UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934

For the Fiscal Year Ended December 31, 2013

Commission File Number **000-29507**

CHANTICLEER HOLDINGS, INC.
(Exact name of registrant as specified in the charter)

Delaware	**20-2932652**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

11220 Elm Lane, Suite 203, Charlotte, NC 28277
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: **(704) 366-5122**

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, $0.0001 par value
Common Stock Warrants, $5.00 exercise price
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ☐ Yes ☒ No.

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. ☐ Yes ☒ No.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐.

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐.

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant’s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of “large accelerated filer,” “accelerated filer,” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐ Accelerated filer ☐
Non-accelerated filer ☐ Smaller reporting company ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No.

The aggregate market value of the voting stock held by non-affiliates was $8,955,981 based on the closing sale price of the Company’s Common Stock as reported on the NASDAQ Stock Market on June 28, 2013.

Indicate the number of shares outstanding of each of the registrant’s classes of common stock, as of the latest practicable date. There were 6,287,365 shares of common stock issued and outstanding as of March 15, 2014.

Chanticleer Holdings, Inc.
Form 10-K Index

		Page
Part I		
Item 1:	Business	4
Item 1A:	Risk Factors	9
Item 2:	Properties	17
Item 3:	Legal Proceedings	18
Item 4:	Mine Safety Disclosures	18
Part II		
Item 5:	Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	19
Item 6:	Selected Financial Data	20
Item 7:	Management’s Discussion and Analysis of Financial Condition and Results of Operation	21
Item 7A:	Quantitative and Qualitative Disclosures about Market Risk	30
Item 8:	Financial Statements and Supplementary Data	31
Item 9:	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	70
Item 9A:	Controls and Procedures	70
Item 9B:	Other Information	71
Part III		
Item 10:	Directors, Executive Officers and Corporate Governance	72
Item 11:	Executive Compensation	76
Item 12:	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	77
Item 13:	Certain Relationships and Related Transactions, and Director Independence	80
Item 14:	Principal Accounting Fees and Services	80
Part IV		
Item 15:	Exhibits and Financial Statement Schedules	81
Signatures		82
Exhibit Index		

PART I

FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements within the meaning of The Private Securities Litigation Reform Act of 1995. These statements include projections, predictions, expectations or statements as to beliefs or future events or results or refer to other matters that are not historical facts. Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that could cause the actual results to differ materially from those contemplated by these statements. The forward-looking statements contained in this Annual Report are based on various factors and were derived using numerous assumptions. In some cases, you can identify these forward-looking statements by the words “anticipate”, “estimate”, “plan”, “project”, “continuing”, “ongoing”, “target”, “aim”, “expect”, “believe”, “intend”, “may”, “will”, “should”, “could”, or the negative of those words and other comparable words. You should be aware that those statements reflect only the Company’s predictions. If known or unknown risks or uncertainties should materialize, or if underlying assumptions should prove inaccurate, actual results could differ materially from past results and those anticipated, estimated or projected. You should bear this in mind when reading this Annual Report and not place undue reliance on these forward-looking statements. Factors that might cause such differences include, but are not limited to:

- Operating losses continuing for the foreseeable future; we may never be profitable;
- Inherent risks in expansion of operations, including our ability to acquire additional territories, generate profits from new restaurants, find suitable sites and develop and construct locations in a timely and cost-effective way;
- General risk factors affecting the restaurant industry, including current economic climate, costs of labor and food prices;
- Intensive competition in our industry and competition with national, regional chains and independent restaurant operators;
- Our rights to operate and franchise Hooters-branded restaurants are dependent on the Hooters’ franchise agreements;
- Our business depends on our relationship with Hooters;
- We do not have full operational control over the businesses of our franchise partners;
- Failure by Hooters to protect its intellectual property rights, including its brand image;
- Our business has been adversely affected by declines in discretionary spending and may be affected by changes in consumer preferences;
- Increases in costs, including food, labor and energy prices;
- Our business and the growth of our Company is dependent on the skills and expertise of management and key personnel;
- Constraints could effect our ability to maintain competitive cost structure, including, but not limited to labor constraints;
- Work stoppages at our restaurants or supplier facilities or other interruptions of production;
- Our food service business and the restaurant industry are subject to extensive government regulation;
- We may be subject to significant foreign currency exchange controls in certain countries in which we operate;
- Inherent risk in foreign operation;
- We may not attain our target development goals and aggressive development could cannibalize existing sales;

- Current conditions in the global financial markets and the distressed economy;
- A decline in market share or failure to achieve growth;
- Unusual or significant litigation, governmental investigations or adverse publicity, or otherwise;
- Adverse effects on our operations resulting from the current class action litigation in which the Company is one of several defendants;
- Adverse effects on our results from a decrease in or cessation or clawback of government incentives related to investments; and
- Adverse effects on our operations resulting from certain geo-political or other events.

You should also consider carefully the Risk Factors contained in Item 1A of Part I of this Annual Report, which address additional factors that could cause its actual results to differ from those set forth in the forward-looking statements and could materially and adversely affect the Company's business, operating results and financial condition. The risks discussed in this Annual Report are factors that, individually or in the aggregate, the Company believes could cause its actual results to differ materially from expected and historical results. You should understand that it is not possible to predict or identify all such factors. Consequently, you should not consider such disclosures to be a complete discussion of all potential risks or uncertainties.

The forward-looking statements are based on information available to the Company as of the date hereof, and, except to the extent required by federal securities laws, the Company undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events. In addition, the Company cannot assess the impact of each factor on its business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

Effective May 11, 2012, the Company effected a reverse split of its common stock, 1 share for each 2 shares issued, pursuant to a majority vote of the Company's shareholders. All share references in this Annual Report on Form 10-K have been adjusted as if the split occurred prior to all periods presented.

ITEM 1: BUSINESS

GENERAL DEVELOPMENT OF BUSINESS

The focus of Chanticleer Holdings, Inc. ("Chanticleer" or the "Company") is operating Hooters franchises internationally and several restaurant and bar concepts domestically. The Company was organized October 21, 1999, under its original name, Tulvine Systems, Inc., under the laws of the State of Delaware. The Company previously had limited operations and was considered a development stage company until July 2005. On April 25, 2005, Tulvine Systems, Inc. formed a wholly owned subsidiary, Chanticleer Holdings, Inc., and on May 2, 2005, Tulvine Systems, Inc. merged with and changed its name to Chanticleer Holdings, Inc.

The consolidated financial statements in this Annual Report on Form 10-K include the accounts of the Company and its subsidiaries, Chanticleer Advisors, LLC, ("Advisors"), Avenel Ventures, LLC ("Ventures"), Chanticleer Holdings Limited ("CHL"), Chanticleer Holdings Australia Pty, Ltd. ("CHA"), Chanticleer Investment Partners, LLC ("CIP"), DineOut SA Ltd. ("DineOut"), Chanticleer and Shaw Food (Pty) Ltd. ("C&S"), Kiarabrite (Pty) Ltd ("KPL"), Dimaflo (Pty) Ltd ("DFLO"), Tundraspex (Pty) Ltd ("TPL"), Civisign (Pty) Ltd ("CPL"), Dimalogix (Pty) Ltd ("DLOG"), Pulse Time Trade (Pty) Ltd. ("PTT"), Crown Restaurants Kft. ("CRK"), American Roadside Burgers, Inc. ("ARB"), West End Wings Ltd. ("WEW"), JF Restaurants, L.L.C ("JFR"), and JF Franchising Systems, L.L.C. ("JFFS) (collectively referred to as "the Company," "we," "us," or "the Companies"). On July 11, 2013, the names of DFLO, CPL and DLOG were changed in South Africa to Hooters Umhlanga (Pty.) Ltd., Hooters CapeTown (Pty.) Ltd., and Hooters Emperors Palace (Pty.) Ltd., respectively. On August 30, 2013 and January 8, 2014, the names of KPL and C&S were changed to Hooters SA (Pty) Ltd. and Chanticleer South Africa (Pty) Ltd., respectively. All significant inter-company balances and transactions have been eliminated in consolidation.

Information regarding the Company's subsidiaries is as follows:

- Advisors was formed as a wholly owned Nevada limited liability company on January 18, 2007 to manage related companies, Chanticleer Investors, LLC ("Investors LLC"), Chanticleer Investors II, LLC ("Investors II").The Company announced its intention to exit the Investors II business on March 22, 2013,and effectuated such exit during the second quarter of fiscal 2013.

- Ventures was formed as a wholly owned Nevada limited liability company on December 24, 2008 to provide business management and consulting services to its clients.

- CHL was formed as a wholly owned limited liability company in Jersey on March 24, 2009 to own the Company's initial 50% interest in Hooters SA, GP, the general partner of the Hooters restaurant franchises in South Africa.

- CHA was formed on September 30, 2011 in Australia as a wholly owned subsidiary to invest in Hooters restaurants in Australia.

- CIP was formed as a wholly owned North Carolina limited liability company on September 20, 2011. CIP was formed to manage separate and customized investment accounts for investors. The Company registered CIP as a registered investment advisor with the state of North Carolina so that it can market openly to the public (the Company exited this business during the second quarter of 2013).

- DineOut was formed as a private limited liability company in England and Wales on October 29, 2009 to raise capital in Europe for Hooters South African stores. The Company owns approximately 89% of DineOut at December 31, 2013.

- KPL was formed on August 30, 2011 in South Africa to manage the Hooters restaurants in South Africa. The Company owns 90% and local management owns 10% at December 31, 2013.

- C&S was formed in 2009 in South Africa, is owned 100% by the Company at December 31, 2013 and 2012, and holds the Hooters of America (“HOA”) franchise rights in South Africa.

- DFLO was formed on August 16, 2011 in South Africa, is owned 82% by the Company and 18% by outside investors at December 31, 2013 and owns the Hooters restaurant in Durban, South Africa.

- TPL was formed on August 18, 2011 in South Africa, is owned 88% by the Company and 12% by outside investors at December 31, 2013 and owns the Hooters restaurant in Johannesburg, South Africa.

- PTT was formed on October 23, 2013 in South Africa, is owned 100% by the Company at December 31, 2013 and owns the Hooters restaurant in Pretoria, South Africa.

- CPL was formed on August 29, 2011 in South Africa, is owned 90% by the Company and 10% by outside investors at December 31, 2013 and owns the Hooters restaurant in Cape Town, South Africa.

- DLOG was formed on August 27, 2011 in South Africa, is owned 88% by the Company and 12% by outside investors at December 31, 2013 and owns the Hooters restaurant in the Emperor’s Palace in Johannesburg, South Africa.

- CRK was formed on October 12, 2011 in Hungary, is owned 80% by the Company and 20% by a local investor at December 31, 2013. CRK’s business purpose is owning and operating restaurants in Hungary (including the Budapest, Hungary location which opened in August 2012) and Poland (the Company has not opened a restaurant to date in Poland).

- ARB, a Delaware corporation, was acquired on September 20, 2013 through a reverse merger between ARB and Chanticleer Roadside Burgers International, L.L.C., a single member limited liability company with Chanticleer as its sole member. It is owned 100% by Chanticleer at December 31, 2013 and owns the American Roadside Burger restaurant franchise.

- WEW, a United Kingdom entity, was acquired on November 6, 2013. It is 100% owned by the Company at December 31, 2013 and owns the Hooters restaurant in Nottingham, England.

- JFR and JFFS, both North Carolina limited liability companies, were acquired on December 10, 2013. These entities are 56% owned by the Company and 44% owned by various investors and owns the Just Fresh restaurant franchise.

Information regarding the Company's unconsolidated affiliates is as follows:

- Investors LLC is a limited liability company formed in 2006 through which the Company raised $5,000,000 and began its relationship with Hooters of America, Inc. ("HOA"). Initially structured as a loan transaction, the loan was repaid in early 2011 and $3,550,000 was invested in HOA Holdings, LLC ("HOA LLC"). HOA LLC completed the acquisition of HOA and Texas Wings, Inc. ("TW") in early 2011 and created an operating company with 161 company-owned locations across sixteen states, or nearly half of all domestic Hooters restaurants and over one-third of the locations worldwide. Investors LLC owns approximately 3.1% of HOA LLC and the Company owns approximately 22% of Investors LLC as of December 31, 2013.

- Chanticleer Dividend Fund, Inc. ("CDF") was formed on November 10, 2010 in Maryland. CDF filed a registration statement in January 2011 under Form N-2 with plans to register as a non-diversified, closed-end investment company. Advisors will have a role in management of CDF when its registration statement becomes effective. CDF is actively seeking business opportunities, including for growth capital in the restaurant industry.

- Chanticleer Foundation, Inc. ("CF") is a non-profit organization formed for charitable purposes. CF is controlled by its board, which consists of Mr. Pruitt, a director of the Company and an employee of the Company.

While our current business focus is operating Hooters franchises internationally, along with several restaurant and bar concepts domestically, we have previously operated in two business segments – Hooters franchise restaurants and investment management and consulting services businesses. However, we announced our intention to exit investment management and consulting services businesses in the first quarter of fiscal 2013 and effectuated such exit during the second quarter of fiscal 2013.

Restaurant Brands

Hooters

Hooters restaurants are casual beach-themed establishments with sports on television, jukebox music, and the "nearly world famous" Hooters Girls. The menu consists of spicy chicken wings, seafood, sandwiches and salads. The menu of each location can vary with the local tastes. Hooters began in 1983 with its first restaurant in Clearwater, Florida. From the original restaurant and licensee Mr. Robert Brooks, Hooters has become a global brand, with locations in 44 states domestically and over 450 Hooters restaurants worldwide. Besides restaurants, Hooters has also branched out to other areas, including licensing its name to a golf tour and the sale of packaged food in supermarkets.

Chanticleer currently owns, in whole or part, the exclusive franchise rights to develop and operate Hooters restaurants in South Africa, Hungary, Poland, Brazil, and the United Kingdom and has joint ventured with the current Hooters franchisee in Australia, while evaluating several additional international opportunities. The Company currently owns and operates in whole or part of eight Hooters restaurants in its international franchise territories: Pretoria, Durban, Johannesburg (two restaurants), and Cape Town; Campbelltown in Australia; Budapest in Hungary; and Nottingham in the United Kingdom. As of January 31, 2014, we also own two Hooters restaurants in Tacoma, Washington and Portland, Oregon.

We expect to either own 100% of the Hooters franchise or partner with a local franchisee in the countries we target. We based this decision on what we believe to be the successful launch of our South African Hooters venture and believe we have aligned partners and operators in various international markets. We are focused on expanding our Hooters operations in the following areas: United Kingdom, South Africa, Brazil, Hungary, Poland and Australia. We also may expand in the United States if the opportunity presents itself.

American Roadside Burgers

In September 2013, we acquired all of the outstanding shares of American Roadside Burgers, Inc. ("ARB"). ARB focuses on American food menu offerings, which include its signature burgers, turkey and veggie burgers, chicken sandwiches, wings, a variety of salads, and homemade milkshakes. ARB is a fast casual concept, with a warm and relaxing atmosphere and a strong focus on customer service. Each restaurant features a nostalgic "Made in America" feel with sustainable features throughout, including reclaimed barn siding on the walls and floors and chairs made from recycled materials. The first ARB location opened in 2006 in Smithtown, New York, and it has expanded to two locations in Charlotte, North Carolina, one location in Columbia, South Carolina and one location in Greenville, South Carolina.

Just Fresh

In November 2013, we acquired a majority (51%) interest in each of JF Restaurants, LLC, and JF Franchising Systems, LLC, owners of Just Fresh, a Charlotte, North Carolina - based casual dining concept. Just Fresh opened its first café in 1993 and has expanded to five restaurants in the Charlotte, North Carolina area. The menu consists of fresh, health-conscious items such as salads, wraps, sandwiches, soups, freshly baked items, and smoothies. In December 2013, we acquired an additional five percent (5%) interest in each of JF Restaurants, LLC and JF Franchising Systems, LLC.

We expect to either own 100% of the restaurant or franchise location, or partner with a local individual in the countries or regions we target. We based this decision on what we believe to be the successful launch of our South African Hooters venture and believe we have aligned with appropriate partners and operators in various domestic and international markets. We are focused on expanding our Hooters, ARB, and Just Fresh operations, and expect to invest in the United States, South Africa, Brazil, Hungary, Australia and Europe.

South Africa

We currently own and operate five Hooters locations in South Africa: Cape Town, Durban, Pretoria, and Johannesburg (two locations), which are owned by five companies which we control. In order to obtain investor funds to pay for the initial costs involved in commencing operations for certain of the South Africa locations, we agreed to allocate a portion of the profits from each restaurant such that the investors in Cape Town, Durban, and the first Johannesburg location received 40% of the net profits after taxation (the “SA Profits”) until they have received a return of their investment and a pre-tax annual compounded return on that investment of 20% (the “SA Return”). Once the investors have received the SA Return, the investors are thereafter entitled to receive 10% of the SA Profits. As of December 31, 2013 there are no cumulative profits and therefore nothing has been accrued.

We formed KPL, a management company to operate the current South African Hooters locations. At December 31, 2013, we own 90% of the management company, with one member of local management owning the remaining 10%. The management company currently charges a management fee of 5% of net revenues to the Hooters locations in South Africa.

Eastern Europe

We currently own 80% of CRK, the entity which holds the franchise rights and operates the Hooters restaurant in Budapest, Hungary, and our local partner owns the remaining 20%. Our local partner, who is an experienced franchise restaurateur, manages the day-to-day operations of the current location and will manage future locations. In addition to Hungary, we are also seeking a site in Poland.

United Kingdom

We currently own 100% of West End Wings, Ltd, the entity that holds the franchise rights and operates the restaurant in Nottingham, England (“Hooters Nottingham”).

United States

We currently own 100% of the American Roadside Burgers restaurant chain, with two locations in Charlotte, North Carolina, one location in Smithtown, New York, one location in Greenville, South Carolina, and one in Columbia, South Carolina.

We also own 56% of the Just Fresh restaurant chain, with five locations, all of which are located in Charlotte, North Carolina.

As of January 31, 2014, we also own two Hooters restaurants in Tacoma, Washington and Portland, Oregon (“Hooters Pacific NW”).

Other Countries or Continents

We are currently targeting the following countries or continents for the opening of additional restaurants:

- **Brazil** - we have acquired development rights for Hooters in five states of Brazil, which would include Rio de Janeiro. We will partner with the current local franchisee who owns the Hooters franchise rights in the state of Sao Paolo. We will own 60% of the entity holding the development rights and our local partner would own the remaining 40%.

- **Australia** - we have partnered with the current Hooters franchisee in a joint venture in which we own 49% and our partner owns 51%. The first Hooters restaurant under this joint venture (which would be the third Hooters restaurant currently open in Australia) opened in January 2012 in Campbelltown, a suburb of Sydney. We are in discussions to purchase from the same franchisee a partial interest in the first two existing Hooters locations in the Sydney area. We plan on opening our second and third jointly-owned Australian Hooters in the second quarter of 2014 in Surfers Paradise and Townsville. We have no involvement in the day-to-day operations, and have no further obligations to fund additional losses.

Acquisition of Hooters Restaurants

Our trend toward focusing on Hooters began when the Company and our partners completed the acquisition of HOA and TW in 2011. Investors LLC and its three partners, H.I.G. Capital, KarpReilly, LLC and Kelly Hall, president of TW, the largest Hooters franchisee in the United States at the time, combined to form HOA LLC which created an operating company with 161 company-owned locations across sixteen states, or nearly half of all domestic Hooters restaurants and over one-third of the locations worldwide. The Company now owns approximately 22% of Investors LLC, and Investors LLC owns approximately 3% interest in HOA LLC.

The Company received a payment of $400,000 at closing for its services and expense reimbursement in facilitating the acquisition of HOA and TW. In addition, for a minimum of four years, ending in January, 2015, the Company will receive annual payments of $100,000 due in January each year while Mr. Pruitt serves on its board.

As of December 31, 2013, the Company has not received any return of capital from our equity interest in HOA LLC.

Acquisition of American Roadside Burgers, Inc.

On September 30, 2013, the Company entered into an Agreement and Plan of Merger with American Roadside Burgers, Inc. (“ARB”), whereby the Company acquired 100% of the outstanding shares of ARB. In exchange, the Company issued 740,000 HOTR Units to the current shareholders of ARB on a pro-rata basis, with each Unit consisting of one share of Company common stock and one five-year, $5 warrant, exercisable after twelve months.

Acquisition of West End Wings LTD

On November 6, 2013, the Company finalized the purchase of West End Wings LTD (“WEW”), which is the owner of the Nottingham, England Hooters restaurant location. The purchase price paid by the Company for WEW was $3,150,000.

Acquisition of JF Restaurants, L.L.C. and JF Franchise Systems, L.L.C.

On November 5, 2013, the Company entered into a Subscription Agreement with JF Restaurants, L.L.C. (“JFR”) and JF Franchising Systems, L.L.C. (“JFFS”), for the purchase of a 51%ownership interest in each entity, for a total purchase price of $560,000. The purchase was finalized on December 10, 2013 with the execution of an Assignment, Assumption, Joinder, and Amendment Agreement with both JFR and JFFS. On December 11, 2013, the Company purchased an additional 5% interest in both JFR and JFFS from an original interest holder for the total purchase price of $30,000, increasing the Company’s ownership interest in JFR and JFFS to a total of 56%.

Acquisitions Occurring after December 31, 2013

On January 31, 2014, we completed the acquisition of all of the outstanding shares of each of Tacoma Wings, LLC, Jantzen Beach Wings, LLC and Oregon Owl’s Nest, LLC, which owned and operated the Hooters restaurant locations in Tacoma, Washington and Portland, Oregon, respectively.

Also on January 31, 2014, we completed the acquisition of Spoon Bar & Kitchen through the purchase of all of the outstanding shares of Dallas Spoon, LLC and Dallas Spoon Beverage, LLC. Spoon Bar & Kitchen is a fine dining seafood restaurant located in Dallas, Texas.

Competition

The restaurant industry is extremely competitive. We compete with other restaurants on the taste, quality and price of our food offerings. Additionally, we compete with other restaurants on service, ambience, location, and overall customer experience. We believe that the unique atmosphere of our restaurants and the focus on quality and flavor of our food enable us to differentiate ourselves from our competitors. We believe that we compete primarily with local and regional sports bars and national casual dining and quick casual establishments, and to a lesser extent with quick service restaurants in general. Many of our competitors are well-established national, regional or local chains and many have greater financial and marketing resources than we do. We also compete with other restaurant and retail establishments for site locations and restaurant employees.

Proprietary Rights

We either own or have a license to use the “Hooters” mark and certain other service marks and trademarks used in our Hooters restaurants. We believe that the trademarks, service marks and other proprietary rights that we use in our restaurants have significant value and are important to our brand-building efforts and the marketing of our restaurant concepts. Although we believe that we have sufficient rights to all of our trademarks and service marks, we may face claims of infringement that could interfere with our ability to market our restaurants and promote our brand. Any such litigation may be costly and divert resources from our business. Moreover, if we are unable to successfully defend against such claims, we may be prevented from using our trademarks or service marks in the future and may be liable for damages.

Government Regulation

The restaurant industry is subject to numerous federal, state and local governmental regulations, including those relating to the preparation and sale of food and alcoholic beverages, sanitation, public health, fire codes, zoning, and building requirements. Each restaurant requires appropriate licenses from regulatory authorities allowing it to sell liquor, beer and wine, and each restaurant requires food service licenses from local health authorities. Our licenses to sell alcoholic beverages may be suspended or revoked at any time for cause, including violation by us or our employees of any law or regulation pertaining to alcoholic beverage control. We are subject to various regulations by foreign governments related to the sale of food and alcoholic beverages and to health, sanitation, and fire and safety standards. Compliance with these laws and regulations may lead to increased costs and operational complexity and may increase our exposure to governmental investigations or litigation.

Corporate Information

Our principal executive offices are located at 11220 Elm Lane, Suite 203, Charlotte, NC 28277. Our web site is www.chanticleerholdings.com.

EMPLOYEES

At December 31, 2013, we had 433 full-time employees: 335 in South Africa, 23 in Hungary, 24 in the United Kingdom, and 51 in the United States. Approximately 25 of our South African employees are represented by a labor union. We have experienced no work stoppage and believe that our employee relationships are good.

ITEM 1A: RISK FACTORS

The risks and uncertainties described below are not the only ones facing us. Additional risks and uncertainties not presently known to us or that we currently believe are immaterial may also impair our business. If the following risks actually occur, our business, financial condition and results of operations could be materially adversely affected and the trading price of our common stock could decline.

Risks Related to Our Company and Industry

We have not been profitable to date and expect our operating losses to continue for the foreseeable future; we may never be profitable.

We have incurred operating losses and generated negative cash flows since our inception and have financed our operations principally through equity investments and borrowings. At this time, our ability to generate sufficient revenues to fund operations is uncertain. For the fiscal year ended December 31, 2013, we had net revenue of $8,247,487 and incurred a net loss of $5,214,119. Our total accumulated deficit through December 31, 2013, was $14,472,816.

As a result of our brief operating history, revenue is difficult to predict with certainty. Current and projected expense levels are based largely on estimates of future revenue. We expect expenses to increase in the future as we expand our activities. We cannot assure you that we will be profitable in the future. Accordingly, the extent of our future losses and the time required to achieve profitability, if ever, is uncertain. Failure to achieve profitability could materially and adversely affect the value of our Company and our ability to effect additional financings. The success of the business depends on our ability to increase revenues to offset expenses. If our revenues fall short of projections, our business, financial condition and operating results will be materially adversely affected.

Our financial statements have been prepared assuming a going concern.

Our independent registered public accounting firm has expressed substantial doubt about our ability to continue as a going concern. Our financial statements as of December 31, 2013, were prepared under the assumption that we will continue as a going concern for the next twelve months. Our independent registered public accounting firm has issued a report that includes an explanatory paragraph referring to our losses from operations and expressing substantial doubt in our ability to continue as a going concern without additional capital becoming available. Our ability to continue as a going concern is dependent upon our ability to obtain additional financing, obtain further operating efficiencies, reduce expenditures and ultimately, create profitable operations. Such financings may not be available or may not be available on reasonable terms. Our financial statements do not include adjustments that result from the outcome of this uncertainty.

The recent acquisitions of ARB, Just Fresh, the Hooters NW Pacific restaurants, Hooters Nottingham, and Spoon Bar & Kitchen, as well as other future acquisitions, may have unanticipated consequences that could harm our business and our financial condition.

Consistent with our growth strategy, we have recently acquired a 100% ownership interest in ARB, 100% of Hooters Nottingham, a 56% ownership interest in entities owning Just Fresh and a 100% ownership interest in entities owning Spoon Bar & Kitchen as part of our expansion into new restaurant and bar concepts domestically. We also recently acquired the Hooters restaurants in Tacoma, Washington and Portland, Oregon. We may seek to selectively acquire additional restaurants and bar concepts as part of this strategy. To do so, we would need to identify suitable acquisition candidates, negotiate acceptable acquisition terms and obtain appropriate financing. Any such acquisition that we pursue, whether or not successfully completed, may involve risks, including:

- material adverse effects on our operating results, particularly in the fiscal quarters immediately following the acquisition as the acquired restaurants and bar concepts are integrated into our operations;
- risks associated with entering into markets or conducting operations where we have no or limited prior experience;
- problems retaining key personnel;
- potential impairment of tangible and intangible assets and goodwill acquired in the acquisition;
- potential unknown liabilities;
- difficulties of integration and failure to realize anticipated synergies; and
- disruption of our ongoing business, including diversion of management’s attention from other business concerns.

Future acquisitions of restaurants and bar concepts or other acquisitions, which may be accomplished through a cash purchase transaction, the issuance of our equity securities or a combination of both, could result in potentially dilutive issuances of our equity securities, the incurrence of debt and contingent liabilities and impairment charges related to goodwill and other intangible assets, any of which could harm our business and financial condition.

There are risks inherent in expansion of operations, including our ability to acquire additional territories, generate profits from new restaurants, find suitable sites and develop and construct locations in a timely and cost-effective way.

We cannot project with certainty the number of territories we will be able to acquire or the number of new restaurants we and our partners will open in accordance with our present plans and within the timeline or the budgets that we currently project. In addition, our franchise agreements with Hooters of America, Inc. ("HOA") provide that we must exercise our option to open additional restaurants within each of our territories by a certain date set forth in the development schedule and that each such restaurant must be open by such date. If we fail to timely exercise any option or if we fail to open any additional restaurant by the required restaurant opening date, all of our rights to develop the rest of the option territory will expire automatically and without further notice.

Our failure to effectively develop locations in new territories would adversely affect our ability to execute our business plan by, among other things, reducing our revenues and profits and preventing us from realizing our strategy. Furthermore, we cannot assure you that our new restaurants will generate revenues or profit margins consistent with those currently operated by us.

The number of openings and the performance of new locations will depend on various factors, including:

- the availability of suitable sites for new locations and our ability to secure HOA's approval of a proposed site;
- our ability to negotiate acceptable lease or purchase terms for new locations, obtain adequate financing, on favorable terms, required to construct, build-out and operate new locations and meet construction schedules, and hire and train and retain qualified restaurant managers and personnel;
- managing construction and development costs of new restaurants at affordable levels;
- the establishment of brand awareness in new markets; and
- the ability of our Company to manage this anticipated expansion.

While the impact varies with the location and the qualifications of our partners, tight credit markets are generally making financing for construction and operation of restaurants more difficult to obtain on favorable terms. Additionally, competition for suitable restaurant sites in target markets is intense. Not all of these factors are within our control or the control of our partners, and there can be no assurance that we will be able to accelerate our growth or that we will be able to manage the anticipated expansion of our operations effectively.

Litigation and unfavorable publicity could negatively affect our results of operations as well as our future business.

We are subject to litigation and other customer complaints concerning our food safety, service, and/or other operational factors. Guests may file formal litigation complaints that we are required to defend, whether or not we believe them to be true. Substantial, complex or extended litigation could have an adverse effect on our results of operations if we incur substantial defense costs and our management is distracted. Employees may also, from time to time, bring lawsuits against us regarding injury, discrimination, wage and hour, and other employment issues. Additionally, potential disputes could subject us to litigation alleging non-compliance with franchise, development, support service, or other agreements. Additionally, we are subject to the risk of litigation by our stockholders as a result of factors including, but not limited to, performance of our stock price.

In certain states we are subject to "dram shop" statutes, which generally allow a person injured by an intoxicated person the right to recover damages from an establishment that wrongfully served alcoholic beverages to the intoxicated person. Some dram shop litigation against restaurant companies has resulted in significant judgments, including punitive damages. We carry liquor liability coverage as part of our existing comprehensive general liability insurance, but we cannot provide assurance that this insurance will be adequate in the event we are found liable in a dram shop case.

In recent years there has been an increase in the use of social media platforms and similar devices which allow individuals access to a broad audience of consumers and other interested persons. The availability of information on social media platforms is virtually immediate in its impact. A variety of risks are associated with the use of social media, including the improper disclosure of proprietary information, negative comments about our Company, exposure of personally identifiable information, fraud, or outdated information. The inappropriate use of social media platforms by our guests, employees, or other individuals could increase our costs, lead to litigation, or result in negative publicity that could damage our reputation. If we are unable to quickly and effectively respond, we may suffer declines in guest traffic which could materially affect our financial condition and results of operations.

There is intensive competition in our industry, and we will be competing with national, regional chains and independent restaurant operators.

The restaurant industry is intensely competitive. Moreover, the retail food industry in general is highly competitive and includes highly sophisticated national and regional chains. Our sector is highly competitive with respect to, among other things, taste, price, food quality and presentation, service, location and the ambiance and condition of each restaurant. While we strive to differentiate ourselves through the items we offer on our menu and the environment in which they are offered, we will, nonetheless, be required to compete with national and regional chains and with independent operators for market share, access to desirable locations and recruitment of personnel. No assurances can be given that we will have the financial resources, distribution ability, depth of key personnel or marketing expertise to compete successfully in these markets.

In addition, although our franchise agreements grant us certain rights to develop restaurants within the specified territories, HOA has reserved the right to develop, open and operate and to authorize others to develop, open and operate Hooters restaurants outside of our "protected territory." Our "protected territory" is limited to a radius of 8 kilometers from any restaurant location we open. Therefore, HOA or one of its franchisees could effectively compete against us even in the territories in which we develop our restaurants, which could have a material adverse effect on our business and results of operations.

Our rights to operate and franchise Hooters-branded restaurants are dependent on the Hooters' franchise agreements.

Our rights to operate and franchise Hooters-branded restaurants, and our ability to conduct our business, derive principally from the rights granted or to be granted to us by Hooters in our franchise agreements. As a result, our ability to continue operating in our current capacity is dependent on the continuation and renewal of our contractual relationship with Hooters.

In the event Hooters does not grant us franchises to acquire additional locations or terminates our existing franchise agreements, we would be unable to operate and/or expand our Hooters-branded restaurants, identify our business with Hooters nor use any of Hooters' intellectual property. As the Hooters brand and our relationship with Hooters are among our competitive strengths, the failure to grant or the expiration or termination of the franchise agreements would materially and adversely affect our business, results of operations, financial condition and prospects.

Our business depends on our relationship with Hooters and changes in this relationship may adversely affect our business, results of operations and financial condition.

Pursuant to the franchise agreements, Hooters has the ability to exercise substantial influence over the conduct of our business. We must comply with Hooters' high quality standards. We cannot transfer the equity interests of our subsidiaries without Hooters' consent, and Hooters has the right to control many of the locations' daily operations.

Notwithstanding the foregoing, Hooters has no obligation to fund our operations. In addition, Hooters does not guarantee any of our financial obligations, including trade payables or outstanding indebtedness, and has no obligation to do so. If the terms of the franchise agreements excessively restrict our ability to operate our business or if we are unable to satisfy our obligations under the franchise agreements, our business, results of operations and financial condition would be materially and adversely affected.

We do not have full operational control over the businesses of our Hooters or Just Fresh franchise partners.

We are and will be dependent on our partners to maintain Hooters' and Just Fresh's quality, service and cleanliness standards, and their failure to do so could materially affect the Hooters or Just Fresh brands and harm our future growth. We do not presently have formal written agreements in place with any of our partners regarding these types of matters. Although we intend to exercise significant control over partners through written agreements in the future, our partners will continue to have some flexibility in the operations, including the ability to set prices for our products in their restaurants, hire employees and select certain service providers. In addition, it is possible that some partners may not operate their restaurants in accordance with our quality, service and cleanliness, health or product standards. Although we intend to take corrective measures if partners fail to maintain Hooters' or Just Fresh's high quality, service and cleanliness standards, we may not be able to identify and rectify problems with sufficient speed and, as a result, our image and operating results may be negatively affected.

A failure by Hooters to protect its intellectual property rights, including its brand image, could harm our results of operations.

The profitability of our business depends in part on consumers' perception of the strength of the Hooters brand. Under the terms of our franchise agreements, we are required to assist Hooters with protecting its intellectual property rights in our jurisdictions. Nevertheless, any failure by Hooters to protect its proprietary rights in the world could harm its brand image, which could affect our competitive position and our results of operations.

Our business has been adversely affected by declines in discretionary spending and may be affected by changes in consumer preferences.

Our success depends, in part, upon the popularity of our food products. Shifts in consumer preferences away from our restaurants or cuisine could harm our business. Also, our success depends to a significant extent on discretionary consumer spending, which is influenced by general economic conditions and the availability of discretionary income. Accordingly, we may experience declines in sales during economic downturns or during periods of uncertainty. A continuing decline in the amount of discretionary spending could have a material adverse effect on our sales, results of operations, business and financial condition.

Increases in costs, including food, labor and energy prices, will adversely affect our results of operations.

Our profitability is dependent on our ability to anticipate and react to changes in our operating costs, including food, labor, occupancy (including utilities and energy), insurance and supplies costs. Various factors beyond our control, including climatic changes and government regulations, may affect food costs. Specifically, our dependence on frequent, timely deliveries of fresh meat and produce subject us to the risks of possible shortages or interruptions in supply caused by adverse weather or other conditions which could adversely affect the availability and cost of any such items. In the past, we have been able to recover some of our higher operating costs through increased menu prices. There have been, and there may be in the future, delays in implementing such menu price increases, and competitive pressures may limit our ability to recover such cost increases in their entirety. The recent volatility in certain commodity markets, such as those for energy, grains and dairy products, which have experienced significant increases in prices, may have an adverse effect on us and may cause franchisees in our industry to delay construction of new restaurants and/or cause potential new franchisees to reconsider entering into franchise agreements. The extent of the impact may depend on our ability to increase our menu prices and the timing thereof.

Our business and the growth of our Company are dependent on the skills and expertise of management and key personnel.

During the upcoming stages of our Company's anticipated growth, we will be entirely dependent upon the management skills and expertise of our management and key personnel, including Michael Pruitt, our current Chairman and Chief Executive Officer. Mr. Pruitt also sits on HOA's board of directors. We do not have employment agreements with any of our officers. The loss of services of Mr. Pruitt or other executive officers would dramatically affect our business prospects. Certain of our employees are particularly valuable to us because:

- they have specialized knowledge about our company and operations;
- they have specialized skills that are important to our operations; or
- they would be particularly difficult to replace.

In the event that the services of Mr. Pruitt or any key management personnel ceased to be available to us, our growth prospects or future operating results may be adversely impacted.

Our food service business and the restaurant industry are subject to extensive government regulation.

We are subject to extensive and varied country, federal, state and local government regulation, including regulations relating to public health and safety and zoning codes. We operate each of our locations in accordance with standards and procedures designed to comply with applicable codes and regulations. However, if we could not obtain or retain food or other licenses, it would adversely affect our operations. Although we have not experienced, and do not anticipate, any significant difficulties, delays or failures in obtaining required licenses, permits or approvals, any such problem could delay or prevent the opening of, or adversely impact the viability of, a particular restaurant or group of restaurant.

We may be subject to significant foreign currency exchange controls in certain countries in which we operate.

Certain foreign economies have experienced shortages in foreign currency reserves and their respective governments have adopted restrictions on the ability to transfer funds out of the country and convert local currencies into U.S. dollars. This may increase our costs and limit our ability to convert local currency into U.S. dollars and transfer funds out of certain countries. Any shortages or restrictions may impede our ability to convert these currencies into U.S. dollars and to transfer funds, including for the payment of dividends or interest or principal on our outstanding debt. In the event that any of our subsidiaries are unable to transfer funds to us due to currency restrictions, we are responsible for any resulting shortfall.

Our foreign operations subject us to risks that could negatively affect our business.

We expect most of our Hooters restaurants will be operated in foreign countries and territories outside of the U.S., and we intend to continue expansion of our international operations. As a result, our business is increasingly exposed to risks inherent in foreign operations. These risks, which can vary substantially by market, include political instability, corruption, social and ethnic unrest, changes in economic conditions (including wage and commodity inflation, consumer spending and unemployment levels), the regulatory environment, tax rates and laws and consumer preferences as well as changes in the laws and policies that govern foreign investment in countries where our restaurants are operated. For example, it was discovered that our South African CFO had falsified audit documents and misappropriated funds. Although we have implemented various controls to prevent such misconduct from occurring in the future, this remains an inherent risk in doing business in a foreign country.

In addition, our results of operations and the value of our foreign assets are affected by fluctuations in foreign currency exchange rates, which may adversely affect reported earnings. More specifically, an increase in the value of the United States Dollar relative to other currencies, such as the Australian Dollar, the Brazilian Real, the British Pound, the Euro, and the South African Rand could have an adverse effect on our reported earnings. There can be no assurance as to the future effect of any such changes on our results of operations, financial condition or cash flows.

We may not attain our target development goals and aggressive development could cannibalize existing sales.

Our growth strategy depends in large part on our ability to increase our net restaurant count in markets outside the United States. The successful development of new units will depend in large part on our ability and the ability of our franchisees/partners to open new restaurants and to operate these restaurants on a profitable basis. We cannot guarantee that we, or our franchisees/partners, will be able to achieve our expansion goals or that new restaurants will be operated profitably. Further, there is no assurance that any new restaurant will produce operating results similar to those of our existing restaurants. Other risks which could impact our ability to increase our net restaurant count include prevailing economic conditions and our, or our franchisees'/partners', ability to obtain suitable restaurant locations, obtain required permits and approvals in a timely manner and hire and train qualified personnel.

Our franchisees/partners also frequently depend upon financing from banks and other financial institutions in order to construct and open new restaurants. If it becomes more difficult or expensive for our franchisees/partners to obtain financing to develop new restaurants, our planned growth could slow and our future revenue and cash flows could be adversely impacted.

In addition, the new restaurants could impact the sales of our existing restaurants nearby. It is not our intention to open new restaurants that materially cannibalize the sales of our existing restaurants. However, as with most growing retail and restaurant operations, there can be no assurance that sales cannibalization will not occur or become more significant in the future as we increase our presence in existing markets over time.

Current conditions in the global financial markets and the distressed economy may materially adversely affect our business, results of operations and ability to raise capital.

Our business and results of operations may be materially affected by conditions in the financial markets and the economy generally. The stress being experienced by global financial markets that began in late 2007 continued and substantially increased during 2008 and into 2009. The volatility and disruption in the financial markets have reached unprecedented levels. The availability and cost of credit has been materially affected. These factors, combined with volatile oil prices, depressed home prices and increasing foreclosures, falling equity market values, declining business and consumer confidence and the risks of increased inflation and unemployment, have precipitated an economic slowdown and severe recession. These events and the continuing market upheavals may have an adverse effect on us, our suppliers and our customers. The demand for our products could be adversely affected in an economic downturn and our revenues may decline under such circumstances.

Furthermore, the fixed-income markets are experiencing a period of both extreme volatility and limited market liquidity, which has affected a broad range of asset classes and sectors. Equity markets have also been experiencing heightened volatility. We may find it difficult, or we may not be able, to access the credit or equity markets, or we may experience higher funding costs as a result of the current adverse market conditions. Continued instability in these markets may limit our ability to access the capital we require to fund and grow our business.

Changes in financial accounting standards and subjective assumptions, estimates and judgments by management related to complex accounting matters could significantly affect our financial results.

Changes in financial accounting standards can have a significant effect on our reported results and may affect our reporting of transactions completed before the new rules are required to be implemented. Many existing accounting standards require management to make subjective assumptions, such as those required for stock compensation, tax matters, franchise acquisitions, litigation, and asset impairment calculations. Changes in accounting standards or changes in underlying assumptions, estimates and judgments by our management could significantly change our reported or expected financial performance.

We could be adversely impacted if our information technology and computer systems do not perform properly or if we fail to protect our customers' credit card information or our employees' personal data.

We rely heavily on information technology to conduct our business, and any material failure, interruption of service, or compromised data security could adversely affect our operations. While we expend significant resources to ensure that our information technology operates securely and effectively, any security breaches could result in disruptions to operations or unauthorized disclosure of confidential information. Additionally, if our customers' credit card or other personal information or our employees' personal data are compromised our operations could be adversely affected, our reputation could be harmed, and we could be subjected to litigation or the imposition of penalties.

Adverse weather conditions could affect our sales.

Adverse weather conditions, such as regional winter storms, floods, severe thunderstorms and hurricanes, could affect our sales at restaurants in locations that experience these weather conditions, which could materially adversely affect our business, financial condition or results of operations.

Health concerns arising from outbreaks of viruses may have an adverse effect on our business.

The United States and other countries have experienced, or may experience in the future, outbreaks of neurological diseases or other diseases or viruses, such as norovirus, influenza and H1N1. If a virus is transmitted by human contact, our employees or customers could become infected, or could choose, or be advised, to avoid gathering in public places, any one of which could materially adversely affect our business, financial condition or results of operations.

Risks Related to Our Common Stock

We are subject to securities class action and other litigation, which may harm our business and results of operations.

We are currently involved in a class action lawsuit brought on behalf of our stockholders, alleging violations of Section 11, Section 12(a)(2) and Section 15 of the Securities Act. The plaintiff seeks unspecified damages, reasonable costs and expenses incurred in this action, and such other and further relief as the court deems just and proper. We hired highly experienced counsel to mitigate damages and assist in a proper resolution. On December 18, 2013, we filed a Joint Status Report Relating to Mediation, which described an agreement in principle to a class-wide settlement of the action. Subject to negotiation, execution of definitive documentation and court approval, the parties have agreed on a total settlement amount of $850,000, of which $837,500 is to be contributed by our insurance carrier and $12,500 is to be contributed by Creason & Associates, P.L.L.C. We have requested a period of sixty days to negotiate, draft and execute the definitive settlement documentation. In addition, we may, in the future, be subject to other litigation, which can be lengthy, expensive, and divert management's attention and resources. Results cannot be predicted with certainty and an adverse outcome in litigation could result in monetary damages or injunctive relief that could seriously harm our business, results of operations, financial condition or cash flows.

Our stock price has experienced price fluctuations and may continue to do so resulting in a substantial loss in your investment.

The current market for our common stock has been characterized by volatile prices with minimal volume. Although we have our common stock listed on The NASDAQ Capital Market, an active trading market for our common stock may never develop or if it develops, it may not be sustained, which could affect your ability to sell our common stock and could depress the market price of the common stock.

In addition, the stock market can be highly volatile. As a result, the market price of our common stock can be similarly volatile, and investors in our common stock may experience a decrease in the value of their securities, including decreases unrelated to our operating performance or prospects. The market price of our common stock is likely to be highly unpredictable and subject to wide fluctuations in response to various factors, many of which are beyond our control. These factors include:

- quarterly variations in our operating results and achievement of key business metrics;
- changes in the global economy and in the local economies in which we operate;
- our ability to obtain working capital financing, if necessary;
- the departure of any of our key executive officers and directors;
- changes in the federal, state, and local laws and regulations to which we are subject;
- changes in earnings estimates by securities analysts, if any;
- any differences between reported results and securities analysts' published or unpublished expectations;
- market reaction to any acquisitions, joint ventures or strategic investments announced by us or our competitors;
- future sales of our securities;
- announcements or press releases relating to the casual dining restaurant sector or to our own business or prospects;
- regulatory, legislative, or other developments affecting us or the restaurant industry generally; and
- market conditions specific to casual dining restaurant, the restaurant industry and the stock market generally.

We may not be able to maintain the listing of our common stock on The NASDAQ Capital Market, which may limit the ability of purchasers to resell our common stock in the secondary market.

Our common stock is listed on the NASDAQ Capital Market. However, we might not continue to meet the criteria for continued listing of our common stock in the future. On September 9, 2012, NASDAQ placed a trading halt on our company, due to the misconduct of our previous South African CFO and subsequent discovery of his misallocation of funds and production of fraudulent audit documents. After completing a thorough audit and providing all documentation required by NASDAQ, we resumed trading on January 16, 2013. Although we have implemented controls designed to prevent misconduct, we cannot guarantee continued listing of our common stock in the future. A company having securities listed on the NASDAQ Capital Market must make all required filings on a timely basis with the SEC and also meet the qualitative and quantitative continued listing criteria of the NASDAQ Capital Market. In the event we are unable to meet this criteria and become delisted, quotations for trading of our common stock would likely be conducted in the over-the-counter markets. In such case, an investor would likely find it more difficult to dispose of our common stock or to obtain accurate market quotations for our common stock, either of which could result in a substantial loss of your investment.

Our common stock could be further diluted as the result of the issuance of additional shares of common stock, convertible securities, warrants or options.

In the past, we have issued common stock, convertible securities (such as convertible notes) and warrants in order to raise capital. We have also issued common stock as compensation for services and incentive compensation for our employees and directors. We have shares of common stock reserved for issuance upon the exercise of certain of these securities and may increase the shares reserved for these purposes in the future. Our issuance of additional common stock, convertible securities, options and warrants could affect the rights of our stockholders, could reduce the market price of our common stock or could result in adjustments to exercise prices of outstanding warrants (resulting in these securities becoming exercisable for, as the case may be, a greater number of shares of our common stock), or could obligate us to issue additional shares of common stock to certain of our stockholders.

Shares eligible for future sale may adversely affect the market.

From time to time, certain of our stockholders may be eligible to sell all or some of their shares of common stock by means of ordinary brokerage transactions in the open market pursuant to Rule 144 promulgated under the Securities Act, subject to certain limitations. In general, pursuant to Rule 144, stockholders who have been non-affiliates for the preceding three months may sell shares of our common stock freely after six months subject only to the current public information requirement. Affiliates may sell shares of our common stock after six months subject to the Rule 144 volume, manner of sale, current public information and notice requirements. Of the approximately 6,287,365 shares of our common stock outstanding as of March 15, 2014, approximately 4.5 million shares are freely tradable without restriction as of that date. Any substantial sales of our common stock pursuant to Rule 144 may have a material adverse effect on the market price of our common stock.

While our public warrants are outstanding, it may be more difficult to raise additional equity capital.

We have warrants which are publicly traded on NASDAQ under the symbol “HOTRW.” During the term that the public warrants are outstanding, the holders of the public warrants will be given the opportunity to profit from a rise in the market price of our common stock. We may find it more difficult to raise additional capital while these public warrants are outstanding. At any time during which these public warrants are likely to be exercised, we may be able to obtain additional capital on more favorable terms from other sources.

We do not expect to pay cash dividends in the foreseeable future and therefore investors should not anticipate cash dividends on their investment.

Our board of directors does not intend to pay cash dividends in the foreseeable future, but instead intends to retain any and all earnings to finance the growth of the business. To date, we have not paid any cash dividends and there can be no assurance that cash dividends will ever be paid on our common stock.

We may issue additional shares of our common stock, which could depress the market price of our common stock and dilute your ownership.

Market sales of large amounts of our common stock, or the potential for those sales even if they do not actually occur, may have the effect of depressing the market price of our common stock. In addition, if our future financing needs require us to issue additional shares of common stock or securities convertible into common stock, the amount of common stock available for resale could be increased which could stimulate trading activity and cause the market price of our common stock to drop, even if our business is doing well. Furthermore, the issuance of any additional shares of our common stock, or securities convertible into our common stock could be substantially dilutive to holders of our common stock.

Director and officer liability is limited.

As permitted by Delaware law, our bylaws limit the liability of our directors for monetary damages for breach of a director’s fiduciary duty except for liability in certain instances. As a result of our bylaw provisions and Delaware law, stockholders may have limited rights to recover against directors for breach of fiduciary duty.

ITEM 1B: UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2: PROPERTIES

Effective August 1, 2010, the Company renewed its office lease agreement for a period of one year at a monthly rental of $2,100, for its office located at 11220 Elm Lane, Suite 103, Charlotte, NC 28277. Since August 1, 2011, the lease has continued on a month-to-month basis.

The Company, through its subsidiaries, leases the land and buildings for our five restaurants in South Africa, one restaurant in Nottingham, United Kingdom, thirteen restaurants in the U.S., and one restaurant in Hungary. The South Africa leases are for five-year terms and the Hungary lease is for a ten-year term, and all of these leases include options to extend the terms. The terms for our U.S. restaurants vary from five to ten years and have options to extend. We lease some of our restaurant facilities under "triple net" leases that require us to pay minimum rent, real estate taxes, maintenance costs and insurance premiums and, in some instances, percentage rent based on sales in excess of specified amounts.

Our office and restaurant facilities are suitable and adequate for our business as it is presently conducted.

ITEM 3: LEGAL PROCEEDINGS

On October 12, 2012, Francis Howard ("Plaintiff"), individually and on behalf of all others similarly situated, filed a lawsuit against the Company, Michael D. Pruitt, Eric S. Lederer, Michael Carroll, Paul I. Moskowitz, Keith Johnson (the "Individual Defendants"), Merriman Capital, Inc., Dawson James Securities, Inc. (the "Underwriter Defendants"), and Creason & Associates P.L.L.C., in the U.S. District Court for the Southern District of Florida. The class action lawsuit alleges violations of Section 11 of the Securities Act against all defendants, violations of Section 12(a)(2) of the Securities Act against the Underwriter Defendants, and violations of Section 15 against the Individual Defendants. Plaintiff seeks unspecified damages, reasonable costs and expenses incurred in this action, and such other and further relief as the Court deems just and proper. On February 19, 2013, Plaintiff filed an amended complaint alleging similar claims to those previously asserted. On May 20, 2013, Plaintiff filed a notice of voluntary dismissal without prejudice of the Underwriter Defendants. On September 17, 2013, the Court denied the defendants' motions to dismiss and ordered that defendants file answers to Plaintiff's amended class action complaint by October 8, 2013, and that the trial be set for the two-week period commencing May 12, 2014. The Company and Individual Defendants filed an answer to Plaintiff's amended class action complaint on October 7, 2013. A scheduling order was entered on October 8, 2013 after a scheduling conference was held. The parties then made initial disclosures, and document requests and interrogatories were served. On December 18, 2013, the parties filed a joint status report relating to mediation, whereby the parties disclosed details of a class-wide settlement of this action. The parties have agreed on a total settlement amount of $850,000, with $837,500 to be paid by the Company's insurance carrier and $12,500 to be paid by Creason & Associates, P.L.L.C., subject to Court approval. All parties have executed a definitive settlement agreement consistent with terms previously disclosed, which was filed with the court on March 31, 2014, along with a request seeking preliminary approval of the settlement. The Company will continue to vigorously defend itself in this matter.

As of December 31, 2013, based on the agreed settlement amount and amounts that the Company's insurance carrier and Creason & Associates P.L.L.C. have committed to pay, no amounts have been accrued for by the Company for this matter.

On March 26, 2013, our South African operations received Notice of Motion filed in the Kwazulu-Natal High Court, Durban, Republic of South Africa, filed against Rolalor (PTY) LTD ("Rolalor") and Labyrinth Trading 18 (PTY) LTD ("Labyrinth") by Jennifer Catherine Mary Shaw ("Shaw"). Rolalor and Labyrinth were the original entities formed to operate the Johannesburg and Durban locations, respectively. On September 9, 2011, the assets and the then-disclosed liabilities of these entities were transferred toTundraspex (PTY) LTD ("Tundraspex") and Dimaflo (PTY) LTD ("Dimaflo"), respectively. The current entities, Tundraspex and Dimaflo are not parties in the lawsuit. Shaw is requesting that the Respondents, Rolalor and Labyrinth, be wound up in satisfaction of an alleged debt owed in the total amount of R4,082,636 (approximately $480,000). The two Notices were defended and argued in the High Court of South Africa (Durban) on January 31, 2014. We still await Madam Justice Steyri's judgement on the matter, no indication of timing of decision or further process has been given. The Company intends to vigorously defend itself in this matter.

