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, 2016

Commission File Number 001-35570

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)

7621 Little Avenue, Suite 414, Charlotte, NC 28226
(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 [X] 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 [X] 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. [X] 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). [X] 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. [X] Yes [ ] No

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 [X]

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

The aggregate market value of the voting stock held by non-affiliates was $9.3 million based on the closing sale price of the Company's Common Stock as reported on the NASDAQ Stock Market on June 30, 2016.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date. There were 21,999,507 shares of common stock issued and outstanding as of March 23, 2017.

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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:

- The quality of Company and franchise store operations and changes in sales volume;

  Our ability to operate our business and generate profits. We have not been profitable to date;

- 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;
- Inherent risks associated with acquiring and starting new restaurant concepts and store locations;
- 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 the Hooters-branded restaurants are dependent on the Hooters’ franchise agreements;
- Our ability, and our dependence on the ability of our franchisees, to execute on our and their business plans effectively;
- Actions of our franchise partners or operating partners which could harm our business;
- Failure to protect our intellectual property rights, including the brand image of our restaurants;
- Changes in customer preferences and perceptions;
- Increases in costs, including food, rent, 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 affect 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 operations and currency fluctuations;
- Unusual expenses associated with our expansion into international markets;
- The risks associated with leasing space subject to long-term non-cancelable leases;
- 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;
- Negative publicity about the ingredients we use, or the potential occurrence of food-borne illnesses or other problems at our restaurants;
- Breaches of security of confidential consumer information related to our electronic processing of credit and debit card transactions;
- Unusual or significant litigation, governmental investigations or adverse publicity, or otherwise;
- Our debt financing agreements expose us to interest rate risks, contain obligations that may limit the flexibility of our operations, and may limit our ability to raise additional capital;
- 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.

ITEM 1: BUSINESS

Chanticleer Holdings, Inc. (“Chanticleer” or the “Company”) is in the business of owning, operating and franchising fast casual dining concepts domestically and internationally. The Company was organized October 21, 1999, under its original name, Tulvine Systems, Inc., under the laws of the State of Delaware. 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 include the accounts of Chanticleer Holdings, Inc. and its subsidiaries presented below (collectively referred to as the “Company”):

