be delivered to Purchaser by Seller with the Property Data, and no such wells are contaminated, or constructed or maintained in such a manner that their continued use or existence endangers ground water quality or is a safety or health hazard.
- t. To the best of Seller's knowledge, either (i) there is no individual sewage treatment system on or serving the Property, or (ii) Seller shall deliver to Purchaser a disclosure statement with the Property Data confirming that such system is in compliance with Minnesota law.
- u. All Improvements upon the Real Property are wholly within the boundary lines of the Property and do not encroach upon any adjacent property and no improvements on any adjacent property encroach upon the Real Property.
- v. To the best of Seller's knowledge, the Real Property is in compliance with all subdivision and platting regulations and with all of the applicable rules, regulations, ordinances, and requirements of each governmental authority having jurisdiction over the Property and is appropriately zoned and / or subdivided for adult entertainment establishment serving alcoholic beverages, and constitutes a separate tax parcel or parcels and may be conveyed without the necessity of the filing of a plat or replat or subdivision or resubdivision.

The representations and warranties set forth in this Section 8 shall be continuing and shall be true and correct on and as of the Closing Date with the same force and effect as if made at that time and all such representations and warranties shall not merge into the warranty deed being delivered by Seller at Closing but shall survive Closing. Seller agrees to indemnify and hold Purchaser harmless from and against and to reimburse Purchaser with respect to any and all claims, demands, causes of action, loss, damage, liabilities, and costs (including reasonable attorneys' fees and court costs) asserted against Purchaser by third parties or incurred by Purchaser by reason of or arising out of the physical condition or operation of the Property prior to the Closing Date, or arising out of the breach of any representation or warranty as set forth in this Section 8.

9. Representations and Warranties of Purchaser. In order to induce Seller to enter into this Agreement and to sell the Property, Purchaser hereby represents and warrants to Seller as follows:

- a. Purchaser (i) is a Texas corporation, duly organized, validly existing, and in good standing under the laws of the State of Minnesota, and (ii) is duly qualified to transact business and is in good standing in all jurisdictions where its purchase and operation of the Property or the conduct of its business requires such qualification.

- b. Purchaser has obtained all requisite authorizations and has the capacity and full power to enter into and carry out this Agreement and the transactions contemplated hereby, and neither the execution of this Agreement by Purchaser nor the consummation of the transactions contemplated hereby will constitute a default or an event with which notice or the passage of time or both would constitute a default under, or a violation or breach of, any indenture, license, lease, franchise, mortgage, deed of trust, or other instrument or agreement to which Purchaser is a party or by which Purchaser may be bound.
- c. There is no suit, action or arbitration, or legal, administrative or other proceeding or governmental investigation, formal or informal, pending or to Purchaser's knowledge threatened which adversely affects Purchaser's ability to perform hereunder.

The representations and warranties set forth in this Section 9 shall be continuing and shall be true and correct on and as of the Closing Date with the same force and effect as if known at that time and all such representations and warranties shall survive Closing. Purchaser agrees to indemnify and hold Seller harmless from and against and to reimburse Seller with respect to any and all claims, demands, causes of action, loss, damage, liabilities, and costs (including reasonable attorneys' fees and court costs) asserted against Seller by third parties or incurred by Seller by reason of or arising out of the physical condition or operation of the Property by Purchaser after the Closing Date, or arising out of the breach of any representation or warranty as set forth in this Section 9.

10. Conditions Precedent to Closing. The closing of the transaction contemplated by this Agreement and all the obligations of Purchaser under this Agreement are subject to fulfillment, on or before the Closing Date, of the following conditions precedent (“**Conditions Precedent**”):
- a. The status and marketability of title shall have been established to Purchaser's satisfaction in accordance with Section 3.
  - b. Purchaser shall have successfully closed on the transactions contemplated by the Asset Purchase Agreement.
  - c. Seller and Classic shall have executed the Termination Agreement related to the Lease as set forth in the Asset Purchase Agreement and delivered a copy of the same to Purchaser.
  - d. Purchaser shall be satisfied with the results of Purchaser's Inspections of the Property, in Purchaser's sole discretion.
  - e. The condition of the Property, the Personal Property, and the Improvements shall be acceptable to Purchaser upon inspection by Purchaser on the day prior to the Closing Date.