Given that the outcome of litigation is inherently uncertain and the early stage of this action, the Company can neither comment on the probability of potential liabilities, nor provide an estimate of such. As of December 31, 2013, no amounts have been accrued for related to this matter.

On April 1, 2013, the Company received a subpoena from the Securities and Exchange Commission, requesting various corporate documents relating to operations. The Company has fully cooperated with the Securities and Exchange Commission in relation to this subpoena and intends to continue to cooperate fully.

ITEM 4: MINE SAFETY DISCLOSURES

Not applicable.

Part II

ITEM 5: MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is currently listed on NASDAQ under the ticker "HOTR", prior to June 21, 2012 our common stock traded on the "OTC Bulletin Board" or "OTCBB" system under the symbol "CCLR". All OTCBB prices reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions.

The market high and low prices on the OTCBB for the period ending June 20, 2012 and NASDAQ from June 21, 2012 forward are as follows:

PERIOD ENDED		HIGH		LOW
Through March 28, 2014	$	5.33	$	3.34
QUARTER ENDED				
*March 31, 2013	$	3.64	$	1.40
June 30, 2013		3.48		1.60
September 30, 2013		5.17		2.73
December 31, 2013		5.84		4.10
March 31, 2012	$	7.40	$	4.40
June 30, 2012		8.00		4.00
*September 30, 2012		2.92		4.36
*December 31, 2012		3.64		3.64

*NASDAQ trading halted from September 11, 2012 through January 15, 2013

Number of Shareholders and Total Outstanding Shares

As of March 15, 2014 and December 31, 2013, there were 6,287,365 and 5,387,897 shares issued and outstanding, respectively, held by approximately 280 shareholders of record. Effective May 11, 2012, the Company effected a reverse split of its common stock, 1 share for each 2 shares issued, pursuant to a majority vote of the Company's shareholders. All share references have been adjusted as if the split occurred prior to all periods presented.

Dividends on Common Stock

We have not previously declared a cash dividend on our common stock and we do not anticipate the payment of dividends in the near future.

Recent Sales of Unregistered Securities

Sales of our common stock during the first three quarters of 2013 were reported in Item 2 of Part II of the Form 10-Q filed for each quarter, and stock transactions in the fourth quarter of 2013 as follows:

On October 7, 2013, the Company sold 426,667 Company units, at a purchase price of $3.75 per unit, to eleven investors for a total of $1,600,000. Each unit consisted of one share of the Company's Common Stock and one five-year Company warrant with an exercise price of $5.00, exercisable after twelve months. On October 17, 2013, the Company sold an additional 240,000 of these Company units, at a purchase price of $3.75 per unit, to eleven investors for an additional $900,000. For this combined $2,500,000 private placement of 666,667 Company units, the Company employed Dragonfly Capital of Charlotte, North Carolina as placement agent for these private placements. Dragonfly Capital received commissions totaling $150,000 and also received five-year Company warrants convertible into an aggregate of 40,000 shares.

On November 7, 2013, the Company sold 160,000 Company units, at a purchase price of $5.00 per unit, to three accredited investors for a total of $800,000. Each unit consisted of one share of the Company's Common Stock and one five-year Company warrant to purchase one share of the Company's Common Stock, exercisable after twelve months. One half (80,000) of the warrants had an exercise price of $5.50, and the remaining half (80,000) of the warrants had an exercise price of $7.00. The Company employed Palladium Capital Partners of New York as placement agent for this private placement. Palladium Capital Partners received commissions totalling $32,000 and also received five-year Company warrants, subject to the same terms as those issued in the transaction, convertible into an aggregate of 6,400 shares of Common Stock.

On December 2, 2013, the Company entered into a binding letter of intent to acquire all of the outstanding shares of Dallas Spoon, LLC and Dallas Spoon Beverage in exchange for the Company's issuance of 195,000 Company units. Each Company unit consists of one share of the Company's Common Stock and one five-year Company warrant to purchase one share of the Company's Common Stock. One half (97,500) of the warrants have an exercise price of $5.50, and the remaining half (97,500) of the warrants have an exercise price of $7.00. This transaction was completed on January 31, 2014.

During the fourth quarter of 2013, 93,334 common stock shares valued at $445,270 were issued in exchange for investor relations and consulting services.

Repurchase of Equity Securities by the Issuer and Affiliated Purchasers

None.

ITEM 6: SELECTED FINANCIAL DATA

Not applicable.

ITEM 7: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements within the meaning of The Private Securities Litigation Reform Act of 1995. These statements include projections, predictions, expectations or statements as to beliefs or future events or results or refer to other matters that are not historical facts. Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that could cause the actual results to differ materially from those contemplated by these statements. The forward-looking statements contained in this Annual Report are based on various factors and were derived using numerous assumptions. In some cases, you can identify these forward-looking statements by the words "anticipate", "estimate", "plan", "project", "continuing", "ongoing", "target", "aim", "expect", "believe", "intend", "may", "will", "should", "could", or the negative of those words and other comparable words. You should be aware that those statements reflect only the Company's predictions. If known or unknown risks or uncertainties should materialize, or if underlying assumptions should prove inaccurate, actual results could differ materially from past results and those anticipated, estimated or projected. You should bear this in mind when reading this Annual Report and not place undue reliance on these forward-looking statements. Factors that might cause such differences include, but are not limited to:

- Operating losses continuing for the foreseeable future; we may never be profitable;
- Inherent risks in expansion of operations, including our ability to acquire additional territories, generate profits from new restaurants, find suitable sites and develop and construct locations in a timely and cost-effective way;
- General risk factors affecting the restaurant industry, including current economic climate, costs of labor and food prices;
- Intensive competition in our industry and competition with national, regional chains and independent restaurant operators;
- Our rights to operate and franchise Hooters-branded restaurants are dependent on the Hooters' franchise agreements;
- Our business depends on our relationship with Hooters;
- We do not have full operational control over the businesses of our franchise partners;
- Failure by Hooters to protect its intellectual property rights, including its brand image;
- Our business has been adversely affected by declines in discretionary spending and may be affected by changes in consumer preferences;
- Increases in costs, including food, labor and energy prices;
- Our business and the growth of our Company is dependent on the skills and expertise of management and key personnel;
- Constraints could effect our ability to maintain competitive cost structure, including, but not limited to labor constraints;
- Work stoppages at our restaurants or supplier facilities or other interruptions of production;
- Our food service business and the restaurant industry are subject to extensive government regulation;
- We may be subject to significant foreign currency exchange controls in certain countries in which we operate;
- Inherent risk in foreign operation;

- We may not attain our target development goals and aggressive development could cannibalize existing sales;
- Current conditions in the global financial markets and the distressed economy;
- A decline in market share or failure to achieve growth;
- Unusual or significant litigation, governmental investigations or adverse publicity, or otherwise;
- Adverse effects on our operations resulting from the current class action litigation in which the Company is one of several defendants;
- Adverse effects on our results from a decrease in or cessation or clawback of government incentives related to investments; and
- Adverse effects on our operations resulting from certain geo-political or other events.

You should also consider carefully the Risk Factors contained in Item 1A of Part I of this Annual Report, which address additional factors that could cause its actual results to differ from those set forth in the forward-looking statements and could materially and adversely affect the Company's business, operating results and financial condition. The risks discussed in this Annual Report are factors that, individually or in the aggregate, the Company believes could cause its actual results to differ materially from expected and historical results. You should understand that it is not possible to predict or identify all such factors. Consequently, you should not consider such disclosures to be a complete discussion of all potential risks or uncertainties.

The forward-looking statements are based on information available to the Company as of the date hereof, and, except to the extent required by federal securities laws, the Company undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events. In addition, the Company cannot assess the impact of each factor on its business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

Management's Analysis of Business

Our business focus is operating Hooters franchises internationally and several restaurant and bar concepts domestically. We previously have operated in two business segments – Hooters franchise restaurants and investment management and consulting services businesses. However, we announced our intention to exit investment management and consulting services businesses in the first quarter of fiscal 2013 and effectuated such exit during the second quarter of fiscal 2013. We own and operate Hooters franchises internationally and various fast casual restaurant brands domestically, including the American Roadside Burgers chain and a majority interest in the Just Fresh restaurant chain. Hooters restaurants are casual beach-themed establishments with sports on television, jukebox music, and the "nearly world famous" Hooters Girls. The menu consists of spicy chicken wings, seafood, sandwiches and salads. The menu of each location can vary with the local tastes. Hooters began in 1983 with its first restaurant in Clearwater, Florida. From the original restaurant and licensee Mr. Robert Brooks, Hooters has become a global brand, with locations in 44 states domestically and over 430 Hooters restaurants worldwide. Besides restaurants, Hooters has also branched out to other areas, including licensing its name to a golf tour and the sale of packaged food in supermarkets. American Roadside Burgers ("ARB") is a 10-year-old fast casual dining chain, known for its diverse menu featuring fresh salads, customized burgers, milk shakes, sandwiches, and beer and wine. Each restaurant features a nostalgic "made in America" theme. The first American Roadside Burgers location opened in 2006 in Smithtown, N.Y. and has since expanded to 2 locations in Charlotte, N.C., 1 location in Columbia, S.C. and the newest location is in Greenville, S.C. The Just Fresh ("Just Fresh") restaurant chain first opened in 1994 and currently operates 5 company owned locations throughout North Carolina that offer fresh-squeezed juices, gourmet coffee, fresh-baked goods and premium-quality, made-to-order sandwiches, salads and soups. The founders of Just Fresh modeled their concept around the idea that a fresher, more nutritional diet can have positive effects on physical health and overall wellness.

We expect to either own 100% of the restaurant or franchise location, or partner with a local individual in the countries or regions we target. We based this decision on what we believe to be the successful launch of our South African Hooters venture and believe we have aligned partners and operators in various domestic and international markets. We are focused on expanding our Hooters, ARB, and Just Fresh operations, and expect to invest in the United States, South Africa, Brazil, Australia and Europe.

Effective September 30, 2013, the Company entered into an agreement and plan of merger with ARB, whereby the Company acquired 100% of the outstanding shares of ARB.

On December 10, 2013, the Company finalized the purchase of a majority ownership interest in JF Restaurants, LLC and JF Franchising Systems, LLC, the owners of the Just Fresh Restaurant chain. On December 11, 2013, the Company purchased an additional 5% interest in Just Fresh, bringing the Company's ownership interest to 56%.

We have previously operated in two business segments: (1) restaurant ownership and management and (2) investment management and consulting services businesses. However, we announced our intention to exit investment management and consulting services businesses in the first quarter of fiscal 2013 and effectuated such exit during the second quarter of fiscal 2013.

LIQUIDITY, CAPITAL RESOURCES AND GOING CONCERN

Historical information:

At December 31, 2013, the Company had current assets of $1,713,133, current liabilities of $5,531,983 , and a working capital deficit of $3,818,850 (including non-cash derivative liability of $2.146.000). The Company incurred a loss of $5,214,119 during the year ended December 31, 2013 and had an unrealized gain from available-for-sale securities of $3,984 and foreign currency translation gain of $90,384, resulting in a comprehensive loss of $5,119,751. In December, 2013, the company's fifth Hooters location in South Africa was opened; a majority of the funds to open the location came from our South African subsidiaries cash from operations as well as debt. We expect to continue this trend in our other targeted regions as we open more restaurants. The Company has historically met its liquidity requirements through the sale of equity and debt securities, including up to a $10 million convertible debt transaction currently being negotiated, cash from operations and its revolving credit facility.

The Company's corporate general and administrative expenses averaged approximately $1.0 million per quarter in 2013, including approximately $1.1 million non-cash. The Company expects costs to increase as we expand our footprint domestically and internationally in 2014. Domestically in 2013 the Company purchased 100% of ARB on September 30, 2013, and 56% of Just Fresh in December 2013. Effective November 7, 2013, the Company acquired 100% of an existing Hooters restaurant in Nottingham, England. On January 31, 2014 we closed the purchases of 100% of two Hooters restaurants in the states of Washington and Oregon, as well as Spoon Bar and Kitchen in Dallas, Texas. In March 2013, the Company closed its investment management business, which saved us approximately $50,000 per quarter starting fully in the third quarter of 2013. Effective October 1, 2011, the Company acquired majority control of the restaurants in South Africa and began consolidating these operations. In August 2012, the Company opened a restaurant in Budapest, Hungary, and earns 80% of the operating results with our operating partner earning 20%. The Company also earns 49% of the operating results with our operating partner earning 51% in our Hooters location opened in January 2012 in Campbelltown, Australia, a suburb of Sydney, with plans for two additional Hooters Australia locations under the same terms to open in the second quarter of 2014. The Company also has a 5% interest in Beacher's Madhouse, which opened in Las Vegas, Nevada at the end of 2013.

In addition, the Company has a note with a balance at December 31, 2013 of $218,119 owed to its bank which is due on October 10, 2018 with monthly principal and interest payments of $4,406. In April 2013, the Company secured a $500,000 line of credit which is due in April 2014. As of December 31, 2013, the balance on the line of credit is $28,000. In addition, in February 2014 the Company secured a note with a bank for $500,000 due on August 10, 2014. The Company also has $3,000,000 of convertible debt which the Company used for our purchase of Hooters Nottingham (United Kingdom). On August 2, 2013, the Company entered into an agreement with seven individual accredited investors, whereby the Company issued separate 6% Secured Subordinate Convertible Notes for a total of three million dollars ($3,000,000) in a private offering. These investors received 3 year warrants to purchase 300,000 shares of the Company's common stock at $3.00 per share. The conversion feature of the convertible debt was recorded as a derivative liability. The Company executed the purchase of Hooters Nottingham on November 6, 2013 and began operating the restaurant on November 7, 2013. The Company's South African subsidiaries have bank overdraft and term facilities of $347,286 and ARB has a bank note payable of $38,614. The Company plans to continue to use limited partnerships or other financing vehicles, if necessary, to fund its share of costs for additional Hooters and other restaurants.

On September 30, 2013, the Company acquired American Roadside Burgers, Inc. ("ARB") and entered into an agreement and plan of merger with ARB, whereby the Company acquired 100% of the outstanding shares of ARB. In exchange, the Company issued 740,000 shares of its common stock and warrants to acquire 740,000 shares of common stock for $5 per share. The warrants are exercisable beginning October 1, 2014 until September 30, 2018. The merger agreement provided for the merger of Chanticleer Roadside Burgers International, LLC (a single-member LLC, of which the Company is the sole member) with and into ARB, with ARB continuing as the surviving entity and subsidiary of the Company.

On October 17, 2013, the Company raised $2,500,000 in a private placement, pursuant to which the Company sold to the investors an aggregate of 666,667 Units at a purchase price of $3.75 per Unit. Each Unit consists of one share of the Company's common stock, $0.001 par value per share and one five-year warrant, exercisable after twelve months, to purchase one share of common stock at an initial exercise price of $5.00. The Company employed a placement agent for the purpose of the above private placement, and has paid to the placement agent commissions in the total amount of $150,000 and five year warrants convertible into an aggregate of 40,000 shares.

On November 4, 2013, the Company entered into a Subscription Agreement with JF Restaurants, LLC ("JFR"), JF Franchising Systems, LLC ("JFFS") (collectively "Just Fresh"), and the Preferred Members (the "Members" or collectively, the "Sellers") for the purchase of a 51% ownership interest in each entity. The total purchase price was $560,000, which included payment of the Sellers' outstanding debt obligations and reimbursement of several Members for previous debt payments. With the signing of the Subscription Agreement, Chanticleer paid Sellers' outstanding debt in the amount of approximately $434,325 towards the purchase consideration. The final closing was held on December 10, 2013. On December 11, 2013, the Company purchased an additional 5% from an existing Member, securing the Company's ownership of a 56% ownership interest.

On November 7, 2013, the Company entered into a Subscription Agreement with three accredited investors, pursuant to which the Company sold to the Investors an aggregate of 160,000 Units at a purchase price of $5.00 per Unit, closing a $800,000 private placement. Each Unit consists of one share of the Company's common stock, $0.001 par value per share and one five- year warrant to purchase one share of common stock. One half (80,000) of the available warrants are available at an initial exercise price of $5.50, while the remaining half (80,000) of the warrants are available at an initial exercise price of $7.00. The Company employed a placement agent for the purpose of the private placement, and has paid to the placement agent commissions in the total amount of $32,000 and five-year warrants subject to the same terms as those issued under the above transaction, convertible into an aggregate of 6,400 shares of common stock.

On January 31, 2013, the Company settled outstanding liabilities of approximately $170,000 from a South African bank, previously presented in our consolidated balance sheets in "other liabilities". Upon making a payment of approximately $99,000, the Company received a release from all other bank liabilities, resulting in a total gain on extinguishment of debt of approximately $71,000, which is presented in our financials as other income.

In order to execute the Company's long-term growth strategy, which may include selected acquisitions of businesses that may bolster the expansion of the Company's business; the Company will need to raise additional funds through public or private equity offerings, debt financings, or other means.

There is no assurance that these events will occur or the Company will be able to raise sufficient capital. These matters raise substantial doubt about the Company's ability to continue as a going concern.

The accompanying audited condensed consolidated financial statements have been prepared in conformity with GAAP, which contemplates continuation of the Company as a going concern and the realization of assets and satisfaction of liabilities in the normal course of business. The carrying amounts of assets and liabilities presented in the financial statements do not necessarily purport to represent realizable or settlement values. The audited condensed consolidated financial statements do not include any adjustment that might result from the outcome of this uncertainty.

Evaluation of the amounts and certainty of cash flows:

The Company has used short-term financing to meet the preliminary requirements of its planned expansion, principally in South Africa, Europe and Australia. If the Company is unable to obtain necessary additional funding, the Company would be required to limit its expansion plans. We would use limited partner funding and other sources of capital to the extent necessary to attempt to fund as much of the planned expansion as possible. There can be no assurance that any of this funding will be available when needed.

Cash requirements and capital expenditures:

In 2014, we expect to open or acquire one restaurant in each of the following countries or continents – Brazil, Europe and South Africa, and two restaurants in Australia. The Company expects the total cash requirements for these restaurants to be approximately $5.0 million.

In addition, we expect general and administrative expenses to be approximately $3.5-$4.0 million for 2014.

Discussion and analysis of known trends and uncertainties:

The world economy has been in a state of flux for some time with the debt problems of a number of countries in Europe, the recent recession in the United States and the continuing global financial uncertainty. It is impossible to forecast what this will mean to our expansion plans in South Africa, Brazil, Australia, Poland and Hungary. We feel that we minimize our risks through our investment in geographically diverse areas around the world.

Expected changes in the mix and relative cost of capital resources:

Since the middle of 2010, the Company has utilized high cost capital to finance its international growth. The Company hopes to eliminate the majority of this debt with new equity and further, to use this equity to complete its expansion plans over the next two years. The Company has recently secured additional convertible debt for the purchase of a Hooters restaurant in Nottingham, England, and may use convertible debt in the future.

RESULTS OF OPERATIONS

Revenue

Revenue amounted to $8,247,487 in 2013 and $6,852,323 in 2012. Revenues were $103,452 and $8,144,035 in 2013 from the management and restaurant businesses, respectively, and $100,000 and $6,752,323 in 2012. Restaurant revenues increased approximately $1.4 million primarily from the purchase of ARB at September 30, 2013, the purchase of our Nottingham Hooters in November 2013, and the opening of our fifth South African Hooters location in December 2013.

Restaurant cost of sales

Restaurant cost of sales for 2013 and 2012 totaled $3,031,457 (37.2%) and $2,761,949 (40.9%), respectively of restaurant net sales. We expect the percentage to remain flat as we expand our domestic and international locations.

Restaurant operating expenses

Restaurant operating expenses for 2013 and 2012 totaled $4,909,580 (60.2%) and $$3,785,034 (56.1%) of restaurant net sales. We expect the percentage of operating expenses to restaurant net sales to decline as we expand our domestic and international locations.

General and Administrative Expense ("G&A")

G&A amounted to $4,233,629 in 2013 and $2,309,405 in 2012. The more significant components of G&A are summarized as follows:

	2013	2012
Legal fees	$ 462,491	$ 218,562
Payroll and benefits	990,580	737,339
Consulting and investor relation fees	1,678,231	534,855
Travel and entertainment	211,442	173,333
Other professional fees	269,100	276,200
Shareholder services and fees	87,943	119,565
Other G&A	533,842	249,551
	$ 4,233,629	$ 2,309,405

G&A costs are expected to be approximately $1 million per quarter in 2014, with the costs associated with the activities of the restaurant business and corporate continuing to grow. In 2013, approximately $1.1 million of G&A was non-cash, and we expect this trend to continue.

Legal fees increased $243,929 from 2013 to 2012 as we expanded our footprint domestically and internationally and incurred costs of approximately $200,000 during 2013 for legal fees related to our shareholder lawsuit.

Payroll and benefits increased $253,241 in 2013 from 2012 primarily from the addition of restaurant management personnel starting in the fourth quarter of 2013 and additional corporate employees starting in the fourth quarter of 2012.

Consulting and investor relations fees increased $1,143,376 from 2013 to 2012 primarily from the Company seeking to increase our footprint in the investment and restaurant arenas. We also issued stock and warrants for certain rights as part of the Beacher's deal which collectively was valued at $436,270 and expensed in the fourth quarter of 2013. Non-cash fees for services totaled $1,097,197 and $110,965 in 2013 and 2012, respectively.

Travel and entertainment increased $38,109 from 2013 to 2012 as Company personnel, primarily the CEO, CFO and Director of Restaurant Training, traveled to increase our company awareness, visit our restaurant locations, and secure financing and partners for the restaurant locales.

Other professional fees decreased $7,100 from 2013 to 2012 as we expanded our footprint both domestically and internationally, engaged a larger audit firm in the fourth quarter of 2012, offset by a decrease in costs related to our South African audits.

Shareholder services and fees decreased $31,622 from 2013 to 2012 primarily from initial fees associated with being a listed company on NASDAQ in 2012.

OTHER INCOME (EXPENSE)

Other income (expense) consisted of the following at December 31, 2013 and 2012:

	2013	2012
Other income (expense):		
Equity in losses of investments	$ (125,017)	$ (14,803)
Interest expense	(757,733)	(474,926)
Interest and other income	82,411	23
Change in fair value of derivative liability	119,600	-
	$ (680,739)	$ (489,706)

Equity in Losses of Investments

Equity in losses of investments includes our share of earnings from investments in which we own at least 20% and are being accounted for using the equity method. We currently own 49% of three Hooters locations in Australia, with our operating partner owning the remaining 51%. The 2013 and 2012 amounts represent our 49% share of losses on our Hooters Australian locations (Campbelltown which opened in January 2012 and our second and third locations expected to be opened in the second quarter of 2014). The 2013 losses from Hooters Australia includes $53,289 of startup expenses incurred for the two locations not yet opened. The 2012 loss relates only to the Campbelltown location.

Realized Gains from Sale of Investments

Realized gains are recorded when investments are sold and a gain of $4,897 was realized in 2013 from the sale of shares of North Carolina Natural Energy, Inc. ("NCNE"), now known as Appalachian Mountain Brewery ("AMB"). AMB is a successor to NCNE and is currently traded under the ticker HOPS (began trading under this symbol on January 7, 2014, previously it was traded under ticker NCNE). There were no realized gains in 2012.

Gain on extinguishment of debt

Gain on extinguishment of debt of $70,900 was recorded upon settlement of certain debts related to our South African subsidiary.

Interest Expense

Interest expense increased by $282,807 in 2013 from 2012 due to the payoff of primarily all our prior debt with the completion of our secondary raise in June 2012, offset by an increase in non-cash interest in the amount of $566,867 related to the warrants issued with our 2013 convertible debt.

Change in Fair Value of Derivative Liability

Change in fair value of derivative liability increased by $119,600 in 2013 from 2012, related to the warrants issued with our convertible debt. The liability is a non-cash income or expense and will be adjusted quarterly based on the Company's stock price.

LOSS FROM DISCONTINUED OPERATIONS

Loss from discontinued operations was $25,215 and $293,977 for the years ended December 31, 2013 and December 31, 2012, respectively. The primary reasons for the decrease in loss was management fee income earned of $53,710 for 2013 compared to $30,743 for 2012, and the exiting of the management business late in the first quarter of 2013, therefore a minimal amount of expenses related to winding down the operations was incurred during the last three quarters of 2013.

RECENT ACCOUNTING PRONOUNCEMENTS

The Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2013-02, Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Income. The standard was intended to improve the reporting of reclassifications out of accumulated other comprehensive income of various components. The amendments in this update were effective for annual and interim periods beginning after December 15, 2012. The adoption of ASC No. 2013-12 did not have a material impact on the Company's consolidated financial statements.

The FASB has issued ASU No. 2013-11, Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists (a consensus of the FASB Emerging Issues Task Force). The amendments in this ASU state that an unrecognized tax benefit, or a portion of an unrecognized tax benefit, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, except as follows. To the extent a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction to settle any additional income taxes that would result from the disallowance of a tax position or the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. The amendments in this ASU are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. For nonpublic entities, the amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2014. Early adoption is permitted. The amendments should be applied prospectively to all unrecognized tax benefits that exist at the effective date. Retrospective application is permitted**.** The adoption of this standard is not expected to have a material impact on the Company's consolidated financial position and results of operations.

There are several new accounting pronouncements issued by FASB which are not yet effective. Each of these pronouncements, as applicable, has been or will be adopted by the Company. At March 15, 2014, none of these pronouncements are expected to have a material effect on the financial position, results of operations or cash flows of the Company.

CRITICAL ACCOUNTING POLICIES

The SEC has suggested companies provide additional disclosure and commentary on their most critical accounting policies, which they defined as the ones that are most important to the portrayal of a company's financial condition and operating results, and require management to make its most difficult and subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain. Based on this definition our most critical accounting policy is the valuation of our investments. The methods, estimates and judgments we use in applying this accounting policy has a significant impact on the results we report in our financial statements.

Investments

We determine fair value to be the amount for which an investment could be exchanged in an orderly disposition over a reasonable period of time between willing parties other than in a forced or liquidation sale. Our evaluation process is intended to provide a consistent basis for determining the fair value of our available-for-sale investments. In summary, for individual securities classified as available-for-sale securities, an enterprise shall determine whether a decline in fair value below the amortized cost basis is other than temporary. If the decline in fair value is judged to be other than temporary, the individual security shall be written down to fair value as a new cost basis and the amount of the write-down shall be included in earnings (accounted for as a realized loss). The new cost basis shall not be changed for subsequent recoveries in fair value. Subsequent increases in the fair value of available-for-sale securities shall be included in other comprehensive income and subsequent decreases in fair value, if not an other-than-temporary impairment, also shall be included in other comprehensive income.

The first step in the analysis is to determine if the security is impaired. All of our available-for-sale securities were listed and we use the closing market price and other factors to determine the amount of impairment if any. The second step, if there is an impairment, is to determine if the impairment is other than temporary. To determine if a decline in the value of an equity security is other than temporary and that a write-down of the carrying value is required, we considered the following:

- The length of time and the extent to which the market value has been less than the cost;
- The financial condition and near-term prospects of the issuer, including any specific events which may influence the operations of the issuer such as changes in technology that may impair the earnings potential of the investment or the discontinuance of a segment of the business that may affect the future earnings potential; or
- The intent and ability of the holder to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in market value.

Unless evidence exists to support a realizable value equal to or greater than the carrying value of the investment in equity securities classified as available-for-sale, a write-down to fair value accounted for as a realized loss should be recorded. Such loss should be recognized in the determination of net income of the period in which it occurs and the written down value of the investment in the issuer becomes the new cost basis of the investment.

Investments in which the Company has the ability to exercise significant influence and that, in general, are at least 20 percent owned are stated at cost plus equity in undistributed net earnings (loss), less distributions received. The Company also has equity investments in which it owns less than 20% which are stated at cost. An impairment loss would be recorded whenever a decline in the value of an equity investment or investment carried at cost is below its carrying amount and is determined to be other than temporary. In judging "other than temporary," the Company considers the length of time and extent to which the fair value of the investment has been less than the carrying amount of the investment, the near-term and long-term operating and financial prospects of the investee, and the Company's long-term intent of retaining the investment in the investee.

Leases

Restaurant Operations lease certain properties under operating leases. Many of these lease agreements contain rent holidays, rent escalation clauses and/or contingent rent provisions. Rent expense is recognized on a straight-line basis over the expected lease term, including cancelable option periods when failure to exercise such options would result in an economic penalty. We use a time period for straight-line rent expense calculation that equals or exceeds the time period used for depreciation. In addition, the rent commencement date of the lease term is the earlier of the date when they become legally obligated for the rent payments or the date when they take access to the grounds for build out. Accounting for leases involves significant management judgment.

Intangible Assets

Goodwill

Generally accepted accounting principles in the United States require the Company to perform a goodwill impairment test annually and more frequently when negative conditions or a triggering event arise. In September 2011, the FASB issued amended guidance that simplified how entities test goodwill for impairment. After an assessment of certain qualitative factors, if it is determined to be more likely than not that the fair value of a reporting unit is less than its carrying amount, entities must perform the quantitative analysis of the goodwill impairment test. Otherwise, the quantitative test(s) become optional. As allowed under the amended guidance, the Company chose not to assess the qualitative factors of its reporting units and, instead, performed the quantitative tests.

Trade Name/Trademark

The fair value of trade name/trademarks are estimated and compared to the carrying value. The Company estimates the fair value of trademarks using the relief-from-royalty method, which requires assumptions related to projected sales from its annual long-range plan; assumed royalty rates that could be payable if the Company did not own the trademarks; and a discount rate. The Company recognizes an impairment loss when the estimated fair value of the trade name/trademarks is less than its carrying value. The Company finalized the purchase price allocation for ARB and JF during its fourth quarter of 2013, the Company excluded the trade name/trademark related to ARB and JF from its annual impairment test, however, the Company did perform a qualitative assessment of the ARB and JF's trade name/ trademark in accordance with ASC Topic 350, Intangibles - Goodwill and Other, and no indicators of impairment were identified. However, if in the future there are declines in the Company's market capitalization (reflected in our stock price) as well as in the market capitalization of other companies in the restaurant industry, declines in sales at our restaurants, and significant adverse changes in the operating environment for the restaurant industry may result in future impairment. The Company's trade name/trademarks have been determined to have a definite-lived life and is being amortized on a straight-line basis over estimated useful lives of 10 years. The amortization expense of these definite-lived intangibles is included in depreciation and amortization in the Company's consolidated statement of operations.

Franchise Cost

Intangible assets are recorded for the initial franchise fees for our restaurants. The Company amortizes these amounts over a 20 year period, which is the life of the franchise agreement.

COMMITMENTS AND CONTINGENCIES

Effective August 1, 2010, the Company extended its office lease agreement for a period of one year at a monthly rental of $2,100, for its office located at 11220 Elm Lane, Suite 103, Charlotte, NC 28277. Since August 1, 2011, the lease has continued at the same rate on a month-to-month basis.

The Company leases the land and building for our five restaurants in South Africa and one restaurant in each of Hungary and England, as well as the ten total locations throughout the United States through our subsidiaries. The South Africa leases are for five year terms and the Hungary and Nottingham leases are for 10 years and all include options to extend the terms. The US restaurants lease terms range from 5 to 10 years and have options to extend. We lease some of our restaurant facilities under "triple net" leases that require us to pay minimum rent, real estate taxes, maintenance costs and insurance premiums and, in some instances, percentage rent based on sales in excess of specified amounts.

TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

The following table presents a summary of our contractual operating lease obligations and commitments as of December 31, 2013:

	Payments due by period				
Contractual Obligations	**Total**	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
Long-Term Debt Obligations (1)	$ 4,226,019	$ 4,014,019	$ 212,000	$ -	$ -
Operating Lease Obligations (2)	9,980,272	1,598,671	3,072,157	1,285,213	4,024,231
Capital Lease Obligations (3)	165,080	59,162	105,918	-	-
Total	$ 14,371,371	$ 5,671,852	$ 3,390,075	$ 1,285,213	$ 4,024,231

(1) Represents the outstanding principal amounts and interest on all our long-term debt.
(2) Represents operating lease commitments for our 17 restaurants around the world.
(3) Represents capital lease commitments on principal and interest for five Hooters restaurants in South Africa.

ITEM 7A: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 8: FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

CHANTICLEER HOLDINGS, INC. AND SUBSIDIARIES
INDEX TO CONSOLIDTED FINANCIAL STATEMENTS

	Page
Report of Independent Registered Public Accounting Firm	32
Consolidated Balance Sheets at December 31, 2013 and 2012	33
Consolidated Statements of Operations and Comprehensive Loss for the Years Ended December 31, 2013 and 2012	34
Consolidated Statements of Stockholders' Equity at December 31, 2013 and 2012	35
Consolidated Statements of Cash Flows for the Years Ended December 31, 2013 and 2012	36
Notes to Consolidated Financial Statements	38

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Audit Committee of the
Board of Directors and Shareholders
of Chanticleer Holdings, Inc.

We have audited the accompanying consolidated balance sheets of Chanticleer Holdings, Inc. and Subsidiaries (the "Company") as of December 31, 2013 and 2012, and the related consolidated statements of operations and comprehensive loss, stockholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Chanticleer Holdings, Inc. and Subsidiaries, as of December 31, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As more fully described in Note 1, the Company has incurred significant losses and needs to raise additional funds to meet its obligations and sustain its operations. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Marcum llp
Marcum LLP

New York, NY
March 31, 2014

Chanticleer Holdings, Inc. and Subsidiaries
Consolidated Balance Sheets
December 31, 2013 and 2012

	2013	2012
ASSETS		
Current assets:		
Cash	$ 442,694	$ 1,223,803
Accounts receivable	227,181	161,073
Other receivable	50,380	85,473
Inventories	381,408	227,023
Due from related parties	116,305	117,899
Prepaid expenses	494,241	170,769
Assets of discontinued operations	924	44,335
TOTAL CURRENT ASSETS	1,713,133	2,030,375
Property and equipment, net	5,620,189	2,316,146
Goodwill	6,496,756	396,487
Intangible assets, net	3,424,632	559,832
Investments at fair value	55,112	56,949
Other investments	2,491,963	2,116,915
Deposits and other assets	285,821	169,727
TOTAL ASSETS	$ 20,087,606	$ 7,646,431
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt and notes payable	$ 700,168	$ 236,110
Derivative liability	2,146,000	-
Accounts payable and accrued expenses	2,424,373	1,108,305
Other current liabilities	135,286	361,586
Current maturities of capital leases payable	59,162	27,965
Deferred rent	53,303	10,825
Due to related parties	12,191	13,733
Liabilities of discontinued operations	1,500	14,328
TOTAL CURRENT LIABILITIES	5,531,983	1,772,852
Convertible notes payable, net of discount of $2,583,333	416,667	-
Capital leases payable, less current maturities	105,918	60,518
Deferred rent	1,055,138	98,448
Deferred tax liabilities	1,340,000	-
Other liabilities	220,341	186,060
Long-term debt, less current maturities	178,565	-
TOTAL LIABILITIES	8,848,612	2,117,878
Commitments and contingencies (Note 15)		
Stockholders' equity:		
Common stock: $0.0001 par value; authorized 45,000,000 shares; issued and outstanding 5,387,897 and 3,698,896 shares at December 31, 2013 and 2012, respectively	541	370
Additional paid in capital	25,404,994	14,898,423
Other comprehensive (loss) income	(88,370)	(181,741)
Non-controlling interest	394,645	70,198
Accumulated deficit	(14,472,816)	(9,258,697)
	11,238,994	5,528,553
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 20,087,606	$ 7,646,431

See accompanying notes to consolidated financial statements.

Chanticleer Holdings, Inc. and Subsidiaries
Consolidated Statements of Operations and Comprehensive Loss
For the Years Ended December 31, 2013 and 2012

	2013	2012
Revenue:		
Restaurant sales, net	$ 8,144,035	$ 6,752,323
Management fee income - non-affiliates	103,452	100,000
Total revenue	8,247,487	6,852,323
Expenses:		
Restaurant cost of sales	3,031,457	2,761,949
Restaurant operating expenses	4,909,580	3,785,034
Restaurant pre-opening expenses	56,902	204,126
General and administrative expense	4,233,629	2,309,405
Depreciation and amortization	622,274	383,454
Total expenses	12,853,842	9,443,968
Loss from operations	(4,606,355)	(2,591,645)
Other income (expense)		
Equity in earnings (losses) of investments	(125,017)	(14,803)
Interest and other income	82,411	23
Interest expense	(757,733)	(474,926)
Change in fair value of derivative liabilities	119,600	-
Total other expense	(680,739)	(489,706)
Loss from continuing operations before income taxes	(5,287,094)	(3,081,351)
Provision for income taxes	40,935	19,205
Loss from continuing operations	(5,328,029)	(3,100,556)
Loss from discontinued operations, net of taxes	(25,215)	(293,977)
Consolidated net loss	(5,353,244)	(3,394,533)
Less: Net loss attributable to non-controlling interest	139,125	227,968
Net loss attributable to Chanticleer Holdings, Inc.	$ (5,214,119)	$ (3,166,565)
Net loss attributable to Chanticleer Holdings, Inc.:		
Loss from continuing operations	$ (5,188,904)	$ (2,872,588)
Loss from discontinued operations	(25,215)	(293,977)
	$ (5,214,119)	$ (3,166,565)
Other comprehensive loss:		
Unrealized gain (loss) on available-for-sale securities (none applies to non-controlling interest)	3,984	(261,404)
Foreign translation gains	90,384	29,013
Other comprehensive loss	$ (5,119,751)	$ (3,398,956)
Net loss per attributable to Chanticleer Holdings, Inc. per common share, basic and diluted:		
Continuing operations attributable to common shareholders, basic and diluted	$ (1.19)	$ (1.13)
Discontinued operations attributable to common shareholders, basic and diluted	$ (0.01)	$ (0.12)
Weighted average shares outstanding	4,365,468	2,541,696

See accompanying notes to consolidated financial statements.

Chanticleer Holdings, Inc. and Subsidiaries
Consolidated Statements of Stockholders' Equity
Years ended December 31, 2013 and 2012

	Common Stock		Additional Paid-in	Accumulated Other Comprehensive Income	Non-Controlling	Accumulated	Treasury	
	Shares	Par	Capital	(Loss)	Interest	Deficit	Stock	Total
Balance, January 1, 2012	1,506,061	$ 151	$ 6,459,656	$ 50,650	$ 593,863	$ (6,092,132)	$ (526,420)	$ 485,768
Common stock issued for:								
Services	5,000	1	32,399	-	-	-	-	32,400
Conversion of notes payable amd accrued interest	423,828	42	1,907,196	-	-	-	-	1,907,238
Purchase of non-controlling interest	219,248	22	986,651	-	(986,651)	-	-	22
Acquisition of non-controlling interest for cash	-	-	-	-	(490,615)	-	-	(490,615)
Reclassification of non-controlling interest	-	-	(1,181,569)	-	1,181,569	-	-	-
Cash, net of expenses	1,801,374	180	7,051,284	-	-	-	-	7,051,464
Available-for-sale securities	-	-	-	(261,404)	-	-	-	(261,404)
Warrants issued for consulting services	-	-	169,200	-	-	-	-	169,200
Foreign translation gain	-	-	-	29,013	-	-	-	29,013
Treasury stock cancelled	(256,615)	(26)	(526,394)	-	-	-	526,420	-
Net loss	-	-	-	-	(227,968)	(3,166,565)	-	(3,394,533)
Balance, December 31, 2012	3,698,896	370	14,898,423	(181,741)	70,198	(9,258,697)	-	5,528,553
Common stock issued for:								
Services	122,334	14	569,976					569,990
Purchase of American Roadside Burgers, Inc.	740,000	74	3,611,052					3,611,126
Cash, net of expenses	826,667	83	3,073,314					3,073,397
Fair value of warrants issued for purchase of			-					
American Roadside Burgers, Inc.	-	-	1,710,077					1,710,077
Warrants issued with convertible debt	-	-	884,600					884,600
Unrealized loss on available for sale securities	-	-	-	(1,837)				(1,837)
Warrants issued for consulting services	-	-	657,552					657,552
Foreign translation gain	-	-	-	95,208				95,208
Purchase of Just Fresh	-	-	-		463,572			463,572
Net loss	-	-	-		(139,125)	(5,214,119)		(5,353,244)
Balance, December 31, 2013	5,387,897	$ 541	$ 25,404,994	$ (88,370)	$ 394,645	$ (14,472,816)	$ -	$ 11,238,994

See accompanying notes to consolidated financial statements.

Chanticleer Holdings, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2013 and 2012

	2013	2012
Cash flows from operating activities:		
Net loss	$ (5,328,029)	$ (3,101,215)
Less: net loss from discontinued operations	(25,215)	(293,318)
Net loss from continuing operations	(5,353,244)	(3,394,533)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	622,274	383,454
Equity in losses of investments	125,017	14,803
Common stock issued for services	569,990	32,400
Loss (gain) on sale of investments	-	16,598
Amortization of debt discount	566,867	-
Warrants issued for consulting services	486,272	169,200
Warrant liability adjustment	(119,600)	-
Gain on debt extinguishment	(70,900)	-
Increase in amounts due from affiliate	52	(77,643)
Increase in accounts receivable	7,455	(52,359)
Increase in other receivable	179,919	(43,364)
Increase in prepaid expenses and other assets	(165,356)	(125,368)
Increase in inventory	5,966	(121,950)
Increase (decrease) in accounts payable and accrued expenses	464,932	785,966
Increase in deferred rent	(56,426)	58,886
Net cash used in operating activities from continuing operations	(2,736,782)	(2,353,910)
Net cash provided by (used in) operating activities from discontinued operations	32,583	(24,471)
Net cash used in operating activities	(2,704,199)	(2,378,381)
Cash flows from investing activities:		
Cash acquired in acquisitions	243,991	-
Investment return of capital	99,934	-
Purchase of investments	(674,084)	(1,202,936)
Franchise costs	(76,822)	(239,684)
Purchase of property and equipment	(3,658,224)	(1,173,801)
Net cash used in investing activities from continuing operations	(4,065,205)	(2,616,421)
Cash flows from financing activities:		
Proceeds from sale of common stock	3,073,397	7,051,464
Loan proceeds	3,622,000	2,915,000
Loan repayments	(756,299)	(3,939,098)
Capital lease payments	(45,356)	(45,814)
Non-controlling interest investment	-	90,000
Other liabilities	-	(46,282)
Net cash provided by financing activities from continuing operations	5,893,742	6,025,270
Effect of exchange rate changes on cash	94,553	28,206
Net increase in cash and cash equivalents	(781,109)	1,058,674
Cash, beginning of year	1,223,803	165,129
Cash, end of year	$ 442,694	$ 1,223,803

See accompanying notes to consolidated financial statements.

Chanticleer Holdings, Inc. and Subsidiaries
Consolidated Statements of Cash Flows, continued
For the Years Ended December 31, 2013 and 2012

	2013	2012
Supplemental cash flow information:		
Cash paid for interest and income taxes:		
Interest	$ 92,049	$ 273,468
Income taxes	25,928	-
Non-cash investing and financing activities:		
Convertible notes payable exchanged for common stock	$ -	$ 1,907,238
Common stock issued for Hoot limited partner units	-	986,651
Purchase of equipment using capital leases	121,980	-
Acquisition of subsidiaries:		
Current assets, excluding cash and cash equivalents	$ 475,326	$ -
Property and equipment	3,263,146	-
Goodwill	6,100,269	-
Trade name/trademark	2,794,443	-
Deposits and other assets	98,035	-
Liabilities assumed	(2,110,436)	-
Deferred tax liabilities	(1,340,000)	-
Non-controlling interest	(463,571)	-
Common stock and warrants issued	(5,321,203)	-
Cash paid	(3,740,000)	-
Cash received in excess of cash paid in acquisitions	$ (243,991)	$ -

See accompanying notes to consolidated financial statements.

1. NATURE OF BUSINESS

ORGANIZATION

Chanticleer Holdings, Inc. (the "Company") was organized October 21, 1999, under its original name, Tulvine Systems, Inc., under the laws of the State of Delaware. The Company previously had limited operations and was considered a development stage company until July 2005. On April 25, 2005, the Company formed a wholly owned subsidiary, Chanticleer Holdings, Inc. On May 2, 2005, Tulvine Systems, Inc. merged with and changed its name to Chanticleer Holdings, Inc.

The consolidated financial statements include the accounts of Chanticleer Holdings, Inc. and its subsidiaries, Chanticleer Advisors, LLC, ("Advisors"), Avenel Ventures, LLC ("Ventures"), , Chanticleer Holdings Limited ("CHL"), Chanticleer Holdings Australia Pty, Ltd. ("CHA"), Chanticleer Investment Partners, LLC ("CIP"), DineOut SA Ltd. ("DineOut"), Chanticleer and Shaw Foods (Pty) Ltd. ("C&S"), Kiarabrite (Pty) Ltd ("KPL"), Dimaflo (Pty) Ltd ("DFLO"), Tundraspex (Pty) Ltd ("TPL"), Civisign (Pty) Ltd ("CPL"),Dimalogix (Pty) Ltd ("DLOG"), Pulse Time Trade (Pty) Ltd. ("PTT"), Crown Restaurants Kft. ("CRK"), American Roadside Burgers, Inc. ("ARB", West End Wings Ltd. ("WEW"), JF Restaurants, L.L.C ("JFR"), and JF Franchising Systems, L.L.C. ("JFFS") (collectively referred to as "the Company"). On July 11, 2013, the names of DFLO, CPL and DLOG were changed in South Africa to Hooters Umhlanga (Pty.) Ltd., Hooters CapeTown (Pty.) Ltd., and Hooters Emperors Palace (Pty.) Ltd., respectively. On August 30, 2013 and January 8, 2014, the names of KPL and C&S were changed to Hooters SA (Pty) Ltd. and Chanticleer South Africa (Pty) Ltd., respectively. All significant inter-company balances and transactions have been eliminated in consolidation. The accompanying consolidated financial statements of the Company have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP").

The Company has a calendar year-end reporting date of December 31.The accounts of two of its subsidiaries JF Restaurants ,L.L.C. and West End Wings, Ltd are consolidated based on either a 52- or 53-week period ending on the Saturday closest to each December 31. No events occurred related to the difference between the Company's reporting calendar year end and the Company's two subsidiaries year end of December 28, 2013 that materially affected the company's financial position, results of operations, or cash flows. For the year ended December 31, 2012, the Company and all of it consolidated subsidiaries reported on a calendar year end. The Fiscal year end of the Company's two non-calendar year- end subsidiaries for 2013 consisted of their operations from the date they were acquired in 2013.

Information regarding the Company's subsidiaries is as follows:

- Advisors was formed as a wholly owned Nevada limited liability company on January 18, 2007 to manage related companies, Chanticleer Investors, LLC ("Investors LLC"), Chanticleer Investors II, LLC ("Investors II").The Company announced its intention to exit the Investors II business on March 22, 2013, and effectuated such exit during the second quarter of fiscal 2013.

- Ventures was formed as a wholly owned Nevada limited liability company on December 24, 2008 to provide business management and consulting services to its clients.

- CHL was formed as a wholly owned limited liability company in Jersey on March 24, 2009 to own the Company's initial 50% interest in Hooters SA, GP, the general partner of the Hooters restaurant franchises in South Africa.

- CHA was formed on September 30, 2011 in Australia as a wholly owned subsidiary to invest in Hooters restaurants in Australia.

- CIP was formed as a wholly owned North Carolina limited liability company on September 20, 2011. CIP was formed to manage separate and customized investment accounts for investors. The Company registered CIP as a registered investment advisor with the state of North Carolina so that it can market openly to the public (the Company exited this business during the second quarter of 2013).

- DineOut was formed as a private limited liability company in England and Wales on October 29, 2009 to raise capital in Europe for Hooters South African stores. The Company owns approximately 89% of DineOut at December 31, 2013.

- KPL was formed on August 30, 2011 in South Africa to manage the Hooters restaurants in South Africa. The Company owns 90% and local management owns 10% at December 31, 2013.

- C&S was formed in 2009 in South Africa, is owned 100% by the Company at December 31, 2013 and 2012, and holds the Hooters of America ("HOA") franchise rights in South Africa.

- DFLO was formed on August 16, 2011 in South Africa, is owned 82% by the Company and 18% by outside investors at December 31, 2013 and owns the Hooters restaurant in Durban, South Africa.

- TPL was formed on August 18, 2011 in South Africa, is owned 88% by the Company and 12% by outside investors at December 31, 2013 and owns the Hooters restaurant in Johannesburg, South Africa.

- CPL was formed on August 29, 2011 in South Africa, is owned 90% by the Company and 10% by outside investors at December 31, 2013 and owns the Hooters restaurant in Cape Town, South Africa.

- DLOG was formed on August 27, 2011 in South Africa, is owned 88% by the Company and 12% by outside investors at December 31, 2013 and owns the Hooters restaurant in the Emperor's Palace in Johannesburg, South Africa.

- PTT was formed on October 23, 2013 in South Africa, is owned 100% by the Company at December 31, 2013 and owns the Hooters restaurant in Pretoria, South Africa.

- CRK was formed on October 12, 2011 in Hungary, is owned 80% by the Company and 20% by a local investor at December 31, 2013. CRK's business purpose is owning and operating restaurants in Hungary (including the Budapest, Hungary location which opened in August 2012) and Poland. The Company has not opened a restaurant to date in Poland.

- ARB, a Delaware corporation, was acquired on September 20, 2013 through a reverse merger between ARB and Chanticleer Roadside Burgers International, L.L.C., a single member limited liability company with Chanticleer as its sole member. It is owned 100% by Chanticleer at December 31, 2013 and owns the American Roadside Burger restaurant franchise.

- WEW, a United Kingdom entity, was acquired on November 6, 2013. It is 100% owned by the Company at December 31, 2013 and owns the Hooters restaurant in Nottingham, England.

- JFR and JFFS, both North Carolina limited liability companies, were acquired on November 4, 2013. These entities are 56% owned by the Company and 44% owned by various investors and owns the Just Fresh restaurant franchise.

GOING CONCERN

At December 31, 2013, the Company had current assets of $1,713,133, current liabilities of $5,531,983, and a working capital deficit of $3,818,850. The Company incurred a loss of $5,214,119 during the year ended December 31, 2013 and had an unrealized gain from available-for-sale securities of $3,984 and foreign currency translation gain of $90,384, resulting in a comprehensive loss of $5,119,751. The Company has historically met its liquidity requirements through the sale of equity and debt securities, including up to a $10 million convertible debt transaction currently being negotiated, cash from operations and its revolving credit facility.

The Company's corporate general and administrative expenses averaged approximately $1.0 million per quarter in 2013, including approximately $1.1 million non-cash.. The Company expects costs to increase as we expand our footprint domestically and internationally in 2014. Domestically in 2013 the Company purchased 100% of ARB on September 30, 2013, and 56% of Just Fresh in December 2013. Effective November 7, 2013, the Company acquired 100% of an existing Hooters restaurant in Nottingham, England. On January 31, 2014 we closed the purchases of 100% of two Hooters restaurants in the states of Washington and Oregon, as well as Spoon Bar and Kitchen in Dallas, Texas. In March 2013, the Company closed its investment management business, which saved us approximately $50,000 per quarter starting fully in the third quarter of 2013. Effective October 1, 2011, the Company acquired majority control of the initial three restaurants in South Africa and began consolidating these operations. In August 2012, the Company opened a restaurant in Budapest, Hungary, and earns 80% of the operating results with our operating partner earning 20%. The Company also earns 49% of the operating results with our operating partner earning 51% in our Hooters location opened in January 2012 in Campbelltown, Australia, a suburb of Sydney, with plans for two additional Hooters Australia locations under the same terms to open in the second quarter of 2014. The Company also has a 5% interest in Beacher's Madhouse, a variety show, which opened in Las Vegas, Nevada at the end of 2013.

In addition, the Company has a note with a balance at December 31, 2013 of $218,119 owed to its bank which is due on October 10, 2018 with monthly principal and interest payments of $4,406. In April 2013, the Company secured a $500,000 line of credit which is due in April 2014. As of December 31, 2013, the balance on the line of credit is $28,000. In addition, in February 2014 the Company secured a note with a bank for $500,000 due on August 10, 2014. The Company also has $3,000,000 of convertible debt which the Company used for our purchase of the Hooters Nottingham (United Kingdom) purchase. On August 2, 2013, the Company entered into an agreement with seven individual accredited investors, whereby the Company issued separate 6% Secured Subordinate Convertible Notes for a total of three million dollars ($3,000,000) in a private offering. These investors received 3 year warrants to purchase 300,000 shares of the Company's common stock at $3.00 per share. The conversion feature of the convertible debt was recorded as a derivative liability The Company executed the purchase of Hooters Nottingham on November 6, 2013 and began operating the restaurant on November 7, 2013. The Company's South African subsidiaries have bank overdraft and term facilities of $347,286 and ARB has a bank note payable of $38,614. The Company plans to continue to use limited partnerships or other financing vehicles, if necessary, to fund its share of costs for additional Hooters and other restaurants.

On September 30, 2013, the Company acquired American Roadside Burgers, Inc. ("ARB") and entered into an agreement and plan of merger with ARB, whereby the Company acquired 100% of the outstanding shares of ARB. In exchange, the Company issued 740,000 shares of its common stock and warrants to acquire 740,000 shares of common stock for $5 per share. The warrants are exercisable beginning October 1, 2014 until September 30, 2018. The merger agreement provides that Chanticleer Roadside Burgers International, LLC (a single-member LLC, of which the Company is the sole member) shall merge with and into ARB, with ARB continuing as the surviving entity and subsidiary of the Company.

On October 17, 2013, the Company raised $2,500,000 in a private placement, pursuant to which the Company sold to the Investors an aggregate of 666,667 Units at a purchase price of $3.75 per Unit. Each Unit consists of one share of the Company's common stock, $0.001 par value per share and one five-year warrant, exercisable after twelve months, to purchase one share of common stock at an initial exercise price of $5.00.