Name	Jurisdiction of Incorporation	Percent Owned	Name	Jurisdiction of Incorporation	Percent Owned
CHANTICLEER HOLDINGS, INC.	**DE, USA**	**100%**			
Burger Business			***Just Fresh***		
American Roadside Burgers, Inc.	DE, USA	100%	JF Franchising Systems, LLC	NC, USA	56%
ARB Stores			JF Restaurants, LLC	NC, USA	56%
American Burger Ally, LLC	NC, USA	100%			
American Burger Morehead, LLC	NC, USA	100%	***West Coast Hooters***		
American Roadside McBee, LLC	NC, USA	100%	Jantzen Beach Wings, LLC	OR, USA	100%
American Roadside Southpark LLC	NC, USA	100%	Oregon Owl’s Nest, LLC	OR, USA	100%
American Roadside Burgers Smithtown, Inc.	DE, USA	100%	Tacoma Wings, LLC	WA, USA	100%
American Burger Prosperity, LLC	NC, USA	100%			
BGR Acquisition, LLC	NC, USA	100%	***South African Entities***		
BGR Franchising, LLC	VA, USA	100%	Chanticleer South Africa (Pty) Ltd.	South Africa	100%
BGR Operations, LLC	VA, USA	100%	Hooters Emperors Palace (Pty.) Ltd.	South Africa	88%
BGR Arlington, LLC	VA, USA	100%	Hooters On The Buzz (Pty) Ltd	South Africa	95%
BGR Cascades, LLC	VA, USA	100%	Hooters PE (Pty) Ltd	South Africa	100%
BGR Dupont, LLC	DC, USA	100%	Hooters Ruimsig (Pty) Ltd.	South Africa	100%
BGR Old Keene Mill, LLC	VA, USA	100%	Hooters SA (Pty) Ltd	South Africa	78%
BGR Old Town, LLC	VA, USA	100%	Hooters Umhlanga (Pty.) Ltd.	South Africa	90%
BGR Potomac, LLC	MD, USA	100%	Hooters Willows Crossing (Pty) Ltd	South Africa	100%
BGR Springfield Mall, LLC	VA, USA	100%			
BGR Tysons, LLC	VA, USA	100%	***European Hooters***		
BGR Washingtonian, LLC	MD, USA	100%	Chanticleer Holdings Limited	Jersey	100%
Capitol Burger, LLC	MD, USA	100%			
BGR Mosaic, LLC	VA, USA	100%	West End Wings LTD	United Kingdom	100%
BGR Michigan Ave, LLC	DC, USA	100%			
BGR Chevy Chase, LLC	MD, USA	100%			
BGR Acquisition 1, LLC	NC, USA	100%	***Inactive Entities***		
BT Burger Acquisition, LLC	NC, USA	100%	Hoot Surfers Paradise Pty. Ltd.	Australia	60%
BT's Burgerjoint Biltmore, LLC	NC, USA	100%	Hooters Brazil	Brazil	100%
BT's Burgerjoint Promenade, LLC	NC, USA	100%	DineOut SA Ltd.	England	89%
BT's Burgerjoint Rivergate LLC	NC, USA	100%	Avenel Financial Services, LLC	NV, USA	100%
BT's Burgerjoint Sun Valley, LLC	NC, USA	100%	Avenel Ventures, LLC	NV, USA	100%
LBB Acquisition, LLC	NC, USA	100%	Chanticleer Advisors, LLC	NV, USA	100%
Cuarto LLC	OR, USA	100%	Chanticleer Investment Partners, LLC	NC, USA	100%
LBB Acquisition 1 LLC	OR, USA	100%	Dallas Spoon Beverage, LLC	TX, USA	100%
LBB Green Lake LLC	OR, USA	50%	Dallas Spoon, LLC	TX, USA	100%
LBB Hassalo LLC	OR, USA	80%	American Roadside Cross Hill, LLC	NC, USA	100%
LBB Platform LLC	OR, USA	80%	Chanticleer Finance UK (No. 1) Plc	United Kingdom	100%
LBB Progress Ridge LLC	OR, USA	50%			
Noveno LLC	OR, USA	100%			
Octavo LLC	OR, USA	100%			
Primero LLC	OR, USA	100%			
Quinto LLC	OR, USA	100%			
Segundo LLC	OR, USA	100%			
Septimo LLC	OR, USA	100%			
Sexto LLC	OR, USA	100%			

Restaurant Brands

Better Burgers Fast Casual

We operate and franchise a system-wide total of 39 fast casual restaurants specializing the “Better Burger” category of which 27 are company-owned and 12 are owned and operated by franchisees under franchise agreements.

American Burger Company (“ABC”) is a fast-casual dining chain consisting of 9 locations in North Carolina, South Carolina and New York, known for its diverse menu featuring fresh salads, customized burgers, milk shakes, sandwiches, and beer and wine.

BGR: The Burger Joint ("BGR") was acquired in March 2015 and consists of 10 company-owned locations in the United States and 12 franchisee-operated locations in the United States and the Middle East.

Little Big Burger ("LBB") was acquired in September 2015 and consists of 8 company-owned locations in the Portland, Oregon area.

We plan to accelerate expansion of our better burger business through a combination of company-owned stores, franchising and partnerships primarily in the United States. Within the Burger group, we plan to focus the majority of our resources on growing Little Big Burger, where we are realizing industry-leading margins and returns on capital from our current store locations. We are also considering opportunities to expand the better burger business internationally, primarily focusing on those regions where we operate Hooters restaurants to leverage our local infrastructure and management teams across multiple brands. For our BGR and American Burger Company brands, we intend to open new stores in 2017, albeit at a slower pace than for our Little Big Burger Brand.

Just Fresh Fast Casual

We operate Just Fresh, our healthier eating fast casual concept with 7 company owned locations in Charlotte, North Carolina. