

RICKS CABARET INTERNATIONAL INC

FORM 8-K (Current report filing)

Filed 11/14/2006 For Period Ending 11/10/2006

| | |
|-------------|---|
| Address | 10959 CUTTEN ROAD HOUSTON, Texas 77066 |
| Telephone | 281-397-6730 |
| CIK | 0000935419 |
| Industry | Restaurants |
| Sector | Services |
| Fiscal Year | 09/30 |

Powered By **EDGAR**Online

<http://www.edgar-online.com/>

© Copyright 2006. All Rights Reserved.

Distribution and use of this document restricted under EDGAR Onlines Terms of Use.

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: November 10, 2006

RICK'S CABARET INTERNATIONAL, INC.

(Exact Name of Registrant As Specified in Its Charter)

| | | |
|---|--------------------------|--------------------------------------|
| Texas | 0-26958 | 76-0037324 |
| (State Or Other Jurisdiction of Incorporation) | (Commission File Number) | (IRS Employer Identification No.) |

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

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

ITEM 8.01 OTHER EVENTS.

On November 10, 2006, our subsidiary, RCI Entertainment (Austin), Inc. ("RCI"), completed the acquisition of 51% of the membership interest of Playmates Gentlemen's Club, LLC ("Playmates") from Behzad Bahrami ("Seller"). Playmates owns an adult entertainment cabaret known as "Playmates" (the "Club") located at 8110 Springdale Road, Austin, Texas 78724 (the "Premises"). Under the terms of the previously announced Purchase Agreement, RCI paid a total purchase price of \$1,500,000 which was paid \$500,000 in cash at the time of closing and the issuance of 125,000 shares of our restricted common stock valued at \$8.00 per share (the "Shares").

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

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

As part of the transaction, under the terms of Playmates' Amended and Restated Regulations, RCI will be the Manager of Playmates and will operate the day-to-day business of Playmates, including the operations of the Club. RCI will provide, if necessary, an initial \$200,000 line of credit for operation of the Club. The Seller and Playmates entered a five-year covenant not to compete with the Club. Further, Playmates executed a new lease agreement with the landlord giving it the right to lease the Premises for ten (10) years at \$29,000 per month, with the right to an option for an additional ten (10) years at \$37,000 per month, with RCI agreeing to guarantee the first two (2) years of the lease. RCI and the Seller also entered into a Members' Agreement relating to the ownership of their membership interest. Finally, as part of the transaction, the Seller entered a Lock-up/Leak-out Agreement with us regarding the Shares.

The transaction was funded by our issuance of three (3) separate Convertible Debentures (collectively, the "Debentures") to Wade McElroy, Ryan McElroy and Doris King, the sons and sister, respectively, of Ralph McElroy, a greater than 10% shareholder (the "Holders"). Each of the Debentures bears interest at the rate of 12% per annum and has a maturity date of November 9, 2008. Under the terms of the Debentures, we are required to make monthly interest payments beginning December 9, 2006. We have the right to redeem the Debentures in whole or in part at any time during the term of the Debentures. The Holders have the option to convert all or any

portion of the principal amount of the Debentures into shares of our common stock at a rate of \$7.50 per share (the "Conversion Shares"), subject to adjustment under certain conditions. The Debentures provide, absent shareholder approval, that the number of shares of our common stock that may be issued by us or acquired by a Holder and any affiliates of a Holder upon conversion of the Debentures shall not exceed 19.99% of the total number of issued and outstanding shares of our common stock. The Conversion Shares have piggyback registration rights.

The terms and conditions of the transaction were the result of arms-length negotiation between the parties. A copy of the press release related to this transaction is attached hereto as Exhibit 99.1.

ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS

(c) Exhibits

Exhibit Number Description

99.1 Press release dated November 10, 2006

SIGNATURES

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

RICK'S CABARET INTERNATIONAL, INC.

Date: November 14, 2006

*By: /s/ Eric Langan

Eric Langan
Chairman, President,
Chief Executive Officer and
Principal Accounting Officer*

EXHIBIT 99.1

PRESS RELEASE Source: Rick's Cabaret International, Inc.

RICK'S CABARET COMPLETES ACQUISITION OF CONTROL OF NEW GENTLEMEN'S CLUB IN AUSTIN, TEXAS

Friday November 10, 12:38 pm ET

HOUSTON--(BUSINESS WIRE)--Rick's Cabaret International, Inc. (NASDAQ: RICK -

News), the national chain of adult entertainment nightclubs, has completed the

acquisition of a 51 percent interest in a new 22,000-square-foot gentlemen's club in the fast-growing Highway 290 section of Austin, Texas. The newest Rick's Cabaret at 8110 Springdale Road will have its grand opening on November 16th.

"This will be one of the most exciting new gentlemen's clubs in the country," said Eric Langan, CEO of Rick's Cabaret. "There has been a lot of interest from first class entertainers who want to perform in this great new club, from prospective employees, and from customers who want to enjoy the famous Rick's Cabaret experience -- beautiful women, unequaled customer service and friendliness, plus a great steakhouse in a luxurious setting."

Upon the closing today the company's wholly owned subsidiary RCI Entertainment (Austin), Inc. paid \$500,000 in cash for controlling interest in the club and the company issued 125,000 shares of the company's restricted common stock valued at \$8 per share to the current owner of Playmates Gentleman's Club.

The acquisition is the fourth transaction this year for Rick's Cabaret, bringing the total number of clubs owned or operated by the company to 13.

Austin, with a current population of 1.4 million, is one of the fastest growing cities in the United States increasing its population by nearly 50 percent in the past decade, according to the Texas Office of Economic Development and Tourism.

About Rick's Cabaret

Rick's Cabaret International, Inc. (NASDAQ: RICK - News) operates upscale adult

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

Forward-looking Statements:

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

Contact:

Rick's Cabaret International, Inc.

Allan Priaulx, 212-338-0050

ir@ricks.com

Source: Rick's Cabaret International, Inc.