On November 4, 2013, the Company entered into a Subscription Agreement with JF Restaurants, LLC ("JFR"), JF Franchising Systems, LLC ("JFFS") (collectively "Just Fresh"), and the Preferred Members (the "Members" or collectively, the "Sellers") for the purchase of a 51% ownership interest in each entity. The total purchase price was $560,000, which included payment of the Sellers' outstanding debt obligations and reimbursement of several Members for previous debt payments. With the signing of the Subscription Agreement, Chanticleer paid Sellers' outstanding debt in the amount of approximately $434,325 towards the purchase consideration. The final closing was held on December 10, 2013. On December 11, 2013, the Company purchased an additional 5% from an existing Member, securing the Company's ownership of a 56% ownership interest.

The Company employed a placement agent for the purpose of the above private placement, and has paid to the placement agent commissions in the total amount of $150,000 and five year warrants convertible into an aggregate of 40,000 shares.

On November 7, 2013, the Company entered into a Subscription Agreement with three accredited investors, pursuant to which the Company sold to the Investors an aggregate of 160,000 Units at a purchase price of $5.00 per Unit, closing a $800,000 private placement. The aggregate purchase price we received from the sale of the Units was $800,000. Each Unit consists of one share of the Company's common stock, $0.001 par value per share and one five- year warrant to purchase one share of common stock. One half (80,000) of the available warrants are available at an initial exercise price of $5.50, while the remaining half (80,000) of the warrants are available at an initial exercise price of$7.00.

The Company employed a placement agent for the purpose of the Private Placement, and has paid to the Placement Agent commissions in the total amount of $32,000 and five-year warrants subject to the same terms as those issued under the above transaction, convertible into an aggregate of 6,400 shares of common stock.

On January 31, 2013, the Company settled outstanding liabilities of approximately $170,000 from a South African bank, previously presented in our consolidated balance sheets in "other liabilities". Upon making a payment of approximately $99,000, the Company received a release from all other bank liabilities, resulting in a total gain on extinguishment of debt of approximately $71,000, which is presented in our financials as other income.

In order to execute the Company's long-term growth strategy, which includes continued expansion of the Company's business by acquisition or developing or constructing; the Company will need to raise additional funds through public or private equity offerings, debt financings, or other means.

The current constraints of cash flow from operations and the requirements to raise funds raise substantial doubt about the Company's ability to continue as a going concern exists. These consolidated financial statements do not reflect any adjustments that might result from the outcome of these uncertainties.

2. SIGNIFICANT ACCOUNTING POLICIES

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Significant estimates include the valuation of the investments in portfolio companies and deferred tax asset valuation allowances. Actual results could differ from those estimates.

REVENUE RECOGNITION

Restaurant Net Sales and Food and Beverage Costs

The Company records revenue from restaurant sales at the time of sale, net of discounts, coupons, employee meals, and complimentary meals and gift cards. Sales and value added (VAT) taxes collected from customers and remitted to governmental authorities are presented on a net basis within sales in our consolidated statements of operations. Cost of sales primarily includes the cost of food, beverages, and merchandise and disposable paper and plastic goods used in preparing and selling our menu items, and exclude depreciation and amortization. Vendor allowances received in connection with the purchase of a vendor's products are recognized as a reduction of the related food and beverage costs as earned

Management Fee Income

The Company receives revenue from management fees from both affiliated companies and non-affiliated companies. The Company's revenue recognition policy provides that revenue is generally realized or realizable and earned when all of the following criteria have been met:

- Persuasive evidence of an arrangement exists;
- Delivery has occurred or services have been rendered;
- The seller's price to the buyer is fixed or determinable; and
- Collectability is reasonably assured.

The Company may collect revenue in both cash and in the equity securities of the company to whom the Company are providing services. Typically when the Company is paid cash for services, it is based on a monthly fee and is recorded when earned. When the Company receives equity securities for our management services, the Company generally receives the securities in advance for our services to be earned over the life of the contract, generally one year. The Company values these securities and defers recognition of the revenue over the life of the management contract.

The fair value of the equity instruments received was determined based upon the stock prices as of the date we reached an agreement with the third party and is not subject to adjustment after the measurement date.

RESTAURANT PRE-OPENING EXPENSES

Restaurant pre-opening expenses are non-capital expenditures, which are expensed as incurred, consist of the costs of hiring and training the initial hourly work force for each new restaurant, travel, the cost of food and supplies used in training, grand opening promotional costs, the cost of the initial stocking of operating supplies and other direct costs related to the opening of a restaurant, including rent during the construction and in-restaurant training period.

LIQUOR LICENSES

The costs of obtaining non-transferable liquor licenses that are directly issued by local government agencies for nominal fees are expensed as incurred. The costs of purchasing transferable liquor licenses through open markets in jurisdictions with a limited number of authorized liquor licenses are capitalized as indefinite-lived intangible assets and included in other assets. Liquor licenses are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Annual liquor license renewal fees are expensed over the renewal term.

ACCOUNTS RECEIVABLE

The Company monitors its exposure for credit losses on its receivable balances and the credit worthiness of its receivables on an ongoing basis and records related allowances for doubtful accounts. Allowances are estimated based upon specific customer and other balances, where a risk of default has been identified, and also include a provision for non-customer specific defaults based upon historical experience. As of December 31, 2013 and December 31, 2012, the Company has not recorded an allowance for doubtful accounts. If circumstances related to specific customers change, estimates of the recoverability of receivables could also change.

INVENTORIES

Inventories are valued at the lower of cost (first-in, first-out method) or market, and consist primarily of restaurant food items, supplies, beverages and merchandise

OPERATING LEASES

The Company leases certain property under operating leases. Differences between amounts paid and amounts expensed are recorded as deferred rent. Capital leases are recorded as an asset and an obligation at an amount equal to the present value of the minimum lease payments during the lease term. Many of these lease agreements contain rent holidays, rent escalation clauses and/or contingent rent provisions. Rent expense is recognized on a straight-line basis over the expected lease term, including cancelable option periods when failure to exercise such options would result in an economic penalty. The Company also may receive tenant improvement allowances in connection with its leases which are capitalized as leasehold improvements with a corresponding liability recorded in the deferred occupancy liability line in the consolidated balance sheet. The tenant improvement allowance liability is amortized on a straight-line basis over the lease term. In addition, the rent commencement date of the lease term is the earlier of the date when we become legally obligated for the rent payments or the date when we take access to the property or the grounds for build out.

MARKETABLE EQUITY SECURITIES

Available-for-sale securities

The Company's investments in marketable equity securities which are classified as available-for-sale are carried at fair value. Investments available for current operations are classified in the consolidated balance sheets as current assets; investments held for long-term purposes are classified as non-current assets. Unrealized gains and losses, net of tax, are reported in other comprehensive income as a separate component of stockholders' equity. Gains and losses are reported in the consolidated statements of operations when realized, determined based on the disposition of specifically identified investments, using a first-in, first-out method.

Investments identified by the Company as being potentially impaired are subject to further analysis to determine if the impairment is other than temporary. Other than temporary declines in market value from original costs are charged to investment and other income, net, in the period in which the loss occurs. In determining whether investment holdings are other than temporarily impaired, the Company considers the nature, cause, severity and duration of the impairment.

OTHER INVESTMENTS

Investments in which the Company has the ability to exercise significant influence and that, in general, are at least 20 percent owned are stated at cost plus equity in undistributed net earnings (loss), less distributions received. The Company also has equity investments in which it owns less than 20% which are stated at cost. An impairment loss would be recorded whenever a decline in the value of an equity investment or cost investment is below its carrying amount and is determined to be other than temporary. In judging "other than temporary," the Company considers the length of time and extent to which the fair value of the investment has been less than the carrying amount of the investment, the near-term and long-term operating and financial prospects of the investee, and the Company's long-term intent of retaining the investment in the investee.

FAIR VALUE MEASUREMENTS

For financial assets and liabilities measured at fair value on a recurring basis, fair value is the price we would receive to sell an asset or pay to transfer a liability in an orderly transaction with a market participant at the measurement date. In the absence of active markets for the identical assets or liabilities, such measurements involve developing assumptions based on market observable data and, in the absence of such data, internal information that is consistent with what market participants would use in a hypothetical transaction that occurs at the measurement date.

Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect our market assumptions. Preference is given to observable inputs. These two types of inputs create the following fair value hierarchy:

Level 1	Quoted prices for identical instruments in active markets.
Level 2	Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.
Level 3	Significant inputs to the valuation model are unobservable.

We maintain policies and procedures to value instruments using the best and most relevant data available. Our investment committee reviews and approves all investment valuations.

Our available-for-sale equity securities are all valued using Level 1 inputs or Level 2 inputs.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company is required to disclose fair value information about financial instruments when it is practicable to estimate that value. The carrying amounts of the Company's cash, accounts receivable, inventory, accounts payable, accrued expenses, other current liabilities, convertible notes payable and notes payable approximate their estimated fair value due to the short-term maturities of these financial instruments and because related interest rates offered to the Company approximate current rates.

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost, less accumulated depreciation. Depreciation and amortization, which includes amortization of assets held under capital leases, are recorded generally using the straight-line method over the estimated useful lives of the respective assets or, if shorter, the term of the lease for certain assets held under a capital lease. Leasehold improvements are amortized over the lesser of the expected lease term, or the estimated useful lives of the related assets using the straight-line method.

The estimated useful lives used to compute depreciation and amortization are as follow:

Leasehold Improvements	5-10 years
Restaurant furnishings and equipment	3-7
Furniture and fixtures	3-5
Office and computer equipment	3-5

The carrying amount of all long-lived assets is evaluated periodically to determine if adjustment to the depreciation and amortization period or the unamortized balance is warranted. Based upon its most recent analysis, the Company believes that no impairment of property and equipment exists at December 31, 2013 and 2012.

Maintenance and repairs are charged to operations when incurred. Betterments and renewals are capitalized. When property and equipment are sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations.

Impairment of Long-Lived Assets

The Company periodically reviews its long-lived assets when events indicate that their carrying value may not be recoverable. Such events include a history trend or projected trend of cash flow losses or a future expectation that the Company will sell or dispose of an asset significantly before the end of its previously estimated useful life. In reviewing for impairment identifiable cash flows are measured at the lowest level for which they are largely independent of the cash flows of other groups of assets and liabilities, generally at the restaurant level. The Company has identified leasehold improvements as the primary asset because it is the most significant component of its restaurant assets, it is the principal asset from which its restaurants derive their cash flow generating capacity and has the longest remaining useful life. The recoverability is assessed by comparing the carrying value of the assets to the undiscounted cash flows expected to be generated by these assets. Impairment losses are measured as the amount by which the carrying values of the assets exceed their fair values.

INTANGIBLE ASSETS

Goodwill and trade name/trademarks have been assigned to reporting units for the purpose of impairment testing. The reporting units are the Company's restaurant brands.

Goodwill

Generally accepted accounting principles in the United States require the Company to perform a goodwill impairment test annually and more frequently when negative conditions or a triggering event arise. In September 2011, the FASB issued amended guidance that simplified how entities test goodwill for impairment. The goodwill impairment test involves a two-step process. The first step is a comparison of each reporting unit's fair value to its carrying value. If the carrying value of the reporting unit is higher than its fair value, there is an indication that impairment may exist and the second step must be performed to measure the amount of impairment loss. The amount of impairment is determined by comparing the implied fair value of reporting unit goodwill to the carrying value of the goodwill in the same manner as if the reporting unit was being acquired in a business combination. Specifically, fair value is allocated to all of the assets and liabilities of the reporting unit, including any unrecognized intangible assets, in a hypothetical analysis that would calculate the implied fair value of goodwill. If the implied fair value of goodwill is less than the recorded goodwill, the Company would record an impairment loss for the difference..

Trade Name/Trademark

The fair value of trade name/trademarks are estimated and compared to the carrying value. The Company estimates the fair value of trademarks using the relief-from-royalty method, which requires assumptions related to projected sales from its annual long-range plan; assumed royalty rates that could be payable if the Company did not own the trademarks; and a discount rate. The Company recognizes an impairment loss when the estimated fair value of the trade name/trademarks is less than its carrying value. The Company finalized the purchase price allocation for ARB and JF during its fourth quarter of 2013, the Company excluded the trade name/trademark related to ARB and JF from its annual impairment test, however, the Company did perform a qualitative assessment of the ARB and JF's trade name/ trademark in accordance with ASC Topic 350, Intangibles - Goodwill and Other, and no indicators of impairment were identified. However, declines in the Company's market capitalization (reflected in our stock price) as well as in the market capitalization of other companies in the restaurant industry, declines in sales at our restaurants, and significant adverse changes in the operating environment for the restaurant industry may result in future impairment. The Company's trade name/trademarks have been determined to have a definite-lived life and is being amortized on a straight-line basis over estimated useful lives of 10 years. The amortization expense of these definite-lived intangibles is included in depreciation and amortization in the Company's consolidated statement of operations.

Franchise Cost

Intangible assets are recorded for the initial franchise fees for our restaurants. The Company amortizes these amounts over a 20 year period, which is the life of the franchise agreement.

DERIVATIVE LIABILITIES

In connection with the issuance of a secured convertible promissory note, the terms of the convertible note included an embedded conversion feature; which provided for the settlement of the convertible promissory note into shares of common stock at a rate which was determined to be variable. The Company determined that the conversion feature was an embedded derivative instrument pursuant to ASC 815 “Derivatives and Hedging”.

The accounting treatment of derivative financial instruments requires that the Company record the conversion option and related warrants at their fair values as of the inception date of the agreements and at fair value as of each subsequent balance sheet date. Any change in fair value was recorded as a change in the fair value of derivative liabilities for each reporting period at each balance sheet date. The Company reassesses the classification at each balance sheet date. If the classification changes as a result of events during the period, the contract is reclassified as of the date of the event that caused the reclassification.

The fair value of an embedded conversion option that is convertible into a variable amount of shares are deemed to be a “down-round protection” and therefore, do not meet the scope exception for treatment as a derivative under ASC 815. Since, “down-round protection” is not an input into the calculation of the fair value of the conversion option and cannot be considered “indexed to the Company’s own stock” which is a requirement for the scope exception as outlined under ASC 815. The Company determined the fair value of the Binomial Lattice Model and the Black-Scholes Model to be materially the same. The Company’s outstanding warrants did not contain any round down protection.

The Black-Scholes option valuation model is used to estimate the fair value of the warrants or options granted. The model includes subjective input assumptions that can materially affect the fair value estimates. The model was developed for use in estimating the fair value of traded options or warrants. The expected volatility is estimated based on the most recent historical period of time equal to the weighted average life of the warrants or options granted.

ACQUIRED ASSETS AND ASSUMED LIABILITIES

Pursuant to ASC No. 805-10-25, if the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, but during the allowed measurement period not to exceed one year from the acquisition date, the company retrospectively adjusts the provisional amounts recognized at the acquisition date by means of adjusting the amount recognized for goodwill.

INCOME TAXES

Deferred income taxes are provided on the liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carryforwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax basis. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment. The Company has provided a valuation allowance for the full amount of the deferred tax assets.

As of December 31, 2013 and 2012 the Company had no accrued interest or penalties relating to any tax obligations. The Company currently has no federal or state examinations in progress, nor has it had any federal or state tax examinations since its inception. The last three years of the Company's tax years are subject to federal and state tax examination.

STOCK-BASED COMPENSATION

The compensation cost relating to share-based payment transactions (including the cost of all employee stock options) is required to be recognized in the financial statements. That cost is measured based on the estimated fair value of the equity or liability instruments issued. A wide range of share-based compensation arrangements including share options, restricted share plans, performance-based awards, share appreciation rights and employee share purchase plans are included. The Company’s financial statements would include an expense for all share-based compensation arrangements granted on or after January 1, 2006 and for any such arrangements that are modified, cancelled or repurchased after that date based on the grant-date estimated fair value.

As of December 31, 2013 and 2012, there were no options outstanding. See Note 12 regarding outstanding warrants.

LOSS PER COMMON SHARE

The Company is required to report both basic earnings per share, which is based on the weighted-average number of common shares outstanding, and diluted loss per share, which is based on the weighted-average number of common shares outstanding plus all potentially dilutive shares outstanding. For the year ended December 31, 2013 and December 31, 2012, the number of common shares potentially issuable upon the exercise of certain warrants of 7,322,125 and 5,001,458, respectively. In addition, the Company has convertible debt which converts into 637,592 shares at December 31, 2013. These warrants and convertible debt shares have not been included in the computation of diluted EPS since the effect would be antidilutive. Accordingly, no common stock equivalents are included in the loss per share calculations and basic and diluted earnings per share are the same for all periods presented.

ADVERTISING

Advertising costs are expenses as incurred. Advertising expenses which are included in restaurant operating expenses in the accompanying consolidate statement of operations, totaled $183,656 and $124,563 for the years ended December 31, 2013 and 2012, respectively. Advertising expense primarily includes local advertising.

FOREIGN CURRENCY TRANSLATION

Adjustments resulting from the process of translating foreign functional currency financial statements into U.S. dollars are included in accumulated other comprehensive income in common stockholders' equity. Foreign currency transaction gains and losses are included in current earnings. Most of our foreign operations use their local currency as the functional currency.

COMPREHENSIVE INCOME (LOSS)

Standards for reporting and displaying comprehensive income (loss) and its components (revenues, expenses, gains and losses) in a full set of general-purpose financial statements requires that all items that are required to be recognized under accounting standards as components of comprehensive income (loss) be reported in a financial statement that is displayed with the same prominence as other financial statements. We are required to (a) classify items of other comprehensive income (loss) by their nature in financial statements, and (b) display the accumulated balance of other comprehensive income (loss) separately in the equity section of the balance sheet for all periods presented. Other comprehensive income (loss) items include foreign currency translation adjustments, and the unrealized gains and losses on our marketable securities classified as held for sale.

CONCENTRATION OF CREDIT RISK

The Company maintains its cash with major financial institutions. Cash held in U.S. bank institutions is currently insured by the Federal Deposit Insurance Corporation ("FDIC") up to $250,000 at each institution. No similar insurance or guarantee exists for cash held in South African, Hungary or UK Kingdom bank accounts. There was a $211,064 and $648,182 aggregate uninsured cash balances at December 31, 2013 and 2012.

RECLASSIFICATIONS

Certain reclassifications have been made in the financial statements at December 31, 2012 and for the periods then ended to conform to the December 31, 2013 presentation. The reclassifications had no effect on net loss.

RECENT ACCOUNTING PRONOUNCEMENTS

There are several new accounting pronouncements issued by the Financial Accounting Standards Board ("FASB") which are not yet effective. Each of these pronouncements, as applicable, has been or will be adopted by the Company. At March 28, 2013, none of these pronouncements are expected to have a material effect on the financial position, results of operations or cash flows of the Company.

On July 27, 2012, the FASB issued Accounting Standards Update No. 2012-02, Intangibles—Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment. The Update simplifies the guidance for testing the decline in the realizable value (impairment) of indefinite-lived intangible assets other than goodwill. Examples of intangible assets subject to the guidance include indefinite-lived trademarks, licenses, and distribution rights. The amendment allows an organization the option to first assess qualitative factors to determine whether it is necessary to perform the quantitative impairment test. An organization electing to perform a qualitative assessment is no longer required to calculate the fair value of an indefinite-lived intangible asset unless the organization determines, based on a qualitative assessment, that it is "more likely than not" that the asset is impaired. Under former guidance, an organization was required to test an indefinite-lived intangible asset for impairment on at least an annual basis by comparing the fair value of the asset with its carrying amount. If the carrying amount of an indefinite-lived intangible asset exceeded its fair value, an impairment loss was recognized in an amount equal to the difference. The amendments in this Update are effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. The Company has adopted this update during its 2013 fiscal year with no significant impact on its consolidated results of operations, financial position and cash flows.

On February 5, 2013, the FASB issued Accounting Standards Update No. 2013-02, Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income. The standard is intended to improve the reporting of reclassifications out of accumulated other comprehensive income of various components. The Update requires an entity to present, either parenthetically on the face of the financial statements or in the notes, significant amounts reclassified, from each component of accumulated other comprehensive income and the income statement line items affected by the reclassification. The amendments in this Update are effective for annual and interim periods beginning after December 15, 2012. The Company has adopted this amendment for the March 31, 2013 interim period financial statements forward.

In July 2013, the FASB issued ASU 2013-11, "Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exits." ASU 2013-11 clarifies guidance and eliminates diversity in practice on the presentation of unrecognized tax benefits when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists at the reporting date. This new guidance is effective for annual reporting periods beginning on or after December 15, 2013 and subsequent interim periods. The Company is currently assessing the impact, if any, on its consolidated financial statements.

3. ACQUISITIONS

During the year ended December 31, 2013, the Company made the following acquisitions:

- American Roadside Burgers, effective September 30, 2013;
- West End Wings, LTD (Hooters Nottingham), effective November 7, 2013; and
- Just Fresh, effective December 10, 2013.

American Roadside Burgers ("ARB")

On September 30, 2013, the Company acquired American Roadside Burgers, Inc. and entered into an agreement and plan of merger with ARB, whereby the Company acquired 100% of the outstanding shares of ARB. In exchange, the Company issued 740,000 shares of its common stock and warrants to acquire 740,000 shares of common stock for $5 per share. The warrants are exercisable beginning October 1, 2014 until September 30, 2018. The merger agreement provides that Chanticleer Roadside Burgers International, LLC (a single-member LLC, of which the Company is the sole member) shall merge with and into ARB, with ARB continuing as the surviving entity and subsidiary of the Company. In connection with this acquisition and the related management team, the Company acquired a strategic opportunity to participate in a high-growth space with an already established brand. The Company's plan is to continue to expand the American Roadside chain as future opportunities occur, which has the potential to bring additional revenue and profits to the Company in the future.

The acquisition was accounted for using the purchase method in accordance with ASC 805 "Business Combinations". The consolidated statements of operations include the results of the ARB operations beginning October 1, 2013. The assets acquired and the liabilities assumed were recorded at September 30, 2013 at estimated fair values as determined by an independent appraisal and the Company's management, based on information currently available and on current assumptions as to future operations.

West End Wings ("WEW" or "Hooters Nottingham")

On November 6, 2013, the Company finalized the purchase of West End Wings LTD, which is the owner of the Nottingham, England Hooters restaurant location. The purchase price paid by the Company for WEW was $3,150,000.

The acquisition was accounted for using the purchase method in accordance with ASC 805 "Business Combinations". The consolidated statements of operations include the results of the Hooters Nottingham operations beginning November 7, 2013. The assets acquired and the liabilities assumed were recorded at November 6, 2013 at estimated fair values as determined by the Company's management.

Just Fresh ("JF")

On November 5, 2013, the Company entered into a Subscription Agreement with JF Restaurants, L.L.C. ("JFR") and JF Franchising Systems, L.L.C. ("JFFS"), for the purchase of a 51%ownership interest in each entity, for a total purchase price of $560,000. The purchase was finalized on December 10, 2013 with the execution of an Assignment, Assumption, Joinder, and Amendment Agreement with both JFR and JFFS. On December 11, 2013, the Company purchased an additional 5% interest in both JFR and JFFS from an original interest holder for the total purchase price of $30,000, increasing the Company's ownership interest in JFR and JFFS to a total of 56%.

Just Fresh currently operates five restaurants in the Charlotte, North Carolina area that offer fresh-squeezed juices, gourmet coffee, fresh-baked goods and premium-quality, made-to-order sandwiches, salads and soups.

The acquisitions were accounted for using the purchase method of accounting and, accordingly, the consolidated statements of operations include the results of these operations from the dates of acquisition. The assets acquired and the liabilities assumed were recorded at estimated fair values as determined by an independent appraisal and the Company's management, based on information currently available and on current assumptions as to future operations as follows:

	ARB	WEW	JF	Total
Consideration paid:				
Common stock	$ 3,611,126	$ -	$ -	$ 3,611,126
Warrants	1,710,077	-	-	1,710,077
Cash	-	3,150,000	590,000	3,740,000
Total consideration paid	5,321,203	3,150,000	590,000	9,061,203
Current assets, excluding cash	281,574	151,546	42,206	475,326
Property and equipment	3,000,122	20,493	242,531	3,263,146
Goodwill	2,550,611	3,124,507	425,151	6,100,269
Trademark/trade name	1,784,443	-	1,010,000	2,794,443
Deposits and other assets	98,035	-	-	98,035
Total assets acquired, less cash	7,714,785	3,296,546	1,719,888	12,731,219
Liabilities assumed	(1,490,288)	(337,831)	(282,317)	(2,110,436)
Deferred tax liabilities	(956,000)	-	(384,000)	(1,340,000)
Non-controlling interest	-	-	(463,571)	(463,571)
Common stock and warrants issued	(5,321,203)	-	-	(5,321,203)
Cash paid	-	(3,150,000)	(590,000)	(3,740,000)
Cash received in excess of cash paid	$ 52,706	$ 191,285	$ -	$ 243,991

Unaudited pro forma results of operations for the years ended December 31, 2013 and 2012, as if the Company had acquired majority ownership of the operation on January 1 of each year is as follows. The pro forma results include estimates and assumptions which management believes are reasonable. However, pro forma results are not necessarily indicative of the results that would have occurred if the business combination had been in effect on the dates indicated, or which may result in the future.

	Years ended December 31, 2013	2012
Net revenues	$17,496,810	$16,389,150
Loss from continuing operations	(5,795,871)	(4,427,130)
Loss from discontinued operations	(25,215)	(239,318)
Loss attributable to non-controlling interest	(140,142)	(705,310)
Net loss	$ (5,961,228)	$ (5,371,758)
Net loss per share, continuing operations, basic and diluted	$ (1.33)	$ (1.74)
Net loss per share, discontinued operations	$ (0.01)	$ (0.09)
Weighted average shares outstanding, basic and diluted	4,365,468	2,541,696

4. INVESTMENTS

INVESTMENTS AT FAIR VALUE CONSIST OF THE FOLLOWING AT DECEMBER 31, 2013 AND 2012.

	2013	2012
Available-for-sale investments at fair value	$ 55,112	$ 56,949
Total	$ 55,112	$ 56,949

AVAILABLE-FOR-SALE SECURITIES

Activity in our available-for-sale securities may be summarized as follows:

	2012	2011
Cost	$ 263,331	$ 263,331
Unrealized loss	(208,219)	(206,382)
Total	$ 55,112	$ 56,949

Our available-for-sale securities consist of the following:

	Cost	Unrecognized Holding Gains (Losses)	Fair Value	Realized Holding Loss	Loss on Sale
December 31, 2013					
Appalachian Mountain Brewery	1,500	43,050	44,550	-	-
North American Energy	126,000	(123,200)	2,800	-	-
North American Energy	10,500	(9,900)	600	-	-
North American Energy	125,331	(118,169)	7,162	-	-
	$ 263,331	$ (208,219)	$ 55,112	$ -	$ -
December 31, 2012					
Appalachian Mountain Brewery	1,500	-	1,500	-	-
North American Energy	126,000	(111,300)	14,700	-	-
North American Energy	10,500	(7,350)	3,150	-	-
North American Energy	125,331	(87,732)	37,599	-	-
	$ 263,331	$ (206,382)	$ 56,949	$ -	$ -

Appalachian Mountain Brewery ("AMB"), formerly North Carolina Natural Energy, Inc. ("NCNE") – AMB is a successor to NCNE and is currently traded under the ticker HOPS. AMB began trading under this symbol on January 7, 2014, previously it was traded under ticker NCNE on the OTC stock market. As of December 31, 2013, the Company held 16,200 shares of AMB with a closing price of $2.75 per share. AMB makes craft beer with plans to expand its distribution network. AMB expects to have a food service line in addition to its beer products. NCNE was a successor to Remodel Auction Incorporated whose business was discontinued. The Company originally received 100,000,000 shares of NCNE (less than 1% on a fully diluted basis) for management services during 2011. The shares were valued at $1,500 based on NCNE's valuation as a shell and the Company did not adjust the cost upon the change to AMB.

North American Energy Resources, Inc. - During the quarter ended June 30, 2009, the Company exchanged its oil & gas property investments for 700,000 shares of North American Energy Resources, Inc. ("NAEY") which were valued at $126,000 based on the closing price of NAEY on the date of the trade. At December 31, 2013 and December 31, 2012, the stock was $0.004 and $0.02 per share, respectively, and the Company recorded an unrealized loss of $123,200 and $111,300, respectively, based on the Company's determination that the price decline was temporary.

During the first quarter of 2010, the Company received an additional 150,000 shares of NAEY in exchange for management services. The shares were initially valued at $10,500, based on the trading price at the time. At December 31, 2013 and December 31, 2012, the Company recorded an unrealized loss of $9,900 and $7,350, respectively, based on the market value at the time.

During June 2011, the Company's CEO contributed 1,790,440 shares of NAEY to the Company which was valued at $125,331 based on the trading price at the time. Mr. Pruitt did not receive additional compensation as a result of the transfer. At December 31, 2013 and December 31, 2012, the Company recorded an unrealized loss of $118,169 and $87,732, respectively, based on the market value of the securities.

NAEY appointed a new management team in December 2010 and they are seeking acquisition opportunities for onshore and offshore oil and gas properties. Accordingly, the Company determined that any decline was temporary.

OTHER INVESTMENTS ARE SUMMARIZED AS FOLLOWS AT DECEMBER 31, 2013 AND 2012.

	2013	2012
Investments accounted for under the equity method	$ 941,963	$ 1,066,915
Investments accounted for under the cost method	1,550,000	1,050,000
Total	$ 2,491,963	$ 2,116,915

INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Activity in investments accounted for using the equity method is summarized as follows.

	2013	2012
Balance, beginning of year	$ 1,066,915	$ 815,550
Equity in loss	(125,017)	(14,803)
New investments	100,000	409,543
Reclassification of investments	-	(143,375)
Return of capital	(99,935)	-
Balance, end of year	$ 941,963	$ 1,066,915

Equity investments consist of the following at December 31, 2013 and December 31, 2012:

	2013	2012
Carrying value:		
Hoot Campbelltown Pty. Ltd. (49%) - Australia	$ 483,603	$ 555,331
Second Hooters location (49%) - Australia	384,605	511,584
Third Hooters location (49%) - Australia	73,755	-
	$ 941,963	$ 1,066,915

Equity in earnings (loss) and distributions from equity investments during the years ended December 31, 2013 and 2012 follows.

	2013	2012
Equity in earnings (loss):		
Australia locations (49%)	(125,017)	(14,803)
	$ (125,017)	$ (14,803)
Return of capital:		
Second Australia location return portion of investment	(99,934)	-
	$ (99,934)	$ -

The restaurant at the Hoot Campbelltown location opened in January 2012. Townsville and Surfer's Paradise are under construction and expected to open in the second quarter of 2014: The condensed statements of operations for the years ended December 31, 2013 and 2012 follows:

	2013	2012
Revenue	$ 2,328,015	$ 3,348,928
Gross profit	1,643,287	2,381,245
Loss from continuing operations	(255,136)	(30,208)
Net loss	(255,136)	(30,208)

The above loss contains $108,753 of startup expenses for our second and third locations in Australia, which are expected to open in the second quarter of 2014.

The summarized balance sheets for the three locations in Australia of which we owned 49% at December 31, 2013 and December 31, 2012 follows:

	2013	2012
ASSETS		
Current assets	$ 362,085	$ 604,147
Non-current assets	3,089,230	2,909,276
TOTAL ASSETS	$ 3,451,315	$ 3,513,423
LIABILITIES		
Current liabilities	$ 972,885	$ 1,057,911
PARTNER'S EQUITY	2,478,430	2,455,512
TOTAL LIABILITIES AND PARTNERS' EQUITY	$ 3,451,315	$ 3,513,423

Hooters S.A., GP - The Company formed CHL to own the Company's 50% general partner interest in Hooters S.A., GP, the general partner of the Hooters' restaurant franchises in South Africa. The initial restaurant opened in December 2009 in Durban, South Africa and operations commenced in January 2010. In the initial restaurant CHL had a 10% interest in restaurant cash flows until the limited partners receive payout and a 40% interest in restaurant cash flows after limited partner payout. The second location opened in Johannesburg in June 2010 and a third location opened in Cape Town in June of 2011 with similar structures. Effective September 30, 2011, the Company acquired majority control of the South African operations and began consolidating its operations on October 1, 2011. The fourth location opened in February 2012 in Emperor's Palace Casino in Johannesburg funded approximately 12% by minority investors.

CHA (Hoot Campbelltown Pty. Ltd, Hoot Townsville Pty. Ltd. and Hoot Surfers Paradise Pty. Ltd.) – CHA entered into a partnership with the current local Hooters franchisee in Australia in which CHA will own 49% and its partner own 51%. The local partner will also manage the restaurants. The first location, Hoot Campbelltown Pty. Ltd. opened in Campbelltown, a suburb of Sydney, in January 2012. The second and third locations are under construction and we expect them to open in the second quarter of 2014.

INVESTMENTS ACCOUNTED FOR USING THE COST METHOD

A summary of the activity in investments accounted for using the cost method follows.

	2013	2012
Investments at cost:		
Balance, beginning of year	$ 1,050,000	$ 766,598
Impairment	-	(16,598)
New investments	500,000	300,000
Total	$ 1,550,000	$ 1,050,000

Investments at cost consist of the following at December 31, 2013 and 2012:

	2013	2012
Chanticleer Investors, LLC	$ 800,000	$ 800,000
Edison Nation LLC (FKA Bouncing Brain Productions)	250,000	250,000
Beacher's Madhouse	500,000	-
	$ 1,550,000	$ 1,050,000

Chanticleer Investors LLC - The Company sold 1/2 of its investment in Investors LLC in May 2009, which reduced its ownership from 23% to 11.5%. Accordingly, in May 2009, the Company discontinued accounting for this investment using the equity method and began to account for the investment using the cost method. In December 2010, the Company sold an additional $75,000 of its investment at cost.

On April 18, 2006, the Company formed Investors LLC and sold units for $5,000,000. Investors LLC's principal asset was a convertible note in the amount of $5,000,000 with Hooters of America, Inc. ("HOA"), collateralized by and convertible into 2% of Hooters common stock. The original note included interest at 6% and was due May 24, 2009. The note was extended until November 24, 2010 and included an increase in the interest rate to 8%.

The Company owned $1,150,000 (23%) of Investors LLC until May 29, 2009 when it sold 1/2 of its share for $575,000. Under the original arrangement, the Company received 2% of the 6% interest as a management fee ($25,000 quarterly) and 4% interest on its investment ($11,500 quarterly). Under the extended note and revised operating agreement, the Company received a management fee of $6,625 quarterly and interest income of $11,500 quarterly until it was repaid in January 2011

On January 24, 2011, Investors LLC and its three partners combined to form HOA Holdings, LLC ("HOA LLC") and completed the acquisition of HOA and Texas Wings, Inc. ("TW"). Together HOA LLC has created an operating company with 161 company-owned locations across sixteen states, or nearly half of all domestic Hooters restaurants and over one-third of the locations worldwide.

Investors, LLC had a note receivable in the amount of $5,000,000 from HOA that was repaid at closing. Investors LLC then invested $3,550,000 in HOA LLC (approximately 3.1%) ($500,000 of which was the Company's share). One of the investors in Investors LLC that owned a $1,750,000 share is a direct investor in HOA LLC and will now carry its ownership in HOA LLC directly. In July 2012, the Company acquired an additional interest of $300,000, at cost, from one of the partners for cash, which increased our ownership to approximately 22% of Investors LLC as of December 31, 2013.

Based on the current status of this investment, the Company does not consider the investment to be impaired.

Beacher's Madhouse – the Company acquired a 5% minority interest for $500,000 in Beacher's, a variety show and nightclub experience. Beacher's opened in late 2013 at an 8,500 square-foot performance theater located in the MGM Grand Hotel & Casino located on the strip in Las Vegas. Prior to the Las Vegas opening, the show was located in Los Angeles, California, which the Company has no stake in. The Company also received the right to participate in the financing of up to 25% offered to third party investors in any new Beacher's Madhouse location as well as the exclusive rights to the United Kingdom, South Africa and Australia.

Based on the current status of this investment, the Company does not consider the investment to be impaired.

EE Investors, LLC - On January 26, 2006, we acquired an investment in EE Investors, LLC with cash in the amount of $250,000. We acquired 1,205 units (3.378%) in EE Investors, LLC, whose sole asset is 40% of Edison Nation, LLC (formerly Bouncing Brain Productions, LLC). Edison Nation was formed to provide equity capital for new inventions and help bring them to market. The initial business plan included developing the products and working with manufacturers and marketing organizations to sell the products. This has evolved into a less hands-on program which involves selling products with patents to other larger companies and retaining royalties. Edison Nation has now reached cash flow break-even, and in addition has been retained by a number of companies for which they do product searches to supplement its business. Edison Nation plans to repay the majority of its debt in 2014 and expects to subsequently begin making distributions to its owners. Based on the current status of this investment, the Company does not consider the investment to be impaired.

5. DISCONTINUED OPERATIONS

The Company closed their investment management business on May 1, 2013. A summary of the activity is presented below.

Assets and liabilities from discontinued operations

The Company had assets and liabilities for the periods ended December 31, 2013 and December 31, 2012, which is presented in our balance sheet, as follows:

	December 31, 2013	December 31, 2012
Cash	$ 924	$ 24,471
Due from related parties	-	19,864
Assets from discontinued operations	$ 924	$ 44,335
Accounts payable	$ 1,500	$ 14,328
Liabilities from discontinued operations	$ 1,500	$ 14,328

Net loss from discontinued operations

The Company had a net loss from discontinued operations for the years ended December 31, 2013 and 2012, which is presented in our statements of operations, as follows:

	Year ended December 31, 2013	Year ended December 31, 2012
Revenues from Chanticleer Investors II, LLC	$ 53,710	$ 30,743
Expenses	78,925	324,720
Net loss from discontinued operations	$ (25,215)	$ (293,977)

Chanticleer Investors II - Chanticleer Advisors, LLC ("Advisors") acted as the managing general partner and received a management fee based on a percentage of profits. On March 22, 2013, Chanticleer Holdings, Inc. announced its intention to exit the fund management business, which was effectuated May 1, 2013. Advisors resigned as manager of Chanticleer Investors II ("Investors"). Matthew Miller and Joe Koster, two of the prior fund managers, ceased to be employed by Advisors and now manage a new entity, Boyles Asset Management, LLC ("Boyles"), which will continue management of Investors. Mr. Michael Pruitt resigned as one of the portfolio managers. From this arrangement, the Company will have an ongoing economic benefit from this aspect of the business, while eliminating the losses associated with the fund management business. Chanticleer Advisors has failed to produce profits and has resulted in operating losses since inception.

Chanticleer Investment Partners, LLC - Chanticleer Investment Partners, LLC ("CIPs") was formed as a wholly owned North Carolina limited liability company on September 20, 2011. CIP was formed to manage separate and customized investment accounts for investors. The Company registered CIP as a registered investment advisor so that it could market openly to the public. In March 2013 the Company decided to exit this business and on April 26, 2013 CIP's status as a registered investment advisor was terminated.

6. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2013 and 2012:

	2013	2012
Office and computer equipment	$ 50,780	$ 35,076
Furniture and fixtures	47,686	47,686
Restaurant furnishings and equipment	6,716,666	2,826,760
	6,815,132	2,909,522
Accumulated depreciation and amortization	(1,194,943)	(593,376)
	$ 5,620,189	$ 2,316,146

Restaurant furnishings and equipment consists of leasehold improvements, and bar, kitchen and restaurant equipment used in our five locations opened as of December 31, 2013. Depreciation and amortization expense was $591,142 and $364,645 for the years ended December 31, 2013, and December 31, 2012, respectively, including $78,742 and $35,314 for capital lease assets. Restaurant furnishings and equipment includes capital lease assets from our South African restaurants of $263,392 and $141,413, with a net book value of $158,446 and $96,230 at December 31, 2013 and December 31, 2012, respectively. Non-restaurant related depreciation expense totaled $6,797 and $8,768 for the years ended December 31, 2013 and 2012, respectively.

7. INTANGIBLE ASSETS, NET

GOODWILL

Goodwill is summarized by location as follows:

	2013	2012
South Africa	$ 396,487	$ 396,497
ARB	2,550,611	-
WEW (Nottingham)	3,124,507	-
JF	425,151	-
	$ 6,496,756	$ 396,497

Goodwill arose from the excess paid over the fair value of the net assets acquired for the three operating restaurants in South Africa effective October 1, 2011, our ARB, JF and WEW acquisitions as of September 30, 2013, November 6, 2013 and December 10, 2013 respectively. An evaluation was completed effective December 31, 2013 at which time the Company determined that no impairment was necessary for any of the Company's acquisitions.

During 2013, the Company completed three acquisitions which resulted in payments of the amounts above in excess of the net assets acquired. An evaluation was completed effective December 31, 2013 at which time the Company determined that no impairment was necessary.

OTHER INTANGIBLE ASSETS

Franchise cost for the Company's Hooters restaurants and trademark/trade name for the Company's JF and ARB entities consists of the following at December 31, 2013 and December 31, 2012. The Company is amortizing these franchise costs from the opening of each restaurant for the 20 year term of the franchise agreement with HOA and the trademark/trade name over its estimated 10 year useful lives.

	2013	2012
Franchise cost:		
South Africa	$ 448,888	$ 358,888
Brazil *	135,000	135,000
Hungary	106,506	104,684
	690,394	598,572
Trade name/trademark:		
Just Fresh	1,010,000	-
ARB	1,784,327	-
	2,794,327	-
Total intangible cost	3,484,721	598,572
Accumulated amortization	(60,089)	(38,740)
Intangible assets, net	$ 3,424,632	$ 559,832
Years ended December 31, 2013 and 2012:		
Amortization expense	$ 21,349	$ 18,809

Amortization for franchise costs and trade name/trademarks are as follows:

December 31,	Franchise fee	Trade name	Total
2014	$ 27,770	$ 279,432	$ 307,202
2015	27,770	279,432	307,202
2016	27,770	279,432	307,202
2017	27,770	279,432	307,202
2018	27,770	279,432	307,202
Thereafter	356,455	1,397,167	1,753,622
Totals	$ 495,305	$ 2,794,327	$ 3,289,632

* The Brazil franchise cost is not being amortized until we open a restaurant.

8. LONG-TERM DEBT AND NOTES PAYABLE

Long-term debt and notes payable are summarized as follows.

	December 31, 2013	December 31, 2012
Note payable to a bank due in monthly installments of $4,406 including interest at Wall Street Journal Prime + 1% (minimum of 5.5%); remaining balance due October 10, 2018; collateralized by substantially all of the Company's assets and guaranteed by an officer of the Company	$ 218,119	$ 236,110
Line of credit to a bank, expires April 10, 2014, interest rate of Wall Street Journal Prime (currently 3.25%) plus 1%, floor rate of 5%	472,000	-
Note payable to a bank, matures August 5, 2014, interest rate of Wall St. Journal Prim (currently 3.25%) plus 1%	38,614	-
Loan agreement with an outside company on December 23, 2013, interest at 1% per month, accrued interest and principal due February 23, 2014, unsecured	150,000	-
	878,733	236,110
Current portion of long-term debt	700,168	236,110
Long-term debt, less current portion	$ 178,565	$ -

On April 11, 2013, the Company and Paragon Commercial Bank ("Paragon") entered into a credit agreement (the "Credit Agreement"). The Credit Agreement provides for an additional $500,000 revolving credit facility with a one (1) year term from the Closing Date. This increases the Company's obligation to Paragon to a total of approximately $718,119 at December 31 2013, which includes a prior note payable's current outstanding balance of $218,119 and a revolving credit facility balance of $472,000 at December 31, 2013. The Credit Agreement is available to be drawn at the Company's discretion to finance investments in new business ventures and for the Company's general corporate working capital requirements in the ordinary course of business. The note payable originally matured on August 10, 2013 and on November 4, 2013 the note was extended to October 10, 2018 with monthly principal and interest payments of $4,406, whereas the new credit facility expires on April 10, 2014.

Borrowings under the Credit Agreement bear monthly interest at the greater of: (i) floor rate of 5.00% or (ii) the Wall Street Journal's prime plus rate (currently 3.25%) plus 1.00%. All unpaid principal and interest are due one (1) year after the Closing Date. Any borrowings are secured by a lien on all of the Company's assets. The obligations under the Credit Agreement are guaranteed by Mike Pruitt, the Company's Chief Executive Officer.

ARB entered into a term note with TD Bank in 2008 for $300,000, which has a balance of $38,614 at December 31, 2013 and has a maturity date of August 4, 2014 The interest rate is 1.75% above the Wall Street Journal prime rate (3.25%), and the monthly principal and interest payments is $4,836, subject to adjustment by TD Bank, except for the last payment which shall be the unpaid balance at maturity The term note is personally guaranteed by two former shareholders of ARB and TD Bank has a first lien on all ARB's assets.

On December 23, 2013, the Company entered into a loan agreement with an outside company for $150,000, due on February 23, 2014. Interest is compounded monthly at a rate of 1%. As of February 23, 2014, the Company was not in compliance with the terms of this note due to non-payment of principal and interest on March 21, 2014, the Company paid the note holder $25,000 of principal and $4751 of accrued interest. However, the note holders have not issued to the Company a formal notice of default.

9. BANK OVERDRAFT AND TERM FACILITIES

Bank overdraft and term facilities at December 31, 2013 and December 31, 2012 are associated with the South African Operations and consist of the following:

	December 31, 2013	December 31, 2012
Bank overdraft facilities (1)	$ 79,372	$ 254,251
Term facility (2)	-	112,950
Term facility (3)	133,448	180,445
Term facility (4)	142,807	
	355,627	547,646
Other current liabilities	135,286	361,586
Other liabilities	$ 220,341	$ 186,060

(1) Bank overdraft facilities are unsecured and have a total maximum facility of approximately $260,000. The interest rate as of December 31, 2013 is 11%. The facilities are reviewed annually and are payable on demand. Concurrently with the January 31, 2013 mentioned in (2) below, the Company was released from a facility totaling $56,528, and a $56,528 gain on settlement of debt was recognized in the first quarter of 2013.

(2) Term facility is payable on demand and the facility is secured by certain assets of one of the Company's shareholders. After ongoing negotiations between the bank and the Company, on January 31, 2013, $98,579 was paid in full satisfaction of the facility, resulting in a gain on settlement of debt of $14,371 which was recognized in the first quarter of 2013.

(3) The monthly payments of principal and interests of the term facility total approximately $5,000 and have been made for the period from October 1, 2011 through December 2013. The interest rate at December 31, 2013 is 10.3%. The maturity date on the tech facility is June 14, 2016.

(4) On December 1, 2013, PTT secured a five-year term loan with an interest rate of 12.5% as of December 31, 2013 in the amount of $142,807. The monthly payments of principal and interest total approximately $3,172. The term facility is secured by a bond on all moveable assets at our Pretoria, South Africa location and is partially guaranteed by our CEO.

10. CONVERTIBLE NOTES PAYABLE

On August 2, 2013, the Company entered into an agreement with seven individual accredited investors, whereby the Company issued separate 6% Secured Subordinate Convertible Notes for a total of $3,000,000 in a private offering and is collateralized by the assets of the Hooters Nottingham restaurant. The funding from the private offering was used exclusively for the acquisition of the Nottingham, England Hooters restaurant location (acquisition described in Note 3). The Notes have the following principal terms:

- the principal amount of the Note shall be repaid within 36 months of the issuance date at a non-compounded 6% interest rate per annum;
- the Note holders shall receive 10%, pro rata, of the net profit of the Nottingham, EnglandHooters restaurant, paid quarterly for the life of the location, and 10% of the net proceeds should the location be sold;
- the consortium of investors received a total of 300,000) three-year warrants, exercisable at $3.00 per share;
- the Note holder may convert his or her Note into shares of the Company's common stock (at 90% of the average closing price ten days prior to conversion, unless a public offering is pending at the time of the conversion notice, which would result in the conversion price being the same price as the offering). The conversion price is subject to a floor of $1.00 per share;
- the Note holder has the right to redeem the Note for a period of sixty days following the eighteen month anniversary of the issuance of the Note, unless a capital raise is conducted within eighteen months after the issuance of the Note. In connection with the issuance of the Note, the Company also issued warrants for the purchase of 300,000 shares of the Company's common stock at an exercise price of $3.00 per share through August 2, 2016.

The Company completed the purchase of Hooters Nottingham on November 6, 2013 and began operating the restaurant on November 7, 2013.

The fair value of the embedded conversion feature and the warrants, $2,265,600 and $884,600, respectively, aggregated $3,150,200. Consequently, upon issuance of the Note, a debt discount of $3,000,000 was recorded and the original difference of $150,200, representing the fair value of the conversion feature and the warrants in excess of the debt discount, was immediately charged to interest expense. The debt discount will be amortized over the earlier of (i) the term of the debt or (ii) conversion of the debt, using the straight-line method which approximates the interest method. The amortization of debt discount is included as a component of interest expense in the consolidated statements of operations.

The fair value of the embedded conversion feature and the warrants was estimated using the Black-Scholes option-pricing model. Key assumptions used to apply this pricing model during the three months ended December 31, 2013 were as follows:

Risk-free interest rate	0.006%
Expected life of warrants	2.6 years
Expected volatility of underlying stock	104.06%

The expected stock price volatility for the Company's stock options was determined by the historical volatilities for the Company's stock. Risk free interest rates were obtained from U.S. Treasury rates for the applicable periods.

11. CAPITAL LEASES PAYABLE

Capital leases payable at December 31, 2013 and 2012 is associated with the South African operations and consists of the following:

	December 31, 2013	December 31, 2012
Capital lease payable, due in 49 monthly installments of $1,081, including interest at 10%, through April 2016	$ 28,589	$ 38,548
Capital lease payable, due in 32 monthly installments of $800 including interest at 10%, through November 2014	8,627	17,183
Capital lease payable, due in 34 monthly installments of $1,560, including interest at 11.5%, through July 2016	46,721	-
Capital lease payable, due in 34 monthly installments of $2,200, including interest at 11.5%, through November 2016	66,354	-
Capital lease payable, due in 14 monthly installments of $1,470, including interest at 10%, through May 2013	-	7,389
Capital lease payable, due in 36 monthly installments of $1,022, including interest at 10%, through February 2015	14,789	25,363
Total capital leases payable	165,080	88,483
Current maturities	59,162	27,965
Capital leases payable, less current maturities	$ 105,918	$ 60,518

The current capital leases cover point of sale and other equipment for five of the South African restaurants. Annual requirements for capital lease obligations are as follows:

December 31,	Amount
2014	$ 59,181
2015	57,063
2016	48,836
Total minimum lease payments	165,080
Less: amount representing interest	(12,140)
Present Value of Net Minimum Lease Payments	$ 152,940

12. INCOME TAXES

	2013	2012
Loss from continuing operations before income taxes:		
United States	$ 4,650,443	$ 2,346,516
Foreign	636,651	800,844
	$ 5,287,094	$ 3,147,360

The income tax provision (benefit) consists of the following:

	2013	2012
Foreign		
Current	$ 40,935	$ 19,205
Deferred	(167,554)	(170,962)
U.S. Federal		
Current	-	-
Deferred	(652,624)	(791,395)
State & local		
Current	-	-
Deferred	(76,786)	(93,105)
Change in valuation allowance	896,964	1,055,462
Income tax provision	$ 40,935	$ 19,205

The provision (benefit) for income tax using the statutory U.S. federal tax rate is reconciled to the Company's effective tax rate as follows:

	2013	2012
Computed "expected" income taxe expense (benefit)	$ (1,797,612)	$ (1,070,100)
State income taxes, net of federal benefit	(211,484)	(93,861)
Foreign rate differential	(79,399)	74,106
Prior year deferred tax adjustment	1,083,075	-
Travel, entertainment and other	537,988	53,660
Deferred taxes from acquisitions	(388,597)	-
Change in valuation allowance	896,964	1,055,400
Income tax expense	$ 40,935	$ 19,205

Deferred income taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Major components of deferred tax assets and liabilities at December 31, 2013 and 2012 were:

	2013	2012
Net operating loss carryovers	$ 4,495,059	$ 2,812,636
Capital loss carryforwards	488,500	630,100
Investments	-	(80,400)
Derivative liability	645,500	-
Warrants	184,800	-
Australian equity investment	53,132	-
Deferred occupancy liabilities	378,521	-
Total deferred tax assets	6,245,512	3,362,336
Property and equipment	(278,868)	-
Convertible debt	(645,500)	-
Intangibles	(1,061,844)	-
Total deferred tax liabilities	(1,986,212)	-
Net deferred tax assets	4,259,300	3,362,336
Valuation allowance	(4,259,300)	(3,362,336)
Net deferred tax assets	$ -	$ -

As of December 31, 2013 and 2012, the Company has U.S. federal and state net operating loss carryovers of approximately $10,666,000 and $4,187,000 respectively, which will expire at various dates beginning in 2031 through 2034, if not utilized. As of December 31, 2013 and 2012, the Company has foreign net operating loss carryovers of $1,727,000 ($464,000 for Hungary and $1,263,000 for South Africa) and $1,073,000 ($163,000 for Hungary and $910,000 for South Africa), respectively. These net operating loss carryovers can be carried forward indefinitely as long as the Company is trading. The Company has a capital loss carryforward of $1,286,000 which expires between 2015 and 2017 if not utilized. In accordance with Section 382 of the Internal Revenue code, deductibility of the Company's U.S. net operating loss carryovers may be subject to an annual limitation in the event of a change of control as defined under the Section 382 regulations.

In assessing the realization of deferred tax assets, Management considers whether it is more likely than not that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. After consideration of all of the information available, Management believes that significant uncertainty exists with respect to future realization of the deferred tax assets and has therefore established a full valuation allowance. For the year ended December 31, 2013 and December 31, 2012, the change in valuation allowance was approximately $896,964 and $1,055,462.

The Company evaluated the provisions of ASC 740 related to the accounting for uncertainty in income taxes recognized in an enterprise's financial statements. ASC 740 prescribes a comprehensive model for how a company should recognize, present, and disclose uncertain positions that the Company has taken or expects to take in its return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. Differences between two positions taken or expected to be taken in a tax return and the benefit recognized and measured pursuant to the interpretation are referred to as "unrecognized benefits". A liability is recognized for an unrecognized tax benefit because it represents an enterprise's potential future obligation to the taxing-authority for a tax position that was not recognized as a result of applying the provisions of ASC 740.

As of December 31, 2013 and December 31, 2012, no liability for unrecognized tax benefits was required to be reported.

Interest costs related to unrecognized tax benefits are required to be calculated, if applicable, and would be classified as "interest expense, net" in the two statements of operations. Penalties would be recognized as a component of "general and administrative expenses". As of December 31, 2013 and December 31, 2012, no interest or penalties were required to be reported. The Company does not expect any significant changes in its unrecognized tax benefits in the next year.

No provision was made for U.S. or foreign taxes on $250,528 of undistributed earnings of the Company as such earnings are considered to be permanently reinvested. Such earnings have been, and will continue to be, reinvested, but could become subject to additional tax if they were remitted as dividends, loaned to the Company, or if the Company should sell its interests in the foreign entities. It is not practicable to determine the amount of additional tax, if any, that might be payable on the undistributed earnings.

13. STOCKHOLDERS' EQUITY

Effective May 11, 2012, the Company's common stock was reverse split, 1 share for each 2 shares issued, pursuant to a majority vote of the Company's shareholders. All share references have been adjusted as if the split occurred in to all periods presented.

On February 3, 2014, the Company amended its certificate of incorporation increasing the number of authorized shares of Common Stock from 20,000,000 to 45,000,000

2013 Transactions

On April 22, 2013, the Company issued 4,000 shares of the Company's common stock in exchange for investor relations services to be performed over a 12 month period, valued at $7,720. .

In September 2013, the Company issued 25,000 shares of common stock valued at $117,000 for services for a five month agreement. The Company has expensed $93,600, representing four of five months in 2013 and will expense the final month in 2014.

On September 30, 2013, the Company closed the purchase of ARB and issued 740,000 units which consisted of one share of common stock and one common stock warrant valued at $3,611,126 and $1,710,077, respectively.

On October 17, 2013, the Company raised $2,500,000 in a private placement, pursuant to which the Company sold to the Investors an aggregate of 666,667 Units at a purchase price of $3.75 per Unit. Each Unit consists of one share of the Company's common stock, $0.001 par value per share and one five-year warrant, exercisable after twelve months, to purchase one share of common stock at an initial exercise price of $5.00.

The Company employed a placement agent for the purpose of the Private Placement, and has paid to the Placement Agent commissions in the total amount of $150,000 and five year warrants convertible into an aggregate of 80,000 shares valued at approximately $312,000 using the Black-Scholes model.

During October 2013, 15,000 common stock shares valued at $62,500 were issued for services.

On November 5, 2013, the Company entered into a Subscription Agreement with JF Restaurants, L.L.C. ("JFR") and JF Franchising Systems, L.L.C. ("JFFS"), for the purchase of a 51% ownership interest in each entity, for a total purchase price of $560,000. The purchase was finalized on December 10, 2013 with the execution of an Assignment, Assumption, Joinder, and Amendment Agreement with both JFR and JFFS. On December 11, 2013, the Company purchased an additional 5% interest in both JFR and JFFS from an original interest holder for the total purchase price of $30,000, increasing the Company's ownership interest in JFR and JFFS to a total of 56%.

On November 7, 2013, the Company entered into a Subscription Agreement with three accredited investors, pursuant to which the Company sold to the Investors an aggregate of 160,000 Units at a purchase price of $5.00 per Unit, closing a $800,000 private placement. The aggregate purchase price we received from the sale of the Units was $800,000. Each Unit consists of one share of the Company's common stock, $0.001 par value per share and one five-year warrant to purchase one share of common stock. One half (80,000) of the available warrants are available at an initial exercise price of $5.50, while the remaining half (80,000) of the warrants are available at an initial exercise price of $7.00. The Company has paid a placement fee by issuing an aggregate of 80,000 five- year warrants valued at approximately $312,000 using the Black-Scholes model.

On November 26, 2013, the Company finalized a Subscription Agreement (the "Beacher's Subscription Agreement") with Beachers' LV, LLC ("Beachers"), whereby the Company subscribed for five (5) Units, with each Unit consisting of a one percent (1%) membership interest in Beachers. The total capital contribution made by the Company to Beachers was $500,000. In connection with the Beacher's Subscription Agreement, the Company executed a Right to Purchase Agreement with Madhouse Worldwide Investments, LLC ("MWI") whereby the Company shall issue fifty three thousand three hundred and thirty four (53,334) shares of the Company's common stock, valued at approximately $260,000, to MWI or its assigns, in exchange for a two-year option to purchase up to twenty five percent (25%) of any ownership interest in any future Beacher's nightclub to be offered to third party investors, and a three-year exclusive option to propose funding, participate in funding, and open future Beacher's nightclubs in South Africa, Australia, and the United Kingdom. The Company also issued an aggregate of 50,000 five-year warrants valued at approximately $176,000 using the Black-Scholes model.

2012 Transactions

On May 8, 2012, the Company issued 5,000 shares of its common stock in exchange for services to be performed over a six month period and valued at $32,400.

EQUITY RAISE

The Company filed a Form S-1 Registration Statement under the Securities Act of 1933 which was declared effective on June 21, 2012. The Company issued 2,444,450 units at $4.50 per unit, consisting of one share of Common Stock and one five year redeemable warrant (redeemable at the Company's option) exercisable at $5.00 per share for an issuance value of $11 million (net $7.2 million). The issuance of shares included shares issued upon the conversion of notes payable and accrued interest of approximately $1.9 million and shares issued for the purchase of a percentage of the Hoot SA non-controlling interest of approximately $1.0 million.

During August 2012, treasury stock shares of 256,615 were cancelled and returned to the Company.

Options

There are no options outstanding as of December 31, 2013 and 2012.

Warrants

On March 28, 2012, the Company issued 125,000 and 25,000 five year warrants at $6.50 and $8.00, respectively for consulting services related to the Company's expansion into Europe.

On June 21, 2012, the Company issued 2,444,450 five-year redeemable warrants as noted above in the "Equity Raise" section.

On June 18, 2013, the Company issued two warrants to purchase common stock as a retainer for services provided for a six month agreement. The first warrant was in the amount of 100,000 shares, with an exercise price of $3.25 per share. The second warrant was in the amount of 100,000 shares and will have an exercise price of $5.25 per share. The warrants have a maturity of five years. The warrants were valued using Black-Scholes at $298,678. This amount will be amortized to consulting expense over the six month term of the agreement.

On September 30, 2013, the Company closed the purchase of ARB and issued 740,000 units which consisted of one share of common stock and one common stock warrant valued at $3,611,126 and $1,710,077, respectively.

On October 17, 2013, the Company raised $2,500,000 in a private placement, pursuant to which the Company sold to the Investors an aggregate of 666,667 Units at a purchase price of $3.75 per Unit. Each Unit consists of one share of the Company's common stock, $0.001 par value per share and one five-year warrant, exercisable after twelve months, to purchase one share of common stock at an initial exercise price of $5.00.

The Company employed a placement agent for the purpose of the Private Placement, and has paid to the Placement Agent commissions in the total amount of $150,000 and five year warrants convertible into an aggregate of 80,000 shares valued at approximately $312,000 using the Black-Scholes model.

On November 7, 2013, the Company entered into a Subscription Agreement with three accredited investors, pursuant to which the Company sold to the Investors an aggregate of 160,000 Units at a purchase price of $5.00 per Unit, closing a $800,000 private placement. The aggregate purchase price we received from the sale of the Units was $800,000. Each Unit consists of one share of the Company's common stock, $0.001 par value per share and one five-year warrant to purchase one share of common stock. One half (80,000) of the available warrants are available at an initial exercise price of $5.50, while the remaining half (80,000) of the warrants are available at an initial exercise price of $7.00.

The Company employed a placement agent for the purpose of the Private Placement, and has paid to the Placement Agent commissions in the total amount of $32,000 and five year warrants subject to the same terms as those issued under the above transaction, convertible into an aggregate of 6,400 shares of common stock.

On October 28, 2013, the Company entered into an employment agreement with an initial term of two years and a renewal of an additional one year term if both parties do not give notice. The agreement includes an annual salary commensurate with a veteran restaurant executive and includes 44,000 warrants to purchase our Company stock at $5.00 per share. The warrants are exercisable after 12 months for a term of five years and have been valued by the Company at $179,000 using the Black-Scholes model.

Warrant amortization is summarized as follows at December 31, 2013 and 2012 and for the years then ended:

	2013	2012
Added to additional paid-in capital	$ 657,552	$ 169,200
	$ 657,552	$ 169,200
Interest expense	22,659	90,636
Consulting expense	634,893	78,564
	$ 657,552	$ 169,200

14. RELATED PARTY TRANSACTIONS

Due to related parties

The Company has received non-interest bearing loans and advances from related parties. The amounts owed by the Company as of December 31, 2013 and 2012 are as follows:

	2013	2012
Hoot SA I, LLC	$ 12,191	$ 12,191
Chanticleer Investors, LLC	-	1,542
	$ 12,191	$ 13,733

Due from related parties

The Company has earned income from and made advances to related parties. The amounts owed to the Company at December 31, 2013 and 2012 is as follows:

	2013	2012
Chanticleer Dividend Fund, Inc.	$ 69,281	$ 74,281
Chanticleer Investors	1,207	-
Hoot SA II, III, IV LLC	45,817	43,618
	$ 116,305	$ 117,899

Management income from affiliates

Chanticleer Investors LLC

Investors LLC collected its note receivable and reinvested $3,550,000 in HOA LLC (See Note 4). There was no management income from Investors LLC in 2011 or 2012.

Chanticleer Investors II LLC

The Company managed Investors II and earned management income of $30,743 in 2012. The operations were discontinued in 2013.

Chanticleer Dividend Fund, Inc. ("CDF")

On November 10, 2010 the Company formed CDF under the general corporation laws of the State of Maryland. CDF filed a registration statement under Form N-2 to register as a non-diversified, closed-end investment company in January 2011. The Company, through Advisors, will have a role in management of CDF when its registration statement becomes effective. CDF continues to look for opportunities to use the entity, including for growth capital in the restaurant industry.

Hoot SA, LLC; Hoot SA II, LLC; Hoot SA III, LLC and Hoot SA IV, LLC

The Hoot partnerships were formed to help finance the first four Hooters restaurants in South Africa.

Efftec International, Inc. ("Efftec")

The Company's CEO became CEO and the sole director of Efftec during 2010 and the Company received 150,000 common shares and an option to acquire 150,000 shares for management services. The shares and option were initially valued at $22,500, based on the trading price of Efftec at the time.

North American Energy Resources, Inc. ("NAEY")

The Company's CEO became CEO and a director of NAEY during 2010 and the Company received 150,000 common shares for management services. The shares were valued at $10,500, based on the trading price of NAEY at the time. The Company's CEO resigned as CEO of NAEY in December 2010 and remains a director. During June 2011, the Company's CEO contributed 1,790,440 shares of NAEY to the Company which was valued at $125,331 based on the trading price at the time. Mr. Pruitt did not receive additional compensation as a result of the transfer.

Avenel Financial Group, Inc.

Avenel Financial Group, Inc. is a company owned by Mr. Pruitt. Advances previously made to the Company were repaid during 2011. Avenel Financial Group, Inc. invested as a limited partner in the South African Hooters locations. Avenel Financial Group, Inc. invested $14,000, $12,500, and $25,000 in the Durban, Johannesburg, and Cape Town locations, respectively, and is entitled to receive approximately 2.0%, 1.5%, and 2.9%, respectively, of the net profits after taxation ("SA Profits") of each of the locations until payout. As of December 31, 2012, Avenel Financial Group, Inc. has received an aggregate of $6,441 in SA Profits and $49,816 in return of investment under the same terms as the other limited partners.

15. SEGMENTS OF BUSINESS

As of December 31, 2012, we were organized into two business segments: (1) restaurant ownership and management and (2) investment management and consulting services businesses. However, we announced our intention to exit investment management and consulting services businesses in the first quarter of fiscal 2013 and effectuated such exit during the second quarter of fiscal 2013. Accordingly at December 31, 2013, we no longer report by segment.

The following are revenues, operating loss, and long-lived assets by geographic area as of and for the years ended December 31:

Revenue:	**2013**	**2012**
United States	$ 987,285	$ 100,000
South Africa	5,738,974	6,284,186
Europe	1,521,228	468,137
	$ 8,247,487	$ 6,852,323

Operating loss:	**2013**	**2012**
United States	$ (4,539,040)	$ (2,248,454)
South Africa	(386,168)	(539,178)
Europe	(288,911)	(378,933)
	$ (5,214,119)	$ (3,166,565)
		$ -

Long-lived assets, end of year:	**2013**	**2012**
United States	$ 13,661,043	$ 1,626,903
South Africa	2,191,584	1,866,855
Europe	1,434,128	909,828
Australia	941,963	1,066,915
Brazil	145,555	145,555
	$ 18,374,273	$ 5,616,056

16. COMMITMENTS AND CONTINGENCIES

Effective August 1, 2010, the Company extended its office lease agreement for its office for a term of one year with monthly lease payments of $2,100. Since August 1, 2011, the office lease continues at the same rate on a month-to-month basis.

The Company leases the land and buildings for its five restaurants in South Africa, 10 restaurants in the United States and one restaurant in each of Hungary and the United Kingdome through its subsidiaries. The South Africa and United Kingdom leases are for five year terms and the Hungary lease is for a 10 year term and include options to extend the terms. The 10 restaurants operated in the United States have lease terms varying from five to 10 years and have options to extend. We lease some of our restaurant facilities under "triple net" leases that require us to pay minimum rent, real estate taxes, maintenance costs and insurance premiums and, in some instances, percentage rent based on sales in excess of specified amounts.

Rent obligations for our 17 restaurants are presented below:

2014	$ 1,598,671
2015	1,588,373
2016	1,483,784
2017	978,819
thereafter	4,330,625
Totals	$ 9,980,272

Rent expense for the years ended December 31, 2013 and December 31, 2012 was $868,285 and $792,420, respectively. Rent expense for the years ended December 31, 2013 and 2012 for the Company's restaurants was $833,546 and $757,766, respectively, and is included in the "Restaurant operating expenses" of the Consolidated Statement of Operations. Rent expense for the years ended December 31, 2013 and 2012 for the non-restaurants was $34,739 and $34,654, and is included in the "General and administrative expense" of the Consolidated Statement of Operations.

On October 12, 2012, Francis Howard ("Howard"), individually and on behalf of all others similarly situated, filed a lawsuit against Chanticleer Holdings, Inc. (the "Company"), Michael D. Pruitt, Eric S. Lederer, Michael Carroll, Paul I. Moskowitz, Keith Johnson (The "Individual Defendants"), Merriman Capital, Inc., Dawson James Securities, Inc. (The "Underwriter Defendants"), and Creason & Associates P.L.L.C. (The "Auditor Defendant"), in the U.S. District Court for the Southern District of Florida. The class action lawsuit alleges violations of Section 11 of the Securities Act against all Defendants, violations of Section 12(a)(2) of the Securities Act against only the Underwriter Defendants, and violations of Section 15 against the Individual Defendants. Howard seeks unspecified damages, reasonable costs and expenses incurred in this action, and such other and further relief as the Court deems just and proper. On October 31st, 2012, the Company and the Individual Defendants retained Stanley Wakshlag at Kenny Nachwalter, P.A. to represent them in this litigation. On December 12th, 2012, Howard filed a Motion to Appoint himself Lead Plaintiff and to Approve his selection of The Rosen Law Firm, P.A. as his Counsel. An Order appointing Francis Howard and the Rosen Law Firm as lead Plaintiff and lead Plaintiff's Counsel was entered on January 4, 2013. On February 19, 2013, Plaintiff filed an Amended Complaint alleging similar claims to those previously asserted. On May 20, 2013, the Plaintiff filed a Notice of Voluntary Dismissal without prejudice of Defendants Dawson James Securities, Inc. and Merriman Capital, Inc. On September 17, 2013, Judge Cohn denied the Defendants' Motions to Dismiss and ordered that Defendants file Answers to Plaintiff's Amended Class Action Complaint by October 8, 2013, and that the trial be set for the two-week period commencing May 12, 2014 at 9:00 a.m. The Company and Individual Defendants filed an Answer to Plaintiff's Amended Class Action Complaint on October 7, 2013. A Scheduling Order was entered on October 8, 2013 after a Scheduling Conference was held, whereby a timeframe was set for Disclosures, Mediation, Joinder of Parties and Amendment of Pleadings, Discovery, and Pre-Trial Motions. The parties have made initial disclosures, and document requests and interrogatories have been served. On December 18, 2013, the parties filed a Joint Status Report Relating to Mediation, whereby the parties disclosed details of a class-wide settlement of this action. The parties have agreed on a total settlement amount of $850,000, with $837,500 to be paid by Chanticleer's insurance carrier and $12,500 to be paid by Creason & Associates, PLLC, subject to Court Approval. The Company has and will continue to vigorously defend itself in this matter.

Given that the outcome of litigation is inherently uncertain, and the early stage of this class action, the Company can neither comment on the probability of potential liabilities, nor provide an estimate of such. As of December 31, 2013, no amounts have been accrued for related to this matter.

On March 26, 2013, our South African operations received Notice of Motion filed in the Kwazulu-Natal High Court, Durban, Republic of South Africa, filed against Rolalor (PTY) LTD ("Rolalor") and Labyrinth Trading 18 (PTY) LTD ("Labyrinth") by Jennifer Catherine Mary Shaw ("Shaw"). Rolalor and Labyrinth were the original entities formed to operate the Johannesburg and Durban locations, respectively. On September 9, 2011, the assets and the then-disclosed liabilities of these entities were transferred to Tundraspex (PTY) LTD ("Tundraspex") and Dimaflo (PTY) LTD ("Dimaflo"), respectively. The current entities, Tundraspex and Dimaflo are not parties in the lawsuit. Shaw is requesting that the Respondents, Rolalor and Labyrinth, be wound up in satisfaction of an alleged debt owed in the total amount of R4,082,636 (approximately $480,000). The two Notices were defended and argued in the High Court of South Africa (Durban) on January 31, 2014. We still await Madam Justice Steyri's judgement on the matter, no indication of timing of decision or further process has been given. The Company intends to vigorously defend itself in this matter.

Given that the outcome of litigation is inherently uncertain and the early stage of this action, the Company can neither comment on the probability of potential liabilities, nor provide an estimate of such. As of December 31, 2013, no amounts have been accrued for related to this matter.

On April 1, 2013, the Company received a subpoena from the Securities and Exchange Commission, requesting various corporate documents relating to operations. The Company intends to fully cooperate with the subpoena.

In connection with our 2011 acquisitions of the South Africa entities (whereby, onOctober 1, 2011, Rolalor (Pty.) Ltd., Alimenta 177(Pty.) Ltd. and Labyrinth Trading (Pty.) Ltd. transferred their respective net assets to the newly formed entities controlled by the Company), the Company believes the purchase and sale with the seller was accomplished in accordance with the laws and regulations of the taxing authorities in South Africa. However, there can be no absolute assurance as to whether the business acquired continues to have any outstanding tax and regulatory filing requirements, (i.e. not filed certain corporate tax returns for previous years) as well as whether the local authorities could seek to recover any unpaid taxes, interest, penalties or other amounts due from the Company, its shareholders or others. The Company is not aware of any existing obligations that remain outstanding for which the Company may be required to settle. In connection with acquiring the net assets of the business, the Company may be entitled to be reimbursed by the seller for any pre-acquisition obligations of the business that may arise post-acquisition.

In addition to the matters disclosed above, the company is involved in legal proceedings and claims which have arisen in the ordinary course of business. These actions, when ultimately concluded and settled, will not, in the opinion of management, have a material adverse effect upon the financial position, results of operations or cash flows of the company.

17. DISCLOSURES ABOUT FAIR VALUE

Assets and liabilities measured at fair value on a recurring basis are summarized in the following tables according to FASB ASC 820 pricing levels.

		Fair Value Measurement Using		
	Recorded value	Quoted prices in active markets of identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2013				
Assets:				
Available-for-sale securities	$ 55,112	$ 55,112	$ -	$ -
Liabilities:				
Derivative liability	$ 2,146,000	$ -	$ -	$ 2,146,000
December 31, 2012				
Assets:				
Available-for-sale securities	$ 56,949	$ 55,449	$ 1,500	$ -

At December 31, 2013 and 2012, the Company's available-for-sale equity securities were valued using Level 1 and Level 2 inputs as summarized above. Level 1 inputs are based on unadjusted prices for identical assets in active markets that the Company can access. Level 2 inputs are based on quoted prices for similar assets other than quoted prices in Level 1, quoted prices in markets that are not yet active, or other inputs that are observable or can be derived principally from or corroborated by observable market data for substantially the full term of the assets.

The derivative liabilities are measured at fair value using quoted market prices and estimated volatility factors based on historical quoted market prices for the Company's common stock, and are classified within Level 3 of the valuation hierarchy.

Certain assets are not carried at fair value on a recurring basis, including investments accounted for under the equity and cost methods. Accordingly, such investments are only included in the fair value hierarchy disclosure when the investment is subject to re-measurement at fair value after initial recognition and the resulting re-measurement is reflected in the consolidated financial statements.

See Note 4 for further details of the Company's investments.

18. SUBSEQUENT EVENTS

On January 31, 2014, pursuant to an Agreement and Plan of Merger executed on December 31, 2013, the Company completed the acquisition of all of the outstanding shares of each of Tacoma Wings, LLC, Jantzen Beach Wings, LLC and Oregon Owl's Nest, LLC, which owned and operated the Hooters restaurant locations in Tacoma, Washington and Portland, Oregon, respectively. The Hooters Entities were purchased from Hooters of Washington, LLC and Hooters of Oregon Partners, LLC (collectively, the "Hooters Sellers") for a total purchase price of 680,272 Company units, with each unit consisting of one share of the Company's common stock and one five-year warrant to purchase a share of the Company's common stock. Half of the warrants are exercisable at $5.50 and half of the warrants are exercisable at $7.00. As part of this transaction, the Hooters Sellers were granted registration rights with respect to the Company's common stock issued and underlying the warrants, and franchise rights and leasehold rights to the locations were transferred to the Company.

Also on January 31, 2014, pursuant to an Agreement and Plan of Merger executed on January 14, 2014, the Company completed the acquisition of all of the outstanding shares of Dallas Spoon, LLC and Dallas Spoon Beverage, LLC from Express Restaurant Holdings, LLC and Express Restaurant Holdings Beverage, LLC. The purchase price of 195,000 Company units was paid to Express Working Capital, LLC ("EWC"); the units consist of one share of the Company's common stock and one five-year warrant to purchase a share of the Company's common stock. Half of the warrants are exercisable at $5.50 and half of the warrants are exercisable at $7.00. As part of this transaction, EWC was granted registration rights with respect to the Company's common stock issued and underlying the warrants, and all leaseholds and other rights were transferred to the Company.

The financial statements of the acquirees in the preceding two paragraphs are not practicable to prepare at the time of filing due to the acquirees being privately held. The initial accounting for the business combinations are not yet complete and we are still performing procedures to determine the appropriate accounting. As such, we are unable to make the following disclosures, (i) pro forma data, (ii) purchase price allocation, (iii) expenses of the acquisition, and (iv) revenue and earnings of the acquires since the acquisition date.

On January 31, 2014, at a special meeting of stockholders of the Company, the Company's stockholders approved the Chanticleer Holdings, Inc. 2014 Stock Incentive Plan (the "2014 Plan") and approved the increase of available Company shares from 20,000,000 to 45,000,000. The 2014 Plan, under which awards can be granted until February 3, 2024 or the 2014 Plan's earlier termination, provides for the grant of incentive stock options, nonqualified stock options, stock appreciation rights ("SARs"), restricted awards in the form of restricted stock awards and restricted stock units, performance awards in the form of performance shares and performance units, phantom stock awards and other stock-based awards to selected employees, directors and independent contractors of the Company and its affiliates.

The maximum number of shares issuable under the 2014 Plan is 4,000,000 shares, and no more than 4,000,000 shares may be issued under the 2014 Plan pursuant to the grant of incentive stock options. In addition, under the 2014 Plan, in any 12-month period, (i) no participant may be granted options and SARs that are not related to an option for more than 500,000 shares of common stock (or the equivalent value thereof based on the fair market value per share of the common stock on the date of grant of an award); and (ii) no participant may be granted awards other than options or SARs that are settled in shares of common stock for more than 500,000 shares of common stock (or the equivalent value thereof based on the fair market value per share of the common stock on the date of grant of an award). The share and award limitations are subject to adjustment for anti-dilution purposes as provided in the 2014 Plan.

19. RESIGNATION OF SOUTH AFRICAN CHIEF FINANCIAL OFFICER

On September 7, 2012, the Company's South African Chief Financial Officer ("SA CFO") resigned. It was determined that the SA CFO had committed certain illegal acts, fraud and certain misrepresentations of facts. Due to the SA CFO's actions, certain taxes were not paid. In addition, the applicable tax forms were not filed during the proper periods. The Company has engaged tax experts to assist in the tax process. The Company also discovered approximately $85,473 (net of repayments of approximately $42,000) and $42,109 of cash that was misappropriated by the SA CFO during the periods ended December 31, 2012 and 2011, respectively (presented as "other receivable" on the Company's combined balance sheet as of December 31, 2011), and approximately $128,000 in total for the period October 2011 through September 2012. As of December 31, 2013, approximately $78,000 has been recovered by the Company and payment plans are in place for the remainder.

ITEM 9: CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

On October 15, 2012 the Audit Committee of the Board of Directors of Chanticleer Holdings, Inc. (the "Company") engaged, approved and ratified Marcum LLP ("Marcum") as the Company's independent registered public accounting firm.

Marcum replaced Creason and Associates, PLLC ("Creason") as the Company's independent registered public accountant. Management was notified on October 3, 2012 by Creason that Creason would not continue to be the Company's independent principal auditor.

The Company engaged Marcum based on the decision to have one audit firm that is able to audit the Company's entire operations, including the South African operations, since that business is substantial. Marcum will now serve as the Company's independent auditors for the 2012 fiscal year.

Creason's report on the Company's consolidated financial statements for the years ended December 31, 2011 and, 2010 contained an explanatory paragraph which noted that there was substantial doubt about the Company's ability to continue as a going concern. Other than the foregoing, the report contained no adverse opinion or disclaimer of opinion and was not qualified or modified as to uncertainty, audit scope or accounting principles,
During the Company's two most recent fiscal years and the subsequent interim period preceding the resignation of Creason there were (a) no "disagreements" as defined in Item 304(a)(1)(iv) of Regulation S-K with Creason on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreement, if not resolved to the satisfaction of Creason, would have caused it to make reference to the subject matter of the disagreement in connection with its report; and (b) no "reportable events" as defined in Item 304(a)(1)(v) of Regulation S-K.

ITEM 9A: CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures

Under the PCAOB standards, a control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit the attention by those responsible for oversight of the company's financial reporting. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) and Rule 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended (Exchange Act), as of December 31, 2013. Our management has determined that, as of December 31, 2013, the Company's disclosure controls and procedures were effective.

Management's report on internal control over financial reporting

Management Responsibility for ICOFR. Management is responsible for establishing and maintaining effective internal control over financial reporting, as defined in Rule 13a-15(f) under the Exchange Act. The Company's internal control over financial reporting is designed to provide reasonable assurance to the Company's management and Board of Directors regarding the preparation and fair presentation of published financial statements in accordance with the United States' generally accepted accounting principles (US GAAP), including those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and disposition of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with US GAAP and that receipts and expenditures are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Management's Evaluation of ICOFR. Management evaluated our internal control over financial reporting as of December 31, 2013. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control — Integrated Framework.* As a result of this assessment and based on the criteria in this framework, management has concluded that, as of December 31, 2013, our internal control over financial reporting was ineffective.

Material Weaknesses

A material weakness is a control deficiency, or a combination of control deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

Management identified the following material weaknesses in its internal controls over financial reporting:

- *Lack of sufficient qualified personnel to design, implement, and maintain an effective control environment as it relates to financial reporting*. Given the significant expansion of the business and all of our operations, primarily from September 30, 2013 forward, we did not yet integrate an effective control environment with the sufficient complement of personnel with the appropriate level of accounting knowledge, experience, and training in U.S. GAAP to assess the completeness and accuracy of certain accounting and reporting matters.
- *Period-end financial reporting process*. Given the significant expansion of the business and all of our operations we did not design or maintain effective controls over the period-end financial reporting process, including controls with respect to the preparation, review, supervision, and monitoring of accounting operations and financial reporting. More specifically, due to the expansion of our business, we did not yet prepare timely accounting reconciliations nor did we have adequate financial reporting personnel to prepare timely and accurate financial statements, including related disclosures.

The material weaknesses described above could result in misstatements that would result in a material misstatement of the consolidated financial statements in a future annual or interim period that would not be prevented or detected.

Remediation Plans

We have initiated several steps and plan to continue to evaluate and implement measures designed to improve our internal control over financial reporting in order to remediate the material weaknesses, noted specifically above.

While our evaluation of the appropriate remediation plans is still ongoing, efforts to date have included recruiting experienced accounting personnel, relating to our acquisitions during the year. As an interim measure, the Company utilizes third party consultants to assist in the preparation of financial reporting and other financial aspects of the business, as well as continuing to integrate the Company's subsidiaries accounting personnel and processes.

Changes in Internal Control over Financial Reporting — As a result of the acquisitions of ARB. in September 2013, WEW in November 2013 and JF in December 2013, the Company is evaluating and implementing changes to processes, policies and other components of its internal control over financial reporting with respect to the consolidation of ARB, WEW and JF's operations into the Company's financial statements. Management continues to be engaged in substantial efforts to evaluate the effectiveness of our internal control procedures and the design of those control procedures relating to ARB, WEW and JF. Except for the activities described above, there were no changes in the Company's internal control over financial reporting that occurred during the year ended December 31, 2013, that materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting

ITEM 9B: OTHER INFORMATION

Not applicable.

PART III

ITEM 10: DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The following section sets forth the names, ages and current positions with the Company held by the Directors, Executive Officers and Significant Employees as of December 31, 2013; together with the year such positions were assumed. There is no immediate family relationship between or among any of the Directors, Executive Officers or Significant Employees, and the Company is not aware of any arrangement or understanding between any Director or Executive Officer and any other person pursuant to which he was elected to his current position.

Each Director and Executive Officer will serve until he or she resigns or is removed or otherwise disqualified to serve or until his or her successor is elected. The Company currently has five Directors.

NAME	AGE	POSITION
Michael D. Pruitt	52	President, CEO and Director since June 2005
Eric S. Lederer	47	CFO since June 2012
Alex Hemingway	37	President of CRK since 2011
Gordon Jestin	46	COO of KPL since 2011
Darren Smith	32	CFO of KPL since 2012
Michael Carroll	64	Independent Director since June 2005
Rusty Page	71	Non-Independent Director since January 2013
Paul I. Moskowitz	56	Independent Director since April 2007
Keith Johnson	55	Independent Director since November 2009

Michael D. Pruitt

Michael Pruitt founded Avenel Financial Group, a boutique financial services firm concentrating on emerging technology company investments, in 1999. In 2001, he formed Avenel Ventures, a technology investment and private venture capital firm. In the late 1980s, Mr. Pruitt owned Southern Cartridge, Inc., which he eventually sold to MicroMagnetic, Inc., where he continued working as Executive Vice President and a Board member until Southern Cartridge was sold to Carolina Ribbon in 1992. From 1992 to 1996, Mr. Pruitt worked at Ty Pruitt Trucking, which was sold in 1996 to Priority Freight Systems. Between 1997 and 2000, Mr. Pruitt assisted several public and private companies in raising capital, recruiting management and preparing companies to go public or be sold, as a consultant. He was the CEO from 2002-2005, President and Chairman of the Board of Onetravel Holdings, Inc. (formerly RCG Companies), a publicly traded holding company formerly listed on the AMEX. Mr. Pruitt received a Bachelor of Arts degree from Coastal Carolina University in Conway, South Carolina, where he sits on the Board of Visitors of the Wall School of Business.

Eric S. Lederer

Eric Lederer joined Chanticleer Holdings in February 2011 and was appointed CFO in June 2012. Prior to joining us, he served as Controller of PokerTek, Inc. (NASDAQ, PTEK), a licensed gaming company that develops and distributes electronic table games, since December 2005. Prior to PokerTek, Mr. Lederer was the Controller of OneTravel Holdings, Inc. (AMEX, OTV), a holding company primarily involved in the travel industry. Prior to OneTravel, Mr. Lederer worked as the Controller in privately-held companies in the entertainment industry and at a New York City CPA firm. Mr. Lederer received his B.S. in Accounting from Lehigh University. Mr. Lederer is a member of our Disclosure Committee.

Alex Hemingway

Alex Hemingway brings domestic and international executive management experience to the team and a proven track record of success in the Central European QSR industry. Between 1999–2005, Alex was President and Chief Executive of Central European Franchise Group ("CEFG"), the owner and operator of the Pizza Hut and Kentucky Fried Chicken brands in Hungary as well as three local national brands. Both brands boasted the highest customer feedback scores in the region for YUM! Restaurants International. While managing CEFG, Mr. Hemingway was approached by Orient Rt., Central Europe's largest restaurant company with 130+ operating units based in Budapest, to be its Chief Executive Officer. Between the two companies Alex has had over 180 units and 5000 people under his employ. Alex founded and served as the Director of the Fast Food Association of Hungary. He currently serves on the Board of Supervisors of the Budapest Honved Football Club and local charitable foundations.

Gordon Jestin

Gordon ("Gordie") Jestin trained in the restaurant industry as far back as 1993, completing openings, front-of-house trainings, and overall business practices. Mr. Jestin acquired a share in his first restaurant in 1995, having completed two years of work experience and management promotion. He then went on to own one of South Africa's most popular sports bars / restaurants, CottonfieldsUmhlanga, and was the operating partner there until 2009 when the restaurant was transformed into the first Hooters restaurant in South Africa. Over the years, Mr. Jestin has acquired three other restaurants, one of which he still has a share in today as a silent partner. In 2009, Mr. Jestin joined the Hooters SA management company and was promoted to COO in October, 2011.

Darren Smith

Darren Smith has more than 7 years of financial accounting experience. He has worked for UBAC Management & Business Advisory from February until October 2012 as a Senior Associate; VEXX Media as their Financial Director for 3 years prior; and Grant Thornton Durban from March 2005 until February 2009 as a Senior Auditor and Audit Supervisor. Mr. Smith has expertise in leading the preparation of audited financial statements, drafting financial statements, designing systems of internal controls, and driving efficiency and productivity through supervision and monitoring of the financial team.

Michael Carroll

Michael Carroll currently owns and operates a sales and training consulting firm based in Richmond, Virginia. Mr. Carroll has also served as a director for OneTravel Holdings, Inc., formerly RCG Companies Incorporated, from January of 2004 until February 2005. He previously spent 22 years in the distribution business, 19 of which were in computer products distribution. In 1978, Mr. Carroll founded MicroMagnetic, Inc., a computer supply distribution company that he sold to Corporate Express in 1997. From 1997 to 1999, he was a division president at Corporate Express, a publicly traded business-to-business office products and service provider. He holds a Bachelor's Degree in Business Management from The College of William & Mary in Williamsburg, Virginia, and a Master's Degree in Business Administration from Virginia Commonwealth University. Mr. Carroll is a member of our Audit and Compensation committees. Mr. Carroll was asked to serve as a Director based in part on his significant experience in the distribution business, as well as his general proven success in business.

Russell ("Rusty") Page

Rusty Page is a thirty-five year investor relations executive and is currently the founder and principal of Rusty Page & Company, a unique equity marketing and investor relations consulting firm. He also currently sits on the Board of Directors of The Diamond Hill Financial Trends Fund. Mr. Page previously served as Senior Managing Director of The NASDAQ Stock Market, as well as Senior Vice President and Equity Marketing Executive for NationsBank Corporation, the predecessor of Bank of America. Mr. Page is a member of our Audit Committee. Mr. Page was asked to serve as a Director based in part on his significant investor relations knowledge, Board membership experience, and familiarity with The NASDAQ Stock Market.

Paul I. Moskowitz

Paul Moskowitz is a Phi Beta Kappa of Vassar College and Cardozo Law School. Mr. Moskowitz was a co-founder and partner of a Jacobs and Moskowitz, a New York law firm specializing in corporate and real estate law. He became affiliated with The World Travel Specialist Group/The Lawyers' Travel Service ("WTSG/LTS") in 1988 and served as corporate counsel, representing the travel agency network in legal, real estate, and other business activities. In 1989, he joined WTSG full time as President and Chief Operating Officer until March 2003, with his primary responsibilities including day-to-day operations which encompassed WTSG's airline relationships and sales and marketing. Mr. Moskowitz led the growth of WTSG to one of the top 20 U.S. travel management firms with more than 90 offices throughout the U.S. Mr. Moskowitz is currently engaged as a consultant for another travel organization. Mr. Moskowitz is a member of our Compensation and Disclosure Committees. Mr. Moskowitz was asked to serve as a Director based in part on his significant legal experience and general proven success in business.

Keith Johnson

Keith Johnson currently serves as President of Efficiency Technologies, Inc., the wholly owned operating subsidiary of Efftec International, Inc. Prior to that he has been the President and Chief Executive Officer of YRT² (Your Residential Technology Team) in Charlotte, North Carolina, since 2004. Mr. Johnson served as Executive Vice President and Chief Financial Officer of The Telemetry Company in Dallas, Texas (1997-2004), Senior Vice President - Finance and Administration of Brinks Home Security in Dallas, Texas (1995-1997), and Chief Financial Officer of BAX Global in London, England (1992-1995). Mr. Johnson has a BS in accounting from Fairfield University in Fairfield, Connecticut. Mr. Johnson is the chair of our Audit Committee, and a member of our Compensation Committee. Mr. Johnson was asked to serve as Director based in part on his financial expertise and general proven success in business.

COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our executive officers, directors and persons who own more than ten percent of our common stock to file initial reports of ownership and changes in ownership with the SEC. Additionally, SEC regulations require that we identify any individuals for whom one of the referenced reports was not filed on a timely basis during the most recent fiscal year or prior fiscal years. To the best of our knowledge, based solely on a review of copies of the reports filed with the SEC since January 1, 2013 and on representations by certain officers and directors, all persons subject to the reporting requirements of Section 16(a) filed the reports required to be filed on a timely basis, except that a Form 3 for Russell Page inadvertently was filed late.

CODE OF ETHICS

The Board of Directors of the Company adopted a Code of Ethics for all officers or persons performing similar functions, which was effective May 23, 2005, which was filed as Exhibit 14 to the Company's Annual Report on Form 10-K/A dated December 31, 2007. A copy of this document is available on our website at *www.chanticleerholdings.com* under the "Investors - Corporate Governance" tabs.

AUDIT COMMITTEE

We have a separately designated standing audit committee, established in accordance with Section 3 (a)(58)(A) of the Exchange Act, which is currently made up of Mr. Johnson, chair, Mr. Page, and Mr. Carroll. The Board of Directors designates which directors will serve as the members of the audit committee. The Board of Directors has determined that Keith Johnson meets the requirements of an audit committee financial expert and he serves as Chairman of the Audit Committee. All members are independent pursuant to applicable SEC rules and regulations and NASDAQ listing standards. The Audit Committee met four times in 2013. The Audit Committee is governed by a written charter approved by the Board of Directors, which is available on our website at *www.chanticleerholdings.com* under the "Investors - Corporate Governance" tabs.

The primary responsibility of the Audit Committee is to oversee our financial reporting process on behalf of the Board of Directors and report the result of their activities to the Board. Such responsibilities shall include, but shall not be limited to, the selection and, if necessary, the replacement of our independent auditors and review and discussion with such independent auditors of (i) the overall scope and plans for the audit, (ii) the adequacy and effectiveness of the accounting and financial controls, including our system to monitor and manage business risks, and legal and ethical programs, and (iii) the results of the annual audit, including the financial statements to be included in our annual report on Form 10-K.

Report of Audit Committee

The Audit Committee assists the Board of Directors with fulfilling its oversight responsibility regarding the quality and integrity of our accounting, auditing and financial reporting practices. In performing its oversight responsibilities regarding the audit process, the Audit Committee:

- Reviewed and discussed the audited financial statements with management;
- Discussed with the independent auditors the matters required to be discussed by Auditing Standard No. 16, Communications with Audit Committees, as adopted by the Public Company Accounting Oversight Board; and
- Received the written disclosures and the letter from the independent accountant required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant's communications with the audit committee concerning independence, and has discussed with the independent accountant the independent accountant's independence.

Based on the review and discussions referred to in these three items, the Audit Committee recommended to the Board of Directors that the audited consolidated financial statements be included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2013, as filed with the Securities and Exchange Commission.

Members of the Audit Committee

Keith Johnson (chair)
Russell Page
Michael Carroll

COMPENSATION COMMITTEE

We have a separately designated standing compensation committee, established in accordance with SEC rules and regulations and NASDAQ listing standards, which is currently made up of Mr. Johnson, Mr. Moskowitz, and Mr. Carroll. Mr. Carroll serves as the chair.The Board of Directors designates which directors will serve as the members of the compensation committee. All members are independent pursuant to applicable SEC rules and regulations and NASDAQ listing standards. Also, the Board of Directors has determined that each such member meets the requirements of a "non-employee director" under Rule 16b-3 under the Exchange Act and meets the requirements of an "outside director" for purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended. The Compensation Committee met two times in 2013. The Compensation Committee is governed by a written charter approved by the Board of Directors, which is available on our website at *www.chanticleerholdings.com* under the "Investors - Corporate Governance" tabs.

The responsibilities of the Compensation Committee include overseeing the evaluation of executive officers (including the Chief Executive Officer) of the Company, determining the compensation of executive officers of the Company, and overseeing the management of risks associated therewith. The Compensation Committee determines and approves the Chief Executive Officer's compensation. The Compensation Committee also will administer our equity-based plans and make recommendations to the Board of Directors with respect to actions that are subject to approval of the Board of Directors regarding such plans. The Compensation Committee also reviews and makes recommendations to the Board of Directors with respect to the compensation of directors. The Compensation Committee monitors the risks associated with the Company's compensation policies and practices, as contemplated by Item 402(s) of Regulation S-K. In setting 2013 compensation, the Compensation Committee did not retain a compensation consultant.

NOMINATING COMMITTEE

We currently do not have a standing nominating committee. Board nominees are selected or recommended for the Board's selection by independent directors constituting a majority of the board's independent directors in a vote in which only the independent directors participate.

ITEM 11: EXECUTIVE COMPENSATION

The Compensation Committee of the Board of Directors deliberates executive compensation matters to the extent they are not delegated to the Chief Executive Officer.

a. Summary Compensation Table

The following table shows the compensation of the Company's Chief Executive Officer and the next two most highly paid executive officers (collectively the "Named Executive Officers") for the years ended December 31, 2013 and 2012.

ANNUAL COMPENSATION

Name and Principal Position	Year	Salary	Bonus	Total
Michael D. Pruitt	2013	$ 240,000	$ -	$ 240,000
(President and Chief Executive Officer)	2012	$ 204,000	$ 10,000	$ 214,000
Eric S. Lederer	2013	$ 84,000	$ -	$ 84,000
(Chief Financial Officer)	2012	$ 74,000	$ 6,000	$ 80,000
Alex Hemingway	2013	$ 200,004	$	$ 200,004
(President of CRK subsidiary)	2012	$ 200,004	$ -	$ 200,004

b. Compensation of directors

The Company did not compensate its directors in 2012.

The following table reflects compensation earned for services performed in 2013 by members of our Board of Directors who were not Company employees. A director who is a Company employee, such as Mr. Pruitt, does not receive any compensation for service as a director. The compensation received by Mr. Pruitt as an employee of the Company is shown above in the Summary Compensation Table.

Director Compensation for Fiscal Year Ended December 31, 2013

Name	Fees Earned or Paid in Cash ($)	Total ($)
Michael Carroll	6,000	6,000
Russell J. Page	6,000	6,000
Paul I. Moskowitz	6,000	6,000
Keith Johnson	6,000	6,000

We reimburse all directors for expenses incurred in their capacity as directors.

c. Compensation Committee Interlocks and Insider Participation

Not applicable.

d. Compensation Committee Report

Not applicable.

ITEM 12: SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

To our knowledge, the following table sets forth information with respect to beneficial ownership of outstanding common stock as of March 15, 2014 by:

- each person known by the Company to beneficially own more than 5% of the outstanding shares of the common stock;
- each of our named executive officers;
- each of our directors; and
- all of our directors and executive officers as a group.

Beneficial ownership is determined in accordance with the rules of the SEC and includes voting or investment power with respect to the securities as well as securities which the individual or group has the right to acquire within 60 days of the determination date. Unless otherwise indicated, the address for those listed below is c/o Chanticleer Holdings, Inc., 11220 Elm Lane, Suite 203, Charlotte, NC 28277. Except as indicated by footnote, and subject to applicable community property laws, the persons named in the table have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them. The number of shares of the common stock outstanding used in calculating the percentage for each listed person includes the shares of common stock underlying options or other convertible securities held by such persons that are exercisable within 60 days of March 15, 2014, but excludes shares of common stock underlying options or other convertible securities held by any other person. The number of shares of common stock issued and outstanding as of March 15, 2014, was 6,287,365. Except as noted otherwise, the amounts reflected below are based upon information provided to the Company and filings with the SEC.

Name of Beneficial Owner	Shares Beneficially Owned	Percent
Larry Spitcaufsky (1)	1,067,216	17.0%
Michael D. Pruitt (2)	590,041	9.4%
Sandor Capital Master Fund LP and affiliates (3)	522,096	8.3%
ICS Opportunities, Ltd. and affiliates (4)	444,444	7.1%
Siskey Capital, LLC and affiliates (5)	416,482	6.6%
Robert B. Prag (6)	417,026	6.6%
Leonid Frenkel (8)	402,300	6.4%
Michael Carroll (8)	16,500	*
Paul I. Moskowitz (8)	9,300	*
Russell (“Rusty”) Page (8)	3,000	*
Keith Johnson (8)	3,000	*
Darren Smith	376	*
Eric S. Lederer	375	*
Alex Hemingway	0	*
Officers and Directors as a Group	635,925	10.1%

* less than 1%

(1) This amount is based solely on a Schedule 13G filed with the SEC on February 10, 2014 on behalf of Larry Spitcaufsky, Hooters of Washington, LLC, and Hooters of Oregon Partners, LLC. Mr. Spitcaufsky is the manager of Washington, LLC, and Hooters of Oregon Partners, LLC, and, as a result, Mr. Spitcaufsky has shared voting and dispositive power with respect to all of the securities reported with Washington, LLC, and Hooters of Oregon Partners, LLC. This amount reflects beneficial ownership of warrants to purchase 386,944 shares of common stock but does not reflect beneficial ownership of warrants to purchase 292,638 shares of common stock. All warrants are currently exercisable, but a contractual provision prohibits Larry Spitcaufsky, Hooters of Washington, LLC, and Hooters of Oregon Partners, LLC from exercising any warrants if such exercise would result in the reporting persons beneficially owning more than 19.9% of the outstanding common stock measured as of January 31, 2014.

(2) Michael D. Pruitt directly holds 169,125 shares of common stock, HOTR Warrants exercisable for 1,500 shares of common stock, Class A Warrants exercisable for 168,000 shares of common stock, and 168,000 Class B Warrants exercisable for shares of common stock. Additionally, Avenel Financial Group, Inc., a corporation controlled by Mr. Pruitt, holds 35,410 shares of common stock, Class A Warrants exercisable for 23,940 shares of common stock, and 23,940 Class B Warrants exercisable for shares of common stock.

(3) Sandor Capital Master Fund LP is the record holder of 199,347 shares of common stock, HOTR Warrants exercisable for 95,775 shares of common stock, 87,386 Class A Warrants exercisable for shares of common stock, and 87,386 Class B Warrants exercisable for shares of common stock. Sandor Advisors, LLC is the General Partner of Sandor Capital. John S. Lemak is the Manager of Sandor Advisors and is the record holder of 28,002 shares of common stock, 12,100 Class A Warrants, and 12,100 Class B Warrants. Sandor Capital, Sandor Advisors, and Mr. Lemak have shared voting power and shared dispositive power with respect to all shares except that Mr. Lemak has sole voting power and sole dispositive power with respect to the 52,202 shares held directly in his name. The address for these parties is 2828 Routh Street, Suite 500, Dallas, Texas, 75201. This information is based solely on a Schedule 13G/A filed with the SEC on March 6, 2013.

(4) ICS Opportunities, Ltd. maintains principal offices at 666 Fifth Avenue, New York, New York 10103 and shares voting power and dispositive power with respect to all shares with Millennium International Management LP, Millennium International Management GP LLC, Millennium Management LLC, and Israel A. Englander. The amounts set forth in the table include 222,222 shares of common stock and HOTR Warrants exercisable for 222,222 shares of common stock. This information is based solely on a Schedule 13G/A filed with the SEC on July 16, 2012.

(5) This amount is based in part on a Schedule 13G filed with the SEC on October 21, 2013 and is based in part on information provided to the Company by the stockholder. Siskey Capital, LLC shares voting power and dispositive power with respect to 120,911 shares, Carolina Preferred Investments III, LLC shares voting power and dispositive power with respect to 295,571 shares, and Todd Beddard shares voting power and dispositive power with respect to all 416,482 shares. The address for these parties is 4521 Sharon Road, Suite 450, Charlotte, North Carolina 28211.

(6) According to a Schedule 13G/A filed with the SEC on March 4, 2013, Robert B. Prag is the record holder of 115,550 shares of common stock, HOTR Warrants exercisable for 91,985 shares of common stock, 76,000 Class A Warrants exercisable for shares of common stock, and 76,000 Class B Warrants exercisable for shares of common stock. Additionally, according to the same Schedule 13G/A, Del Mar Consulting Group, Inc. Retirement Plan Trust, a trust for which Mr. Prag serves as Trustee, is the record holder of 16,158 shares of common stock, 14,000 Class A Warrants, and 14,000 Class B Warrants. The Schedule 13G/A notes that Mr. Prag and the trust have shared voting power and shared dispositive power with respect to trust shares and Mr. Prag has sole voting power and sole dispositive power with respect to the shares held directly in his name. The address for these parties is 2455 El Amigo Road, Del Mar, California 92014. In addition to the amounts listed above from the March 4, 2013 Schedule 13G/A, Mr. Prag and the trust each acquired additional shares through a private placement in October 2013. Mr. Prag directly acquired an additional 6,700 shares of common stock and the trust acquired an additional 6,633 shares of common stock. These 13,333 private placement shares are included in the total shares beneficially owned in the table. Warrants for 13,333 shares, which also were acquired in the October 2013 private placement, are not included in the total shares beneficially owned in the table because these warrants are not exercisable until October 2014.

(7) This amount is based on information provided to the Company by the stockholder. This amount includes 137,150 shares of common stock and 265,150 shares of common stock underlying exercisable warrants. This amount does not include warrants for 22,000 shares owned by Mr. Frenkel because such warrants are not exercisable until October 2014. The shares are held by the Equity Trust Company as custodian fbo Leonid Frenkel, and Leonid Frenkel has voting power and dispositive power with respect to all of the securities. The address for Leonid Frenkel is 1600 Flat Rock Road; Penn Valley, Pennsylvania 19072.

(8) Includes Class A and Class B warrants as follows:

	Shares Owned	Class A Warrants	Class B Warrants	Total
Michael Carroll	5,500	5,500	5,500	16,500
Rusty Page	1,000	1,000	1,000	3,000
Paul I. Moskowitz	3,100	3,100	3,100	9,300
Keith Johnson	1,000	1,000	1,000	3,000

EQUITY COMPENSATION PLAN INFORMATION

The following table provides information with respect to securities authorized for issuance under all of the Company's equity compensation plans as of March 15, 2014.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column) (a)) (c)
Equity compensation plans approved by security holders	—	—	4,000,000(1)
Equity compensation plans not approved by security holders	—	—	—

(1) Includes 4,000,000 shares available for issuance under the Chanticleer Holdings, Inc. 2014 Stock Incentive Plan, which was approved by our stockholders on January 31, 2014.

ITEM 13: CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Director Independence

We undertook a review of the independence of our directors and, using the definitions and independence standards for directors provided in the rules of The Nasdaq Stock Market, considered whether any director has a material relationship with us that could interfere with his ability to exercise independent judgment in carrying out his responsibilities. As a result of this review, we determined that Michael Carroll, Rusty Page, Paul Moskowitz and Keith Johnson are "independent directors" as defined under the rules of The Nasdaq Stock Market.

ITEM 14: PRINCIPAL ACCOUNTING FEES AND SERVICES

Audit Fees

For the fiscal years ended December 31, 2013 and 2012, Marcum LLP. billed the Company for services rendered as the Company's principal accountant.

We paid the following fees to Marcum LLP for fiscal years 2013 and 2012:

	2013	2012
Audit Fees (1)	$ 287,800	$ 165,200
Audit-Related Fees (2)	4,500	—
Tax Fees (3)	—	—
All Other Fees (4)	4,200	—
	$ 296,500	$ 165,200

(1) *Audit Fees*. This category includes fees for professional services provided in conjunction with the audit of our financial statements and with the audit of management's assessment of internal control over financial reporting and the effectiveness of internal control over financial reporting, review of our quarterly financial statements, assistance and review of documents filed with the SEC, consents and attestation services provided in connection with statutory and other regulatory filings and engagements.
(2) *Audit Related Fees*. This category pertains to fees for assurance and related professional services associated with due diligence related to acquisitions.
(3) *Tax Fees*. There were no fees for tax services
(4) *Other fees*. This category includes other fees for services not included above.

The Audit Committee reviews, and in its sole discretion pre-approves, our independent registered public accounting firm's annual engagement letter, including proposed fees and all audit and non-audit services provide by the independent registered public accounting firm. All services described above were pre-approved by our Audit Committee. The Board may not engage the independent registered public accounting firm to perform non-audit services proscribed by law or regulation.

PART IV

ITEM 15: EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a)(1) Financial Statements.

The following financial statements of Chanticleer Holdings, Inc. are contained in Item 8 of this Form 10-K:

- Report of Independent Registered Public Accounting Firm
- Consolidated Balance Sheets at December 31, 2013 and 2012
- Consolidated Statements of Operations – For the years ended December 31, 2013 and 2012
- Consolidated Statements of Stockholders' Equity at December 31, 2013 and 2012
- Consolidated Statements of Cash Flows – For the years ended December 31, 2013 and 2012
- Notes to the Consolidated Financial Statements

(a)(2) Financial Statements Schedules.

Financial Statement Schedules were omitted, as they are not required or are not applicable, or the required information is included in the Financial Statements.

(a)(3) Exhibits Filed.

The exhibits listed in the accompanying Exhibit Index are filed as a part of this report.

(b) Exhibits.

See Exhibit Index.

(c) Separate Financial Statements and Schedules.

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized on March 31, 2014.

CHANTICLEER HOLDINGS, INC.

By: /s/ Michael D. Pruitt
Michael D. Pruitt, Chairman
and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant in the capacities and on the dates indicated.

Date	Title (Capacity)	Signature
March 31, 2014	Chairman, Chief Executive Officer, and Principal Executive Officer	/s/ Michael D. Pruitt Michael D. Pruitt
March 31, 2014	Chief Financial Officer and Principal Accounting Officer	/s/ Eric S. Lederer Eric S. Lederer
March 31, 2014	Director	/s/ Michael Carroll Michael Carroll
March 31, 2014	Director	/s/ Russell J. Page Russell J. Page
March 31, 2014	Director	/s/ Paul I. Moskowitz Paul I. Moskowitz
March 31, 2014	Director	/s/ Keith Johnson Keith Johnson

EXHIBIT INDEX

Exhibit	Description
2.1	Agreement and Plan of Merger dated September 2013 between the Company and American Roadside Burgers, Inc. (9)
2.2	Share Purchase Agreement dated October 2013 between Company and Manchester Wings Limited (11)
2.3	Tax Covenant to October 2013 Share Purchase Agreement with Manchester Wings Limited (11)
2.4	Subscription Agreement dated November 2013 among the Company, JF Restaurants, LLC and the other parties named therein (12)
2.5	Assignment, Assumption, Joinder and Amendment Agreement dated December 2013 among the Company, JF Franchising Systems, LLC and the other parties named therein (15)
3.1(a)	Certificate of Incorporation (2)
3.1(b)	Certificate of Merger, filed May 2, 2005 (3)
3.1(c)	Certificate of Amendment, filed July 16, 2008 (1)
3.1(d)	Certificate of Amendment, filed March 18, 2011 (4)
3.1(e)	Certificate of Amendment, filed May 23, 2012 (6)
3.1(f)	Certificate of Amendment, filed February 3, 2014 (18)
3.2	Bylaws (2)
4.1	Form of Common Stock Certificate (5)
4.2	Form of Unit Certificate dated June 2012 (7)
4.3	Form of Warrant Agency Agreement dated June 2012 with Form of Warrant Certificate with $6.50 Exercise Price (7)
4.4	Form of 6% Secured Subordinate Convertible Note dated August 2013 (8)
4.5	Form of Warrant for August 2013 Convertible Note with $3.00 Exercise Price (8)
4.6	Form of Warrant for September 2013 Merger Agreement with $5.00 Exercise Price (9)
4.7	Form of Warrant for September 2013 Subscription Agreement with $5.00 Exercise Price (10)
4.8	Form of Warrant for November 2013 Subscription Agreement with $5.50 and $7.00 Exercise Price (13)
10.1	Revolving Credit Facility dated August 10, 2011 between the Company and Paragon Commercial Bank (5)
10.2	Credit Agreement dated April 11, 2013 between the Company and Paragon Commercial Bank

Exhibit	Description
10.3	Form of Franchise Agreement between the Company and Hooters of America, LLC (5)
10.4	Form of Subscription Agreement dated September 2013 (10)
10.5	Form of Subscription Agreement dated November 2013 (13)
10.6	Subscription Agreement dated December 2013 between the Company and Beacher's LV, LLC (14)
10.7	Right to Purchase Agreement dated December 2013 between the Company and Madhouse Worldwide Investments, LLC (14)
10.8	Brazil Franchise Agreement dated November 27, 2013 between the Company, Wings Brasil Restaurante Ltda., Chanticleer & Wings Brasil Foods Participacoes Ltda., and Hooters of America, LLC
10.9	Agreement and Plan of Merger dated December 31, 2013 between the Company, Hooters of Washington, LLC, and Hooters of Oregon Partners, LLC (16)
10.10	Agreement and Plan of Merger dated January 14, 2014 between the Company, Express Restaurant Holdings, L.L.C., and Dallas Spoon, L.L.C. (17)
10.11*	Chanticleer Holdings, Inc. 2014 Stock Incentive Plan effective February 3, 2014 (18)
21	Subsidiaries of the Company
23.1	Consent of Marcum LLP, Independent Registered Public Accounting Firm
31.1	Certification of Periodic Report by Michael D. Pruitt, as Chief Executive Officer, pursuant to Rule 13a-14(a) or 15d-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Periodic Report by Eric S. Lederer, as Chief Financial Officer, pursuant to Rule 13a-14(a) or 15d-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Periodic Report by Michael D. Pruitt, as Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Periodic Report by Eric S. Lederer, as Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following financial information from our Annual Report on Form 10-K for the year ended December 31, 2013, formatted in XBRL (eXtensible Business Reporting Language) includes: (i) the Consolidated Balance Sheets at December 31, 2013 and December 31, 2012, (ii) the Consolidated Statements of Operations for the years ended December 31, 2013 and December 31, 2012, (iii) the Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 2013 and December 31, 2012, (iv) the Consolidated Statements of Cash Flows for the years ended December 31, 2013 and December 31, 2012, and (v) the Notes to the Financial Statements

Exhibit	Description
(1)	Incorporated by reference to the exhibit filed with our Registration Statement on Form S-1/A (Registration No. 333-178307), filed with the SEC on February 3, 2012.
(2)	Incorporated by reference to the exhibit filed with our Registration Statement on Form 10SB-12G, filed with the SEC on February 15, 2000 (File No. 000-29507).
(3)	Incorporated by reference to the exhibit filed with our Quarterly Report on Form 10-Q, filed with the SEC on August 15, 2011.
(4)	Incorporated by reference to the exhibit filed with our Current Report on Form 8-K, filed with the SEC on March 18, 2011.
(5)	Incorporated by reference to the exhibit filed with our Registration Statement on Form S-1 (Registration No. 333-178307), filed with the SEC on December 2, 2011.
(6)	Incorporated by reference to the exhibit filed with our Current Report on Form 8-K, filed with the SEC on May 24, 2012.
(7)	Incorporated by reference to the exhibit filed with our Registration Statement on Form S-1/A (Registration No. 333-178307), filed with the SEC on May 30, 2012.
(8)	Incorporated by reference to the exhibit filed with our Current Report on Form 8-K, filed with the SEC on August 5, 2013.
(9)	Incorporated by reference to the exhibit filed with our Current Report on Form 8-K, filed with the SEC on October 1, 2013.
(10)	Incorporated by reference to the exhibit filed with our Current Report on Form 8-K, filed with the SEC on October 10, 2013.
(11)	Incorporated by reference to the exhibit filed with our Current Report on Form 8-K, filed with the SEC on October 24, 2013.
(12)	Incorporated by reference to the exhibit filed with our Current Report on Form 8-K, filed with the SEC on November 5, 2013.
(13)	Incorporated by reference to the exhibit filed with our Current Report on Form 8-K, filed with the SEC on November 13, 2013.
(14)	Incorporated by reference to the exhibit filed with our Current Report on Form 8-K, filed with the SEC on December 2, 2013.
(15)	Incorporated by reference to the exhibit filed with our Current Report on Form 8-K, filed with the SEC on December 12, 2013.
(16)	Incorporated by reference to the exhibit filed with our Current Report on Form 8-K, filed with the SEC on January 2, 2014.
(17)	Incorporated by reference to the exhibit filed with our Current Report on Form 8-K, filed with the SEC on January 15, 2014.
(18)	Incorporated by reference to the exhibit filed with our Current Report on Form 8-K, filed with the SEC on February 4, 2014.

* Denotes an executive compensation plan or agreement

Our SEC file number reference for documents filed with the SEC pursuant to the Securities Exchange Act of 1934, as amended, is 001-35570. Prior to June 7, 2012, our SEC file number reference was 000-29507.

PARAGON COMMERCIAL BANK
3535 Glenwood Avenue, Raleigh, North Carolina 27612

Loan # 9930000823

COMMERCIAL NOTE

Loan Officer **CWB/s/ Charles W. Bartz**
Charles W. Bartz, Senior Vice President

Date: **April 11, 2013**

Borrower: **Chanticleer Holdings, Inc.**

Loan Amount: **$500,000.00**

☒ Revolving Line of Credit

FOR VALUE RECEIVED, the undersigned, jointly and severally, promise(s) to pay to PARAGON COMMERCIAL BANK ("Bank"), or order, the sum of **Five Hundred Thousand and 00/100 Dollars ($500,000.00)** or so much as shall have been disbursed from time to time and remains unpaid, including or together with interest at the rate and payable in the manner hereinafter stated. Principal and interest shall be payable at Bank at the address indicated above, or such other place as the holder of this Note may designate.

INTEREST RATE

All payments made on this Note will be applied first to accrued interest and then to principal. Interest will accrue on the unpaid principal balance at the rate set forth below until maturity and will accrue on any unpaid past due interest before maturity and on any unpaid balance after maturity as set forth on the reverse side of this Note.

Interest payable on this Note will be at the per annum rate of:

☒ **Wall Street Journal Prime Rate + 1.00%, with a floor rate of 5.00%**

As used in this Note "Wall Street Journal Prime" shall mean the prime rate most recently published in the "Money Rates" section specified in the Eastern Edition of the *Wall Street Journal;* provided that if more than one such "Prime Rate" is published, the higher of such rate shall be applicable.

Interest will be calculated on the basis of: ☒ Actual days/360 day year

All rates except the "Fixed" rate will be subject to change without prior notice at the sole option of Bank and will be effective:

☒ As of the date the base rate (Wall Street Journal Prime Rate) changes

Effect of Variable Rate: A change in the interest rate will have the following effect on the payments:

☒ The amount of each scheduled payment and the final payment will change.

PRINCIPAL PAYMENT TERMS

Principal (and interest if indicated under Interest Payment Terms below) shall be payable as follows:

☒ **Payable in one single payment on April 10, 2014 (herein referred to as "Maturity").**

INTEREST PAYMENT TERMS

Interest shall be payable in arrears, as follows:

☒ **Payable monthly beginning May 10, 2013 and consecutively on the same calendar day of each such calendar period thereafter.**

LATE CHARGE

If any scheduled payment is in default 15 days or more (unless interest on this Note is payable in advance, in which case such period shall be 30 days or more), Obligors agree to pay a late charge equal to 6.00% of the amount of the payment that is in default, but not more than maximum amount allowed by applicable law.

PREPAYMENT

☒ This Note may be prepaid in whole or in part any time without premium.

For partial prepayments, the Bank may, in its sole discretion, apply the prepayment to principal and recalculate the installment payment amount so that equal payments of principal and interest will cause this Promissory Note to be paid in full with the same Maturity date (set forth above). If the Bank decides not to recalculate the installment payment amount, then such prepayment will be applied to the most remote installment then unpaid and shall not otherwise reduce the installment payments coming due prior thereto.

COLLATERAL

☒ SECURED. This Note is secured by collateral described in the following security instruments:

Cross Collateralized and Cross Defaulted with Paragon Commercial Loan #9930000455 to Borrower secured by:

☒ **Security agreement(s) dated July 15, 2009 evidenced by UCC-1 filing with North Carolina Secretary of State for a blanket first priority lien on all furnishings, equipment, inventory and other items and types of personal property now owned or hereafter acquired, all the Borrower's general intangibles, instruments and or investment documents and accounts receivable, whether presently existing or arising in the future, and all the proceeds and products from the foregoing (including insurance proceeds). In addition to the foregoing, the collateral shall also include the Borrower's 11.5% interest in Chanticleer Investors, LLC sole asset: a Convertible Secured Promissory Note dated May 24, 2006 between Robert H. Brooks and any and all amendments thereto ("Security Agreement").**

1) At maturity of this Note, or upon default, Bank is authorized and empowered to apply to the payment hereof, any and all money deposited in Bank in the name of or to the credit of each party, without advance notice, and is authorized to offset any obligation of Bank to any party to the payment hereof.

2) Collateral securing other loans of each party with Bank may also secure this loan and this loan may also be supported by separate Guaranty Agreement(s).

SIGNATURES

The undersigned parties are jointly and severally liable for the payment of this Note and have subscribed their names hereto. The provisions printed below are a part of this Note. The provisions of this Note are binding on the heirs, executors, administrators, successors and assigns of each and every party and shall inure to the benefit of the holder, its successors and assigns. This Note is executed under the seal of each of the parties and of the endorsers, if any.

CHANTICLEER HOLDINGS, INC.

By: /s/ Michael D. Pruitt (SEAL)
Michael D. Pruitt, President/CEO/CFO

Additional Terms and Provisions of Note

DEFAULT. Any of the following shall constitute an event of default: (1) the failure to make when due any payment described herein, whether of principal, interest, or otherwise; (2) the failure of any party hereto to perform any of the terms and conditions written into, the Loan Agreement or security instrument(s) securing this Note or any guaranty agreement or security instrument(s) securing such guaranty agreement which apply to this Note; (3) the death, dissolution, merger, consolidation or termination of existence of any party; or if any party is a corporation with thirty-five (35) or fewer shareholders, the aggregate transfer(s) of voting shares in such party whereby persons or entities not owning on the date hereof, singly or in the aggregate, 50% or more of the voting shares of such party, become the owner(s), singly or in the aggregate, of 50% or more of such voting shares, or if such party is a limited or general partnership, any change in general partnership interest(s) in such party; (4) the application for the appointment of a receiver for any party or the filing of a petition under any provisions of the Bankruptcy Code or Act by or against any party or any assignment for the benefit of creditors by or against any party; (5) the failure of any party to furnish from time to time, at Bank's request, financial information requested with respect to such party without undue delay; (6) a determination by Bank that it deems itself insecure or that an adverse change in the financial condition of any party has occurred since the date hereof; (7) the failure of any party to perform any other obligation to Bank; (8) the termination of any guaranty agreement which applies to this Note; (9) default by Borrower or any guarantor under the terms of any agreement or instrument pursuant to which Borrower or any guarantor has borrowed money from any person; (10) default by Borrower under terms of any instrument or other agreement to which this Agreement or any of the other loan documents are subordinate or which is subordinate to this Agreement or any of the other loan documents.(11) default by Borrower or any guarantor in keeping, performing or observing any term, covenant, agreement or condition of any Commitment upon which all or any portion of any indebtedness evidenced by the NOTE was predicated.

LATE CHARGES, EXPENSES AND ACCELERATION. Each party agrees to pay any late charges permitted by applicable law that Bank may, in its discretion, charge for late payments. If this Note is not paid in full whenever it becomes due and payable, each party agrees to pay all costs and expenses of collection, including a reasonable attorney's fee up to the amount of fifteen (15) percent of the then outstanding balance. Upon the occurrence of an event of default, the entire unpaid balance of this Note shall, at the option of Bank, become immediately due and payable, without notice or demand. Failure to exercise the option to accelerate shall not constitute a waiver of the right to exercise same in the event of any subsequent default.

INTEREST. Upon the nonpayment of any payment of interest described herein, the Bank, at its option and without accelerating this Note, may accrue interest on such unpaid interest at the rate(s) applicable hereunder from lime to time until maturity of this Note. After maturity of this Note, whether by acceleration or otherwise, interest will accrue on the unpaid principal of this Note and any accrued but unpaid interest shall bear interest at the lesser of (i) the highest contract rate, if any, permitted by applicable law (ii) a rate equal to 18% per annum. Such interest rate shall apply both before and after any judgment hereon.

WAIVER. Each party waives presentment, demand, protest and notice of dishonor, waives any rights which they may have to require Bank to proceed against any other person or property, agrees that without notice to any party and without affecting any party's liability, Bank, at any time or times, may grant extensions of the time for payment or other indulgences to any party or permit the renewal, amendment or modification of this Note, the Loan Agreement or any security instrument(s), or permit the substitution, exchange or release of any security for this Note and may add or release any party primarily or secondarily liable, and agrees that Bank may apply all moneys made available to it from any part of the proceeds from the disposition of any security for this Note either to this Note or to any other obligation of any of the parties to Bank, as Bank may elect from time to time.

PARTIES. Each signatory of this Note is herein sometimes referred to as "Party" or collectively as "Parties" and each agrees to be liable hereunder jointly and severally. This Note shall apply to and bind each party's heirs, personal representatives, successors and assigns. All references in this Note to Bank shall include the holder hereof and this Note shall inure to the benefit of any holder, its successors and assigns.

PARTIES' DUE DILIGENCE. The undersigned acknowledge and represent that they have relied upon their own due diligence in making their own independent evaluations of the purposes for which the proceeds of this Note will be used and of the business affairs and financial condition of all parties hereto. and they will continue to be responsible for making their own appraisals of such matters. The undersigned have not relied upon and will not hereafter rely upon Bank for such information for such appraisal or other assessment or review and, further, will not rely upon any such information which may now or hereafter be prepared by Bank.

CREDIT INVESTIGATION. The Bank is authorized to investigate from time to time the credit of each party and to answer questions relating to the Bank's credit experience with each party.

PARAGON COMMERCIAL BANK
COMMERCIAL LOAN AGREEMENT

THIS COMMERCIAL LOAN AGREEMENT (the "AGREEMENT") is made this **11th day of April, 2013**, between **Chanticleer Holdings, Inc.** ("BORROWER") whose address is **11220 Elm Lane Suite 203 Charlotte, NC 28277** and Paragon Commercial Bank ("BANK").

RECITAL

BORROWER wishes to acknowledge total borrowings as of the date of this Commercial Loan Agreement from BANK in the principal sum of up to **Seven Hundred Thirty Four Thousand One Hundred Thirty and 43/100 DOLLARS ($734,130.43),** and BANK is and or has been willing to lend such sum to BORROWER on the terms and conditions herein contained and as may have been contained in any and all previous commitment letters issued by BANK (the "COMMITMENT(s)"), which COMMITMENT(s) also may require or have required one or more guarantors (each a "GUARANTOR") to agree to certain terms and conditions contained therein and in a separate guaranty agreements.

NOW THEREFORE, BANK and BORROWER agree to the premises herein contained as follows:

ARTICLE I – LOAN

☒ Subject to the terms and conditions set forth herein, BANK agrees or has previously agreed to make a loan to BORROWER in the original principal sum of $250,000.00, with a current principal balance of $234,130.43 (#9930000455).

☒ Subject to the terms and conditions set forth herein, BANK agrees or has previously agreed to provide an open end line of credit to BORROWER; amounts repaid may be re-borrowed , provided that the aggregate principal amount outstanding at any one time does not exceed $500,000.00.

The indebtedness to be provided pursuant to this AGREEMENT is hereinafter sometimes referred to as the "LOAN".

SECTION 1.1. NOTE. The LOAN shall be evidenced by BORROWER's Commercial Note dated the same date as this AGREEMENT substantially in the form of Exhibit A attached hereto ("NOTE"), all terms of which are incorporated herein by this reference.
SECTION 1.2. LOAN DOCUMENTS. The loan documents shall include this AGREEMENT, the NOTE, deed of trust, guaranty agreement, any collateral assignments, and any and all other documents which BORROWER, GUARANTOR or any other party or parties have executed and delivered, or may hereafter execute and deliver to evidence, secure or guarantee the obligations, or any part thereof, as the same may from time to time be extended, amended, restated, supplemented or otherwise modified. The loan documents constitute the entire understanding and agreement between BORROWER and BANK with respect to the transactions arising in connection with the LOAN, and supersede all prior written or oral understandings and agreements between BORROWER and BANK with respect to the matters addressed in the loan documents. In particular, and without limitation, the terms of any commitment by BANK to make the LOAN are merged into the loan documents. Except as incorporated in writing into the loan documents, there are no representations, understandings, stipulations, agreements or promises, oral or written, with respect to the matters addressed in the loan documents. If there is any conflict between the terms, conditions and provisions of this AGREEMENT and those of any other instrument or agreement, including any other loan document, the terms, conditions and provisions of this AGREEMENT shall prevail.
SECTION 1.3. PREPAYMENT. BORROWER may prepay principal on the indebtedness arising under this AGREEMENT only in accordance with the terms of the NOTE.
SECTION 1.4. PURPOSE. The proceeds of the LOAN shall be used as identified in each loan approval.
SECTION 1.5. SECURITY. As security for all indebtedness to BANK, BORROWER grants to BANK a security interest in BORROWER's collateral as identified in each set of loan documents.
SECTION 1.6. SUCCESSORS AND ASSIGNS.

(a) Each and every one of the covenants, terms, provisions and conditions of this AGREEMENT and the LOAN documents shall apply to, bind and inure to the benefit of BORROWER, its successors and those assigns of BORROWER consented to in writing by BANK, and shall apply to, bind and inure to the benefit of BANK and the endorsees, transferees, successors and assigns of BANK, and all persons claiming under or through any of them.

(b) BORROWER agrees not to transfer, assign, pledge or hypothecate any right or interest in any payment or advance due pursuant to this AGREEMENT, or any of the other benefits of this AGREEMENT, without the prior written consent of BANK, which consent may be withheld by BANK in its sole and absolute discretion. Any such transfer, assignment, pledge or hypothecation made or attempted by BORROWER without the prior written consent of BANK shall be void and of no effect. No consent by BANK to an assignment shall be deemed to be a waiver of the requirement of prior written consent by BANK with respect to each and every further assignment and as a condition precedent to the effectiveness of such assignment.

(c) BANK may sell or offer to sell the LOAN or interests therein to one or more assignees or participants. BORROWER shall execute, acknowledge and deliver any and all instruments reasonably requested by BANK in connection therewith, and to the extent, if any, specified in any such assignment or participation, such assignee(s) or participant(s) shall have the same rights and benefits with respect to the LOAN Documents as such person(s) would have if such person(s) were BANK hereunder. BANK may disseminate any information it now has or hereafter obtains pertaining to the LOAN, including any security for the LOAN, any credit or other information on the BORROWER's property (including environmental reports and assessments), BORROWER, any of Borrower's principals or any GUARANTOR, to any actual or prospective assignee or participant, to BANK's affiliates, to any regulatory body having jurisdiction over BANK, to any actual or prospective counterparty (or its advisors) to any swap or derivative transaction relating to BORROWER and the LOAN, or to any other party as necessary or appropriate in BANK's reasonable judgment.

SECTION 1.7. CREDIT LINE PAYOUT. At a time of BORROWER's choosing, but prior to the maturity date of the NOTE, the principal balance of the NOTE for any line of credit must be fully repaid by BORROWER and must remain paid out for **NA** consecutive days.

ARTICLE II- REPRESENTATIONS AND WARRANTIES

BORROWER makes the following representations and warranties to BANK, which representations and warranties shall survive the execution of this AGREEMENT and the closing and shall be affirmed upon each draw request and any advances of the LOAN.

SECTION 2.1. LEGAL STATUS. BORROWER is a business entity duly organized and existing under the laws of the State of North Carolina, and is qualified to do business in all jurisdictions in which it conducts its business.

SECTION 2.2. NO VIOLATION. The making and performance by BORROWER of this AGREEMENT does not violate any provision of law, and does not result in a breach of or constitute a default under any agreement, indenture or other instrument to which BORROWER is a party or by which BORROWER may be bound.

SECTION 2.3. AUTHORIZATION. This AGREEMENT has been duly authorized, executed and delivered, and is a valid and binding agreement of BORROWER; and the NOTE to be issued hereunder by BORROWER, upon its execution and delivery in accordance with the provisions of this AGREEMENT, will be a valid and binding obligation of BORROWER in accordance with its terms.

SECTION 2.4. LITIGATION. There are no pending or threatened actions or proceedings before any court or administrative agency which may adversely affect the financial condition, results of operations, business or properties of BORROWER other than those heretofore disclosed by BORROWER to BANK in writing.

SECTION 2.5. CORRECTNESS OF FINANCIAL STATEMENTS. The financial statements dated December 31, 2012, heretofore delivered by BORROWER to BANK present fairly the financial condition of BORROWER, and prepared in accordance with sound accounting principles applicable to entities such as the BORROWER, consistently applies as approved by LENDER. As of the date of such financial statements, and since such date, there has been no material adverse change in the condition or operations of BORROWER, nor has BORROWER mortgaged, pledged or granted a security interest in or encumbered any of BORROWER's assets or properties since such date.

SECTION 2.6. TAXES. BORROWER has filed or caused to be filed all tax returns, reports, estimates and declarations which are required to be filed, and has paid all taxes shown to be due and payable on said returns or on any assessments made against it or any of its property and all other taxes, fees or other charges imposed on BORROWER or any of its property by any governmental authority (other than those the amount or validity of which is currently being contested in good faith by appropriate proceedings and with respect to which reserves in conformity with and prepared in accordance with sound accounting principles applicable to entities such as the BORROWER, consistently applies as approved by LENDER have been established; and no liens have been filed and no claims are being asserted with respect to any such taxes, fees or other charges and no event exists, or will exist at closing which with the giving notice or the lapse of time, or both, would give rise to a lien. Federal tax returns of BORROWER have been audited through BORROWER's tax year ended 2012, and BORROWER has no knowledge of any pending assessments or adjustments of its income tax payable with respect to any year subsequent to that date.

SECTION 2.7. NO SUBORDINATION. The obligations of BORROWER under this AGREEMENT or the NOTE are not subordinated in right of payment to any other obligation of BORROWER to any other lender or other person, including without limitation any member, manager, shareholder, principal, partner, director, officer, employee or agent of BORROWER.

SECTION 2.8. PERMITS, FRANCHISES. The BORROWER possesses, and will hereafter possess, all permits, memberships, franchises, contracts, and licenses required and all trademark rights , trade names, trade name rights, patents, patent rights, and fictitious name rights necessary to enable it to conduct the business in which it is now engaged without conflict with the rights of others.

SECTION 2.9 NO DEFAULT— CONTRACTUAL OBLIGATIONS. BORROWER is not in default under or with respect to any contractual obligation (including any indebtness) in any respect which could be materially adverse to its businesses, operations, properties, financial or other conditions, or which could materially adversely affect its ability to perform its obligations under the loan documents, and no event exists, or will exist at closing which, with the giving of notice or the lapse of time, or both, would give rise to such a default. To the best of its knowledge, all of the material contractual obligations of BORROWER are valid, binding, and enforceable obligations of all of the parties thereto, in accordance with their respective terms, and, to the best of its knowledge, there are no material disputes between BORROWER and the other parties to such material contractual obligations with respect to such contractual obligations and BORROWER, after taking the LOAN into account, will be able to continue performing its obligations under such contractual obligations.

SECTION 2.10 NO DEFAULT — LOAN DOCUMENTS. No default conditions or EVENT OF DEFAULT shall exist at closing and, to the best of BORROWER's knowledge, after due and diligent inquiry, no event exists, or will exist at closing which with the giving of notice or the lapse of time, or both, would give rise to a default condition.

SECTION 2.11 OWNERSHIP OF PROPERTY; LIENS; ETC. BORROWER has good and marketable title in fee simple in and to all of the collateral (including without limitation, the Borrowing Base, as defined in SECTION 3.4(t), if applicable) free and clear of any and all liens, security interests, claims, demands, off-sets, contingencies or other outstanding interests, whether legal or equitable, except for liens and interests, if any, approved by BANK.

SECTION 2.12 DISCLOSURE. Neither this AGREEMENT, the other loan documents, nor any representation , certificate, statement or other documents furnished to BANK prior to or contemporaneous with the execution and delivery of this AGREEMENT by BORROWER contains any untrue statement of any material fact or omits disclosure of any material fact necessary to make the statement contained herein misleading. There is no material fact known to BORROWER which has not been disclosed to BANK in writing which affects in a materially adverse manner the property, business, prospects, profits or condition (financial or otherwise) of BORROWER, or the ability of BORROWER to fully perform this AGREEMENT and the other loan documents to which it is a party, and any all other transactions contemplated herein.

SECTION 2.13 COLLATERAL AND COMPLIANCE. All of the collateral and all other property that is necessary for the full use and enjoyment of the collateral is in material compliance with all governmental and regulatory orders, directives, rules and regulations, including zoning, subdivision, and environmental rules and regulations, and will be operated in such manner to remain in material compliance with such laws until the LOAN is paid and satisfied in full.

SECTION 2.14 NO MATERIALLY ADVERSE CONTRACTS ETC. BORROWER is not subject to any charter or corporate restriction or legal restrictions, or any judgment, decree, order, rule, regulations or any other requirement of law which has or is expected in the future to have a material adverse effect on the business, assets, or financial condition or prospects of BORROWER. BORROWER is not a party to any contract or agreement which has or is expected to have any material adverse effect on the business, assets, financial conditions or prospects of any of them.

SECTION 2.15 NAME. BORROWER operates its business and owns its assets only under its name used herein.

SECTION 2.16 ENVIRONMENTAL COMPLIANCE. BORROWER has not conducted any activity on any real property owned or leased by it, or otherwise in its possession or control, involving the generation, treatment, storage or disposal of hazardous waste, other than activities in the normal course of its business (and as to such activities in the normal course of business, it is in compliance in all material respects with all requirements of law), nor has any previous owner conducted any such activities. BORROWER's records do not now, nor to its best knowledge, have they ever revealed any discharge, spill, or disposal of any hazardous substances, hazardous waste or oil at, on or under any of the aforementioned real property. There has not been any notice or violation, administrative penalty, civil or criminal action,

claim, lien or any administrative or legal action or notice of same by any person whatsoever (including any governmental authority) against BORROWER of any of the aforementioned real property relating to any hazardous substances, hazardous waste, oil, or any other environmental matters. The soil, surface water and ground water on, under or about said real property are free from hazardous substances, hazardous waste and oil.

ARTICLE III —CONDITIONS PRECEDENT

The obligation of BANK to make any advance hereunder is subject to the fulfillment of the following conditions:
SECTION 3.1. APPROVAL OF BANK COUNSEL. All legal matters incidental to each advance hereunder shall be satisfactory to BANK counsel.

SECTION 3.2. REPRESENTATIONS AND WARRANTIES. The representations and warranties made by BORROWER which are contained herein and/or in any certificate. document. or financial or other statement furnished at any time under or in connection herewith. shall be correct and as of closing, as if made on and as of such date, and on and as of the date of each advance or disbursement of LOAN proceeds.
SECTION 3.3 NO DEFAULT OR EVENT OF DEFAULT. No default condition or EVENT OF DEFAULT shall have occurred and be continuing as of closing or after giving effect to the LOAN to be made at closing, nor shall a default condition or EVENT OF DEFAULT exist as of the date of any disbursement or advance of LOAN proceeds.
SECTION 3.4. DOCUMENTATION. BORROWER shall have delivered to BANK in form and substance satisfactory to BANK the following described documents:
(a) Loan Documents. BANK shall have received fully executed and, if necessary, recorded or filed, originals of the loan documents required by the COMMITMENT, this AGREEMENT and/or as may be otherwise required by BANK to evidence the LOAN and to create and perfect the lien and security interest in the collateral required herein.
(b) Supporting Documentation. All of the conditions listed in this SECTION 3.3, in the COMMITMENT and elsewhere in this AGREEMENT shall have been completed and/or satisfied, including, without limitation, perfection in favor of BANK of the lien and security interest in all of the collateral as required herein.
(c) UCC-11 Search Results. BANK shall have received current UCC-11 search results from such local and state filing offices verifying any judgments, liens or pending cases as BANK may request, each showing no liens or encumbrances against any of the collateral.
(d) Taxes. BORROWER shall have delivered to BANK evidence that the ad valorem taxes on any real property that is a part of the collateral have been paid through the most recent calendar year and information as to tax parcel identification numbers, tax rates, estimated tax values and the identities of the taxing authorities.
(e) Licensee and Permits. BORROWER shall have received copies of all material licenses and permits respecting BORROWER's business that are necessary for the conduct thereof.
(f) Insurance. BORROWER shall have delivered to BANK evidence that BORROWER and such other persons as required by BANK have obtained each of the insurance policies required under this AGREEMENT together with satisfactory evidence of premium payments.
(g) Current Financial Statements. BORROWER shall have delivered to BANK complete and current financial statements, all as required by and in form satisfactory to BANK.
(h) Taxpayer Identification Number. BORROWER shall have supplied to BANK its federal taxpayer identification numbers and/or social security numbers.
(i) Authority Documents. BANK shall have received from BORROWER and from such other persons as BANK may request, documents evidencing their respective authority to enter into this LOAN and loan documents, as applicable, together with certificates of authority and/or good standing and borrowing certifications as BANK and its counsel deem appropriate.
(j) Opinion of BORROWER's Counsel. BANK shall have received from BORROWER's counsel a written legal opinion regarding, as applicable, the organization and operation of BORROWER, the enforceability of the loan documents and such other matters as BANK may reasonably request, such opinion to be in form and substance satisfactory to BANK.
(k) Borrowing Base Report. NA
SECTION 3.5 ORIGINATION FEE AND OTHER FEES. BORROWER shall have paid to BANK the origination fee or commitment fee as may be required in the COMMITMENT and all other fees and costs and expenses to be paid by BORROWER at or before closing, as provided in the COMMITMENT.
SECTION 3.6 BANK ACCOUNTS. As a condition of the LOAN, BORROWER or a related entity agrees to establish and maintain their primary depository account with BANK. BORROWER or such related entity agrees to maintain deposits with BANK based on this relationship and during the term of the LOAN.
SECTION 3.7 ADDITIONAL MATTERS. All other documents and legal matters in connection with the transactions contemplated by this AGREEMENT shall be received by BANK in form and substance satisfactory to BANK and its counsel and such counsel shall have received all information and such counterpart originals, or certified or other such copies of such documents, as such counsel may reasonably request.
SECTION 3.8 GENERAL. Without imposing any obligation or undertaking by BANK or its counsel and without acknowledging compliance with the representations and warranties or waiving strict compliance by BORROWER with all of the terms and conditions of the AGREEMENT and the materiality of all of the representations and warranties of BORROWER, BANK or BANK's counsel shall retain the right to be satisfied that all matters required to be performed in connection with this transaction have been performed in such a manner that the LOAN funds can be advanced, the lien and security position of BANK perfected in the collateral and that no event exists which will jeopardize the LOAN or the prospect of payment of the LOAN or the payment or performance of any of BORROWER's obligations in this AGREEMENT or any other loan documents.

ARTICLE IV — AFFIRMATIVE COVENANTS

BORROWER covenants that so long as BORROWER is indebted to BANK under this AGREEMENT, and until the payment in full of the NOTE issued hereunder, BORROWER will:
SECTION 4.1 . PUNCTUAL PAYMENT. Punctually pay the interest and principal of the NOTE at the times and place in the manner specified in the NOTE.
SECTION 4.2 PRIORITY PAYMENTS. Make payments of principal and interest due under this AGREEMENT and the NOTE before making any payments of (a) principal and interest to any non-related party creditor and (b) principal and interest to any shareholder, partner, member or other related party of BORROWER.
SECTION 4.3. ACCOUNTING RECORDS. Maintain adequate books and accounts in accordance with sound accounting principles applicable to entities such as the Borrower, consistently applied as approved by Lender. BORROWER shall permit any representative of BANK, at any reasonable time, to inspect, audit and examine such books and inspect the properties of BORROWER.
SECTION 4.4. FINANCIAL STATEMENTS. Furnish BANK: From time to time such other information as BANK may reasonably request.
SECTION 4.5. EXISTENCE. Preserve and maintain its existence and all of its rights, privileges and franchises; conduct its business in an

orderly, efficient, and regular manner; and comply with the requirements of all applicable laws, rules, regulations and orders of a governmental authority.

SECTION 4.6. INSURANCE. Maintain and keep in force insurance of the types and in amounts customarily carried in lines of business similar to BORROWER's, including but not limited to fire, public liability. Property damage, flood , contents coverage and workers' compensation. carried in companies and in amounts satisfactory to BANK; and BORROWER shall deliver to BANK from time to time at BANK's request schedules setting forth all insurance then in effect.

SECTION 4.7. FACILITIES. Keep all BORROWER's properties useful or necessary to BORROWER's business in good repair and condition, and from time to time make necessary repairs . renewals and replacements thereto so that BORROWER's property shall be fully and efficiently preserved and maintained.

SECTION 4.8. TAXES AND OTHER LIABILITIES. Pay and discharge when due any and all indebtedness, obligations, assessments, taxes, including federal and state income taxes and real and personal property taxes. except such as BORROWER may in good faith contest or as to which a bona fide dispute may arise; provided provision is made to the satisfaction of BANK for eventual payment thereof in the even that it is found that the same is an obligation of BORROWER.

SECTION 4.9. LITIGATION. Promptly give notice in writing to BANK of any litigation pending or threatened in excess of $10,000.00.
SECTION 4.10. FINANCIAL CONDITION. Maintain BORROWER's financial condition according to the following schedules: NA
SECTION 4.11 CROSS COLLATERAL. BORROWER Agrees, and GUARANTOR will agree, that any collateral securing the LOAN will also secure any other indebtedness of BORROWER or GUARANTOR to BANK and that any other collateral pledged as security for any other obligation of BORROWER or GUARANTOR to BANK will also secure their respective obligations under this AGREEMENT.
SECTION 4.12. DOCUMENTARY STAMP TAXES. Payor reimburse BANK on demand for all present and future documentary stamp taxes , if any, required by any jurisdiction as a condition of filing a financing statement, deed of trust or other agreement covering collateral which is the subject of this AGREEMENT.
SECTION 4.13. NOTICE TO BANK. Promptly give notice in writing to BANK of (1) the occurrence of any EVENT OF DEFAULT: (2) any change in the location of any collateral for the LOAN, name of BORROWER, and in the case of an organization, any change in name, identity or corporate structure; or (3) any uninsured or partially uninsured loss through fire, theft, liability or property damage in excess of an aggregate of $25,000.00.
SECTION 4.14. WAIVER OF TRIAL BY JURY. To the extent permitted by law, it is mutually agreed by and between the BORROWER and BANK that the respective parties waive trial by jury in any action, proceeding or counterclaim brought by either of the parties against the other or any matter whatsoever arising of or in any way connected with this AGREEMENT.
SECTION 4.15. DEATH OF THE GUARANTOR. Notwithstanding anything to the contrary in the body of any of the loan documents, it is understood that the death of any natural person who is a GUARANTOR shall constitute an EVENT OF DEFAULT, provided however, that the BORROWER and any parties offer and consummate an alternative guaranty structure acceptable to the BANK, which shall consist of the execution of the same unconditional guaranty agreement as initially executed by the deceased GUARANTOR by an individual, individuals, entity or entities, or with any changes to the guaranty agreement as may be required by law and satisfactory to the BANK. The BANK reserves the right to require documentation evidencing the authority of the substitute or alternative GUARANTOR or GUARANTORs including, without limitation, trust agreements, partnership agreements, corporate resolutions and operating agreements, and to require an opinion of counsel acceptable to the BANK that the guaranty or guaranties have been duly authorized, executed and delivered and are valid and enforceable in accordance with their terms if the alternative GUARANTOR is not an individual or natural person. The party's or the parties' failure to deliver and execute such alternative guaranty agreement or agreements shall entitle the BANK, at its option and in BANK's sole discretion, to call the LOAN due and payable in full, such failure being an EVENT OF DEFAULT under the NOTE and the LOAN documents.

ARTICLE V — NEGATIVE COVENANTS

BORROWER further covenants that so long as BORROWER is indebted to BANK under this AGREEMENT, and until payment in full of the NOTE issued hereunder, BORROWER shall not, without prior written consent of BANK:
SECTION 5.1. USE OF FUNDS. Use any of the proceeds of the NOTE except for the purpose(s) stated in SECTION 1.4.
SECTION 5.2. CAPITAL EXPENDITURE LIMITATION. Make any additional investment in fixed assets in anyone fiscal year in excess of an aggregate of NA.
SECTION 5.3. LEASE EXPENDITURES; MAXIMUM LEASES. During the term of the LOAN, BORROWER will not enter into any lease agreement which would cause or require the total amount of annual lease expenditures incurred by the BORROWER on all leases to exceed NA per fiscal year, without the prior written approval of BANK.
SECTION 5.4. OTHER INDEBTEDNESS. Create, incur, assume, guaranty, become contingently liable for, or permit to exist any other liabilities or other indebtedness resulting from borrowings, loans or advances, whether secured or unsecured, except short-term borrowings from BANK and the liabilities of BORROWER to BANK for money borrowed hereunder, nor shall BORROWER knowingly grant or permit liens on or security interests in any of BORROWER's assets.
SECTION 5.5. MERGER, CONSOLIDATION, SALE OF ASSETS. Merge into or consolidate with any corporation or other entity, or acquire all or substantially all of the assets of any other corporation or entity; or sell, lease, assign, transfer or otherwise dispose of all or substantially all of its assets.
SECTION 5.6. GUARANTEES. Guarantee or become liable in any way as surety, endorser (other than as endorser of negotiable instruments in the ordinary course of business) or accommodation endorser or otherwise for the debt or obligations of any other person or entity.
SECTION 5.7. LOANS, ADVANCES, INVESTMENTS. Make any loans or advances to, or investments in, any person or entity, including officers, directors, stockholders, managers, members, partners or employees of BORROWER.
SECTION 5.8. DIVIDENDS, DISTRIBUTIONS. Declare or pay any dividend either in cash, stock or other property; or redeem , retire, purchase or otherwise acquire any shares of any class of BORROWER's stock or any other equity interest in BORROWER now or hereafter outstanding. During the term of the LOAN, BORROWER may not purchase or redeem any shares of its capital stock, declare or pay any dividends, or make any other distribution, loan or payment to any stockholder, member, partner, officer or employee in excess of NA in any fiscal year, other than normal salaries and amounts needed to pay actual income taxes paid by the individual owners resulting from the BORROWER's income reported on their personal tax returns.
SECTION 5.9. OFFICER AND DIRECTOR COMPENSATION. Pay any compensation to any past, present or future shareholder, director, officer, manager, member, partner or employee, whether through salary, bonus, or otherwise, in excess of NA. During the term of the LOAN, the sum of all salaries, bonuses, fringe benefits or other compensation paid by BORROWER to all officers shall not exceed $ NA without the prior written consent of BANK.
SECTION 5.10 CHANGE IN FISCAL YEAR. Change its fiscal year without the consent of the BANK.
SECTION 5.11 CHANGE OF CONTROL. Make or suffer a change of ownership or change in management that effectively changes control of BORROWER from the current ownership or management.

ARTICLE VI — DEFAULT

SECTION 6.1. EVENTS OF DEFAULT. The following shall constitute EVENTS OF DEFAULT:

(a) Default by BORROWER in any payment of principal or interest under the NOTE subject to any applicable grace or cure periods stated in the NOTE.

(b) Any representation or warranty made by BORROWER hereunder shall prove to be at any time incorrect in any material respect.

(c) Default by BORROWER in the performance of any other non-payment covenant or agreement contained herein.

(d) Default by BORROWER or GUARANTOR under the terms of any agreement or instrument pursuant to which BORROWER or GUARANTOR has borrowed money from any person.

(e) The entry of any judgment or levy of any attachment, execution or other process against the assets of BORROWER, and such judgment be not satisfied, or such levy or other process be not removed within twenty (20) days after the entry or levy thereof, or at least five (5) days prior to the time of any proposed sale under any such judgment or levy.

(f) BORROWER or any GUARANTOR shall be adjudicated as bankrupt or insolvent, or shall consent to or apply for the appointment or a receiver, trustee or liquidator of itself or any of its property, or shall admit in writing its inability to pay its debts generally as they become due, or shall make a general assignment for the benefit of creditors, or shall file a voluntary petition in bankruptcy or a voluntary petition or an answer seeking reorganization or arrangement in a proceeding under any bankruptcy law, or BORROWER or its directors, majority stockholders, partners, managers or members shall take action looking into the dissolution or liquidation of BORROWER.

(g) BORROWER's breach of or default under any of or default under any of the terms, conditions or covenants contained in this AGREEMENT.
(h) The actual or threatened demolition, injury or waste to the collateral, or any part thereof, which, in the sole opinion of BANK, may impair its value, or the actual or threatened decline in value of the collateral or any part thereof;
(i) The insolvency of BORROWER, or any party comprising BORROWER, GUARANTOR, or any person obligated for payment of the LOAN.
(j) BORROWER's default under terms of any instrument or other agreement to which this AGREEMENT or any of the other loan documents are subordinate or which is subordinate to this AGREEMENT or any of the other loan documents.
(k) Default by BORROWER or GUARANTOR in keeping, performing or observing any term, covenant, agreement or condition of any COMMITMENT upon which all or any portion of any indebtedness evidenced by the NOTE was predicated.
(l) Any false statement, misrepresentation or withholding of facts by BORROWER, and/or by any GUARANTOR, any principal, shareholder, partner, member, manager, director, officer, employee or any other person in any loan application or other document provided by BORROWER and/or any other person to BANK or its agents, including any misrepresentation made in this AGREEMENT, or in any representation or statement made by BORROWER and/or any other person to BANK or its agents, as to any matter relied upon by BANK in evaluating whether to extend credit and financing to BORROWER.
(m) A determination by BANK that the prospect of payment or performance by BORROWER, GUARANTOR, and/or any other person under all or any of the loan documents is insecure or that a material adverse change in the financial condition of BORROWER, GUARANTOR, and/or any person obligated for payment of the LOAN has occurred since the date of this AGREEMENT.
(n) The death, dissolution, merger, consolidation or termination of existence of any BORROWER, GUARANTOR, and/or any person obligated for payment of the LOAN; or if any BORROWER, GUARANTOR, and/or any person obligated for payment of the LOAN is a corporation with thirty-five (35) or fewer shareholders, the aggregate transfer(s) of voting shares in such BORROWER, GUARANTOR, and/or any person obligated for payment of the LOAN whereby persons or entities not owning on the date hereof, singly or in the aggregate, 50% or more of the voting shares of such BORROWER, GUARANTOR, and/or any person obligated for payment of the LOAN, become the owner(s), singly or in the aggregate, 50% or more of the voting shares of such BORROWER, GUARANTOR, and/or any person obligated for payment of the LOAN, or if such party is a limited or general partnership, any change in general partnership interest(s) in such BORROWER, GUARANTOR, and/or any person obligated for payment of the LOAN.
SECTION 6.2. REMEDIES UPON DEFAULT. Upon the occurrence of any EVENT OF DEFAULT, with respect to any personal property, collateral or fixtures, BANK shall have all of the rights and remedies of a secured party under the North Carolina Uniform Commercial Code. Without in any way limiting the generality of the foregoing, BANK shall also have the following specific rights and remedies:
(a) Any indebtedness of BORROWER under this AGREEMENT or the NOTE, any of the NOTE to the contrary notwithstanding, shall, at BANK's option and without notice, become immediately due and payable without presentment, notice or demand, all of which are hereby expressly waived by BORROWER; and the obligation, if any, of the BANK to permit further borrowings hereunder shall immediately cease and terminate.
(b) To take immediate possession of all equipment, inventory, fixtures, and any or all other collateral securing the LOAN, whether now owned or hereafter acquired, without notice, demand, presentment, or resort to legal process, and, for these purposes, to enter any premises where any of the collateral is located and remove the collateral therefrom or render it unusable.
(c) To require BORROWER to assemble and make the collateral available to BANK at a place to be designated by BANK which is also reasonably convenient to BORROWER.
(d) To retain the collateral in satisfaction of any unpaid principal or interest on the LOAN or sell the collateral at public or private sale after giving such notice, as the BANK deems necessary, of the time and place of the sale and with or without having the collateral physically present at the place of the sale.
(e) To make any repairs to the collateral which BANK deems necessary or desirable for the purposes of sale.
(f) To exercise any and all rights of set-off which BANK may have against any account, fund, or property of any kind, tangible or intangible, belonging to BORROWER which shall be in BANK's possession or under its control.
(g) BANK shall have the right to collect receivables, endorse checks, collect rents, issues, profits and revenues assigned to BANK as collateral for the LOAN, to appoint a receiver or other third party to inspect the books and records of BORROWER and to evaluate collateral, at BORROWER's expense, and to contact all account parties and direct them to pay BANK directly.
(h) BANK shall have the right to the appointment of a receiver to collect the rents and profits from the property and collateral assigned to BANK to secure LOAN, without consideration of the value thereof or the solvency of any person liable for the payment of the amounts then owing. BANK, at its option, in lieu of an appointment of a receiver, shall have the right to do all those things the receiver could have done. If such receiver should be appointed, or if there should be a sale of the property and collateral by foreclosure, the BORROWER or any person in possession of the property and collateral, as tenant or otherwise, shall become a tenant at will of the receiver or of the purchaser and may be removed by a writ of ejectment, summary ejectment or other lawful remedy.
(i) The exercise by the BANK of any right or remedy granted to the BANK or to any receiver or trustee in law or equity, or by this or any other document shall not be deemed an irrevocable election of remedies thereby precluding the BANK or any receiver or trustee from exercising or pursuing any other right or remedy granted to the receiver, the trustee or BANK under this or any other document or at law or in equity. All remedies contained herein or in any other separate agreement executed contemporaneously with the execution of this AGREEMENT, including without limitation any assignment, security agreement, mortgage, deed of trust, or other security instrument, are intended to be cumulative.

ARTICLE VII — MISCELLANEOUS

SECTION 7.1. WAIVER. No delay or failure of BANK, or any holder of the NOTE, in exercising any right, power or privilege hereunder shall affect such right, power or privilege; nor shall any single or partial exercise thereof or any abandonment or discontinuance of steps to enforce such a right, power or privilege. The rights and remedies of BANK hereunder are cumulative and not exclusive. Any waiver, permit, consent or approval of any kind by BANK, or any holder of the NOTE, of any breach or default hereunder, or any such waiver of any provisions or conditions hereof, must be in writing and shall be effective only to the extent set forth in writing.

SECTION 7.2. NOTICES. All notices. requests and demands given to or made upon the respective parties shall be deemed to have been given or made when deposited in the mail, postage prepaid, and addressed as follows:

BORROWER: Chanticleer Holdings. Inc.
11220 Elm Lane Suite 203
Charlotte, NC 28277

BANK: Paragon Commercial Bank
3535 Glenwood Avenue
Raleigh, North Carolina 27612

SECTION 7.3. ATTORNEY'S FEES. BORROWER will reimburse BANK for all costs, expenses and reasonable attorneys' fees expended or incurred by BANK in administering and enforcing this AGREEMENT, in actions for declaratory relief in any way related to this AGREEMENT, or in collecting any sum which becomes due the BANK on the NOTE.

SECTION 7.4. NORTH CAROLINA LAW APPLICABLE. This AGREEMENT and the NOTE shall be construed in accordance with the laws of the State of North Carolina. BORROWER and any member, manager, general partner, or GUARANTOR of BORROWER each irrevocably consents to the jurisdiction of any Federal or State court within the State of North Carolina, and submits to venue in the State of North Carolina, and each also consents to service of process by any means authorized by Federal law or the law of the State of North Carolina. Without limiting the generality of the foregoing, each of BORROWER, or any member, manager, general partner and GUARANTOR of BORROWER hereby waives and agrees not to assert by way of motion, defense, or otherwise in such suit, action, or proceeding, any claim that (i) BORROWER or any such member, manager, general partner and GUARANTOR is not subject to the jurisdiction of the courts of the State of North Carolina or the United States District Court for North Carolina; or (ii) such suit, action, or proceeding is brought in an inconvenient forum; or (iii) the venue of such suit, action, or proceeding is improper.

SECTION 7.5. FURTHER ASSURANCES; POWER OF ATTORNEY. At any time, and from time to time, upon request by BANK, BORROWER will, at BORROWER's expense: (a) correct any defect, error or omission which may be discovered in the form or content of any of the loan documents; (b) make such further assurances as may be required by BANK; and (c) make, execute, deliver and record , or cause to be made, executed, delivered and recorded, any and all further instruments, certificates and other documents as may, in the opinion of BANK, be necessary or desirable in order to complete, perfect or continue and preserve the lien and security position of the BANK. Upon any failure by BORROWER to do so, BANK may make, execute and record any and all such instruments, certificates and other documents for and in the name of Borrower, all at the sole expense of Borrower, and BORROWER hereby irrevocably appoints the BANK as its attorney-in-fact, this power of attorney being coupled with an interest, in order that BANK may administer the LOAN and exercise the rights and remedies contained in this AGREEMENT and in any related loan documents and assignments by BORROWER at any time, including without limitation after the occurrence of an EVENT OF DEFAULT under this AGREEMENT or other loan documents as may be prescribed by BANK under SECTION 3.3 of this AGREEMENT or otherwise required by BANK.

SECTION 7.6 ARBITRATION AND DISPUTE RESOLUTION. (a) Arbitration. Except to the extent expressly provided below, any dispute under this AGREEMENT or other loan document shall, upon the request of either party, be determined by binding arbitration in accordance with the Federal Arbitration Act, Title 9, United States Code (or if not applicable, the applicable state law), the then-current rules for arbitration of financial services disputes of the American Arbitration Association ("AAA"), and the other terms and conditions set forth in this SECTION 7.6 below. In the event of any inconsistency with AAA rules, the terms and conditions of this AGREEMENT shall control. The filing of a court action is not intended to constitute a waiver of the right of BORROWER or BANK, including the suing party, thereafter to require submittal of the dispute to arbitration. Any party to this AGREEMENT may bring an action, including a summary or expedited proceeding, to compel arbitration of any dispute in any court having jurisdiction over such action. The arbitration shall be administered by AAA, who will appoint a single arbitrator. If AAA is unwilling or unable to administer the arbitration, or if AAA is unwilling or unable to enforce or legally precluded from enforcing any and all provisions of this AGREEMENT, then any party to this Agreement may substitute another arbitration organization that has similar procedures to AAA and that will observe and enforce any and all provisions of this AGREEMENT. All arbitration hearings will be commenced within ninety (90) days of the demand for arbitration and completed within ninety (90) days from the date of commencement; provided, however, that upon a showing of good cause, the arbitrator shall be permitted to extend the commencement of such hearing for up to an additional sixty (60) days. The judgment and the award, if any, of the arbitrator shall be issued within thirty (30) days of the close of the hearing. The arbitrator shall provide a concise written statement setting forth the reasons for the judgment and for the award, if any. The arbitration award, if any, may be submitted to any court having jurisdiction to be confirmed and enforced, and such confirmation and enforcement shall not be subject to arbitration. Any dispute concerning this arbitration provision, including any such dispute as to the validity or enforceability of this provision, or whether a Dispute is arbitrable, shall be determined by the arbitrator; provided, however, that the arbitrator shall not be permitted to vary the express provisions of these terms and conditions or the reservation of rights set forth in subsection (b). The arbitrator shall have the power to award legal fees and costs pursuant to the terms of this AGREEMENT.

(b) Reservations of Rights. Nothing in this AGREEMENT shall be deemed to (i) limit the applicability of any otherwise applicable statutes of limitation and any waivers contained in this AGREEMENT, or (ii) apply to or limit the right of BANK (A) to exercise self help remedies such as (but not limited to) setoff, or (B) to foreclose judicially or nonjudicially against any real or personal property collateral, or to exercise judicial or nonjudicial power of sale rights, (C) to obtain from a court provisional or ancillary remedies such as (but not limited to) injunctive relief, writ of possession, prejudgment attachment, or the appointment of a receiver, or (D) to pursue rights against a party to this AGREEMENT in a third-party proceeding in any action brought against BANK in a state, federal or international court, tribunal or hearing body (including actions in specialty courts, such as bankruptcy and patent courts). BANK may exercise the rights set forth in clauses (A) through (D), inclusive, before, during or after the pendency of any arbitration proceeding brought pursuant to this AGREEMENT. Neither the exercise of self help remedies nor the institution or maintenance of an action for foreclosure or provisional or ancillary remedies shall constitute a waiver of the right of any party, including the claimant in any such action, to arbitrate the merits of the dispute occasioning resort to such remedies. No provision in the loan documents regarding submission to jurisdiction and/or venue in any court is intended or shall be

construed to be in derogation of the provisions in any loan document for arbitration of a dispute.

IN WITNESS WHEREOF, the parties hereto have caused this AGREEMENT to be executed under seal the day and year first hereinabove written.

Paragon Commercial Bank

By: /s/ Charles W. Bartz (SEAL)
Charles W. Bartz, Senior Vice President

CHANTICLEER HOLDINGS, INC.

By: /s/ Michael D. Pruitt (SEAL)
Michael D. Pruitt, President/CEO/CFO

Guarantors:

By: /s/ Michael D. Pruitt (SEAL)
Michael D. Pruitt, an individual

Hooters® International Franchise Agreement

Between

Hooters of America, LLC
1815 The Exchange
Atlanta, Georgia 30339
(770) 951-2040

AND

____

Hooters of America, LLC
Franchise Agreement
Table of Contents

		Page
1.	GRANT, ACCEPTED LOCATION, CONSTRUCTION, AND PERMITTING	1
2.	TERM; RENEWAL	5
3.	HOA'S OBLIGATIONS	6
4.	FEES	7
5.	DUTIES OF FRANCHISEE	10
6.	PROPRIETARY MARKS	17
7.	HOOTERS OF AMERICA MANUALS	20
8.	CONFIDENTIAL INFORMATION	21
9.	TECHNOLOGY	22
10.	ACCOUNTING AND RECORDS	25
11.	ADVERTISING	26
12.	INSURANCE	27
13.	TRANSFER OF INTEREST	28
14.	DEFAULT AND TERMINATION	31
15.	OBLIGATIONS ON TERMINATION OR EXPIRATION	34
16.	COVENANTS	39
17.	TAXES, PERMITS, AND INDEBTEDNESS	41
18.	INDEPENDENT CONTRACTOR	42
19.	INDEMNIFICATION	43
20.	APPROVALS AND WAIVERS	44
21.	NOTICES	45
22.	ENTIRE AGREEMENT	45
23.	SEVERABILITY AND CONSTRUCTION	46
24.	FORCE MAJEURE	47
25.	APPLICABLE LAW; DISPUTE RESOLUTION	47
26.	ACKNOWLEDGMENTS	49
27.	REGISTRATION OF AGREEMENT	51

EXHIBITS

A - ACCEPTED LOCATION INFORMATION
B - PROPRIETARY MARKS
C - LIST OF FRANCHISEE'S PRINCIPAL OWNERS
D - FORM OF RELEASE
E - SPECIAL STIPULATIONS

Hooters of America, LLC
Franchise Agreement

THIS FRANCHISE AGREEMENT (the "**Agreement**") is made and entered into the ___ day of _______, 20 __ (the "**Effective Date**"), by and between HOOTERS OF AMERICA, LLC, a Georgia limited liability company with its principal business address at 1815 The Exchange, Atlanta, Georgia 30339 (hereinafter "**HOA**"), and, a ____________ [*corporation/limited liability company/partnership]* with its registered business address at _____________________, enrolled with the General Taxpayers' Registry ("**CNPJ/MF**") under no. ________ , herein represented by its undersigned legal representative (hereinafter the "**Franchisee**").

Recitals

A. HOA, itself and/or through affiliates, has developed a distinctive system (the "**Hooters System**") for the establishment and operation of restaurants (the "**Hooters Restaurants**") that offer a limited menu featuring chicken wings, seafood and burgers, together with beer, wine, and liquor and other food and beverage offerings and merchandise (the "**Products**"). The Hooters System includes HOA's distinctive exterior and interior restaurant design, trade dress, décor, and color scheme; distinctive standards, specifications, and procedures for operations; procedures for quality control; training and ongoing operational assistance; and advertising and promotional programs; all of which HOA may add to, delete from, and modify from time to time.

B. Pursuant to certain license agreement with an affiliate (the "**License Agreement**"), HOA has the right to use the Hooters System, along with certain trademarks, trade names, service marks, logotypes, and other commercial symbols set forth on Exhibit B, in connection with the operation of restaurants. HOA identifies the Hooters System by means of such trademarks, trade names, service marks, logotypes, and other commercial symbols, together with HOA's trade dress, décor, color schemes, and other identifying characteristics (all of which are referred to collectively in this Agreement as the "**Proprietary Marks**"), all of which HOA may add to, delete from, and modify from time to time.

C. Franchisee desires for HOA to grant Franchisee a franchise to operate a Hooters restaurant, using the Proprietary Marks, under the Hooters System, and for HOA to provide Franchisee with certain training and other assistance in connection with such franchise, all as set forth in and subject to this Agreement.

D. Franchisee understands and acknowledges the importance of HOA's high standards of quality, appearance, and service, and the necessity of operating its franchised business in compliance with HOA's standards and specifications.

In consideration of the foregoing and the mutual promises and commitments set forth in this Agreement, the parties hereby agree as follows:

1. GRANT, ACCEPTED LOCATION, CONSTRUCTION, AND PERMITTING

1.1 Grant. HOA hereby grants to Franchisee, on the terms and conditions set forth in this Agreement and subject to the License Agreement, the right, license, and privilege, and Franchisee undertakes the obligation, to operate a business to develop, open, and operate a Hooters restaurant (the "**Franchisee's Restaurant**"), using the Proprietary Marks and the Hooters System, at the Accepted Location (as defined in Section 1.2. of this Agreement) (collectively, the "**Franchise**").

1.2 Accepted Location. The street address of the Franchisee's Restaurant accepted under this Agreement is specified in Exhibit A to this Agreement (the "**Accepted Location Information**"), and is referred to as the "**Accepted Location**." Franchisee shall not relocate the Franchisee's Restaurant without HOA's prior written consent. HOA shall have the right to grant or withhold acceptance of the Accepted Location under this Section 1.2. Franchisee acknowledges and agrees that acceptance of Franchisee's proposed location, under this Section 1.2 or pursuant Section 1.3 below, does not constitute any assurance, representation, or warranty of HOA of any kind, that the Franchisee's Restaurant located at the Accepted Location shall be profitable or successful.

1.3 Accepted Location Selection. If, when this Agreement is signed, Franchisee has not yet found a suitable location for the Franchisee's Restaurant that has been accepted by HOA in writing as the Accepted Location, Franchisee shall lease, sublease, or acquire a site for the Franchisee's Restaurant, subject to HOA's acceptance, in accordance with the following procedure:

1.3.1 Time to Locate Site: Franchisee shall submit to HOA at least one (1) location for acceptance pursuant to Subsection 1.3.3 below within forty five (45) days of the Effective Date. Within ninety (90) days after the Effective Date, Franchisee shall acquire or lease/sublease, at Franchisee's expense, commercial real estate that is properly zoned for the use of the business as a restaurant at a site accepted by HOA as hereinafter provided. Failure by Franchisee to acquire or lease a site for Franchisee's Restaurant, or to submit to HOA at least one (1) location for site acceptance, within the time specified, shall constitute a default under Section 14.3 of the Franchise Agreement.

1.3.2 Site Evaluation Services: HOA or its designee shall furnish to Franchisee site selection guidelines, including HOA's minimum standards for a location for Franchisee's Restaurant, and such site selection counseling and assistance as HOA may deem advisable. In response to Franchisee's request for site acceptance, HOA or its designee shall have the right to perform one (1) on-site evaluation of a proposed site for Franchisee's Restaurant. HOA shall have the right to designate a third party designee to conduct any or all of the site selection counseling and assistance and evaluation, and Franchisee may be required to pay such third party designee a fee for such services; provided, however that such fee shall not exceed Ten Thousand U.S. Dollars (US$10,000) (or its equivalent in Brazilian Reais if such third party is a Brazilian entity or individual).

1.3.3 Site Selection Package Submission and Site Acceptance: Franchisee shall submit to HOA, in the form specified by HOA, a completed site selection package, which may include a site selection form prescribed by HOA, copy of the site plan, business plan, demographic statistics and information regarding the surrounding businesses, and such other information or materials as HOA may reasonably require, together with an option contract, letter of intent or other evidence satisfactory to HOA which confirms Franchisee's favorable prospects for obtaining the site for the Accepted Location. Franchisee acknowledges that time is of the essence. HOA shall have thirty (30) days after receipt of such information and materials from Franchisee to accept or decline, in its sole discretion, the proposed site as the location for Franchisee's Restaurant. In the event HOA does not accept a proposed site by written notice to Franchisee within said thirty (30) days, such site shall be deemed declined by HOA.

1.3.4 Lease Responsibilities: Within fifteen (15) days of site acceptance by HOA, Franchisee shall execute a lease which shall be coterminous with the Franchise Agreement, or a binding agreement to purchase the site. Franchisee must provide to HOA a copy of the actual lease or sublease (and an English translation thereof, if it is not in English) to be executed for the Accepted Location, which must be approved in writing by HOA, and which shall provide HOA the right to enter the Accepted Location to make any modifications necessary to protect the Proprietary Marks. The lease must attach a "**Collateral Assignment of Lease**" in a form acceptable to HOA, executed by Franchisee and the lessor of the premises, providing HOA notice of Franchisee's default of the lease, a right (but not an obligation) to cure such default, and the right to assume the lease with the right to sublease to a Hooters franchisee and containing other provisions as required by HOA, including the right to assume the lease upon a default under this Agreement or under any document or instrument securing this Agreement. In lieu of the Collateral Assignment of Lease, such lease must: (1) provide HOA, at HOA's option, with the right to act as prime lessee under the lease and to sublease such site to Franchisee; or (2) in form and substance satisfactory to HOA: (a) provide for notice to HOA of Franchisee's default under the lease or sublease; (b) require the lessor or sublessor to disclose to HOA, on HOA request, sales and other information furnished by Franchisee; (c) give HOA (or its designee) the right to enter the premises to make any modifications to the building to protect HOA rights to the Marks, and provide that the lessor and/or sublessor relinquishes to HOA (or its designee), on any termination or expiration of this Agreement, any lien or other ownership interest, whether by operation of law or otherwise, in and to any tangible property (including any outdoor sign) that embodies the Marks; (d) require that the lessor and/or sublessor acknowledges that HOA has no liability or obligation whatsoever under the lease or sublease; and (e) allow HOA or its designee the right to elect to take an assignment of the leasehold interest upon termination or expiration of Franchisee's rights under this Agreement. HOA's approval of the lease or sublease is an indication only that the lease or sublease agreement meets HOA's criteria for leases and subleases. HOA's approval of a lease or sublease does not constitute an assurance, representation, or warranty of any kind, express or implied, as to the suitability of the lease or sublease for Franchisee's success or for any other purpose.

1.3.5 HOA shall not be responsible for review of the lease for any terms other than those described in Subsection 1.3.4 above.

1.4 Protected Territory and HOA's Reserved Rights. Except as otherwise provided in this Agreement, during the term of this Agreement, HOA shall not establish or operate, or license any other person to establish or operate, a Hooters Restaurant at any location within the territory specified in Exhibit A (the "**Protected Territory**"). HOA retains all other rights, and may, among other things, on any terms and conditions HOA deems advisable, and without granting Franchisee any rights therein:

1.4.1 Own, acquire, establish, and/or operate and license others to establish and operate, Hooters Restaurants at any location outside the Protected Territory notwithstanding their proximity to the Protected Territory or the Accepted Location or their actual or threatened impact on sales at the Franchisee's Restaurant;

1.4.2 Own, acquire, establish, and/or operate, and license others to establish and operate, Hooters Restaurants under the Proprietary Marks at Reserved Facilities (as defined below) at any location within or outside the Protected Territory. As used in this Agreement, "**Reserved Facilities**" shall mean: airports; hotels; department stores; supermarkets; cultural institutions (examples include, but are not limited to, theaters, museums, art centers and educational facilities); casinos; United States military bases; sports and entertainment venues and stadiums; and business and industrial complexes and offices at which the food services are managed by service providers with national or international operations;

1.4.3 Own, acquire, establish, and/or operate and license others to establish and operate businesses: (a) using the Proprietary Marks (but not the "Hooters®" mark) and other marks in connection with the operation of such businesses; (b) which businesses may be the same as, similar to, or different from Hooters Restaurants; and (c) which may be located within or outside the Protected Territory, despite the proximity of such businesses to the Accepted Location (but this clause shall not allow HOA to operate or license others to operate a Hooters Restaurant inside the Protected Territory, unless permitted pursuant to Section 1.4.2 above); and/or

1.4.4 Sell and distribute, directly or indirectly, or license others to sell and to distribute, directly or indirectly, any Products from any location to any business or customer, including without limitation through restaurants, cafes, retail kiosks, grocery or convenience stores or other retail outlets, and any other distribution channels (including without limitation, through retail, wholesale, mail order, toll free numbers, or the Internet), provided that this clause shall not allow HOA to operate or license others to operate a Hooters Restaurant inside the Protected Territory under: (a) the Hooters System; and (b) the Proprietary Marks, unless permitted pursuant to Section 1.4.2 above).

1.4.5 HOA and/or its affiliates have the unrestricted right to engage, directly or indirectly, through its or their employees, representatives, licensees, assigns, agents, and others, at wholesale, retail, and otherwise, in the production, distribution, and sale of products bearing the Proprietary Marks licensed under this Agreement or other names or marks, including without limitation products included as part of the Hooters System.

1.5 Franchisee shall offer and sell Products only from Franchisee's Restaurant; only in accordance with the requirements of this Agreement, the procedures set forth in the Manuals (as this term is defined in Section 2.2.4, below), or as otherwise set forth by HOA in writing; and only to: (a) retail customers for consumption at or in common seating near to Franchisee's Restaurant; (b) retail customers for personal carry-out consumption of Products sold at Franchisee's Restaurant. Franchisee will not under any circumstances engage in any wholesale trade or sale of Hooters System Products for resale. Franchisee also shall not engage in delivery unless expressly permitted by HOA, and unless such delivery is conducted in accordance with the requirements as set forth by HOA in the Manuals or otherwise in writing. As used in this Agreement, "delivery customers" means customers that purchase Products for delivery to (and consumption in) their home or office. Franchisee shall not engage, unless expressly permitted by HOA in writing, in any other type of sale of, or offer to sell, or distribution of Products, including but not limited to, selling, distributing, or otherwise providing, any Products at wholesale, or for resale or distribution by any third party, or through satellite locations, sales or mail order catalogs, temporary locations, carts or kiosks, the Internet, or through any other electronic or print media**.**

1.6 Construction, Permitting, and Licensing.

1.6.1 Franchisee shall complete the construction of Franchisee's Restaurant in accordance with the provisions and requirements of Section 5.5. of this Agreement (the "**Construction**") and shall open Franchisee's Restaurant for business within six (6) months after the Effective Date of this Agreement (the "**Opening Date**"). On Franchisee's written request, HOA may grant Franchisee one (1) ninety (90) day extension past the six (6) months allotted within which to open Franchisee's Restaurant. Franchisee shall pay HOA a non-refundable extension fee of Five Thousand U.S. Dollars (US$5,000) contemporaneously with Franchisee's request for the extension.

1.6.2 Provided that Franchisee has made full and complete application for all building permits, operating licenses, and all other permits required to open its Restaurant, within ninety (90) days after the Effective Date of this Agreement, HOA may, on Franchisee's written request, grant Franchisee one (1) thirty (30) day extension to obtain all necessary permits, without charging Franchisee any amounts for such extensions, if the delay was due to causes beyond Franchisee's reasonable control, which grant HOA will not unreasonably withhold. Franchisee must submit documentation of the status of the license and permit applications together with Franchisee's request for such extension. On HOA's grant of such extension, HOA will commensurately extend the Opening Date.

1.6.3 Should Franchisee be unable to obtain all necessary permits and licenses (as detailed in Section 5.5.4, below) during the stated period and extension time periods as a result of causes beyond Franchisee's reasonable control, HOA or Franchisee, with proof of attempt to get permits and licenses, may terminate this Agreement on written notice to the other, without the necessity of further action by either party or further documentation. On such termination, HOA will retain one-third (1/3) of the Initial Franchise Fee set forth in Section 4.2 of this Agreement to compensate HOA for its costs and administrative expenses spent in granting Franchisee its Franchise, and for its lost or deferred opportunities to grant Hooters System franchises to others. HOA will refund the amount HOA owes Franchisee within thirty (30) days after notice by HOA or Franchisee of the termination of this Agreement.

1.7 Destruction of Accepted Location. In the event Franchisee's Restaurant is damaged or destroyed by fire or other casualty, or is required by any governmental authority to be repaired or reconstructed, Franchisee shall commence repair or reconstruction of the building within ninety (90) days after the date of such casualty or notice of governmental requirement (or such lesser period as such governmental requirement may specify) and shall complete all required repair or reconstruction as soon as possible thereafter, but in no event later than one hundred eighty (180) days after the date of such casualty or governmental requirement. In the case of reconstruction due to casualty, the minimum acceptable appearance for the restored building will be that which existed immediately prior to the casualty; provided, however, Franchisee will use its best efforts to have the restored building include the then- current image, design, and specifications of new Restaurants.

1.8 No Subfranchising. FRANCHISEE SHALL HAVE NO RIGHT TO GRANT SUBFRANCHISES TO OTHERS. FRANCHISEE SHALL NOT, AND SHALL NOT ATTEMPT TO, GRANT SUBFRANCHISES TO OTHERS.

2. TERM; RENEWAL

2.1 Initial Term. This Agreement will commence on the Effective Date and will continue in effect for a period of twenty (20) years thereafter (the "**Initial Term**"), subject to earlier termination as set forth in this Agreement.

2.2 Renewal Term. Franchisee may renew the Franchise as to Franchisee's Restaurant for two (2) additional ten (10) year terms (such additional terms being referred to in this Agreement as the "**Renewal Terms**," and the Initial Term, together with the Renewal Terms, being referred to collectively in this Agreement as the "**Term**"), provided that:

2.2.1 Franchisee delivers written notice (the "**Renewal Notice**") fewer than eighteen (18) months but more than six (6) months before the end of the Initial Term, of Franchisee's intent to renew the Franchise for the Renewal Term;

2.2.2 Franchisee pays HOA a renewal fee in the amount of one-third (1/3) of the then- current Initial Franchise Fee (as defined in Section 4.2, below), delivered contemporaneously with Franchisee's delivery of the Renewal Notice, for renewal of the Franchise for Franchisee's Restaurant (the "**Renewal Fee**");

2.2.3 Franchisee is, at the time Franchisee delivers the Renewal Notice, in compliance with all other agreements to which HOA or its affiliates on the one hand, and Franchisee or its affiliates on the other hand, are parties;

2.2.4 Franchisee is and has been, at all times during the Initial Term, in compliance with: (i) this Agreement and all amendments to it; and (ii) HOA's confidential operations manuals (the "**Manuals**");

2.2.5 Franchisee is, at the time Franchisee delivers the Renewal Notice, current with respect to its obligations to its lessor, suppliers, and any other parties with whom it does business.

2.2.6 Franchisee enters into HOA's then-current form of franchise agreement, including all schedules, exhibits, addenda, and attachments to it (collectively, the "**Renewal Franchise Agreement**"), all of which may contain terms that vary materially from the terms of this Agreement; and

2.2.7 Franchisee and its Principal Owners (as defined in Section 13.2 of this Agreement) execute and deliver to HOA a general release in substantially the form set forth in Exhibit D to this Agreement (collectively, the "**Release**").

2.3 Non-Renewal By Franchisee. Franchisee will be deemed to have declined to renew the Franchise as to Franchisee's Restaurant, and the option to renew the Franchise set forth in Section 2.2 of this Agreement will expire automatically and without notice as to such Restaurant, if Franchisee does not deliver to HOA all items required for renewal, including without limitation the Renewal Fee, the executed Renewal Franchise Agreement, and the executed Release, to HOA within thirty (30) days after HOA delivers the Renewal Franchise Agreement and Release to Franchisee for execution.

2.4 Effect of Non-Renewal or Expiration. Non-renewal or expiration of this Agreement will end the Franchise as to Franchisee's Restaurant described in this Agreement. Upon non-renewal or expiration of this Agreement, Franchisee must meet all of the obligations upon termination or expiration, as set forth in Section 15, below.

3. HOA'S OBLIGATIONS

3.1 HOA will provide Franchisee with guidance relating to the opening of Franchisee's Restaurant, including without limitation providing acceptable site criteria, approved supplier lists, and approved renovation criteria; and, at HOA's option, a set of architectural plans of an existing Hooters restaurant.

3.2 HOA will provide Franchisee with the manager training program described in Section 5.6 of this Agreement.

3.3 HOA will offer Franchisee additional pre-opening training and opening supervision and assistance as HOA deems advisable, provided that Franchisee must give HOA adequate prior written notice of its proposed opening date.

3.4 HOA will provide such continuing advisory assistance to Franchisee in the operation, advertising, and promotion of Franchisee's Restaurant as HOA deems appropriate.

3.5 HOA will provide such refresher training for Franchisee and Franchisee's employees as HOA deems appropriate.

3.6 HOA may provide Franchisee, itself or thorough the Global Advertising Fund, with advertising and promotional plans and materials for local advertising as described in Section 11 of this Agreement.

3.7 HOA will provide Franchisee with access to the Manuals, as set forth in Section 7 of this Agreement.

3.8 HOA may provide Franchisee with such merchandising, marketing, and other data and advice as HOA may develop and deem to be helpful in the management and operation of Franchisee's Restaurant.

3.9 HOA may provide Franchisee with such periodic individual or group advice, consultation, and assistance, rendered by personal visit or telephone, through newsletters, bulletins or other communications (delivered in hard copy or digitally), or by utilizing mystery-shopper or other similar programs; such advice, consultation and assistance will made available from time to time to all HOA franchisees, as HOA deems appropriate.

3.10 HOA will provide Franchisee with such bulletins, webinars, brochures, manuals, and reports, as HOA may publish for franchisees generally regarding HOA's plans, policies, developments, and activities. In addition, HOA will provide such communication concerning new developments, techniques, and improvements in food preparation, equipment, food products, packaging, and restaurant management, that HOA deems relevant to the operation of Franchisee's Restaurant.

3.11 HOA will provide Franchisee with the requirements for a standardized system for accounting, cost control, and inventory control.

4. **FEES**

4.1 Application Fee. Franchisee shall have paid an Application Fee in the amount of Three Thousand U.S. Dollars (US$3,000) (the "**Application Fee**") at the time of application to HOA for the grant of a Franchise, in consideration of the administrative and other expenses HOA incurs in reviewing Franchisee's franchise application. The Application Fee will be credited towards the Initial Franchise Fee, as described in Section 4.2, below.

4.2 Initial Franchise Fee. Franchisee shall pay to HOA an initial franchise fee (the "**Initial Franchise Fee**") in the amount of Seventy-Five Thousand U.S. Dollars (US$75,000) immediately following registration of the Agreement with the Brazilian Institute of Industrial Property ("**INPI**"). Franchisee shall pay the Initial Franchise Fee in a lump sum in immediately-available bank funds. Except as described in Section 1.6.3 of this Agreement, the Initial Franchise Fee shall be deemed fully-earned and nonrefundable upon Franchisee's execution of this Agreement, in consideration of the administrative and other expenses HOA incurs in granting Franchisee its Franchise and in further consideration of HOA's lost or deferred opportunities to grant Hooters System franchises to others. If Franchisee paid HOA an Application Fee prior to HOA's execution of this Agreement, HOA will credit the amount of the Application Fee against the amount of the Initial Franchise Fee.

4.3 Continuing Franchise Fee. In consideration for the right to operate the Franchisee's Restaurant using the Proprietary Marks and the Hooters System, Franchisee shall pay to HOA a continuing franchise fee (the "**Continuing Franchise Fee**") of six percent (6%) of Franchisee's Gross Sales (as defined in Section 4.9 of this Agreement). Continuing Franchise Fees shall be payable by Franchisee to HOA, so that HOA actually receives such payment by the end of ten (10) days after the end of each month.

4.4 Local Advertising.

4.4.1 Franchisee shall spend each calendar year a minimum of two and one-half percent (2.5%) of the Gross Sales of Franchisee's Restaurant on local advertising and promotion (the "**Minimum Local Advertising Expenditure**").

4.4.2 In the event HOA establishes a Local Advertising Cooperative that encompasses the Franchisee's Restaurant, Franchisee shall contribute up to one-half (½) of the Minimum Local Advertising Expenditure described above to such Cooperative, so that the Cooperative actually receives such payment (the "**Cooperative Contribution**") by the end of ten (10) days after the end of each month. HOA shall designate Franchisee's Cooperative Contribution from time to time.

4.5 Global Advertising Fee. Franchisee shall pay to HOA, to be actually received by the end of ten (10) days after the end of each month, a global advertising fee equal to one-half percent (0.5%) of Franchisee's Gross Sales of Franchisee's Restaurant (the "**Global Advertising Fee**") during such month. HOA may increase the Global Advertising Fee from time to time; provided that it shall not be more than one percent (1%) of the Gross Sales at the Franchisee's Restaurant. HOA or HOA's designee will maintain and administer the Global Advertising Fund as provided in Section 11.3 of this Agreement.

4.6 Advertising Fee Cap. Notwithstanding the percentages set forth in Sections 4.4.1 and 4.5 above for the Minimum Local Advertising Expenditure, Cooperative Contribution and Global Advertising Fee, HOA will not require Franchisee to pay a combined amount for the Minimum Local Advertising Expenditure, Cooperative Contribution and Global Advertising Fee that exceeds three and one-half percent (3.5%) of Franchisee's Gross Sales.

4.7 Casualties. Franchisee's obligation to pay the Continuing Franchise Fee and the Global Advertising Fee (collectively, the "**Fees**") shall not be altered by the occurrence of any casualty or event that would cause a temporary closing of Franchisee's Restaurant for a period of more than five (5) days. In the event that such a casualty or event occurs, the Fees to be paid by Franchisee for each month in which Franchisee's Restaurant is closed shall be the average of all Fees payable by Franchisee during the immediately- preceding thirteen (13) months, or such lesser period as Franchisee's Restaurant has been open if Franchisee's Restaurant has been open fewer than thirteen (13) months.

4.8 Past-Due Payments. Any payment that HOA does not actually receive by the end of the specified date shall be deemed past due. If any payment is past due, in addition to HOA's right to exercise all rights and remedies available to HOA under Section 14 of this Agreement, Franchisee shall pay to HOA, in addition to the past-due amount, interest on such amount from the date it came due until the date HOA actually receives such payment. The rate of such interest shall be the lesser of: (i) eighteen percent (18%) per annum; or (ii) the maximum rate allowed by applicable laws (hereinafter the "**Default Rate**"), until paid in full.

4.9 Gross Sales. As used in this Agreement, "**Gross Sales**" shall include all revenue related to the sale of Products and performance of services in, at, about, through, or from Franchisee's Restaurant, whether for cash, check, meal vouchers, credit or any other electronic means of payment, and regardless of collection in the case of credit and electronic payment, and income of every kind and nature related to Franchisee's Restaurant, including without limitation insurance proceeds and condemnation awards for loss of sales, profits, or business; and further including without limitation amounts from vending machines, slot machines or gambling devices, any coin-operated machines for vending merchandise to customers, entertainment devices for the playing of electronic or manual games, pool tables, juke boxes, ATM fees, liquor, gift cards, merchandise, delivery, catering, and any off-premises consumption; provided, however, that "Gross Sales" shall not include: (i) revenues from sales taxes or other add-on taxes Franchisee collects from guests and actually transmits to the appropriate taxing authority; (ii) tips guests give and that are charged to the guests' credit or debit cards; and (iii) the retail value of any complimentary services, discounts, trade-outs, credit card fees, cash refunds to guests, and promotional coupons used by guests (collectively, the "**Comps**"), up to a maximum of two percent (2%) of Gross Sales in the aggregate. In no event may Franchisee exclude or deduct from Franchisee's Gross Sales greater than two percent (2%) of such Gross Sales for Comps.

4.10 Payment of Amounts Owed.

4.10.1 Unless notified by HOA in writing to pay any amounts due under this Agreement in the local currency (the "**Local Currency**"), Franchisee shall pay all amounts due under this Agreement in United States Dollars or Euro as designated by Franchisor (the "**Designated Currency**") by wire transfer to such bank account as HOA may notify Franchisee from time to time. All costs, charges and expenses, including bank charges, incurred in association with such payments or currency conversions shall be borne by Franchisee. Franchisee shall participate in any automatic debit/credit transfer program specified by HOA from time to time for the payment of amounts due to HOA under this Agreement, and shall execute and deliver to HOA all necessary documents and instruments therefor.

4.10.2 Franchisee shall pay all amounts due to HOA under this Agreement without counterclaim or set-off.

4.11 Currency Conversions. All amounts payable to HOA under this Agreement shall be paid in the Designated Currency. On or about the first (1st) business day of each calendar month, HOA will convert the amounts reported by Franchisee in Brazilian Reais with respect to the immediately preceding month, according to the prevailing exchange rate as reported in the "Currency Trading" section of The Wall Street Journal (or its future equivalent), or such other source as HOA reasonably deems appropriate, on or for the first business day of each calendar month. The amounts thus converted by HOA into the Designated Currency pursuant to this Paragraph shall be paid by Franchisee within the applicable payment terms specified in this Agreement, at the conversion rate applicable on the date of actual remittance, as published by the Central Bank of Brazil.

4.12 Local Withholding Taxes.

4.12.1 HOA and its affiliates shall not have any liability for any taxes, duties, assessments, fees or other governmental charges, including any sales tax, use tax business tax, value-added tax, service tax, excise tax, gross receipts tax, property tax, workers' compensation, unemployment compensation, or otherwise ("**Local Taxes**"), whether levied upon Franchisee or its assets or income, or upon HOA or its affiliates, in connection with business conducted or services performed by the Restaurant, or any payment to HOA or its affiliates under this Agreement, except for any non-resident income withholding tax levied by the government agency in Brazil (the "**Income Withholdings**").

4.12.2 If any Local Taxes are required to be deducted or withheld from any payment to HOA under this Agreement, then the amount payable shall be increased by Franchisee by such amount as is necessary to make the actual amount received by HOA (after such Local Taxes and after any additional Local Taxes on account of such additional payment) equal to the amount due before the application of any Local Taxes. If any Income Withholdings are required to be deducted or withheld from any payment to HOA under this Agreement, then the amount payable shall be so deducted. Franchisee shall promptly pay the Local Taxes and Income Withholdings required to be deducted or withhold to the applicable taxing authority and deliver to HOA original receipts of applicable governmental authorities showing that all Local Taxes and Income Withholdings were properly deducted or withheld in compliance with applicable law (or, if original receipts are unavailable, photocopies, tax returns and other documentation, as HOA may require).

4.12.3 The parties shall, subject to applicable law, use all reasonable endeavors to minimize any Local Taxes and Income Withholdings payable by each party under this Agreement, and to secure all tax refunds and credits available to each party, including if necessary by restructuring or amending this Agreement.

4.13 In the event that any order, law, regulation, court decision, financial constraint, embargo or any other act or fact that is beyond Franchisee's reasonable control shall prevent Franchisee from remitting any amounts due under this Agreement to HOA, Franchisee shall notify HOA immediately. Franchisee shall use its best efforts to obtain any consents or authorizations which may be necessary in order to permit timely payments in the Designated Currency of all amounts payable hereunder. While such restrictions are in effect, HOA may require Franchisee to deposit all amounts due but unpaid in any bank or institution and in any currency designated by HOA that is available to Franchisee. HOA shall be entitled to all interest earned on such deposits. If such restrictions are in place for more than one hundred and eighty (180) days, HOA may, upon the delivery of written notice to Franchisee, terminate this Agreement.

5. DUTIES OF FRANCHISEE

5.1 Franchisee acknowledges and agrees that every detail of Franchisee's Restaurant, including without limitation the uniformity of appearance, service, products, and advertising of Franchisee's Restaurant, is important to Franchisee, HOA, the Hooters System, and HOA's other franchisees, in order to maintain the Hooters System's high and uniform operating standards, to increase the demand for the Products and services, and to protect HOA's reputation and goodwill.

5.2 If Franchisee is or becomes a corporation, limited liability company, or any other form of business entity, Franchisee shall comply with Section 13 of this Agreement and the following requirements:

5.2.1 Franchisee shall confine its activities exclusively to the development, opening and operation of Franchisee's Restaurant.

5.2.2 Franchisee's Bylaws, Articles of Association, or any other comparable acts of incorporation and governing documents shall at all times provide that: (i) Franchisee's activities shall be confined exclusively to the development, opening, and operation of Franchisee's Restaurant; and (ii) the issuance, redemption, purchase for cancellation, and transfer of voting stock, partnership interests, membership interests, or other equity interests in Franchisee, are restricted by the terms of this Agreement.

5.2.3 Franchisee shall provide to HOA copies of Franchisee's Bylaws, Articles of Association or any other comparable acts of incorporation and governing documents, and any other documents HOA may reasonably request, and any amendments to any of them (all with an English translation thereof, if it is not in English), so that HOA actually receives such copies by the end of ten (10) days after HOA requests such copies.

5.2.4 Franchisee shall maintain stop transfer instructions against the transfer on its record of any equity securities (voting or otherwise) except in compliance with Section 13 and Section 16 of this Agreement. All securities Franchisee issues shall bear the following legend, which shall be printed legibly and conspicuously on each stock certificate or other evidence of ownership interest:

THE TRANSFER OF THESE SECURITIES IS SUBJECT TO THE TERMS AND CONDITIONS OF A FRANCHISE AGREEMENT WITH HOOTERS OF AMERICA, LLC DATED [INSERT DATE]. REFERENCE IS MADE TO SUCH AGREEMENT AND TO THE RESTRICTIVE PROVISIONS OF THE [INSERT TYPE OF CERTIFICATE] OF THIS [INSERT TYPE OF ENTITY].

5.2.5 Franchisee shall maintain a current list of all owners of record and all beneficial owners of any class of voting equity of Franchisee and shall furnish the list to HOA upon request (and an English translation thereof, if it is not in English) so that HOA actually receives such list by the end of ten (10) days after HOA requests such list.

5.2.6 If Franchisee is a partnership, Franchisee shall maintain a current list of all general and limited partners, and a list of all owners of record and all beneficial owners of any class of voting equity of Franchisee and such general and limited partners, and shall furnish such list to HOA so that HOA actually receives such list upon request by the end of ten (10) days after HOA requests such list.

5.3 Each Principal Owner (as defined in Section 13.2.1 below) of Franchisee, and such of Franchisee's other Owners as HOA may specify, shall enter into a continuing guaranty agreement in a form acceptable to HOA (the "**Guaranty**"), which Guaranty must be delivered to HOA upon execution of this Agreement. HOA may amend or modify the form of such Guaranty from time to time as to Owners signing the Guaranty after the Effective Date of this Agreement.

5.4 Franchisee assumes all costs, liability, expense, and responsibility for locating, obtaining, and developing the Accepted Location for Franchisee's Restaurant and for constructing and equipping Franchisee's Restaurant at such Accepted Location. Franchisee shall not make any binding commitment to a prospective vendor or lessor of real estate with respect to the Accepted Location unless HOA accepts such Accepted Location in accordance with the procedures set forth in this Agreement and unless the lease documents for such Accepted Location provide, without limitation: (i) that the landlord shall provide HOA with notice of any default thereunder at least thirty (30) days prior to any termination of the lease, specifying such default and granting HOA the right (but not the obligation) to cure any such default within such period; and (ii) that the landlord accepts HOA as an assignee of Franchisee's interest thereunder. FRANCHISEE ACKNOWLEDGES THAT HOA'S ACCEPTANCE OF A SITE AND THE RENDERING OF ASSISTANCE IN THE SELECTION OF A SITE DOES NOT CONSTITUTE HOA'S REPRESENTATION, PROMISE, WARRANTY, OR GUARANTY THAT A HOOTERS RESTAURANT AT THE ACCEPTED SITE WILL BE PROFITABLE OR OTHERWISE SUCCESSFUL. Franchisee must agree to a collateral assignment of the leases for the Accepted Location, in a form acceptable to the HOA. Under the collateral assignment of leases, upon default by Franchisee of the lease for the Accepted Location, this Agreement, or the document securing this Agreement, HOA will have right to take possession of the Accepted Location and Franchisee will have no further right, title or interest in the lease.

5.5 Franchisee shall, at its expense, and to HOA's satisfaction, comply with all of the following requirements:

5.5.1 Before commencing Construction of Franchisee's Restaurant, Franchisee shall submit a site plan to HOA, including a footprint of the proposed building, and architectural, kitchen, and signage drawings, for HOA's approval. Franchisee must use an architect or engineer approved by HOA to prepare detailed plans and specifications for the Construction of Franchisee's Restaurant.

5.5.2 Franchisee shall: (i) use a qualified general contractor or construction supervisor to supervise the Construction of Franchisee's Restaurant and the completion of all improvements; and (ii) submit to HOA a statement providing the name and contact information of such general contractor or construction supervisor.

5.5.3 Franchisee shall cause such Construction to be performed only in accordance with the site plan and the plans and specifications HOA approved. No changes will be made to such approved plans and specifications, or to the Construction, or to any of the materials used in Franchisee's Restaurant, or to interior and exterior colors of Franchisee's Restaurant, without HOA's express prior written consent.

5.5.4 Franchisee shall obtain and shall thereafter maintain all licenses, permits, and certifications required for lawful Construction of Franchisee's Restaurant, including without limitation building, zoning, access, parking, driveway access, sign, and occupancy permits and licenses, and shall certify in writing to HOA that it has obtained all such licenses, permits, and certifications

5.5.5 Franchisee shall obtain and shall thereafter maintain all health, life, safety, operational, and other licenses, permits, and certifications required for operation of Franchisee's Restaurant and shall certify in writing to HOA prior to the Opening Date that it has obtained all such licenses, permits, and certifications.

5.5.6 Franchisee shall complete Construction of Franchisee's Restaurant in order to meet the requirements to open Franchisee's Restaurant in compliance with Section 1.6.1, above.

5.6 HOA will provide its manager training program to up to six (6) of Franchisee's manager- in-training personnel. If Franchisee is an individual, Franchisee and Franchisee's management personnel must complete HOA's manager training program to HOA's reasonable satisfaction prior to Franchisee's opening of Franchisee's Restaurant for business. If Franchisee is a corporation, partnership, limited liability company, or any other form of business entity, at least the General Manager (as defined in Section 5.7, below) of Franchisee and Franchisee's other management personnel must complete HOA's manager training program to HOA's reasonable satisfaction prior to Franchisee's opening of Franchisee's Restaurant for business. In the event the General Manager is not a Principal Owner, then at least one (1) Principal Owner must attend HOA's "executive overview" training program (the term "Principal Owner" is defined in Section 13.2.1, below). At HOA's option, key personnel Franchisee subsequently employs must also complete HOA's manager training program to HOA's reasonable satisfaction. HOA may, at its discretion, make available additional training programs, seminars, and refresher courses to Franchisee and Franchisee's designated personnel from time to time. All such training will take place at the locations HOA designates. HOA may, at any time, discontinue management training and decline to certify Franchisee or Franchisee's designated personnel who fail to demonstrate an understanding acceptable to HOA of the management training. If HOA discontinues the management training of Franchisee or Franchisee's designated personnel, Franchisee shall have thirty (30) days to present HOA with an acceptable alternative candidate for the manager training program. If HOA reasonably determines that Franchisee is unable or unwilling to provide individuals who can complete the manager training program to HOA's reasonable satisfaction, or if HOA reasonably determines that the individuals whom Franchisee has presented for manager training lack the skills to operate Franchisee's Restaurant successfully, HOA will have the right to terminate this Agreement pursuant to Section 14.3 hereof. HOA will provide instructors and training materials for all required training programs. Franchisee shall be responsible for all expenses Franchisee or its personnel incur in connection with any training programs, including without limitation wage and benefit costs, and the costs of transportation, lodging, and meals. If the Hooters Restaurant developed under this Agreement is not the first Hooters Restaurant developed by Franchisee or its affiliate pursuant to a development agreement entered into by the parties (or their respective affiliates), HOA may, at its sole discretion, waive certain initial training requirements and on-site assistance programs.

5.7 Franchisee shall designate at least one (1) manager (the "**General Manager**") of Franchisee's Restaurant who shall have authority over the other managers. If Franchisee is an individual, Franchisee may serve as General Manager. Franchisee's designated General Manager shall devote his or her full time, energy, and best efforts to the management and operation of Franchisee's Restaurant. Franchisee will require such General Manager to complete, to HOA's reasonable satisfaction, an HOA- approved manager training program by the end of ninety (90) days after such individual's appointment to serve as General Manager. If Franchisee is a corporation or other business entity, General Manager shall be an individual appointed by Franchisee and approved by HOA.

5.7.1 HOA will offer Franchisee training resources for Franchisee's hourly employees as described in the Manual or otherwise in writing.

5.7.2 Franchisee shall pay, as directed by HOA, the expenses of HOA personnel that provide training to Franchisee and Franchisee's employees at Franchisee's Restaurant. Expenses shall include, without limitation, travel expenses, per diem, and lodging expenses.

5.7.3 If Franchisee's Restaurant opened under this Agreement is not the first restaurant the Franchisee has opened under the Hooters System, HOA may waive certain training requirements, at HOA's sole discretion.

5.8 Franchisee shall use the Accepted Location solely for the operation of Franchisee's Restaurant. Franchisee shall not use or permit the use of the Accepted Location for any other purpose or activity at any time without first obtaining HOA's written consent. Franchisee shall keep Franchisee's Restaurant open and in normal operation as designated by HOA in the Manuals or otherwise in writing. Franchisee shall not locate or permit to be located on or about Franchisee's Restaurant premises or any other area of the Accepted Location any slot machines or gambling devices, or any coin-operated machines for vending of any merchandise, entertainment devices for the playing of electronic or manual games or for any similar purpose, pool tables or juke boxes, except as prescribed in the Manuals or as HOA may otherwise approve in writing. Franchisee shall not permit on or about Franchisee's Restaurant premises or any other area of the Accepted Location the sale of products or services not included in the Hooters System without HOA's prior express written consent. HOA, in its sole discretion, may prescribe conditions under which Franchisee may sell such products or services.

5.9 Franchisee shall display all signs and other promotional materials HOA may require, to the extent permitted by applicable laws, ordinances, rules, regulations, court orders, and decisional authority of all applicable governmental authorities having jurisdiction over Franchisee's Restaurant (hereinafter collectively the "**Laws**"). The color, size, design, and location of such signs shall be as HOA specifies or approves. Franchisee shall not place additional signs, posters, or other décor items in, on, or about the Accepted Location without HOA's prior written consent.

5.10 Franchisee shall comply with, and shall cause the Accepted Location and Franchisee's Restaurant to comply with, any and all Laws. Franchisee shall be solely responsible for ensuring that all requirements set forth in this Agreement and all other requirements related to the development, opening, and operation of Franchisee's Restaurant, including without limitation all requirements related to employment, employment discrimination, wage and hour rules, building design, building construction, hygiene, food and beverage products, and alcoholic beverages, comply with any and all Laws. In the event that any requirement set forth in this Agreement or any other requirement related to the development, opening, and operation of Franchisee's Restaurant violates any Law, and as a result Franchisee does not comply with this Agreement or other requirements related to the development, opening, and operation of Franchisee's Restaurant, the existence or enforcement of such Law shall not excuse Franchisee's noncompliance and shall not prevent HOA from asserting that such noncompliance constitutes a default of this Agreement. Franchisee acknowledges and agrees that it has taken any and all steps necessary to ensure that this Agreement and all other requirements related to the development, opening, and operation of Franchisee's Restaurant comply with all Laws.

5.11 Franchisee shall maintain the interior and exterior of Franchisee's Restaurant, and all other areas of the Accepted Location, in first-class repair and condition, and in compliance with all of HOA's maintenance and operating standards. In connection with such maintenance, Franchisee shall make such additions, alterations, and repairs to the Accepted Location, and such replacement of items in and about Franchisee's Restaurant, as HOA may require, which additions, alterations, and repairs may include, without limitation, periodic repainting, refinishing, and repairing of Franchisee's Restaurant interior and exterior and replacing of obsolete or worn signs, furnishings, fixtures, and equipment.

5.12 Franchisee acknowledges and agrees that it is in Franchisee's best interests, and in the best interests of the Hooters System, that Franchisee's Restaurant be clean, up-to-date, well-maintained, and well-appointed. Therefore, Franchisee acknowledges and agrees that Franchisee will, at HOA's request, remodel, redecorate, equip, improve, and modify (collectively, "**Renovate**") Franchisee's Restaurant to conform such Restaurant to: (i) the building design, trade dress, color schemes, signage, and presentation of trademarks and service marks consistent with HOA's then-current image; (ii) the requirements set forth in the Manuals; and (iii) the condition, state of repair, and general appearance of Hooters restaurants that HOA reasonably deems desirable. HOA and Franchisee acknowledge and agree that the obligation to Renovate is intended to be periodic remodeling, redecorating, equipping, improvement to, and modification of, Franchisee's Restaurant, and that nothing contained in this Section 5.12 will affect Franchisee's obligation to maintain its Restaurant in compliance with the other provisions of this Agreement and the Manuals. Notwithstanding anything set forth in this Section 5.12 to the contrary, HOA will not require Franchisee to Renovate Franchisee's Restaurant more often than one (1) time every seven (7) years. Upon request by HOA, Franchisee shall perform reasonable equipment upgrades, as determined by HOA, within ninety (90) days after receipt of notice from HOA to upgrade equipment.

5.13 Franchisee shall operate Franchisee's Restaurant in strict compliance with such methods, standards, and specifications as HOA may from time to time prescribe in the Manuals or otherwise in writing, to maintain maximum efficiency and productivity and to ensure that the highest degree of quality, appearance, and service is consistently maintained. Without limiting the generality of the foregoing, Franchisee specifically agrees:

5.13.1 To maintain in sufficient supply, and to use at all times, only such products, materials, supplies, ingredients, and like items as HOA may require, and to refrain from deviating therefrom by using nonconforming items without HOA's prior written consent;

5.13.2 To use at all times only such methods of preparation, methods of service, and like methods as HOA may require, including without limitation HOA's standards and specifications for preparation and presentation of products served; and to refrain from deviating therefrom by using nonconforming methods without HOA's prior written consent;

5.13.3 To maintain the highest standards of cleanliness, health, and sanitation;

5.13.4 To obtain such products, equipment, services, and supplies as HOA may require, for the appropriate handling, preparation, presentation, selling, and service of any food or beverage products;

5.13.5 To require clean uniforms conforming to such specifications as to color, design, and like factors as HOA may designate from time to time, to be worn by all of Franchisee's personnel at all times while working at, in, through, or on behalf of Franchisee's Restaurant, and to cause all personnel to present a clean, neat appearance and to render competent and courteous service to guests;

5.13.6 To permit HOA, at any reasonable time, to remove from Franchisee's Restaurant samples of items without payment therefor, in amounts reasonably necessary for testing by HOA or an independent laboratory to determine whether such samples meet HOA's then-current standards and specifications. HOA may require Franchisee to bear the cost of such testing if HOA has not previously approved the supplier of the item, or if the sample fails to conform to HOA's specifications;

5.13.7 Not to install or permit to be installed on or about Franchisee's Restaurant premises, without HOA's prior written consent, any furnishings, fixtures, equipment, décor, signage, or other improvements not previously approved as meeting HOA's standards and specifications;

5.13.8 To employ a sufficient number of trained and qualified personnel to operate Franchisee's Restaurant;

5.13.9 To maintain sufficient inventories to operate Franchisee's Restaurant; and

5.13.10 To honor all credit, charge, courtesy or cash cards or other credit devices required or approved by HOA. Franchisee must obtain the written approval of HOA prior to honoring any previously unapproved credit, charge, courtesy or cash cards or other credit devices. Franchisee shall ensure that the Restaurant adheres to the standards applicable to electronic payments including PCI (Payment Card Industry) standards or any equivalent thereof. If required by HOA, Franchisee shall provide HOA with evidence of compliance with the applicable standards and provide, or make available to HOA copies of an audit, scanning results or related documentation relating to such compliance. Any costs associated with an audit or to gain compliance with these standards shall be borne by Franchisee. Franchisee shall immediately (in any event within 24 hours) notify HOA if it suspects or has been notified by any third party of a possible security breach related to the cashless system (or related cashless data) used in the Restaurant.

5.14 HOA may require Franchisee to purchase or lease certain products (including food and beverages), equipment, services, and supplies, including without limitation furnishings, fixtures, equipment, signage, and other items required for the operation of Franchisee's Restaurant, solely from suppliers (including manufacturers, distributors, and other sources), that demonstrate, to HOA's continuing reasonable satisfaction, the ability to meet HOA's then-current standards and specifications for such items; that possess adequate quality controls and capacity to supply Franchisee's needs promptly and reliably; and that HOA has first approved in writing and has not thereafter withdrawn from the approved supplier list. HOA will list such items and suppliers in the Manuals or in periodic bulletins and newsletters HOA may supply. If Franchisee desires to purchase any items from an unapproved supplier, Franchisee shall submit to HOA a written request for HOA's consent to use such supplier, and shall have such supplier acknowledge in writing that Franchisee is an independent entity from HOA and that HOA is not liable for debts Franchisee incurs. HOA shall have the right to require that its representatives be permitted to inspect the supplier's facilities, and that samples from the supplier be delivered to HOA or to an independent laboratory that HOA designates for testing. Franchisee will pay a charge not to exceed the reasonable cost of the inspection and the actual cost of the test. HOA may also require that the supplier comply with such other reasonable requirements as HOA may deem appropriate, including without limitation payment of reasonable continuing inspection fees and administrative costs. HOA reserves the right, following HOA's consent to use any supplier, to reinspect the facilities and products of such supplier and to revoke its consent on the supplier's failure to continue to meet any of HOA's then-current standards. If, in providing products, equipment, services, or supplies to Franchisee, any third party may obtain access to any of HOA's confidential information or trade secrets (as defined below), HOA may require, as a condition of approval of such supplier, that the supplier execute covenants of non- disclosure and non-competition in a form HOA provides.

5.15 Franchisee recognizes that HOA shall have the right to appoint only one manufacturer, distributor, reseller, and/or other vendor for any particular item. HOA may, in some instances, be the only designated supplier of an item.

5.16 HOA may require Franchisee to purchase or lease products, equipment, services, and supplies from HOA, HOA's affiliates, or third parties HOA designates or approves. Franchisee acknowledges and agrees that HOA and HOA's affiliates may enter into agreements with third parties, including without limitation suppliers and distributors, under which HOA and HOA's affiliates may derive revenue, profits, and other benefits, including without limitation rebates, credits, discounts, allowances, monies, payments, or marketing assistance (collectively, "**Allowances**") as a result of consideration Franchisee pays to such third parties for purchases or leases HOA requires Franchisee to make. These Allowances may be based on individual or Hooters System-wide purchases of food, beverages, paper goods and other items. Franchisee assigns to HOA or its designee all of Franchisee's right, title and interest in and to any and all such Allowances and authorizes HOA or its designee to collect and retain any or all such Allowances without restriction (unless otherwise instructed by the supplier).

5.17 Franchisee shall grant HOA the right to enter Franchisee's Restaurant premises at any reasonable time to inspect, photograph, audiotape, or videotape Franchisee's Restaurant and the equipment and operations at Franchisee's Restaurant, to ensure compliance with this Agreement and the Manuals; provided, however, that HOA, in the exercise of such right, shall use all reasonable efforts to prevent disruption or interference with the operation of Franchisee's Restaurant. Franchisee shall cooperate with HOA in such inspections by rendering such assistance as HOA may reasonably request, and shall enforce and comply with all inspection standards HOA may establish; and, on reasonable notice from HOA, and without limiting HOA's other rights under this Agreement, shall take such steps as may be necessary to correct immediately the deficiencies detected during any such inspection, including without limitation immediately desisting from the further use of any products, equipment, services, or supplies, including without limitation advertising material, that do not conform to HOA's then-current standards or specifications.