- f. The representations and warranties made by Seller in Section 8 shall be correct as of the Closing Date with the same force and effect as if such representations and warranties were made at such time.
- g. Any assignee of Purchaser shall have executed a resolution authorizing and approving the purchase of the Property as evidenced by this Agreement.
- h. Purchaser shall have received all necessary governmental and other approvals, licenses, and permits for Purchaser's intended use and operation of the Property as an adult entertainment business serving alcohol.
- i. Purchaser shall have obtained a current letter from the zoning and planning department of the City of Minneapolis setting forth the zoning code affecting the Property and stating that the Property is in conformity with all applicable zoning, building and subdivision laws.

Purchaser may acknowledge satisfaction or waiver of any of the Conditions Precedent, only by delivering written notice of satisfaction or waiver to Seller on or before the close of business on the last day of the Inspection Period. If Purchaser does not acknowledge in writing the satisfaction of the Conditions Precedent (or otherwise waive the same in writing) on or before the close of business on the last day of the Inspection Period then, this Agreement shall automatically be deemed to be terminated, without action required of either party, the Earnest Money (and all accrued interest) shall be returned to Purchaser, and Purchaser and Seller shall thereafter be released from any liability or obligation hereunder.

- 11. Closing, Possession. Subject to the fulfillment or waiver of the Conditions Precedent, the closing of the purchase and sale (the "**Closing**") shall take place on June 15, 2011, or upon such earlier date which is mutually agreeable to the parties (the "**Closing Date**"). The closing shall take place at the offices of Purchaser's counsel, John W. Lang, Esq., Messerli & Kramer P.A., 1400 Fifth Street Towers, 100 South 5<sup>th</sup> Street, Minneapolis, Minnesota, or such other place as Seller and Purchaser may mutually determine. Possession shall be delivered on the Closing Date.
- 12. Seller's Obligations At Closing. At Closing, and subject to the terms, conditions and provisions hereof and the performance by Purchaser of its obligations as set forth herein, Seller shall:
  - a. Deliver to Purchaser a General Warranty Deed to the Real Property (in a form satisfactory to Purchaser and the Title Company) conveying to Purchaser good, marketable, insurable fee simple title to the Real Property and all rights appurtenant thereto subject only to the Permitted Exceptions, and a warranty bill of sale conveying the Improvements and Personal Property to Purchaser, free and clear of any liens or encumbrances.
  - b. Cause to be furnished and delivered to Purchaser the Title Policy (or a "marked up" commitment therefor) in conformity with Purchaser's title requirements.

- c. Deliver to Purchaser and the Title Company an affidavit sufficient to remove any exception in the Title Policy for mechanics' and materialmen's liens and parties in possession.
- d. Deliver to Purchaser an assignment of any Service Contracts (in a form satisfactory to Purchaser and Seller) which Purchaser elects to have assigned to it.
- e. Deliver to Purchaser an assignment of all permits, licenses, warranties and contract rights (in a form satisfactory to Purchaser and Seller) relating to the Property and not covered by other documents of assignment affiliated with the Asset Purchase Agreement .
- f. Deliver to Purchaser the affidavit of Seller confirming that Seller is not a foreign person within the meaning of Section 1445 of the Internal Revenue Code.
- g. Deliver to Purchaser a copy of all termination and transfer letters delivered by Seller to all service providers whose agreements or contracts are being terminated, which letters shall provide for termination effective as of the Closing Date, or the earliest possible date thereafter.
- h. Deliver to Purchaser copies of all transfer letters delivered by Seller to all utility providers.
- i. Deliver to the Purchaser such information as may be necessary to show that Seller has met the necessary requirements pursuant to convey the Property in accordance with this Agreement together with such proceedings, instruments and documents as may be required by the Title Company as a condition precedent to issuing the Title Policy in Purchaser's name.
- j. Deliver to Purchaser a certificate, in a form reasonably satisfactory to Purchaser, as to the continuing validity of representations described in Section 8 hereof as of the Closing Date, or disclosing any representations which have become invalid or which have changed prior to the Date of Closing.
- k. Deliver to Purchaser and/or the Title Company such other documents as may be required by this Agreement, all in a form satisfactory to Purchaser, and/or the Title Company, as applicable.
- l. Deliver to Purchaser a completed Minnesota Well Disclosure Certificate or include on the warranty deed the statement "The Seller certifies that the Seller does not know of any wells on the described real property."
- m. Deliver to Purchaser any notices, certificates and/or affidavits relative to private sewage systems, underground storage tanks and pollution as may be required by Minnesota Statutes.
- n. Deliver to Purchaser the Termination Agreement.

- o. Deliver to Purchaser such other documents as may be required by this Agreement, all in a form reasonably satisfactory to Purchaser.
- 13. Delivery of Purchase Price; Purchaser's Obligations At Closing. At Closing, and subject to the terms, conditions, and provisions hereof and the performance by Seller of its obligations as set forth herein:
  - a. Deliver the Purchase Price to Seller pursuant to Section 2 above.
  - b. Deliver to Seller an assumption agreement regarding all Service Contracts which Purchaser elects to assume.
  - c. Deliver to Seller an assumption agreement regarding all permits, licenses, warranties and contract rights assigned to Purchaser pursuant to Section 12 hereof which are not documented in the Asset Purchase Agreement and which Purchaser otherwise has elected to assume.
  - d. Purchaser shall deliver to Seller and/or the Title Company such other documents as may be required by this Agreement, all in a form satisfactory to Purchaser, Seller and/or the Title Company, as applicable.
- 14. Closing Costs. The following costs and expenses shall be paid as follows in connection with the closing:
  - a. Seller shall pay:
    - i. All abstracting charges and commitment fees relating to issuance of the Title Commitment and Survey costs.
    - ii. All costs associated with correction of any title objections.
    - iii. The state deed tax or transfer fee imposed on the conveyance.
    - iv. A pro rata portion of all utilities and taxes as provided in Section 15 below.
    - v. The brokerage fees of any broker identified in Section 17 hereof, if any.
    - vi. The cost of reliance letters related to the Property Data, if requested by Purchaser.
    - vii. One-half of any closing and/or escrow fees payable to the Title Company.
    - viii. Legal fees and other expenses of Seller.
  - b. Purchaser shall pay the following costs in connection with the closing:
    - i. The premium in connection with issuance of the Title Policy.



- ii. The recording fee necessary to record the Deed.
- iii. The unearned portions of any payments prepaid on any Service Contracts Purchaser elects to assume.
- iv. The costs of any structural, mechanical, environmental or other investigations or reports desired by Purchaser in connection with the Inspections which are not part of the Property Data.
- v. The brokerage fees of any broker identified in Section 17 hereof, if any
- vi. One-half of any closing and/or escrow fees payable to the Title Company.
- vi. Legal fees and other expenses of Purchaser.

15. Prorations. The following prorations shall be made as of the Closing Date:

- a. All utilities furnished to the Property.
- b. Real Estate taxes due and payable in 2011, and other ad valorem taxes, personal property, use taxes and sewer charges payable in calendar year 2011 shall be prorated on a calendar year basis. Purchaser shall pay all real estate taxes due and payable in 2012 and thereafter. Seller shall pay all special assessments levied, pending or for which Seller has received a notice of a proposed assessment from the applicable governmental authority with respect to the Property on or before the Closing Date. Purchaser shall pay all other special assessments.

16. Employees. Seller shall be solely responsible for payment of any and all wages, salaries, vacation and/or sick leave compensation, pension or profit sharing benefits and other benefits or compensation inuring to the benefit of any and all employees of Seller employed at the Property, if any, and all such employees shall be terminated by Seller effective as of the Closing Date.

17. Brokerage. Seller and Purchaser represent and warrant to each other that they have not engaged the services of any broker in connection with the sale and purchase contemplated by this Agreement. Any brokerage fees which may be claimed or owed in connection with the transaction contemplated herein shall be the responsibility of the party against whom they are claimed. Seller and Purchaser hereby agree to indemnify and hold each other harmless for any claim (including reasonable attorneys' fees and expenses incurred in defending such claim) made by any broker or sales agent or similar party retained or allegedly retained by such parties (other than Broker) in connection with this transaction.

18. Remedies.

- a. If Seller defaults in the performance of this Agreement, Purchaser shall, as its sole and exclusive remedies hereunder, have the right to either: (i) terminate this Agreement upon written notice to Seller, in which event any payments made hereunder (plus any accrued interest) shall be returned to Purchaser; or (ii) seek specific performance of this Agreement; or (iii) seek any other remedy available to Purchaser at law or in equity, including reasonable attorneys fees and costs.

- b. If Purchaser defaults in the performance of this Agreement, Seller shall, as its sole and exclusive remedies hereunder, have the right to either: (i) terminate this Agreement upon written notice to Purchaser, in which event any payments made hereunder (plus any accrued interest) shall be retained by Seller; or (ii) seek specific performance of this Agreement; or (iii) seek any other remedy available to Seller at law or in equity, including reasonable attorneys fees and costs.

19. Miscellaneous. The following general provisions govern this Agreement.

- a. No Waivers. The waiver by either party hereto of any condition or the breach of any term, covenant or condition herein contained shall not be deemed to be a waiver of any other condition or of any subsequent breach of the same or of any other term, covenant or condition herein contained. Purchaser, in its sole discretion, may waive any right conferred upon Purchaser by this Agreement; provided that such waiver shall only be made by Purchaser giving Seller written notice specifically describing the right waived.
- b. Time of Essence. Time is of the essence of this Agreement.
- c. Survival. All representations, warranties and agreement of the parties set forth herein shall survive the Closing Date.
- d. Governing Law. This Agreement is made and executed under and in all respects to be governed and construed by the laws of the State of Minnesota and the parties hereto hereby agree and consent and submit themselves to any court of competent jurisdiction situated in Hennepin County, Minnesota.
- e. Notices. All notices and demands given or required to be given by any party hereto to any other party shall be deemed to have been properly given if and when delivered in person, sent by facsimile (with verification of receipt) or one (1) business day after having been deposited with any overnight courier, addressed as follows (or sent to such other address as any party shall specify to the other party pursuant to the provisions of this Section):

If to Seller:

Fourth Street Partnership, LLLP  
c/o VCG Real Estate Holding, Inc.  
390 Union Blvd., Suite 540  
Lakewood, CO 80228  
Telephone: (303) 934-2424  
Facsimile: (303) 922-0746  
Email: \_\_\_\_\_

With a copy to: Martin A. Grusin, Esq.  
780 Ridge Lake Blvd., Suite 202  
Memphis, TN 38120  
Telephone: (901) 682-3450  
Facsimile: \_\_\_\_\_  
Email: mgrusin@jglawfirm.com

If to Purchaser: RCI Holdings, Inc.  
Attn: Eric Langan  
10959 Cutten Road  
Houston, TX 77066  
Telephone: (281) 820-1181  
Facsimile: (281)397-6765  
Email: eric@ricks.com

With a copy to: John W. Lang, Esq.  
Messerli & Kramer P.A.  
1400 Fifth Street Towers  
100 South 5<sup>th</sup> Street  
Minneapolis, MN 55402  
Telephone: (612) 672-3614  
Facsimile: (612) 672-3777  
Email: [jlang@messerlikramer.com](mailto:jlang@messerlikramer.com)

And a copy to: Robert D. Axelrod  
Axelrod, Smith & Kirshbaum  
5300 Memorial Drive, Suite 700  
Houston, TX 77007  
Telephone: (713) 861-1996 ext. 2  
Facsimile: (713) 552-0202  
Email: rdaxel@asklawhou.com

In the event either party delivers a notice by facsimile, as set forth above, such party agrees to deposit the originals of the notice in a post office, branch Post office, or mail depository maintained by the U.S. Postal Service, postage prepaid and addressed as set forth above. Such deposit in the U.S. Mail shall not affect the deemed delivery of the notice by facsimile, provided that the procedures set forth above are fully complied with. Any party, by notice given as aforesaid, may change the address to which subsequent notices are to be sent to such party.

- f. Successors and Assigns. Except as provided herein, this Agreement shall be binding upon and inure to the benefit of, and be binding upon, the successors and permitted assigns of each 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 party hereto, which consent will not be unreasonably withheld.

- g. Invalidity. If for any reason any term or provision of this Agreement shall be declared void and unenforceable by any court of law or equity it shall only affect such particular term or provision of this Agreement and the balance of this Agreement shall remain in full force and effect and shall be binding upon the parties hereto.
- h. Complete Agreement. All understandings and agreements heretofore had between the parties are merged into this Agreement which alone fully and completely expresses their agreement. This Agreement may be changed only in writing signed by both of the parties hereto and shall apply to and bind the successors and assigns of each of the parties hereto and shall not merge with the deed delivered to Purchaser at closing.
- i. Attorneys' Fees and Costs. In the event of any litigation arising out of breach or claimed breach of this Agreement, the prevailing party shall be entitled to recover from the other all costs and expenses incurred in connection therewith, including reasonable attorneys' fees and costs.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the Effective Date.

**SELLER :**

**FOURTH STREET PARTNERSHIP, LLLP,**  
a Minnesota limited liability limited partnership

By: VCG Real Estate Holdings, Inc., a Colorado  
corporation

/s/ Troy Lowrie

Troy Lowrie  
Its: Chief Executive Officer

**PURCHASER:**

**RCI HOLDINGS, INC.**  
a Texas corporation

/s/ Eric Langan

By: Eric Langan  
Its: President

## **EXHIBIT A**

### **Legal Description**

That part of Lots 7 and 8, Block 79, Town of Minneapolis, and that part of the vacated portion of the Northwest-Southeast alley in said Block 79, described as follows:

Beginning at the point of intersection of the Northeast line of Lot 8, said Block 79, and a line drawn parallel with and distant 157 feet Southeasterly from, as measured at a right angle to, the Southeast right of way line of Marquette Avenue; thence Southeasterly along the Northeast line of Lots 8 and 7 a distance of 74.455 feet to the Southeast line of the Northwest Half of Lot 7; thence Southwesterly along the Southeast line of said Northwest Half of Lot 7, and the extension thereof, to the Northeast right of way line of the Northwest-Southeast alley in said Block 79; thence Northwesterly along the Northeast line of said public alley to the point of intersection with a line drawn parallel with and distant 157 feet Southeasterly from, as measured at a right angle to, the Southeast right of way line of Marquette Avenue; thence Northeasterly along said parallel line to the point of beginning.

Except that part of the above described property described as follows:

Beginning at the most Easterly corner of the Northwest Half of Lot 7, Block 79; thence Southwesterly along the Southeast line of the Northwest Half of said Lot 7, and the extension thereof, to the Northeast line of the Northwest-Southeast public alley in said Block 79; thence Northwesterly along the Northeast line of said alley a distance of 0.125 feet; thence Northeasterly to the point of beginning.

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**FOR IMMEDIATE RELEASE**

**RICK'S CABARET INTERNATIONAL, INC. SUBSIDIARY SIGNS ASSET PURCHASE AGREEMENT TO PURCHASE SCHIEK'S PALACE ROYALE GENTLEMEN'S CLUB IN MINNEAPOLIS**

**HOUSTON** – (March 23, 2011) – A subsidiary of **Rick's Cabaret International, Inc.** (NASDAQ: RICK), the nation's leading group of upscale gentlemen's clubs, has signed an asset purchase agreement to acquire the Minneapolis gentlemen's club currently operating as **Schiek's Palace Royale** for \$3,050,000. In addition a subsidiary of Rick's Cabaret will pay \$3,250,000 to acquire the real estate associated with the club at South 4<sup>th</sup> Street in downtown Minneapolis.

Closings on the transactions are expected within five days of issuance of licenses needed to operate an adult cabaret at the club currently owned by **VCG Holding Corp.** (NASDAQ: VCGH). The closings are subject to issuance of operating permits and other documents customary for acquisitions of this type,

The acquisition will bring to 23 the number of clubs in the Rick's Cabaret group nationwide. Additionally, the company has signed a definitive agreement to acquire a club in Indianapolis.

**Eric Langan**, president and CEO of Rick's Cabaret, said: "When we complete this transaction we will have two fine gentlemen's clubs in the vibrant Minneapolis market, giving us great efficiencies in management, marketing and purchasing. The price of the club is well within our range for accretive acquisitions. We have several branding options for the club, which we will announce after the deal has closed."

**About Rick's Cabaret** : Rick's Cabaret International, Inc. (NASDAQ: RICK) is home to 22 upscale adult nightclubs serving primarily businessmen and professionals that offer live entertainment, dining and bar operations. Nightclubs in New York City, Miami, Philadelphia, New Orleans, Charlotte, Dallas, Houston, Minneapolis and other cities operate under the names "Rick's Cabaret," "XTC," "Club Onyx" and "Tootsie's Cabaret". Sexual contact is not permitted at these locations. Rick's Cabaret also operates a media division, ED Publications, and owns the adult Internet membership Website [couplestouch.com](http://couplestouch.com) as well as a network of online adult auction sites under the flagship URL [naughtybids.com](http://naughtybids.com). Rick's Cabaret common stock is traded on NASDAQ under the symbol RICK. For further information contact [ir@ricks.com](mailto:ir@ricks.com) or visit [www.ricksinvestor.com](http://www.ricksinvestor.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 cities where it operates, the success or lack thereof in launching and building the company's businesses, 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. Additional factors that could cause the Company's results to differ materially from those described in the forward-looking statements are described in forms filed with the SEC from time to time and available at [www.ricksinvestor.com](http://www.ricksinvestor.com) or on the SEC's internet website at [www.sec.gov](http://www.sec.gov). 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 visit [www.ricksinvestor.com](http://www.ricksinvestor.com).

Contact: Allan Priaulx, 212-338-0050, [allan@ricks.com](mailto:allan@ricks.com)