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RICKS CABARET INTERNATIONAL INC
Form 8-K
May 11, 2006

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: May 9, 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
(Registrant's Telephone Number, Including Area Code)

ITEM 2.01 COMPLETION OF ACQUISITION OR DISPOSITION OF ASSETS.

On May 9, 2006, we entered a Stock Purchase Agreement (the "Agreement") with Joint Ventures, Inc., a Texas corporation ("JVI"), and JVI's two stockholders who are unrelated third parties (the "Sellers") to purchase all of the shares of common stock of JVI. Under the terms of the Agreement, we acquired all of the assets of JVI, including an adult entertainment cabaret known as Dreamer's Cabaret located at 802 Houston Blvd., South Houston, Texas ("Dreamers").

Pursuant to the terms of the Agreement, we paid a total sales price of \$840,000 which was paid in cash at the time of closing. Pursuant to the terms and conditions of the Agreement, the Sellers entered into a five year covenant not to compete with us in the city of South Houston.

The transaction was partially funded by our issuance of a Convertible Debenture in the principal amount of \$600,000 (the "Debenture") to Ralph McElroy, a greater than 10% shareholder (the "Holder"). The Debenture bears interest at the rate of 12% per annum with a maturity date of April 30, 2008. Under the terms of the Debenture, we are required to make monthly interest payments beginning June 1, 2006. We have the right to redeem the Debenture in whole or in part at any time during the term of the Debenture. The Holder has the option to convert all or any portion of the principal amount of the Debenture into shares of our common stock at a rate of \$6.55 per share (the "Conversion Shares"), subject to adjustment under certain conditions. The Debenture provides, absent shareholder approval, that the number of shares of our common stock that may be issued by us or acquired by the Holder upon conversion of the Debenture 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 Debenture is secured by a deed of trust covering our property located at 9009 Airport Blvd., Houston, Texas

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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 |
|----------------|----------------------------------|
| 10.1 | Stock Purchase Agreement |
| 99.1 | Press release dated May 9, 2006. |

SIGNATURES

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

RICK'S CABARET INTERNATIONAL, INC.

By: /s/ Eric Langan

Eric Langan
Chief Executive Officer, Chairman and
Acting Chief Financial Officer

Date: May 9, 2006