5.18 Franchisee shall not engage in any trade practice or other activity, and shall not offer any product or service, that HOA determines to be harmful to the goodwill of, or to reflect unfavorably on the reputation of, Franchisee, HOA, Franchisee's Restaurant, the Products sold at Franchisee's Restaurant, or the Hooters System; or that constitutes a deceptive or unfair trade practice; or that otherwise violates any Law.

5.19 In any equipment or trade fixture lease or financing that Franchisee enters into in connection with Franchisee's Restaurant, Franchisee shall include a provision approving HOA as transferee without any right to accelerate or to modify such lease or financing, and requiring the lessor or lender to send notice of any default of such lease or financing to HOA at HOA's then-current address and to give HOA thirty (30) days from the date HOA receives such notice of default to cure such default. HOA is under no duty or obligation whatsoever to cure such default, but should HOA elect to cure such default, Franchisee shall reimburse and indemnify HOA for any costs and expenses HOA incurs in connection with the cure of such default, on HOA's written request, so that HOA actually receives such reimbursement by the end of ten (10) days after HOA requests such reimbursement.

5.20 In order to secure payment of all amounts Franchisee is obligated to pay under this Agreement, Franchisee hereby grants to HOA a first priority, unsubordinated security interest in all of Franchisee's trade fixtures, equipment, inventory, and accounts receivable, and in the proceeds of the foregoing. Franchisee shall execute all documents HOA reasonably deems necessary to perfect HOA's security interest in such items.

5.21 Franchisee will immediately notify HOA, in writing, of any act, omission, or circumstance that: (i) would constitute a default by Franchisee of this Agreement or any other agreement to which Franchisee and HOA are parties; or (ii) would reasonably be expected to impair Franchisee's ability to fulfill its obligations to HOA. Franchisee will not intentionally, willfully, or negligently: (a) misrepresent any matter to HOA; or (b) fail to immediately notify HOA of any matter as to which this Agreement requires Franchisee to notify HOA.

5.22 Incentive/Convenience Programs. If required by HOA, Franchisee shall offer for sale, and will honor for purchases by customers, any incentive or convenience programs which HOA may institute from time to time, and Franchisee shall do so in compliance with HOA's standards and procedures for such programs. Additionally, Franchisee shall sell, issue, and redeem gift cards ("**Gift Cards**") and (whether as a part of, or separate from, Gift Cards) loyalty cards ("**Loyalty Cards**") that have been prepared utilizing the standard form of Gift Card or Loyalty Card provided or designated by HOA, and only in the manner specified in the Manuals or otherwise in writing. Franchisee shall fully honor all Gift Cards and Loyalty Cards regardless of whether a Gift Card or Loyalty Card was issued by HOA or another franchisee, regardless of whether the Gift Card or Loyalty Card has been discounted for third-party retailer fees pursuant to arrangements that HOA has established with such retailers for the sale of Gift Cards and Loyalty Cards.

6. PROPRIETARY MARKS

6.1 HOA represents with respect to the Proprietary Marks that:

6.1.1 Pursuant to the License Agreement with an affiliate, HOA has been granted the exclusive right to use and to license others to use the Proprietary Marks and the Hooter System to establish Hooters restaurants in Brazil. HOA has taken, and shall take or cause to be taken, all steps reasonably necessary to preserve and protect the ownership and validity in Brazil of the Proprietary Marks that HOA has designated for use in the Hooters System in Brazil.

6.2 Franchisee covenants, warrants, represents, and agrees that:

6.2.1 Franchisee will use only the Proprietary Marks HOA designates, and will use them only in the manner HOA authorizes and permits. Franchisee acknowledges and agrees that any unauthorized use of the Proprietary Marks will constitute an infringement of HOA's rights.

6.2.2 Franchisee will use the Proprietary Marks only for the operation of Franchisee's Restaurant, and only at Franchisee's Restaurant or in advertising for Franchisee's Restaurant.

6.2.3 Franchisee will operate and advertise Franchisee's Restaurant only under the name "Hooters" without prefix or suffix, except as otherwise authorized or required by us.

6.2.4 Franchisee will identify itself as the owner of Franchisee's Restaurant in connection with any use of the Proprietary Marks, including without limitation on invoices, order forms, receipts, menus, employee forms, and contracts, and at such conspicuous locations on the premises of Franchisee's Restaurant as HOA may require. The form and content of such identification will comply with HOA's standards and specifications.

6.2.5 Franchisee will not use any Proprietary Mark: (i) to incur any obligation or indebtedness on behalf of HOA; (ii) as a part of Franchisee's corporate or other legal name; (iii) in any part of a web site domain name without HOA's prior written consent, which consent HOA will not unreasonably withhold; or (iv) on a web site, including without limitation a social media site, without HOA's prior written consent.

6.2.6 Franchisee will file for and maintain, at its sole cost and expense, all trade name or business name registrations required by HOA or by Law.

6.2.7 Franchisee will promptly execute any powers of attorney or other documents HOA deems necessary to obtain or enhance protection for the Proprietary Marks, to maintain the continued validity and enforceability of the Proprietary Marks, to further HOA's exercise of its rights under this Agreement, or otherwise. Without limiting the generality of the foregoing, Franchisee must execute (and file, if applicable) any documents that HOA or its counsel deem necessary to obtain protection for the Proprietary Marks or to maintain their continued validity and enforceability, including license agreements (which shall be subject to the terms of this Agreement). Upon termination or expiration of this Agreement, Franchisee agrees to do everything necessary to ensure that Franchisee ceases to be a licensee of the Marks, and Franchisee hereby appoints HOA as Franchisee's attorney to execute any documents and to do such things as may be necessary for this purpose. Franchisee agrees to pay for all costs of preparation, recordation and cancellation of the license agreement.

6.2.8 In the event that any person or entity commences or threatens litigation against Franchisee related to the Proprietary Marks or the Hooters System, Franchisee will promptly notify HOA and will cooperate fully in defending or settling such litigation, as determined exclusively by HOA.

6.3 Franchisee expressly acknowledges and agrees that:

6.3.1 As between HOA and Franchisee, HOA has the sole and exclusive right and interest in and to the Proprietary Marks and the goodwill associated with and symbolized by them.

6.3.2 The Proprietary Marks are valid, distinctive, and serve to identify HOA as the source of the goods and services offered pursuant to those marks and by those who are authorized to operate under the Hooters System.

6.3.3 Franchisee will not directly or indirectly contest the validity, distinctiveness, or ownership of the Proprietary Marks, or HOA's right to license the Proprietary Marks, either during the Term or thereafter.

6.3.4 Franchisee has no ownership interest or other interest in or to the Proprietary Marks, except the license granted by this Agreement.

6.3.5 In the event HOA substitutes different Proprietary Marks for the Proprietary Marks Franchisee is then using, Franchisee will promptly effect such substitution at Franchisee's sole cost and expense.

6.3.6 Any and all goodwill related to Franchisee's use of the Hooters System or the Proprietary Marks will inure solely and exclusively to the benefit of HOA, and on termination or expiration of this Agreement and the license granted under this Agreement, no monetary amount will be assigned as attributable to any goodwill associated with Franchisee's use of the Hooters System or the Proprietary Marks.

6.3.7 The license of the Proprietary Marks granted to Franchisee under this Agreement is nonexclusive, and HOA thus has and retains the rights, among others:

(a) To use the Proprietary Marks itself in connection with selling products and services;

(b) To grant other licenses for the Proprietary Marks, in addition to those licenses already granted to existing franchisees and otherwise; and

(c) To develop and establish other systems using marks the same or similar to the Proprietary Marks, or any other marks, and to grant licenses or franchises thereto at any locations whatsoever, without providing any rights or compensation to Franchisee.

6.4 HOA represents and warrants that Exhibit B is a true and correct description of HOA's trademark applications and registrations for the Proprietary Marks in Brazil (the "**Country**"). During the term of this Agreement, HOA shall use commercially reasonable efforts to obtain and maintain the registration for such Proprietary Marks in the Country. Franchisee acknowledges and agrees that: (a) HOA makes no representation or covenant that any Proprietary Marks for which applications are currently pending, or for which applications may be filed in the future, will be registered in the Country; and (b) HOA will have no liability to Franchisee if HOA does not obtain registration for one or more of the Proprietary Marks in the Country.

6.5 Franchisee acknowledges and agrees that HOA has no obligation to, and has not and will not investigate or research whether the Proprietary Marks or other intellectual property infringes the intellectual property rights of any third party in the Country. Except as expressly provided in this Agreement, HOA shall have no responsibility for any such infringements. Nothing in this Agreement shall be construed as a warranty by HOA regarding clear title to or ownership of the Proprietary Marks or any other intellectual property, which such warranty is hereby expressly disclaimed.

7. HOOTERS OF AMERICA MANUALS

7.1 In order to protect the reputation and goodwill of HOA and the Proprietary Marks, to maintain the high standards of operation under the Hooters System, and to protect the investments of HOA and HOA's other franchisees, Franchisee shall conduct Franchisee's Restaurant in compliance with this Agreement, the Manuals, and such other written directives as HOA may issue from time to time whether or not such directives are made part of the Manuals, and any other manuals, videos, or materials HOA may create or approve for use in the operation of the Hooters System or Franchisee's Restaurant.

7.2 The Manuals, written directives, other manuals and materials, and any other confidential communications HOA provides or approves, shall at all times remain the sole property of HOA and shall at all times be kept and maintained in a secure place on Franchisee's Restaurant premises.

7.3 HOA may add to, delete from, or modify the contents of the Manuals and any other written directives, manuals, and materials created or approved for use in the operation of the Hooters System, or Franchisee's Restaurant. Franchisee expressly agrees that such contents shall be deemed effective on receipt by Franchisee or at such other time as HOA may otherwise specify.

7.4 Franchisee shall at all times ensure that its copy of the Manuals is kept current and up-to- date. In the event of any dispute as to the contents of the Manuals, the master copy of the Manuals that HOA maintains shall be controlling.

7.5 The Manuals, their contents and all intellectual property rights therein shall be HOA's sole property, notwithstanding that Franchisee may have materially assisted HOA in adapting the Manuals or translating the Manuals into another language. Franchisee shall sign whatever assignment or other documents HOA requests to evidence HOA's ownership or to provide such other assistance to secure HOA's intellectual property rights in such ideas, concepts, methods and techniques.

7.6 From time to time, Franchisee may submit to HOA for its review and approval any proposed modifications to the Manuals and the Hooters System that, in Franchisee's reasonable judgment, are necessary to comply with applicable Laws or for the commercial success of the Hooters Restaurants in the Country, including any modifications to, additions to or deletions from the menu items. HOA will consider in good faith such proposed modifications, but retains the sole and complete discretion to approve or reject such proposed modifications.

7.7 HOA may provide the Manual and all other materials only in English. If Franchisee considers it necessary or desirable to translate the Manuals and/or all other bulletins, brochures, labels, advertising materials or audio or visual materials into local language, Franchisee, at Franchisee's expense, shall be responsible for complete and accurate translations. HOA has the right to review, re-translate or comment upon any translation prepared by Franchisee. Franchisee must immediately at Franchisee's expense make any modifications to any translation that HOA reasonably requests. Franchisee must not use any translations disapproved by HOA.

7.8 HOA reserves the right to provide the Manuals in hard copy, electronic or such other form as it may select, including through an intranet portal. Franchisee shall at its expense ensure that it has the necessary equipment to receive and use the Manuals in its various forms.

8. CONFIDENTIAL INFORMATION

8.1 "**Confidential Information**" means any information that HOA discloses to Franchisee that HOA designates as confidential or that, by its nature, would reasonably be expected to be held in confidence or kept secret, whether such disclosure occurred prior to or after the Effective Date of this Agreement. Without limiting the definition of "Confidential Information," all the following shall be conclusively presumed to be Confidential Information whether or not HOA designates them as such: (i) all information that HOA has marked or designated as confidential; (ii) HOA's Marketing Manual, Promotions Management Manual, Concept Overview Manual, and all other Hooters System Manuals, including without limitation those on the subjects of Franchise Operations, Employee Relations, Finance and Administration, Field Operations, Purchasing, and Marketing, together with all similar directives and documentation; (iii) HOA's training programs and the material contained in them; (iv) HOA's rules, guidelines, standards, specifications, plans, programs, procedures, and agreements, related to the development, opening, and operation of restaurants; (v) HOA's cost information; and (vi) all other information that HOA provides to Franchisee in confidence, except where such information is a Trade Secret.

8.2 "**Trade Secrets**" means information that derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who may obtain economic value from its disclosure or use, whether Franchisee obtained such information prior to or after the Effective Date of this Agreement. Without limiting the definition of "Trade Secret," all the following shall be conclusively presumed to be Trade Secrets whether or not HOA or any judicial or other administrative body has designated them as such: (i) the Hooters System's guest lists, and the contact information of such guests, including without limitation guest lists and contact information compiled by Franchisee; (ii) HOA's food and beverage recipes, lists of ingredients, preparation instructions, and serving instructions; (iii) HOA's advertising, marketing, and public relations strategies; (iv) HOA's marketing analyses; (v) products and services that HOA proposes to introduce, but that it has not yet introduced; and (vi) HOA's expansion plans.

8.3 Confidentiality. Franchisee shall not, during the term of this Agreement or thereafter, communicate, divulge, or use for the benefit of any other person, persons, partnership, entity, association, or corporation any Confidential Information, Trade Secret, knowledge, or know-how concerning the methods of operation of the business franchised hereunder which may be communicated to Franchisee or of which Franchisee may be apprised by virtue of Franchisee's operation under the terms of this Agreement. Franchisee shall divulge such confidential information only to such of its employees as must have access to it in order to operate Franchisee's Restaurant. Any and all information, knowledge, know-how, and techniques which HOA designates as confidential shall be deemed confidential for purposes of this Agreement, except information which Franchisee can demonstrate came to its attention before disclosure thereof by HOA; or which, at or after the time of disclosure by HOA to Franchisee, had become or later becomes a part of the public domain, through publication or communication by others. Any employee who may have access to any confidential information regarding Franchisee's Restaurant shall execute a covenant that s/he will maintain the confidentiality of information they receive in connection with their association with Franchisee. Such covenants shall be on a form provided by HOA, (an "**Individual Non-Disclosure and Non-Competition Agreement**"), which form shall, among other things, designate HOA as a third party beneficiary of such covenants with the independent right to enforce them.

8.4 Consequences of Breach. Franchisee acknowledges that any failure to comply with the requirements of this Section 8 will cause HOA irreparable injury, and Franchisee agrees to pay all court costs and reasonable attorney's fees incurred by HOA in obtaining specific performance of, or an injunction against violation of, the requirements of this Section 8.

8.5 Franchisee-Developed Concepts. Franchisee agrees to disclose to HOA all ideas, concepts, methods, techniques and products conceived or developed by Franchisee, its affiliates, owners or employees during the term of this Agreement relating to the development and/or operation of Franchisee's Restaurant. Franchisee hereby grants to HOA and agrees to procure from its affiliates, owners or employees a perpetual, non-exclusive, and worldwide right to use any such ideas, concepts, methods, techniques and products in all food and beverage service businesses operated by HOA or its affiliates, franchisees and designees. HOA shall have no obligation to make any payments to Franchisee with respect to any such ideas, concepts, methods, techniques or products. Franchisee agrees that Franchisee will not use or allow any other person or entity to use any such concept, method, technique or product without obtaining HOA's prior written approval.

9. **TECHNOLOGY**

9.1 Computer Systems and Software. With respect to computer systems and required software:

9.1.1 HOA shall have the right to specify or require that certain brands, types, makes, and/or models of communications, computer systems, and hardware to be used by, between, or among Restaurants, including without limitation: (a) back office and point of sale systems, data, audio, video, and voice storage, retrieval, and transmission systems for use at Restaurants, between or among Restaurants, and between and among Franchisee's Restaurants and HOA, HOA's designee and/or Franchisee; (b) cash register systems; (c) physical, electronic, and other security systems; (d) printers, "media wall" systems, and other peripheral devices; (e) archival back-up systems; and (f) internet access mode (*e.g.*, form of telecommunications connection) and speed (collectively, the "**Computer System**").

9.1.2 HOA shall have the right, but not the obligation, to develop or have developed for it, or to designate: (a) computer software programs and accounting system software that Franchisee must use in connection with the Computer System ("**Required Software**"), which Franchisee shall install; (b) updates, supplements, modifications, or enhancements to the Required Software, which Franchisee shall install; (c) the tangible media upon which such Franchisee shall record or receive data; and (d) the database file structure of Franchisee's Computer System.

9.1.3 Franchisee shall install and use the Computer System and Required Software in the manner required by HOA.

9.1.4 Franchisee shall record all sales on the computer-based point of sale system specified by HOA in the Manuals or otherwise in writing, which shall be deemed part of the Franchisee's Computer System.

9.1.5 Franchisee shall implement and periodically make upgrades and other changes to the Computer System and Required Software as HOA may reasonably request in writing (collectively, "**Computer Upgrades**").

9.1.6 Franchisee shall comply with all specifications issued by HOA with respect to the Computer System and the Required Software, and with respect to Computer Upgrades, at Franchisee's expense. Franchisee shall also afford HOA unimpeded access to Franchisee's Computer System and Required Software as HOA may request, in the manner, form, and at the times requested by HOA.

9.2 Data. All data provided by Franchisee, uploaded to HOA's system from the Franchisee's system, and/or downloaded from the Franchisee's system to HOA's system is and will be owned exclusively by HOA, and HOA will have the right to use such data in any manner that HOA deems appropriate without compensation to Franchisee. In addition, all other data created or collected by Franchisee in connection with the Computer System, or in connection with Franchisee's operation of the business (including but not limited to consumer and transaction data), is and will be owned exclusively by HOA during the term of, and following termination or expiration of, this Agreement. Copies and/or originals of such data must be provided to HOA upon HOA's request. HOA hereby licenses use of such data back to Franchisee, at no additional cost, solely for the term of this Agreement and solely for Franchisee's use in connection with the business franchised under this Agreement.

9.3 Data Requirements and Usage. HOA may, from time-to-time, specify in the Manuals or otherwise in writing the information that Franchisee shall collect and maintain on the Computer System installed at Franchisee's Restaurant, and Franchisee shall provide to HOA such reports as HOA may reasonably request from the data so collected and maintained. Franchisee shall download daily, or in such other intervals as HOA may require, all information and materials HOA may require in connection with the operation of Franchisee's Restaurant, and shall display such information and materials in the manner HOA may prescribe, including, without limitation, to employees of Franchisee's Restaurant, or on media displayed at Franchisee's Restaurant. During and subsequent to the term of this Agreement, HOA shall have the right to use all data pertaining to, derived from, or displayed at Franchisee's Restaurant (including, without limitation, data pertaining to or otherwise related to Franchisee's Restaurant customers).

9.3.1 Franchisee shall abide by all of the Country's Laws pertaining to the privacy of consumer, employee, and transactional information ("**Privacy Laws**"). Without limiting the generality of the foregoing, Franchisee shall adopt and maintain strict procedures to safeguard the security and confidentiality of such information, and shall ensure that all necessary or required consents or authorizations are obtained regarding the use and disclosure of their information as may be necessary, in light of applicable Privacy Laws;

9.3.2 Franchisee shall comply with HOA's standards and policies pertaining to Privacy Laws. If there is a conflict between HOA's standards and policies pertaining to Privacy Laws and actual applicable Laws, Franchisee shall: (a) comply with the requirements of applicable Law; (b) immediately give HOA written notice of said conflict; and (c) promptly and fully cooperate with HOA and HOA's counsel in determining the most effective way, if any, to meet HOA's standards and policies pertaining to Privacy Laws within the bounds of applicable Law.

9.3.3 Franchisee shall not publish, disseminate, implement, revise, or rescind a data privacy policy without HOA's prior written consent as to such policy.

9.4 Electronic Identifiers; E-Mail. Franchisee shall not use the Proprietary Marks or any abbreviation or other name associated with HOA and/or the System as part of any e-mail address, domain name, and/or other identification of Franchisee in any electronic medium. Franchisee agrees not to transmit or cause any other party to transmit advertisements or solicitations by e-mail or other electronic media without first obtaining HOA's written consent as to: (a) the content of such e-mail advertisements or solicitations; and (b) Franchisee's plan for transmitting such advertisements. In addition to any other provision of this Agreement, Franchisee shall be solely responsible for compliance with any Law pertaining to sending e-mails.

9.5 Internet Web Sites and Listings.

9.5.1 Franchisee may, at its expense, create its own web site and social media sites for Franchisee's Restaurant. To do so, Franchisee must submit all web site and social media site plans and information to HOA for HOA's prior written consent.

9.5.2 Franchisee's web site, and the content of all Franchisee's social media sites, must conform to HOA's then-current standards. Franchisee must keep HOA advised at all times of all of Franchisee's web site and social media site addresses and domain names. Upon notice to Franchisee, and notwithstanding the provisions of Section 9.5.1 above, HOA shall have the right to acquire control over Franchisee's web site, social media addresses and domain names, and Franchisee agrees to execute such documents and take such actions as may be necessary to cooperate fully with HOA in connection with HOA's doing so.

9.5.3 Franchisee has, or may acquire during the term of this Agreement, certain right, title, and interest in and to certain domain names, hypertext markup language ("**html**"), uniform resource locator ("**url**") addresses, and access to corresponding Internet web sites, and the right to hyperlink to certain web sites and listings on various Internet search engines and other social networking media, business networking media, and marketing media sites, applications, and platforms, all as modified and expanded from time to time as technology progresses and otherwise (collectively, the "**Internet Web Sites and Listings**") related to the Franchise or the Proprietary Marks.

9.5.4 Franchisee must comply with all Laws in relation to its Internet Web Sites and Listings, and must obtain HOA's prior written consent for any online ordering that may occur through Franchisee's web site.

9.5.5 Transfer. On Termination of the Franchise Agreement:

(a) Franchise shall immediately and without request therefor provide HOA with a full and complete written list and description of any and all Internet Web Sites and Listings; and

(b) If HOA directs Franchisee to do so, Franchisee shall immediately direct all Internet Service Providers, domain name registries, Internet search engines, and other listing agencies (collectively, the "**Internet Companies**") with which Franchisee has Internet Web Sites and Listings: (i) to transfer all Franchisee's interest in such Internet Web Sites and Listings to HOA; and (ii) to execute such documents and take such actions as may be necessary to effectuate such transfer. In the event HOA does not desire to accept any or all of such Internet Web Sites and Listings, Franchisee shall immediately direct the Internet Companies to terminate such Internet Web Sites and Listings or shall take such other actions with respect to the Internet Web Sites and Listings as HOA may direct.

9.5.6 Appointment; Power of Attorney. Franchisee hereby constitutes and appoints HOA and any officer or agent of HOA, for HOA's benefit under this Agreement and this Agreement or otherwise, with full power of substitution, as Franchisee's true and lawful attorney- in-fact with full power and authority in Franchisee's place and stead, and in Franchisee's name, on termination of this Agreement, to take any and all appropriate action and to execute and deliver any and all documents that may be necessary or desirable to accomplish the purposes of this Internet Listing Agreement. Franchisee further agrees that this appointment constitutes a power coupled with an interest and is irrevocable. Without limiting the generality of the foregoing, Franchisee hereby grants to HOA the power and right to do the following:

(a) Direct the Internet Companies to transfer all or any part of Franchisee's interest in and to the Internet Web Sites and Listings to HOA or any third party HOA designates;

(b) Direct the Internet Companies to terminate all or any part of the Internet Web Sites and Listings; and

(c) Execute the Internet Companies' standard assignment forms or other documents in order to effect such transfer or termination of Franchisee's interest in the Internet Web Sites and Listings.

To the extent required by applicable Laws or deemed convenient by Franchisor, Franchisee further undertakes to execute any documents and take any actions as may be necessary to confirm the powers and rights granted hereunder.

9.5.7 Certification of Termination. Franchisee hereby directs the Internet Companies that they shall accept, as conclusive proof of termination of this Agreement, HOA's written statement, signed by an officer or agent of HOA, that this Agreement has terminated.

9.5.8 Cessation of Obligations. After the Internet Companies have duly transferred all Franchisee's interest in such Internet Web Sites and Listings to HOA, or after the Internet Companies have duly terminated Franchisee's interest in such Internet Web Sites and Listings, as between Franchisee and HOA, Franchisee will have no further interest in, or obligations under, such Internet Web Sites and Listings. Notwithstanding the foregoing, Franchisee shall remain liable to each and all of the Internet Companies for the sums Franchisee is obligated to pay such Internet Companies for obligations Franchisee incurred before the date HOA duly accepted the transfer of such interest in the Internet Web Sites and Listings, or for any other obligations not subject to the Franchise Agreement.

9.6 Changes. Franchisee and HOA acknowledge and agree that changes to technology are dynamic and not predictable within the term of this Agreement. In order to provide for inevitable but unpredictable changes to technological needs and opportunities, Franchisee agrees that HOA shall have the right to establish, in writing, reasonable new standards for the implementation of technology in the Hooters System; and Franchisee agrees that it shall abide by those reasonable new standards established by HOA as if this Section 9 were periodically revised by HOA for that purpose.

10. ACCOUNTING AND RECORDS

10.1 Franchisee shall maintain, and shall preserve for at least five (5) years after the dates of their preparation, full, complete, and accurate books, records, and accounts, prepared in accordance with generally-accepted accounting principles consistently applied, in the form and manner HOA prescribes.

10.2 Franchisee shall submit to HOA:

10.2.1 After the opening of Franchisee's Restaurant: (i) a royalty report, on a monthly basis, in the form HOA prescribes, that accurately states all Gross Sales during each preceding month and that provides such other data or information as HOA may require, so that HOA actually receives such report by the end of ten (10) days after the end of each such month; (ii) profit and loss statements and balance sheets prepared in a form that we shall designate and in accordance with generally-accepted accounting principles consistently applied for each accounting period, so that HOA actually receives such information by the end of fifteen (15) days after the end of each period covered by the report; and (iii) copies of all tax returns that Franchisee is required by Law to file related to Franchisee's Restaurant, so that HOA actually receives such returns by the end of ten (10) days after the end of the applicable tax reporting period.

10.2.2 Reports of daily receipts, vendor purchases, payroll payments, and such other forms, reports, records, and information as HOA may request from time to time, and reports of all rebates, discounts, allowances, marketing assistance, or other benefits received from vendors, on forms HOA provides to Franchisee or in the form HOA specifies.

10.2.3 Such records, reports, documents, data, certificates, and other information related to this Agreement, Franchisee's obligations or Franchisee's Restaurant, as HOA may require, so that HOA actually receives such items by the end of ten (10) days after HOA requests that Franchisee submit such items to HOA.

10.3 Franchisee shall, at its expense, provide to HOA a profit and loss statement and balance sheet, accompanied by a review report certified by Franchisee's chief executive officer or chief financial officer, within ninety (90) days after the end of each of Franchisee's fiscal years, showing the results of operations of Franchisee's Restaurant during such fiscal year. HOA reserves the right to require Franchisee to have such review report prepared by an independent certified public accountant satisfactory to HOA.

10.4 HOA and its designated agents shall have the right, at all reasonable times, to examine and copy, at HOA's expense, the books, records, tax returns, and tax filings of Franchisee and Franchisee's Restaurant. HOA shall also have the right, at any time, to have an independent audit made of the books of Franchisee's Restaurant. If an inspection should reveal that any payments to HOA have been understated in any report to HOA, Franchisee shall immediately pay to HOA the amount understated on HOA's demand, plus interest on such amount from the date such amount came due until paid, at the Default Rate, calculated on a daily basis. If an inspection discloses an understatement in any payment to HOA of two percent (2%) or more, Franchisee shall, in addition, reimburse HOA for any and all costs and expenses related to the inspection (including without limitation travel, food, lodging, and wage expenses of HOA's personnel, and reasonable accounting and legal fees and costs); and, at HOA's discretion, shall submit audited financial statements prepared, at Franchisee's expense, by an independent certified public accountant satisfactory to HOA. If an inspection discloses an understatement in any payment to HOA of four percent (4%) or more, such act or omission shall constitute grounds for termination of this Agreement pursuant to Section 14.3.8 of this Agreement. The foregoing remedies shall be in addition to any other remedies HOA may have pursuant to this Agreement or at law, in equity, or otherwise.

10.5 Franchisee shall comply with the daily accounting and reporting procedures HOA prescribes, as modified from time to time, and shall purchase the accounting and reporting equipment, including without limitation point of sale equipment, that HOA requires.

11. ADVERTISING

11.1 Franchisee will comply with its local advertising obligations set forth in Section 4.4 of this Agreement. Franchisee may conduct such additional local advertising and promotion of Franchisee's Restaurant as Franchisee deems appropriate. All advertising and promotion Franchisee conducts shall conform to such standards and requirements as HOA may specify. Franchisee shall submit to HOA for HOA's prior written approval, to the extent the Law requires, samples of all advertising and promotional plans and materials that Franchisee desires to use and that HOA has not prepared or previously approved. Franchisee shall display the Proprietary Marks in the manner HOA prescribes on all signs and other advertising and promotional materials used in connection with Franchisee's Restaurant.

11.2 HOA may provide to Franchisee, itself or through the Global Advertising Fund, at Franchisee's expense, such advertising and promotional plans and materials as HOA deems advisable for local advertising. HOA may develop advertising programs for the promotion of the Proprietary Marks or merchandise offered at Hooters restaurants, and Franchisee must comply with the requirements of such programs.

11.3 Global Advertising Fund. HOA reserves the right to establish a global advertising fund (the "**Global Advertising Fund**"), for which Franchisee will be required to pay the Global Advertising Fee. If and when established, the Global Advertising Fund shall be maintained and administered by HOA or its designee, on such terms and conditions as HOA deems appropriate, including control over content and media; deposits and expenditures of the Global Advertising Fund; and allocation of HOA's direct costs and overhead relating to the Ad Fund. For purpose of clarification, the Global Advertising Fund is not intended to be, and should not be treated as, a trust or similar arrangement.

11.4 HOA may require Franchisee to participate in cooperative advertising programs with certain suppliers or approved sources of goods. Franchisee agrees that HOA reserves the right, to the fullest extent allowed by Law, to establish maximum, minimum or other pricing requirements with respect to the prices Franchisee may charge for the Products offered and sold at Franchisee's Restaurant.

11.5 Franchisee acknowledges that periodic rebates, give-aways and other promotions and programs are an integral part of the Hooters System. Accordingly, Franchisee, at its sole cost and expense, from time to time shall issue and offer such rebates, give-aways, discounts, incentives and promotions in accordance with any reasonable marketing programs established by HOA, and further shall honor rebates, give-aways and other promotions issued by other franchisees as long as all of the above do not contravene the Laws of appropriate governmental authorities.

12. INSURANCE

12.1 Franchisee shall obtain, prior to the commencement of any operations under this Agreement, and shall maintain in full force and effect at all times, at Franchisee's expense, an insurance policy or policies insuring Franchisee, together with HOA, HOA's affiliates, and Franchisee's and HOA's respective directors, officers, shareholders, general partners, limited partners, members, employees, and agents, as additional insureds, against any demand or claim related to personal injury, death, or property damage, or any other loss, expense, liability, damage, or damages whatsoever, arising out of or related to Franchisee's Restaurant.

12.2 Such policy or policies shall, to the fullest extent allowed by Law, be in accordance with standards and specifications set forth in the Manuals or otherwise in writing from time to time, and shall include, at a minimum: (a) comprehensive, general and product liability insurance; (b) general casualty insurance, including fire and extended coverage, vandalism and malicious mischief insurance, for the replacement value of the Restaurant and its contents; and (c) such other insurance policies, such as business interruption and unemployment insurance, as HOA may determine from time to time. All insurance policies must: (i) be issued by carriers approved by HOA; (ii) contain such types and minimum amounts of coverage, exclusions and maximum deductibles as HOA prescribes from time to time; (iii) name HOA and its Affiliates as additional insured (or otherwise provide coverage that is equivalent to additional insured coverage); (iv) provide for thirty (30) days' prior written notice to HOA of any material modification, cancellation or expiration of such policy that may affect HOA; and (v) include such other provisions as HOA may reasonably require from time to time. Franchisee shall notify HOA immediately of cancellation of insurance or any modification of insurance that is inconsistent with the foregoing requirements.

12.3 Franchisee's obligation to obtain and maintain the foregoing policy or policies in the amounts specified shall not be limited in any way by reason of any insurance that HOA may maintain, nor shall Franchisee's performance of such obligations relieve Franchisee of liability under the indemnity provisions set forth in Section 19 of this Agreement.

12.4 Prior to the opening of Franchisee's Restaurant, and thereafter at least thirty (30) days prior to the expiration of any such policy, Franchisee shall deliver to HOA certificates of insurance evidencing the proper coverage with limits not less than those required under this Agreement. All certificates shall expressly provide that the insurer will give HOA not less than thirty (30) days' prior written notice in the event of material alteration to, termination of, non-renewal of, or cancellation of, the coverages evidenced by such certificates.

12.5 In the event of fire or other insured casualty that results in the damage or destruction of Franchisee's Restaurant, Franchisee shall pay to HOA, from the proceeds received by Franchisee of any business interruption or other insurance applicable to loss of revenues or proceeds, an amount equal to five percent (5%) of such insurance proceeds (the "**Casualty Proceeds**"). HOA's portion of the Casualty Proceeds shall be paid to HOA within ten (10) days after receipt. At the same time, Franchisee shall notify HOA whether it will reconstruct Franchisee's Restaurant in a prompt and timely manner. In the event Franchisee notifies HOA that it will not do so, HOA shall terminate this Agreement pursuant to Section 14.2.3 and Franchisee shall thereafter comply with all of the obligations upon termination set forth in Section 15 of this Agreement that HOA may reasonably require under the circumstances.

13. TRANSFER OF INTEREST

13.1 Transfer by HOA. HOA shall have the absolute right to transfer, assign, and delegate all or any part of its rights and obligations under this Agreement to any person or entity HOA deems appropriate. Such transfer, assignment, or delegation shall effect a complete novation as to the right or obligation transferred, assigned, or delegated. After such transfer, assignment, or delegation, Franchisee shall look solely to the transferee, assignee, or delegatee, and not to HOA, for the satisfaction of any obligation transferred, assigned, or delegated. HOA may also, without Franchisee's consent, transfer, assign, or otherwise alter any or all of the ownership in HOA.

13.2 Transfer by Franchisee or Owners.

13.2.1 An "**Owner**" is a natural person who "owns" equity in the Franchisee, where such ownership is direct, indirect, or beneficial. A "**Principal Owner**" of Franchisee shall mean each: (i) an Owner with ten percent (10%) or more equity in Franchisee; and (ii) an Owner with ten percent (10%) or more equity in any business entity that holds a ten percent (10%) or more equity in Franchisee. If there are no such natural persons (e.g., in the case of a publicly-held franchisee), "**Principal Owners**" shall mean the eight (8) natural persons who own or hold the greatest shares of equity of Franchisee. Franchisee's Principal Owners and other Owners as of the Effective Date, and the percentage and type of equity of Franchisee each such Owner owns or holds, and the manner of such holding, are set forth on Exhibit C to this Agreement.

13.2.2 Franchisee acknowledges and agrees that: (i) this Agreement is a contract for the personal services of Franchisee and its Principal Owners; and (ii) HOA has granted this Agreement in reliance on information Franchisee and its Principal Owners provided related to Franchisee's and such Principal Owners' business skills, business acumen, personal character, education, credit rating, and financial resources (collectively, the "**Principal Owner Qualifications**"). Franchisee hereby directs any party construing this Agreement, including without limitation any court, mediator, master, or other party acting as a trier of fact or law, to conclusively presume that this Agreement is a contract for the personal services of Franchisee and its Principal Owners.

13.2.3 Unless HOA otherwise consents in writing, Principal Owners shall own and hold a majority of the equity in Franchisee. The remaining equity in Franchisee may be owned or held by Owners, persons not to exceed ten (10) in number, directly, indirectly, or beneficially, with HOA's prior written consent, which consent HOA may grant or withhold in HOA's sole discretion.

13.2.4 HOA's prior written consent is a necessary condition precedent to the sale, assignment, delegation, transfer, conveyance, gift, pledge, mortgage, encumbrance, or hypothecation (collectively, the "**Transfer**") of any direct, indirect, or beneficial interest of an Owner in Franchisee, of Franchisee's Restaurant (or all or substantially all of its assets) Franchised Business, of this Agreement, in any interest or rights granted under this Agreement.

13.2.5 Except as specifically provided in this Agreement, HOA has the absolute and unfettered right to withhold its consent to a Transfer of any interest described in Section 13.2.4 of this Agreement (collectively, any "**Interest**"). Any permitted transferee of a Principal Owner must satisfy the Principal Owner Qualifications. In addition, HOA may, in its sole discretion, require any or all of the following as conditions precedent to HOA's consent to a Transfer:

(a) Franchisee and its affiliates must satisfy all monetary obligations and other outstanding obligations owed to HOA, HOA's affiliates, and Franchisee's other creditors.

(b) Franchisee and its affiliates must have substantially complied with this Agreement, any amendment to this Agreement, and all other agreements between Franchisee or such affiliates on the one hand, and HOA or HOA's affiliates on the other hand; and, at the time of Transfer, must not be in default of any such agreements.

(c) Franchisee, Owners, transferor, and transferee must duly execute and deliver to HOA the then-current form of transfer and assumption agreement, which transfer and assumption agreement: (i) will require the transferee to assume and agree to discharge all of the obligations of the transferor; (ii) will provide that the transferor shall remain liable for all of the obligations to HOA and HOA's affiliates in connection with Franchisee's Restaurant arising prior to the effective date of the Transfer; and (iii) will contain a Release in substantially the form attached as Exhibit D to this Agreement.

13.2.6 In addition, if a Transfer is of a controlling interest in Franchisee, Franchisee's Restaurant (or all or substantially all of its assets), this Agreement, in any interest or rights granted under this Agreement (a "**Controlling Interest Transfer**"), HOA may, in its sole discretion, require any or all of the following as conditions precedent to HOA's consent to such transfer:

(a) Transferee must enter into HOA's then-current form of franchise agreement (the "**Replacement Franchise Agreement**"). The provisions of the Replacement Franchise Agreement may differ materially from the provisions of this Agreement. HOA will not require the transferee to pay the Initial Franchise Fee set forth in 4.2 of this Agreement. The initial term of the Replacement Franchise Agreement shall be the balance remaining of the Initial Term of this Agreement.

(b) Transferor or transferee must pay HOA a Transfer fee in an amount equal to twenty percent (20%) of HOA's then-current Initial Franchise Fee (the "**Transfer Fee**").

(c) The transferee, at its expense, must Renovate Franchisee's Restaurant, and must complete such obligation to Renovate by the end of the reasonable time HOA may specify.

(d) The transferee and, if applicable, the transferee's designated general manager, must complete any training programs then in effect for new franchisees prior to the effective date of such Transfer, on such terms and conditions as HOA may reasonably require.

(e) The transferee must agree to a sublease, or to a transfer and assumption, of the lease of the Accepted Location from the original franchisee, and must obtain the landlord's approval prior to any transfer or sublease, if applicable.

(f) If Franchisee (or any of its affiliates) owns and operates one or more Hooters Restaurants in addition to the Franchisee's Restaurant operated hereunder, all such Hooters Restaurants, at HOA's option, must be transferred to the same transferee as part of a single transaction.

13.2.7 Any purported Transfer that does not comply with this Section 13.2 shall be voidable by HOA, and shall be a default of this Agreement that shall permit HOA to terminate this Agreement pursuant to Section 14.2.5 of this Agreement.

13.3 Right of First Refusal.

13.3.1 Franchisee and any Owner who desires to accept any bona fide offer from a third party to purchase any Interest shall notify HOA in writing of each such offer, and shall provide such information and documentation related to the offer as HOA may require, including without limitation a true copy of any such offer. HOA shall have the right and option, exercisable within thirty (30) business days after HOA receives such written notification, to send written notice to the seller that HOA may desire to purchase the Interest on substantially the same terms and conditions as offered by the third party. To enable HOA to determine whether it will exercise its option, Franchisee or Owner, as appropriate, and the third party shall provide such information and documentation, including without limitation financial statements, as HOA may require. In the event that HOA elects to purchase such Interest, closing on such purchase must occur within ninety (90) days after the date of notice to the seller of HOA's election to purchase such Interest. HOA's election not to exercise the option afforded by this Section 13.3 shall not constitute a waiver of any other provision of this Agreement, including all of the requirements of this Section 13 related to a proposed Transfer of any Interest. Any subsequent change in the terms of any offer prior to closing shall constitute a new offer subject to the same rights of first refusal by HOA as in the case of an initial offer.

13.3.2 In the event that the consideration, terms, or conditions offered by a third party are such that HOA may not reasonably be required to furnish the same consideration, terms, or conditions, then HOA may purchase such Interest for the reasonable equivalent in cash. If the parties cannot agree within a reasonable time on the cash consideration, HOA will designate an independent appraiser experienced in appraising such Interest, and the determination of such appraiser shall be conclusive and binding on all parties.

13.4 Transfer On Death or Mental Incompetence. On the death or mental incompetence of any Principal Owner, the executor, administrator, or personal representative of such individual shall Transfer within one (1) year after such death or mental incompetence the Interest owned and controlled by the Principal Owner to a natural person or persons who satisfy the Principal Owner Qualifications, and whom HOA approves. Mental incompetence, for purposes of this Agreement, shall mean the appointment of a guardian for the Principal Owner by a court of competent jurisdiction. Such Transfers, including without limitation Transfers by devise or inheritance, shall be subject to the same conditions as any inter vivos Transfer. However, in the case of Transfer by devise or inheritance, if the heirs or beneficiaries of any such Principal Owner are unable to satisfy the conditions in this Section 13 within such one (l) year period, HOA may terminate this Agreement or may exercise its option to purchase the Interest at fair market value, as determined by an independent appraiser HOA designates, which determination shall be conclusive and binding on all parties.

13.5 Interim Operation of Franchisee's Restaurant. Pending assignment on the death of the Principal Owner, or in the event of any temporary or permanent mental incompetence or physical disability of the Principal Owner, a manager shall be employed for the operation of Franchisee's Restaurant who has successfully completed an HOA-approved manager training program, to serve as General Manager and to operate Franchisee's Restaurant for the account of Franchisee. If Franchisee's Restaurant is not being managed by such General Manager, Franchisee hereby grants to HOA (or its designee) the right, but not the obligation, to immediately take such steps as are necessary to manage Franchisee's Restaurant for the account of Franchisee in the event of the death of, or reasonable determination by an independent third party (such as a medical doctor) as to the physical incapacity or mental incompetency of the Franchisee or the Principal Owner who is managing Franchisee's Restaurant on behalf of Franchisee, until such time as Franchisee appoints a new General Manager who has been trained pursuant to Section 5.7 of this Agreement. Franchisee agrees to hold HOA and its respective directors, officers, agents, employees, attorneys and shareholders harmless from all claims or damages arising out of or connected with HOA's management of the Franchise. Franchisee shall pay HOA in addition to all other amounts due pursuant to the terms of this Agreement a fee of eight percent (8%) of the Gross Sales, plus costs during the period in which the Franchise is so managed by HOA.

13.6 Non-Waiver of Claims. Neither HOA's consent to any proposed Transfer of any Interest nor HOA's election not to exercise its option to purchase any Interest shall be deemed to constitute a waiver of any claims HOA may have against the transferor, nor shall it be deemed a waiver of HOA's right to demand exact compliance with this Agreement or any future rights or options of HOA.

14. DEFAULT AND TERMINATION

14.1 Bankruptcy. HOA shall have the right to immediately terminate this Agreement with notice to Franchisee, if Franchisee becomes insolvent or makes a general assignment for the benefit of creditors; or if a petition in bankruptcy is filed by Franchisee or such a petition is filed against and not opposed by Franchisee; or if Franchisee files for judicial or extrajudicial recuperation ("recuperação judicial ou extrajudicial"); or if Franchisee is adjudicated a bankrupt or insolvent; or if a proceeding for the appointment of a receiver of Franchisee or other custodian for Franchisee's business or assets is filed and consented to by Franchisee; or if a receiver or other custodian (permanent or temporary) of Franchisee's assets or property, or any part thereof, is appointed by any court of competent jurisdiction; or if proceedings for a composition with creditors under any Law should be instituted by or against Franchisee; or if a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless unappealed or a supersedeas bond is filed); or if Franchisee is dissolved; or if execution is levied against Franchisee's business or property; or if suit to foreclose any lien or mortgage against Franchisee's Restaurant premises or equipment is instituted against Franchisee and not dismissed within thirty (30) days.

14.2 With Notice. Franchisee shall be in default of this Agreement, and HOA may, at its option, terminate this Agreement and all rights granted hereunder, without affording Franchisee any opportunity to cure the default, effective immediately upon the delivery of written notice to Franchisee by HOA (in the manner set forth in Section 21 below), upon the occurrence of any of the following events:

14.2.1 If Franchisee fails to acquire or lease a site for Franchisee's Restaurant, or to submit to HOA at least one (1) location for site approval, within the time specified under Section 1.4 of this Agreement;

14.2.2 If Franchisee fails to open Franchisee's Restaurant by the later of: (i) the Opening Date prescribed in Section 1.5.1 of this Agreement; or (ii) the last extension of time, if any, that HOA grants to Franchisee to open Franchisee's Restaurant;

14.2.3 Except as otherwise provided in this Agreement, if Franchisee at any time ceases to operate or otherwise abandons Franchisee's Restaurant for five (5) consecutive days, or otherwise forfeits the right to do or transact business in the jurisdiction where Franchisee's Restaurant is located;

14.2.4 If Franchisee, or any Principal Owner is convicted of or elects not to contest a crime punishable by imprisonment of 1 year or more, fraud, sale of illegal drugs, crime involving moral turpitude, crime that is directly related to Franchisee's Restaurant, or any other crime that HOA determines to have an adverse effect on Franchisee's Restaurant, the Hooters System, the Proprietary Marks, the goodwill associated with the Proprietary Marks, or HOA's interest in the Proprietary Marks;

14.2.5 If Franchisee, any Principal Owner or Owner purports to transfer any rights or obligations under this Agreement or any interest to any third party in a manner that is contrary to the terms of Section 13 above;

14.2.6 If Franchisee fails to: (i) comply with the in-term covenants set forth in this Agreement (including the covenants set forth in Sections 6, 8 and 16); or (ii) obtain execution of the Individual Non-Disclosure and Non-Competition Agreement in a form acceptable to HOA;

14.2.7 If Franchisee knowingly maintains false books or records, or submits any false reports (including, but not limited to, information provided as part of Franchisee's application for this Franchise) to HOA;

14.2.8 If Franchisee commits two (2) or more defaults under this Agreement in any fifty-two (52) week period, whether or not each such default has been cured after notice;

14.2.9 If Franchisee engages in any conduct or practice that is fraudulent, unfair, unethical, or a deceptive practice;

14.2.10 If the Franchisee's interest in the lease or sublease for the Accepted Location is terminated or expires; or

14.2.11 If Franchisee misuses or makes any unauthorized use of the Proprietary Marks or otherwise materially impairs the goodwill associated with the Proprietary Marks or HOA's rights in the Proprietary Marks.

14.3 With Notice and Ten Day Opportunity to Cure. Upon the occurrence of any of the following events of default, HOA may, at its option, terminate this Agreement by giving written notice of termination (in the manner set forth under Section 21 below) stating the nature of the default to Franchisee at least ten (10) days prior to the effective date of termination; provided, however, that Franchisee may avoid termination by immediately initiating a remedy to cure such default, curing it to the satisfaction of HOA, and by promptly providing proof thereof to HOA within the ten (10) day period. If any such default is not cured within the specified time, or such longer period as Law may require, this Agreement shall terminate without further notice to Franchisee, effective immediately upon the expiration of the ten (10) day period or such longer period as Law may require.

14.3.1 If Franchisee fails, refuses, or neglects promptly to pay any monies owing to HOA or its affiliates when due;

14.3.2 If Franchisee fails, refuses, or neglects promptly to pay any monies owing to third parties, lessors, or lenders or creditors of the Accepted Location;

14.3.3 If a threat or danger to public health or safety results from the maintenance or operation of Franchisee's Restaurant;

14.3.4 If Franchisee sells products not previously approved by HOA, or purchases any product from a supplier not previously approved by HOA;

14.3.5 If Franchisee fails to comply with Laws;

14.3.6 If Franchisee or Owner defaults under any other agreement with HOA;

14.3.7 If Franchisee refuses to permit HOA to inspect the Accepted Location, or the books, records, or accounts of Franchisee upon demand;

14.3.8 If an inspection of the Franchisee's books and records discloses an understatement in any payment to HOA of four percent (4%) or more;

14.3.9 If Franchisee fails to operate Franchisee's Restaurant during such days and hours specified in the Manuals;

14.3.10 If Franchisee is unable or unwilling to provide individuals who can complete the manager training program to HOA's reasonable satisfaction, or if HOA reasonably determines that the individuals whom Franchisee has presented for manager training lack the skills to operate Franchisee's Restaurant successfully, pursuant to Section 5.6 of this Agreement;

14.3.11 If Franchisee fails, refuses, or neglects promptly to submit certificates of insurance to HOA when due as required under Section 12; or

14.3.12 If Franchisee fails to maintain or observe any of the health and sanitation standards and procedures prescribed by HOA in this Agreement, the Manuals, by Laws, or otherwise in writing; or

14.3.13 If Franchisee fails to operate Franchisee's Restaurant in compliance with the standards and specifications in HOA's Manuals.

14.4 With Notice and Thirty Day Opportunity to Cure. Except as otherwise provided in Sections 14.1, 14.2 and 14.3 above, upon any other default by Franchisee or its obligations hereunder, HOA may terminate this Agreement by giving written notice of termination (in the manner set forth under Section 21 below) setting forth the nature of such default to Franchisee at least thirty (30) days before the effective date of termination; provided, however, that Franchisee may avoid termination by immediately initiating a remedy to cure such default, curing it to HOA's satisfaction, and by promptly providing proof thereof to HOA, all within the thirty (30) day period. If any such default is not cured within the specified time, or such longer period as Law may require, this Agreement shall terminate without further notice to Franchisee effective immediately upon the expiration of the thirty (30) day period or such longer period as Law may require.

14.5 The foregoing rights to terminate are without prejudice to all other rights and remedies provided for hereunder or at law or equity. The parties acknowledge and agree that a judicial, arbitral or administrative order shall not be required to give effect to any termination of this Agreement.

14.6 Limitations on Actions. Any and all claims (except for monies due HOA) arising out of or related to: (i) the offer for sale, sale, negotiation, administration, or termination of the Franchise or this Agreement; (ii) the development, opening, operation, or closure of Franchisee's Restaurant; or (iii) the relationship between the parties to this Agreement, shall be barred unless an action at law or in equity is properly filed in a court of competent jurisdiction within one (l) year after the date Franchisee on the one hand, or HOA on the other hand, knows or should have known of the facts giving rise to such claim, except to the extent any Law provides for a shorter period of time to bring a claim.

15. OBLIGATIONS ON TERMINATION OR EXPIRATION

On termination or expiration of this Agreement for any reason, all rights granted to Franchisee under this Agreement shall immediately terminate, and:

15.1 Franchisee shall immediately cease to operate the business franchised under this Agreement, and shall not thereafter, directly or indirectly, represent to the public or hold itself out as a present or former franchisee of HOA.

15.2 Franchisee shall immediately and permanently cease to use, in any manner whatsoever, any or all of: (i) HOA's Confidential Information or Trade Secrets; and (ii) the Proprietary Marks. Without limiting the generality of the foregoing, Franchisee shall cease to use all signs, advertising materials, displays, stationery, forms, and any other articles that display the Proprietary Marks; provided, however, that this Section 15.2 shall not apply to the operation by Franchisee of any other franchise under the Hooters System that HOA may separately and independently have granted to Franchisee and that HOA has not terminated. Franchisee shall return to HOA the Manuals, all other materials containing Confidential Information or Trade Secrets, equipment and other property owned by HOA, and all copies thereof and all signage bearing any Proprietary Marks and other materials, though owned by Franchisee, which bear the Proprietary Marks and or utilize the trade dress, designs or colors of HOA. Franchisee shall retain no copy or record of any of the foregoing; provided Franchisee may retain its copy of this Agreement, any correspondence between the parties, and any other document which Franchisee needs for compliance with any applicable provision of Law.

15.3 Franchisee shall remove or change all signs, displays, furniture, fixtures, equipment, and other trade dress, and shall change all colors of buildings and other structures, to the extent required to distinguish Franchisee's Restaurant from its former appearance and from any other Hooters restaurants, and shall comply with HOA's restaurant de-identification requirements (collectively, to "**De-Identify**" Franchisee's Restaurant), so that Franchisee's Restaurant is fully De-Identified by the end of ten (10) days after the termination or expiration of this Agreement.

15.3.1 If Franchisee fails to fully De-Identify Franchisee's Restaurant by the end of ten (10) days after the termination or expiration of this Agreement, HOA and its agents shall have the right to enter onto the premises of Franchisee's Restaurant without prior notice to Franchisee, and without liability for trespass, and to De-Identify Franchisee's Restaurant at Franchisee's expense, which amounts Franchisee agrees to pay so that HOA actually receives such payment by the end of ten (10) days after demand therefor.

15.3.2 Franchisee will provide HOA with photographic or other evidence of the De- Identification satisfactory to HOA. If Franchisee fails to provide HOA with satisfactory photographic or other evidence of De-Identification so that HOA actually receives such evidence by the end of ten (10) days after the by the end of ten (10) days after the termination or expiration of this Agreement, HOA shall have the right to enter onto the premises of Franchisee's Restaurant without prior notice to Franchisee, and without liability for trespass, to inspect Franchisee's Restaurant at Franchisee's expense, which amounts Franchisee agrees to pay so that HOA actually receives such payment by the end of ten (10) days after demand therefor.

15.3.3 Franchisee shall take such appropriate steps needed to transfer the telephone number for the business to HOA.

15.4 Franchisee shall: (i) comply with its obligations for Web Sites and Internet Listings as set forth in this Agreement at Section 9.5; and, (ii) take such action as may be necessary to cancel any assumed name or equivalent registrations of Franchisee that contain the mark "Hooters" or any other Proprietary Mark. Franchisee shall furnish HOA with confirmation that Franchisee has fulfilled such obligations by the end of thirty (30) days after termination or expiration of this Agreement.

15.5 Franchisee shall not, in connection with any other business, use any reproduction, counterfeit, copy, or colorable imitation of the Proprietary Marks, either in connection with such other business or the promotion of such other business or otherwise, that may cause or constitute confusion, mistake, or deception, or that is likely to dilute HOA's rights in or to the Proprietary Marks, and further shall not use any designation of origin or description or representation that falsely suggests or represents an association or former association with HOA or the Hooters System.

15.6 Payments.

15.6.1 Franchisee shall pay to HOA and HOA's affiliates, so that HOA and its affiliates actually receive such payment by the end of ten (10) days after the termination or expiration of this Agreement, all sums owing to HOA and its affiliates accrued through the effective date of termination or expiration.

15.6.2 Liquidated Damages. If HOA terminates this Agreement prior to the expiration of the Initial Term, Franchisee shall pay to HOA, so that HOA actually receives such payment by the end of ten (10) days after such termination:

(a) An amount equal to the Fees payable by Franchisee for the lesser of: (i) the balance of the Initial Term remaining; or (ii) the twenty-six (26) months prior to the effective date of HOA's termination of this Agreement;

(b) If HOA terminates this Agreement and Franchisee's Restaurant has not been open for business for twenty-six (26) months, the amount of Fees payable by Franchisee for the periods Franchisee was obligated to pay Fees prior to the effective date of HOA's termination of this Agreement, projected to twenty-six (26) months; or

(c) If HOA terminates this Agreement before Franchisee's obligation to pay Fees has commenced, the average amount of Fees payable by Hooters Restaurants in the Country generally (or, if there are less than five (5) Hooters Restaurants in the Country at the time, in the United States), for the twenty-six (26) months prior to the effective date of HOA's termination of this Agreement.

(d) Franchisee acknowledges and agrees, and hereby directs any party construing this Agreement, including without limitation any court, mediator, master, or other party acting as a trier of fact or law, to conclusively presume, that the damages set forth in this Section 15.6.2.: (i) are true liquidated damages; (ii) are intended to compensate HOA for the harm HOA will suffer as a result of the premature termination of this Agreement; (iii) are not a penalty; (iv) are a reasonable estimate of HOA's probable loss resulting from the premature termination of this Agreement, viewed as of the date of this Agreement; (v) shall be in lieu of, and not in addition to, actual damages for loss of the benefit of the bargain that HOA is entitled to receive; and (vi) shall, subject to clause (v) above, be in addition to all other rights HOA may have to legal or equitable relief.

15.6.3 Without prejudice to the liquidated damages set for in Section 15.6.2 above, if HOA terminates this Agreement as a result of Franchisee's default of this Agreement, Franchisee shall pay to HOA all costs and expenses HOA may incur related to such default and termination, including without limitation attorneys' fees and costs that HOA incurs related to: (i) drafting notices, demands, and other documents related to such default and termination; (ii) obtaining decrees for specific performance; (iii) obtaining injunctive or other relief; (iv) collection of amounts owed; and (v) appeal; so that HOA actually receives such payments by the end of ten (10) days after demand therefor.

15.6.4 The obligations set forth in this Section 15.6, until paid in full, shall be and constitute a lien in favor of HOA against any and all of Franchisee's personal property, furnishings, fixtures, equipment, signage, inventory, and other assets.

15.7 Franchisee shall immediately deliver to HOA all manuals, including the Manuals; all records, files, instructions, correspondence, and other materials related to the operation of Franchisee's Restaurant, including without limitation brochures, agreements, and invoices, in Franchisee's possession or under Franchisee's control, and all copies thereof (all of which Franchisee acknowledges are HOA's property), and shall retain no copy or record of any of the foregoing, except Franchisee's copy of this Agreement and of any correspondence between the parties and any other documents that Franchisee reasonably needs for compliance with any provision of Law.

15.8 HOA's Purchase Option.

15.8.1 Upon termination or expiration (without renewal) of this Agreement, HOA shall have the right, exercisable by giving notice thereof ("**Appraisal Notice**") within ten (10) days after the date of such termination or expiration, to require that a determination be made of the "Agreed Value" (as defined below) of all the assets and personal property (as a going concern) used in Franchisee's Restaurant, including the Restaurant building (if owned by Franchisee) inventories of Menu Items, materials, supplies, furniture, equipment, signs, but excluding any cash and short-term investments and any items not meeting HOA's specifications (the "**Purchased Assets**"). Such Purchased Assets shall exclude items bearing Proprietary Marks as described in Section 15.2, above. Upon such notice, Franchisee may not sell or remove any of the personal property of Franchisee's Restaurant and must give HOA, its designated agents and the "Appraiser" (as defined below) full access to such Restaurant and all of Franchisee's books and records at any time during customary business hours in order to conduct inventories and determine the purchase price for the Purchased Assets. At HOA's sole discretion, HOA may opt to purchase all of the ownership interest in Franchisee (the "**Purchased Equity**"), rather than the Purchased Assets, and the provisions below in Section 15.8.2 through Section 15.8.5 shall also apply, *mutatis mutandis*, to the Purchased Equity.

15.8.2 The **Agreed Value** shall be determined by consultation between Franchisee and HOA. If Franchisee and HOA are unable to agree on the Agreed Value of the Purchased Assets within fifteen (15) days after the Appraisal Notice, then the Agreed Value shall be the Fair Market Value (as defined below).

15.8.3 The "**Fair Market Value**" shall be the amount that an arm's length purchaser would be willing to pay for the Purchased Assets (for the avoidance of doubt, Fair Market Value shall include going concern value or terminal value for the business based on a historical value of the relevant business at the relevant location, but shall not include goodwill associated with the Proprietary Marks or the Hooters System). The Fair Market Value will be determined by a member of an accounting firm (other than a firm which conducts audits of HOA's financial statements) selected by HOA who has experience in the valuation of retail businesses (the "**Appraiser**"). HOA will notify Franchisee of the identity of the Appraiser, who will make his determination and submit a written report ("**Appraisal Report**") to Franchisee and HOA as soon as practicable, but in no event more than sixty (60) days after his appointment. Franchisee agrees to promptly provide the Appraiser with such books and records as he or she may require, which Franchisee represents and warrants to be complete and accurate. In absence of such books and records or if the Appraiser is not satisfied with their completeness or accuracy, the Appraiser may make the determination of Fair Market Value on the basis of other sources and information he or she deems appropriate. HOA and Franchisee shall also be permitted to submit additional information or positions for the consideration of the Appraiser. The Appraiser's determination shall be final and binding on the parties hereto.

15.8.4 HOA shall have the option, exercisable by delivering notice thereof within 30 days after submission of the Appraisal Report (or the date that an agreement is reached, if the parties agree to the Agreed Value), to elect to purchase any or all of the Purchased Assets at the Agreed Value for such assets. HOA shall have the unrestricted right to assign this option to purchase separate and apart from the remainder of this Agreement.

15.8.5 If HOA exercises its option to purchase, the purchase price for the selected Purchased Assets will be paid in cash at the closing, which will occur at the place, time and date HOA designates, but not later than sixty (60) days after the exercise of HOA option to purchase the Purchased Assets. At the closing, HOA will be entitled to all agreements, covenants, representations and warranties, and other closing documents and post-closing indemnifications as HOA may reasonably require, including: (a) instruments transferring good and merchantable title to the Purchased Assets, free and clear of all liens, encumbrances, and liabilities, to HOA or its designee, with all sales, value added and other transfer taxes paid by Franchisee; (b) the right to conduct a physical inventory of Menu Items; and (c) an assignment of all leases of personal property and real estate used in the operation of the Franchisee Restaurants, including land, building and/or equipment (or if an assignment is prohibited, a sublease to HOA or HOA's designee for the full remaining term and on the same terms and conditions as Franchisee's lease, including renewal and/or purchase options), provided, however, that if any of Franchisee's affiliates directly or indirectly owns the land and/or building of a Franchisee Restaurant, Franchisee will, at HOA's option, cause such affiliate to grant to HOA a lease at reasonable and customary rental rates and other terms prevailing in the community where Franchisee's Restaurant is located. Any dispute concerning the rental rates and terms of such lease shall be resolved by the Appraiser.

15.8.6 If Franchisee cannot deliver clear title to all of the assets, or if there are other unresolved issues, the closing of the sale may, at HOA's option, be accomplished through an escrow on such terms and conditions as HOA deems appropriate, including the making of payments, to be deducted from the purchase price, directly to third parties in order to obtain clear title to any of the Purchased Assets. Further, Franchisee shall comply with all Laws and local tax notification and/or escrow procedures. HOA shall have the right to set off against and reduce the purchase price by any and all amounts owed by Franchisee or any of Franchisee's affiliates to HOA or any of HOA's affiliates.

15.8.7 Upon delivery of the Appraisal Notice and pending (a) determination of Agreed Value, (b) HOA's option period, and (c) the closing of the purchase, Franchisee shall, unless otherwise directed by HOA, continue temporary operations of the Franchisee Restaurants to be purchased pursuant to the terms of this Agreement, subject to the supervision and control of one or more of HOA's appointed managers.

15.9 Any right or interest Franchisee, any Principal Owner, any affiliate, or any person or entity otherwise under Franchisee's direction or control (collectively, a "**Licensed Party**") has in any license necessary or required to operate the Restaurant (collectively, the "**Operating Licenses**") shall automatically transfer to HOA or its designee. Franchisee shall have five (5) days after HOA's delivery of written notice of termination or expiration of this Agreement to commence all procedures necessary to transfer or relocate all Operating Licenses to HOA; or, if HOA designates another party to receive such Operating Licenses, to such designee, and to notify HOA in writing of such commencement. Licensed Party shall promptly use all commercially reasonable efforts to obtain the necessary approvals from any applicable authority for the prompt transfer or relocation of the Operating License.

15.9.1 If Laws do not permit the transfer or relocation of the Operating Licenses, Licensed Party shall have five (5) days after HOA's delivery of written notice of termination or expiration of this Agreement to contact all applicable authorities regarding, and to initiate, all procedures necessary to apply for a new Operating Licenses in the name of HOA or its designee in all applicable jurisdictions, and shall notify HOA in writing of such initiation. Licensed Party shall join and cooperate with HOA in promptly procuring a replacement Operating Licenses. Both Licensed Party and HOA shall immediately fulfill any directives or requirements from all applicable authorities in order to expedite the transfer or relocation of the existing Operating Licenses or acquisition of a new Operating Licenses.

15.9.2 Franchisee shall pay or promptly arrange for the full payment of all taxes of any kind or nature whatsoever, including without limitation property taxes, personal property taxes, sales, use, withholding, and any other taxes, that may affect title or the rights to any Operating Licenses in any way.

15.9.3 Franchisee shall indemnify and hold HOA harmless for any and all of any Licensed Party's liabilities and obligations related to the rights of HOA or its designee to own, possess, and use any Operating Licenses.

16. **COVENANTS**

16.1 Franchisee covenants, warrants, represents, and agrees that Franchisee shall devote its full time, energy, and best efforts to the management and operation of Franchisee's Restaurant.

16.2 Franchisee covenants, warrants, represents, and agrees that, during the term of this Agreement, except as HOA may otherwise approve in writing, Franchisee shall not, either directly or indirectly, for itself or through, on behalf of, or in conjunction with, any person or other entity, employ or seek to employ any person who is at that time, or who has been within the immediately-preceding one hundred eighty (180) days, employed by HOA or by any other franchisee or affiliate of HOA as a salaried employee, or otherwise directly or indirectly induce such person to leave his or her employment. If Franchisee chooses to hire such person despite the provisions of this Section 16.2, Franchisee shall pay to HOA, within ten (10) days of such hire, fifty percent (50%) of such person's most recent annualized salary.

16.3 Franchisee specifically acknowledges that, pursuant to this Agreement, Franchisee will receive valuable specialized training and confidential information, including, without limitation, information regarding the operational, sales, promotional, and marketing methods and techniques of HOA and the Hooters System. Franchisee covenants that during the term of this Agreement, except as otherwise approved in writing by HOA, Franchisee shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation, or entity, divert or attempt to divert any business or customer of Franchisee's Restaurant or of any Restaurant using the Hooters System to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with HOA's Proprietary Marks and the Hooters System.

16.4 Covenants Not to Compete.

16.4.1 The following definitions are applicable to this Section 16.4:

(a) Competing Activity. "**Competing Activity**" means: (i) developing, opening, or operating any Competing Business; or (ii) authorizing, assisting, or inducing another to develop, open, or operate a Competing Business.

(b) Competing Business. "**Competing Business**" means a restaurant or bar concept, other than a business Franchisee operates pursuant to an agreement with HOA, that: (i) features female sex appeal; or (ii) focuses on the sale of chicken wings. Without limiting the generality of the foregoing, all of the following businesses shall conclusively be deemed to be Competing Businesses: (a) Tilted Kilt, Winghouse, Twin Peaks, Bikinis, and any other restaurant or bar concept that features female sex appeal; and (b) Buffalo Wild Wings, Buffalo's, and any other restaurant concept that focuses on the sale of chicken wings.

(c) Immediate Family Member. "**Immediate Family Member**" means an individual's spouse, children, parents and siblings.

16.4.2 In-Term Covenant Not to Compete. Franchisee covenants, warrants, represents, and agrees that it will not, during the term of this Agreement, individually or jointly with others, directly or indirectly, by, through, on behalf of, or in conjunction with, any other person or entity (including any Immediate Family Member): (i) engage in a Competing Activity; (ii) act as a director, officer, shareholder, partner, member, employee, independent contractor, consultant, principal, agent, or proprietor, or participate or assist in the establishment or operation of, directly or indirectly, any business engaged in a Competing Activity, except that Franchisee may purchase or hold less than five percent (5%) of the shares of any publicly- traded business engaged in a Competing Activity; or (iii) divert or attempt to divert any business from Franchisee's Restaurant or the Hooters System.

16.4.3 Post-Term Covenant Not to Compete. Franchisee covenants, warrants, represents, and agrees that it will not, beginning at the expiration or termination of this Agreement and continuing for two (2) years thereafter or two (2) year after a court of competent jurisdiction enters an order enforcing this Section 16.4, whichever occurs last, individually or jointly with others, directly or indirectly, by, through, on behalf of, or in conjunction with, any other person or entity (including any Immediate Family Member), (i) engage in a Competing Activity; (ii) act as a director, officer, shareholder, partner, member, employee, independent contractor, consultant, principal, agent, or proprietor, or participate or assist in the establishment or operation of, directly or indirectly, any business engaged in a Competing Activity, except that Franchisee may purchase or hold less than five percent (5%) of the shares of any publicly- traded business engaged in a Competing Activity; or (iii) divert or attempt to divert any business from Franchisee's Restaurant or the Hooters System, within: (a) Franchisee's Protected Territory; (b) any of Franchisee's Protected Territories or former Protected Territories under any other agreement with HOA or its affiliates; or (c) a protected territory of any other franchisee or affiliate of HOA.

16.4.4 Directives. In the event of any dispute related to this Section 16.4, Franchisee hereby directs any third party construing this Section 16.4, including without limitation any court, mediator, master, or other party acting as trier of fact or law:

(a) To conclusively presume that the restrictions set forth in this Section 16.4 are reasonable and necessary in order to protect: (i) HOA's legitimate business interests, including without limitation the interests of HOA's other franchisees; (ii) the confidentiality of HOA's Confidential Information and the secrecy of HOA's Trade Secrets; (iii) the integrity of the Hooters System; (iv) HOA's investment in the System; (v) the investment of HOA's other franchisees in their franchised businesses; and (vi) the goodwill associated with the System.

(b) To conclusively presume that this Section 16.4 was made freely and voluntarily by Franchisee, as an independent business operator to which HOA delivered good and valuable consideration, in an arms-length commercial transaction between skilled and experienced business professionals.

(c) To conclusively presume that the restrictions set forth in this Section 16.4 will not unduly burden Franchisee's ability to earn a livelihood.

(d) To construe this Section 16.4 under Laws governing franchise and general commercial contracts between commercial entities in an arms-length business transaction, and not under Laws governing contracts of employment.

(e) To conclusively presume that any violation of any of the terms of this Section 16.4: (i) was accompanied by the misappropriation and inevitable disclosure of HOA's Confidential Information, Trade Secrets, and other methods and procedures; and (ii) constitutes a deceptive and unfair trade practice and unfair competition.

16.4.5 Individual Covenants. Franchisee shall require and obtain execution of covenants similar to those set forth in Sections 6.2, 8, 13, 15, and this Section 16 (as modified to apply to an individual) from all of the following persons: Owners, General Manager (or a person in a managerial position with Franchisee), and employees. The covenants required by this Section 16.4.5 shall be in a form acceptable to HOA. Failure by Franchisee to obtain execution of a covenant required by this Section 16.4.5 shall constitute a default under Section 14.2.6, above.

16.5 Covenant as to Anti-Terrorism and Anti-Corruption Laws. Franchisee agrees to comply with, and/or to assist HOA to the fullest extent possible in HOA's efforts to comply with, (a) the USA PATRIOT Act, and all other present and future U.S., E.U., and United Nations laws, ordinances, regulations, policies, lists and any other requirements of any governmental authority addressing or in any way relating to terrorist acts and acts of war; and (b) the Foreign Corrupt Practices Act and all other applicable anti-corruption and anti-money laundering Laws.

16.6 The parties agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Section 16 is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which we are a party, you expressly agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by Law, as if the resulting covenant were separately stated in and made a part of this Section 16.

16.7 We Can Reduce Application of Covenants. You understand and acknowledge that we shall have the right, in our sole discretion, to reduce the scope of any covenant set forth in Sections 16.3 and 16.4 above, or any portion of this Agreement, without your consent, effective immediately upon receipt by you of written notice thereof; and you agree that you shall comply forthwith with any covenant as so modified, which shall be fully enforceable notwithstanding the provisions of Section 25.4.3 below.

16.8 Franchisee expressly agrees that the existence of any claims it may have against HOA, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by HOA of the covenants in this Section 16. Franchisee agrees to pay all damages, costs, and expenses (including reasonable attorneys' fees) HOA may incur in connection with the enforcement of this Section 16.

17. TAXES, PERMITS, AND INDEBTEDNESS

17.1 Franchisee shall pay when due all taxes levied or assessed, including, without limitation unemployment and sales taxes, and all accounts payable and other indebtedness of every kind Franchisee incurs in the conduct of Franchisee's Restaurant.

17.2 In the event of any bona fide dispute as to Franchisee's liability for taxes assessed or other indebtedness, Franchisee may contest the validity or the amount of the tax or indebtedness in accordance with the procedures of the taxing authority or Law; however, in no event shall Franchisee permit a tax sale or seizure by levy or execution or similar writ or warrant, or attachment by a creditor, including without limitation foreclosure, eviction, or repossession, to occur against the premises of Franchisee's Restaurant, or any improvements to such premises, or any furnishings, fixtures, equipment, or other assets of Franchisee's Restaurant.

17.3 Franchisee shall notify HOA in writing within five (5) days of the commencement of any action, suit, or proceeding, and of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality, arising out of or related to Franchisee's Restaurant.

18. INDEPENDENT CONTRACTOR

18.1 HOA and Franchisee acknowledge and agree that: (i) this Agreement does not create a fiduciary relationship between the parties hereto or any affiliated or related parties or entities; (ii) Franchisee is an independent contractor; and (iii) nothing in this Agreement is intended to or shall be construed to constitute either party as an agent, legal representative, subsidiary, joint venturer, partner, employee, or servant of the other for any purpose whatsoever.

18.2 Franchisee shall hold itself out to the public as an independent contractor operating Franchisee's Restaurant pursuant to a franchise from HOA. Franchisee will take all such actions as may be required to notify all interested persons or entities of such independent contractual relationship by exhibiting a notice of such relationship in a conspicuous place in Franchisee's Restaurant, the content and form of which notice HOA shall have the right to specify.

18.3 Franchisee acknowledges and agrees that nothing in this Agreement authorizes Franchisee, and that Franchisee shall have no authority, to make any contract, agreement, warranty, or representation on behalf of HOA, or to incur any debt or other obligation in HOA's name; and that HOA shall in no event assume liability for, or be deemed liable hereunder or thereunder as a result of any such action; nor shall HOA be liable by reason of any act or omission of Franchisee in its conduct of Franchisee's Restaurant or for any claim or judgment arising out of or related to Franchisee's Restaurant against Franchisee or HOA.

18.4 Franchisee acknowledges and agrees that: (i) HOA's business is the business of developing the System, granting franchises to independent business operators to use the System, and servicing independent operators of franchised businesses in the System; (ii) Franchisee's Franchised Business is the business of operating Franchisee's Restaurant; and (iii) the business HOA operates and the business Franchisee operates are separate and distinct businesses engaged in separate and distinct activities.

18.5 Enforcement.

18.5.1 Franchisee, for itself, its Principals, and its employees, hereby covenants, warrants, represents, and agrees that neither it nor they nor any of them will: (i) make or raise any claim, counterclaim, crossclaim, affirmative defense, or demand; (ii) commence, or cause or permit to be commenced; (iii) prosecute, or cause or permit to be prosecuted; or (iv) assist or cooperate in the commencement or prosecution of, any suit or action, any arbitration or like proceeding, or any administrative or agency proceeding, against or related to HOA, HOA's affiliates, or HOA's or such affiliates' directors, officers, shareholders, partners, members, employees, agents, or attorneys (collectively, the "**HOA Parties**"), alleging any matter contrary to any acknowledgment or agreement set forth in this Section 18 of this Agreement.

18.5.2 Franchisee, for itself, its Principal Owners, and its employees, hereby acknowledges and agrees that in the event of any breach of Section 18.5.1 of this Agreement, the HOA Parties would be irreparably injured and without adequate remedy at law. Therefore, in the event of a breach or a threatened or attempted breach of any provision of Section 18.5.1, Franchisee, for itself, its Principals, and its employees, agrees that HOA and the other HOA Parties will be entitled, in addition to any other remedies such HOA Parties may have, to a preliminary and permanent injunction and a decree for specific performance of the terms of Section 18.5.1 in accordance with Articles 461, 461-A, 466-A to 466-C, 632 *et seq*, 642 *et seq* and 646 *et seq* of the Brazilian Civil Procedure Code.

18.5.3 Franchisee hereby covenants, warrants, represents, and agrees that it has the authority to bind its Principals and employees to this Section 18 of this Agreement.

19. INDEMNIFICATION

19.1 As used in this Section 19, the term "**Losses and Expenses**" shall include, without limitation, any and all obligations, debts, claims, demands, rights, actions, causes of action, loss, losses, damage, damages, expenses, costs, liability, and liabilities of any nature or kind; including without limitation reasonable accountants', attorneys', and expert witness fees and costs; costs of investigation and proof of facts; court costs and other expenses of litigation; and travel and living expenses, together with compensation for damages to HOA's reputation and goodwill, costs of or resulting from delays, financing, costs of advertising material and media time or space, and costs of changing, substituting, or replacing such advertising material and media time or space, and any and all expenses of recalls, refunds, compensation, public notices, and other amounts arising out of or related to such matters.

19.2 Franchisee shall, at all times, fully indemnify and hold harmless HOA and its affiliates, and HOA's and such affiliates' directors, officers, shareholders, partners, members, employees, agents, and attorneys, and the predecessors, successors, heirs, and assigns of any and all of the foregoing (collectively, the "**Indemnitees**"), from all Losses and Expenses arising out of or related to Franchisee, Franchisee's Restaurant, the Accepted Location, and the development, opening, operation, or closure of Franchisee's Restaurant. Such obligations shall include, without limitation, Losses and Expenses incurred by any Indemnitees in connection with:

19.2.1 Any action, suit, proceeding, claim, demand, investigation, or inquiry (formal or informal), or any settlement thereof (whether or not a formal proceeding or action has been instituted) that arises out of Franchisee's operation of the Franchisee's Restaurant or is related to any of the foregoing;

19.2.2 Franchisee's default of any covenant, warranty, representation, agreement, or obligation set forth in this Agreement or any schedule, exhibit, addendum, attachment, or amendment to this Agreement;

19.2.3 Franchisee's default or alleged default of any other agreement;

19.2.4 Franchisee's violation or alleged violation of any Law, any standard or directive, or any industry standard, including without limitation violations resulting from Franchisee's use of the Hooters System;

19.2.5 Libel, slander, or any other form of defamation by Franchisee; and

19.2.6 Acts, errors, or omissions of Franchisee or any of Franchisee's directors, officers, shareholders, partners, members, employees, agents, and attorneys.

19.2.7 This indemnification shall include losses alleging the negligence of any Indemnitee, including without limitation negligence in the supervision and inspection of Franchisee's Restaurant, the training of an employee of Franchisee's Restaurant, and the Hooters System standards, but excluding any case in which the Indemnitee is determined by a court of competent jurisdiction to have engaged in grossly negligent or willful misconduct. The indemnification set forth in this Section 19 shall survive the termination or expiration of this Agreement.

19.3 Franchisee shall promptly notify HOA of any action, suit, proceeding, claim, demand, inquiry, investigation, or default described in Section 19.2. If HOA is or may be named as a party in any action, suit, or proceeding, HOA may elect to undertake, but shall not be obligated to undertake, the defense or settlement thereof, at Franchisee's cost and expense. No such undertaking by HOA shall, in any manner or form, diminish Franchisee's obligation to indemnify HOA and to hold it harmless.

19.4 With respect to any action, suit, proceeding, claim, demand, inquiry, or investigation, HOA may, at any time and without notice, in order to protect persons or property or the reputation or goodwill of HOA or others, order, consent, or agree to any settlement or take any remedial or corrective action that HOA deems expedient; if, in HOA's sole judgment, there are reasonable grounds to believe that:

19.4.1 Any of the acts, omissions, or circumstances giving rise to the action, suit, proceeding, claim, demand, inquiry, or investigation, in fact occurred; or

19.4.2 Any act, error, or omission of Franchisee may result directly in or indirectly in damage, injury, or harm to any person or any property.

19.5 All Losses and Expenses incurred under this Section 19 shall be chargeable to and paid by Franchisee pursuant to Franchisee's obligations of indemnity under this Agreement.

19.6 Under no circumstances shall the Indemnitees be required or obligated to seek recovery from third parties or to otherwise mitigate their losses in order to maintain a claim against Franchisee. Franchisee agrees that the failure to pursue such recovery or to mitigate loss shall in no way reduce the amounts the Indemnitees may recover from Franchisee.

19.7 The Indemnitees assume no liability whatsoever for any acts, errors, or omissions of any persons with whom Franchisee may contract, regardless of the purpose. Franchisee shall hold harmless and indemnify the Indemnitees and each of them for all Losses and Expenses that may arise out of any acts, errors, or omissions of persons with whom Franchisee may contract.

20. APPROVALS AND WAIVERS

20.1 Whenever this Agreement requires the prior approval or consent of HOA, Franchisee shall make a timely written request to HOA for such approval or consent, and such approval or consent shall only be valid if made in writing.

20.2 HOA makes no representations, warranties, or guaranties on which Franchisee may rely, and assumes no liability or obligation to Franchisee, by providing any waiver, approval, consent, or suggestion to Franchisee or in connection with any consent, or by reason of any neglect, delay, or denial of any request therefor.

20.3 No failure of HOA to exercise any power reserved to it in this Agreement, or to insist on compliance by Franchisee with any obligation or condition in this Agreement, and no custom or practice of the parties at variance with the terms of this Agreement, shall constitute a waiver of HOA's rights to demand exact compliance with any of the terms of this Agreement. Waiver by HOA of any particular default shall not affect or impair HOA's right with respect to any subsequent default of the same or of a different nature; nor shall any delay, forbearance, or omission by HOA to exercise any power or right arising out of any breach or default by Franchisee of any of the terms, provisions, or covenants of this Agreement affect or impair HOA's rights; nor shall such delay, forbearance, or omission constitute a waiver by HOA of any rights under this Agreement or any right to obtain relief for any subsequent breach or default.

21. NOTICES

Any and all notices required or permitted under this Agreement shall be in writing and shall be effective the earlier of: (i) the day that it is personally delivered; (ii) the day it is sent by facsimile or email with a confirmation of receipt; (iii) the intended recipient's failure or refusal to accept delivery; or (iii) the third business day after it is sent by a commercially recognized international delivery service (e.g. UPS, Federal Express, or DHL) to the respective parties at the following addresses unless and until a different address has been designated by written notice to the other party. Except for notices of actions to be taken pursuant to Section 14, it is agreed that each party can send communications to the other party by facsimile or email for the purpose of delivering notices under this Agreement, including this Section 21.

Notices to HOA:
Hooters of America, LLC
1815 The Exchange
Atlanta, Georgia 30339
Attention: Legal Department
Facsimile: ___________
Email: _____________

Notices to Franchisee:

See Exhibit A

22. ENTIRE AGREEMENT

22.1 This Agreement, including the exhibits, attachments, and amendments to it, and further including the Franchise Disclosure Document, is a complete integration that sets forth the entire agreement between HOA and Franchisee, fully superseding any and all prior negotiations, agreements, representations, or understandings between HOA and Franchisee, whether oral or written, related to the subject matter of this Agreement. HOA and Franchisee hereby expressly confirm that there are no other oral or written agreements, "side-deals," arrangements, or understandings between HOA and Franchisee except as expressly set forth in this Agreement or in a duly-executed written amendment to this Agreement. No course of dealing, whether occurring before or after the Effective Date of this Agreement, shall operate to amend, modify, terminate, or waive any express written provision of this Agreement.

22.2 Except for those acts that this Agreement permits HOA to take unilaterally, no amendment, change, or variance from this Agreement will be binding on HOA unless such amendment, change, or variance is set forth with particularity in a written agreement duly executed by HOA's authorized officer and by Franchisee.

22.3 Franchisee hereby covenants, warrants, represents, and agrees that it will not: (i) make or raise any claim, counterclaim, crossclaim, affirmative defense, or demand; (ii) commence, or cause or permit to be commenced; (iii) prosecute, or cause or permit to be prosecuted; or (iv) assist or cooperate in the commencement or prosecution of, any suit or action at law or in equity or otherwise, alleging or asserting any matter contrary to Sections 22.1 or 22.2 of this Agreement.

23. SEVERABILITY AND CONSTRUCTION

23.1 No Implied Covenant. HOA and Franchisee have negotiated the terms of this Agreement and agree that neither party shall claim the existence of an implied covenant of good faith and fair dealing to contravene or limit any express written term or provision of this Agreement.

23.2 Partial Invalidity. If any term or provision of this Agreement is declared invalid or unenforceable for any reason, such provision will be modified to the minimum extent necessary to make it valid and enforceable; or, if it cannot be so modified, then severed, and the remaining provisions of this Agreement will remain in full force and effect. The parties agree that they would have signed the Agreement as so modified.

23.3 Interpretation. The table of contents and section headings in this Agreement are inserted for convenience only and will not affect the meaning or construction of this Agreement. Except as otherwise set forth in this Agreement, the language of this Agreement will be construed simply according to its fair meaning and not strictly for or against either party. Both parties have had the opportunity to be represented by skilled and experienced counsel in the transaction resulting in the execution of this Agreement, and both parties are skilled and experienced business professionals; and as a result, both parties shall be deemed to have drafted this Agreement and in no event will any adverse construction of this Agreement be attributed to HOA as the drafting party. The Recitals of this Agreement are a material part of this Agreement, and shall in no event be considered mere prefatory material or surplusage. “Herein,” “hereof,” and “hereunder” refer to this Agreement as a whole and not to any particular part. Words importing the singular number only shall include the plural and vice-versa, and words importing the masculine gender shall include the feminine and neuter genders and vice-versa. The word “including” means “including without limiting the scope or generality” of any description preceding such word, and the word “or” means, and is used in the inclusive sense of, “and/or.” References to documents, instruments, or agreements shall be deemed to refer as well to all addenda, exhibits, schedules, or amendments thereto. Any reference to any English language legal term or concept (including for any action, remedy, method of judicial proceeding, document, legal status, statute court, official governmental authority or agency) shall, in respect of any jurisdiction other than the United States of America, be interpreted to mean the nearest and most appropriate analogous term to the English term in the legal language in that jurisdiction as the context reasonably requires so as to produce as nearly as possible the same effect in relation to that jurisdiction as would be the case in relation to the United States of America.

23.4 Survival of Obligations. All obligations of this Agreement, whether HOA’s or Franchisee’s, that expressly or by their terms require performance after the termination or expiration of this Agreement, or that by their nature would reasonably be expected to continue in full force and effect until they are satisfied in full or by their nature expire, will be deemed to be self-executing and will continue in full force and effect subsequent to and notwithstanding the termination, expiration, setting aside, cancellation, rescission, unenforceability or otherwise of this Agreement (including without limitation the Personal Guaranty of Franchisee’s Principal Owners, Individual Non-Disclosure and Non- Competition Agreement, and Collateral Assignment of Leases). The provisions of Section 25, below, will survive and will govern any claim for rescission or otherwise and will apply to and govern any claim against, or with respect to, the Global Advertising Fund.

23.5 Calculation of Days. Except where this Agreement expressly requires “business days” in any calculation of time, all references to “days” shall mean “calendar days.”

23.6 Submission of Agreement. Submission of this Agreement to Franchisee does not constitute an offer to enter into a contract. This Agreement will become effective only on its execution by HOA and Franchisee, and will not be binding on HOA unless and until it is signed by HOA’s authorized officer and delivered to Franchisee.

23.7 Counterparts. This Agreement may be executed in multiple counterparts, and each copy so executed shall be deemed an original.

23.8 Further Assurances. Franchisee shall execute and deliver all documents and agreements that HOA may require in order to further the intent of this Agreement, promptly on HOA's request. Without limiting the foregoing, with respect to any power of attorney granted by this Agreement which would be required to be in a specific form, translated into another language or executed in a particular manner for it to be binding and enforceable in any country, Franchisee agrees to execute, or to cause its affiliates to execute, in the required form and manner a separate power of attorney meeting all such legal requirements to ensure enforceability.

23.9 Language. This Agreement is entered into in the English language. If a translation of this Agreement into any other language is required or desired for any reason, it is understood that in all matters involving interpretations of this Agreement, the English text shall control. If a translation is required, Franchisee will prepare the translation at its cost, provided that HOA retains the right to approve such translation.

24. FORCE MAJEURE

24.1 Except for: (i) the covenants and obligations of the Franchisee set forth in Section 1 of this Agreement; and (ii) monetary obligations under this Agreement, and (iii) except as otherwise specifically provided in this Agreement, if either party to this Agreement shall be delayed or hindered in or prevented from the performance of any act required under this Agreement by reason of strikes, lock- outs, labor troubles, inability to procure materials, failure of power, war, acts of terror, riots, insurrection, or other causes beyond the reasonable control of the party required to perform such work or act under the terms of this Agreement not the fault of such party (a "**Force Majeure**"), then performance of such act shall be excused during the period of such Force Majeure. The party whose performance is affected by a Force Majeure shall give prompt, written notice to the other party of such Force Majeure. If there shall be a Force Majeure that HOA deems economically harmful or otherwise detrimental to HOA or the Hooters System, then HOA shall be entitled to terminate this Agreement on ninety (90) days' written notice to Franchisee; provided, however, that HOA may withdraw such notice if, within such ninety (90) day period, HOA determines that the economically harmful or otherwise detrimental effects have ceased.

25. APPLICABLE LAW; DISPUTE RESOLUTION

25.1 Notice of Dispute. Franchisee shall give HOA advance written notice of Franchisee's intent to institute legal action against HOA, stating with specificity the basis for such proposed action, and shall grant HOA thirty (30) days from HOA's receipt of such notice to cure the alleged act on which such legal action is to be based.

25.2 Governing Law. All matters related to this Agreement, including without limitation all matters related to the making, existence, construction, enforcement, and sufficiency of performance of this Agreement, shall be determined exclusively in accordance with, and governed exclusively by, the laws of the state where HOA's principal business office is located (applicable to agreements made and to be entirely performed in the state where HOA's principal business office is located), currently the State of Georgia (USA), which laws shall prevail in the event of any conflict of laws.

25.3 Arbitration.

25.3.1 In the event of any dispute arising out of or in connection with this Agreement, including its validity or a breach thereof (each a "**Dispute**"), the parties shall use their best efforts to settle the Dispute by consulting and negotiating with each other in good faith to attempt to reach a satisfactory solution. If they do not reach a solution within thirty (30) days of the written notice of the existence of a Dispute, then, upon written notice by any party to the other, any such Disputes shall be finally settled under the Rules of Arbitration of the International Centre for Dispute Resolution ("**ICDR**") by (a) one arbitrator if the amount of claim is US$5 million or less, or (b) three (3) arbitrators if the amount of claim is more than US$5 million.

25.3.2 If there is one arbitrator, such shall be appointed by the ICDR. If there are three arbitrators, each party shall appoint one (1) arbitrator. If a party fails to appoint an arbitrator within (30) thirty days of the commencement of the arbitration, such appointment shall be made by the ICDR. The two arbitrators so appointed shall appoint the third arbitrator, who shall be the chairman of the tribunal. If the two arbitrators fail to appoint the third arbitrator within (30) days of the appointment of the second of the arbitrators, the appointment of the third arbitrator shall be made by the ICDR.

25.3.3 For purposes of appointing arbitrators, Franchisee and all Principal Owners shall be considered to be the same party and shall together have the right to appoint only one arbitrator. All arbitrators must be fluent in English and at least one arbitrator must be a lawyer licensed to practice in a state of the United States of America.

25.3.4 The place of the arbitration shall be Atlanta, GA (USA), and the language of the arbitration shall be English.

25.3.5 15.3.5 Subject to the limitations set forth in Section 25.4, the arbitrators shall have the power to grant any remedy or relief that they deem appropriate, including injunctive relief, whether interim or final, and any provisional measures ordered by the arbitrators may be specifically enforced by any court of competent jurisdiction. The arbitrators are not empowered, however, to act ex aequo et bono or as amiable compositeurs. HOA retains the right to seek interim measures from a judicial authority or other governmental authority, and any such request shall not be deemed incompatible with the agreement to arbitrate or a waiver of the right to arbitrate.

25.3.6 The arbitrators may award to the prevailing party, if any, as determined by the arbitrators, its costs and expenses, including attorneys' fees. Judgment upon any award rendered by the arbitrators may be entered in and enforced by any court of competent jurisdiction.

25.3.7 No information concerning an arbitration, beyond the names of the parties and the relief requested, may be unilaterally disclosed to a third party by any party unless required by applicable law. Any documentary or other evidence given by a party or witness in the arbitration shall be treated as confidential by any party whose access to such evidence arises exclusively as a result of its participation in the arbitration, and shall not be disclosed to any third party (other than a witness or expert), except as may be required by applicable law.

25.3.8 An arbitral tribunal constituted under this Agreement may, unless consolidation would prejudice the rights of any party, consolidate an arbitration hereunder with an arbitration under any development agreement and franchise agreement between HOA (or its affiliate) and Franchisee (or its affiliate) if the arbitration proceedings raise common questions of law or fact. If two or more arbitral tribunals under these agreements issue consolidation orders, the order issued first shall prevail.

25.4 Waiver of Punitive Damages. HOA and Franchisee hereby waive any right to or claim for punitive, exemplary, consequential, multiplied, enhanced, or speculative damages.

25.5 Liquidated Damages. In the event Franchisee, directly or indirectly, commits any breach of Section 8 or 16.4 of this Agreement, then in addition to and not in lieu of HOA's right to terminate under Section 14 hereof, Franchisee shall pay HOA the sum of Five Hundred Thousand U.S. dollars (US$500,000) for each breach of the duties set forth therein. In the event the breach occurs with respect to one or more Competitive Businesses, each such Competitive Business shall constitute a separate breach, obligating Franchisee to pay HOA the sum of Five Hundred Thousand U.S. dollars (US$500,000) for each such Competitive Business. In the event a Competitive Business consists of multiple units, outlets or locations, each such unit, outlet or location shall constitute a separate Competitive Business. Franchisee acknowledges that the damages HOA will incur as a result of any breach of Section 8 or 16.4 are difficult to ascertain and that the foregoing is a reasonable estimate of these damages and not a penalty or forfeiture of any kind.

25.6 No Limitation. No right or remedy conferred on or reserved to HOA or Franchisee by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy set forth in this Agreement or by law provided or permitted, but each shall be cumulative of every other right or remedy.

25.7 Costs of Enforcement. If HOA files a claim in a judicial or arbitration proceeding for amounts Franchisee or any of its affiliates owes HOA or any of its affiliates, or if HOA seeks to enforce this Agreement in a judicial or arbitration proceeding, Franchisee agrees to reimburse HOA for all of its costs and expenses incurred from Franchisee's failure to comply with this Agreement, including reasonable accounting, paralegal, expert witness and attorneys' fees. If HOA is required to engage legal counsel in connection with Franchisee's failure to comply with this Agreement, Franchisee must reimburse HOA for any legal fees HOA incurs.

26. ACKNOWLEDGMENTS

26.1 Reasonable Business Judgment. HOA acknowledges and agrees that it will, and Franchisee acknowledges and agrees that HOA may, use Reasonable Business Judgment in the exercise of HOA's rights, discharge of its obligations, and exercise of its discretion, and in all circumstances where HOA is required to give its consent, unless this Agreement expressly provides some other standard. "**Reasonable Business Judgment**" shall mean that HOA's determinations or choices will prevail, even if other alternatives are also reasonable or arguably preferable, if HOA intends to benefit, or is acting in a way that could benefit, the Hooters System (by, for example, enhancing the value of the Proprietary Marks, increasing franchisee or guest satisfaction, or increasing HOA's financial strength). Franchisee agrees to this concept of Reasonable Business Judgment in acknowledgment of the fact that HOA should have at least as much discretion in administering the Hooters System as a corporate board of directors has in directing a corporation and because the long-term interests of the Hooters System, all franchisees and owners of franchised businesses in the Hooters System, and HOA and its owners, taken together, require that HOA have the latitude to exercise Reasonable Business Judgment. HOA shall not be required to consider a Franchisee's particular economic or other circumstances or to slight HOA's own economic or other business interests when HOA exercises its Reasonable Business Judgment. Franchisee acknowledges and agrees that: (i) HOA has a legitimate interest in seeking to maximize the return to its equityholders; and (ii) the fact that HOA or its affiliates benefit economically from an action will not be relevant to showing that HOA did not exercise Reasonable Business Judgment. Neither Franchisee nor any third party (including without limitation any third party acting as a trier of fact or law) shall substitute Franchisee's, his, her, or its judgment for HOA's Reasonable Business Judgment. In a given situation, Franchisee shall have the burden of establishing, by clear and convincing proof, that HOA failed to exercise Reasonable Business Judgment.

26.2 Nature of Obligations.

26.2.1 Franchisee acknowledges and agrees that: (i) all obligations HOA owes under this Agreement HOA owes to Franchisee alone; and (ii) no other person or entity, including without limitation Franchisee's affiliates, and Franchisee's and such affiliates' directors, officers, shareholders, partners, members, employees, and agents, and the predecessors, successors, heirs, and assigns of any of them, shall be entitled to rely on, enforce, or obtain relief for breach of, any of HOA's obligations arising out of or related to this Agreement, whether directly, indirectly, by subrogation, as an intended third-party beneficiary, or otherwise.

26.2.2 Franchisee acknowledges and agrees that: (i) all obligations of HOA under this Agreement are owed by HOA alone; and (ii) no other person or entity, including without limitation HOA's officers, members, employees, and agents, and HOA's affiliates and their directors, officers, shareholders, partners, members, employees, and agents, and the predecessors, successors, heirs, and assigns of any of them, shall be subject to liability under this Agreement.

26.3 Business Risks. Franchisee acknowledges and agrees that: (i) it has conducted an independent investigation of the business contemplated by this Agreement; (ii) it understands that such business involves business risks; and (iii) it understands that making a success of Franchisee's Restaurant depends largely on Franchisee's business skill, effort, and business acumen.

26.4 Review of Documents. Franchisee acknowledges and agrees that: (i) HOA's review of any lease, loan agreement, purchase agreement, sale agreement, assignment, transfer agreement, site plan, or other agreement or document Franchisee proposes to enter into or provides is intended solely to ensure that HOA's interests are adequately protected; (ii) HOA is not undertaking any such review on Franchisee's behalf or for Franchisee's benefit; (iii) HOA's review will not replace review by Franchisee's accountant, attorney, architect, and other business and professional advisors; and (iv) HOA will have no responsibility or liability related to such review.

26.5 Variances. Franchisee acknowledges and agrees that: (i) HOA may from time to time approve exceptions or changes to the standards and specifications of the Hooters System (including, without limitation, the amount and payment terms of any fee) that HOA deems necessary or desirable under particular circumstances (the "**Variances**"); (ii) Franchisee will have no right to require HOA to disclose any Variances to Franchisee or to grant Franchisee the same or similar Variances; and (iii) other franchisees, whether existing now or in the future, will operate under different forms of agreements, and that as a result their rights and obligations may differ materially from Franchisee's rights and obligations.

26.6 No Unauthorized Representations or Commitments. Franchisee acknowledges and agrees that: (i) HOA does not permit any agreements or commitments, and does not approve any changes in this Agreement, except by means of a written amendment signed by the parties to this Agreement; and (ii) if any representations or commitments, or any promises of changes in this Agreement, have been made to Franchisee that are not in an amendment signed by HOA's authorized officer and delivered to Franchisee, such representations, commitments, and promises will not be enforceable.

26.7 Employees. Under no circumstances shall Franchisee's managerial personnel or other employees be deemed to be employees of HOA. Franchisee acknowledges that it is the sole employer of the employees in Franchisee's Restaurant and is solely responsible for the labor relations and employment practices in Franchisee's Restaurant. Franchisee agrees to indemnify and hold HOA harmless from any and all liability, including costs, attorneys' fees or other damages which result directly or indirectly from Franchisee's employees or independent contractors.

26.8 Receipt. Franchisee hereby represents and warrants that it received from HOA, more than ten (10) days prior to the Effective Date, the HOA Offering Circular for the Federative Republic of Brazil with respect to the Hooters System, and that Franchisee fully analyzed and understood such Offering Circular.

26.9 Special Stipulations. Set forth on **Exhibit C** attached hereto are special stipulations that are made a part hereof by reference, In the event such stipulations conflict with any of the foregoing provisions, the special stipulations shall control.

26.10 Travel Restrictions. Notwithstanding anything to the contrary contained in this Agreement or the Manuals, any obligation HOA may have to provide training or assistance that involves personnel traveling to the Country is subject to HOA's determination, in its sole discretion and based on such information as HOA deems appropriate, including U.S. State Department travel advisories, that it is safe to travel to the proposed destination.

26.11 Delegation of HOA's Duties. Franchisee acknowledges and agrees that any designee, affiliate, employee, regional/branch offices, contractor or agent of HOA's may perform any duty or obligation imposed on HOA by this Agreement, as HOA may designate.

27. REGISTRATION OF AGREEMENT

27.1 Promptly following the execution of this Agreement by both parties, but in no event more than fifteen (15) days after such execution, Franchisee shall submit this Agreement for registration with INPI and the Central Bank of Brazil. The expenses related to such registrations shall be borne by Franchisee.

27.2 Franchisee shall immediately inform HOA upon issuance of the registration certificate of the Agreement by INPI and shall, immediately after such issuance, make any payments due hereunder to HOA as set forth herein.

[SIGNATURES CONTAINED ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Agreement as of the Effective Date set forth above.

Witnesses:	**Date and Place:** ______________________
1. ______________________	
Name: ______________________	**HOOTERS OF AMERICA, LLC**
ID No. ______________________	
2. ______________________	By: ______________________
Name: ______________________	Name: Terry Marks, CEO
ID No. ______________________	ID No.: ______________________

STATE OF _________ §

COUNTY OF _________ §

BEFORE ME, the undersigned authority, personally appeared ___________________, known to be to be the person whose name is subscribed to the foregoing instrument, and swore and acknowledged that he/she executed the same for the purposes and consideration herein expressed and that he is an authorized representative of HOOTERS OF AMERICA, LLC, and is authorized to execute this Agreement on its behalf.

TO CERTIFY WHICH WITNESS MY HAND AND SEAL OF OFFICE on this ______ day of ______________, 20 ___.

____
Notary Public

My Commission Expires:

____

Witnesses:		**Date and Place:**	______________________
1.	______________________		
Name:	______________________	**FRANCHISEE:**	
ID No.	______________________		
2.	______________________	By:	______________________
Name:	______________________	Name:	
ID No.	______________________	ID No.:	______________________

[SIGNATURE OF FRANCHISEE TO BE NOTARIZED BEFORE BRAZILIAN NOTARY PUBLIC]

With the consent and approval of **HI LIMITED PARTNERSHIP**, the owner of the Proprietary Marks.

Witnesses:	**Date and Place:** ______________________
1. ______________________	
Name: ______________________	**HI LIMITED PARTNERSHIP**
ID No. ______________________	
2. ______________________	By: ______________________
Name: ______________________	Name: ______________________
ID No. ______________________	ID No.: ______________________

STATE OF _________ §

COUNTY OF _________ §

BEFORE ME, the undersigned authority, personally appeared __________________, known to be to be the person whose name is subscribed to the foregoing instrument, and swore and acknowledged that he/she executed the same for the purposes and consideration herein expressed and that he is an authorized representative of HOOTERS OF AMERICA, LLC, and is authorized to execute this Agreement on its behalf.

TO CERTIFY WHICH WITNESS MY HAND AND SEAL OF OFFICE on this _______ day of __________________, 20__.

____

Notary Public

My Commission Expires:

____

Name	Jurisdiction of Incorporation
Chanticleer Holdings Australia Pty, Ltd	Australia
Crown Restaurants Kft.	Hungary
Chanticleer Holdings, Ltd.	Jersey
Chanticleer South Africa (Pty) Ltd.	South Africa
Hooters CapeTown (Pty) Ltd.	South Africa
Hooters Emperors Palace (Pty) Ltd.	South Africa
Hooters SA (Pty) Ltd.	South Africa
Hooters Umhlanga (Pty) Ltd.	South Africa
Pulse Time (Pty) Ltd.	South Africa
Tundraspex (Pty) Ltd.	South Africa
DineOut SA Ltd.	United Kingdom
West End Wings, Ltd.	United Kingdom
American Roadside Burgers, Inc.	United States – Delaware
Avenel Financial Services, L.L.C.	United States – Nevada
Avenel Ventures, L.L.C.	United States – Nevada
Chanticleer Advisors, L.L.C.	United States – Nevada
Chanticleer Investment Partners, L.L.C	United States – North Carolina
JF Franchising Systems, L.L.C.	United States – North Carolina
JF Restaurants, L.L.C.	United States – North Carolina
Jantzen Beach Wings, L.L.C.	United States – Oregon
Oregon Owl's Nest, L.L.C.	United States – Oregon
Dallas Spoon Beverage, L.L.C.	United States – Texas
Dallas Spoon, L.L.C.	United States – Texas
Tacoma Wings, L.L.C.	United States - Washington

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM'S CONSENT

We consent to the incorporation by reference in the Registration Statements of Chanticleer Holdings, Inc. and Subsidiaries on Form S-3 (File No. 333-193144) and Form S-8 (File No. 333-193742) of our report, which includes an explanatory paragraph as to the Company's ability to continue as a going concern, dated March 31, 2014, with respect to our audits of the consolidated financial statements of Chanticleer Holdings, Inc. and Subsidiaries as of December 31, 2013 and 2012 and for the years then ended, which report is included in this Annual Report on Form 10-K of Chanticleer Holdings, Inc. and Subsidiaries for the year ended December 31, 2013.

/s/ Marcum llp

Marcum llp
New York, New York
March 31, 2014

Exhibit 31.1

CHANTICLEER HOLDINGS, INC.
FORM 10-K FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013
CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Michael D. Pruitt, certify that:

1. I have reviewed this report on Form 10-K of Chanticleer Holdings, Inc;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 31, 2014

/s/ Michael D. Pruitt
Michael D. Pruitt
President, Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CHANTICLEER HOLDINGS, INC.
FORM 10-K FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013
CERTIFICATION OF THE CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Eric S. Lederer, certify that:

1. I have reviewed this report on Form 10-K of Chanticleer Holdings, Inc;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 31, 2014

/s/ Eric S. Lederer
Eric S. Lederer
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

CHANTICLEER HOLDINGS, INC.
FORM 10-K FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013
CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Michael D. Pruitt, certify that:

1. I am the Chief Executive Officer of Chanticleer Holdings, Inc. (the "Issuer").
2. Attached to this certification is a Form 10-K for the fiscal year ended December 31, 2013 (the "Report") filed by the Issuer with the Securities Exchange Commission pursuant to Section 13(a) or 15(d) of the Securities and Exchange Act of 1934 (the "Exchange Act"), which contains financial statements.
3 I hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:
   - The Report containing the financial statements fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and
   - The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Issuer for the periods presented.

March 31, 2014

/s/ Michael D. Pruitt
Michael D. Pruitt
President, Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

CHANTICLEER HOLDINGS, INC.
FORM 10-K FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013
CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Eric S. Lederer, certify that:

1. I am the Chief Financial Officer of Chanticleer Holdings, Inc. (the “Issuer”).
2. Attached to this certification is a Form 10-K for the fiscal year ended December 31, 2013 (the “Report”) filed by the Issuer with the Securities Exchange Commission pursuant to Section 13(a) or 15(d) of the Securities and Exchange Act of 1934 (the “Exchange Act”), which contains financial statements.
3 I hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:
   - The Report containing the financial statements fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and
   - The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Issuer for the periods presented.

March 31, 2014

/s/ Eric S. Lederer
Eric S. Lederer
Chief Financial Officer
(Principal Financial Officer)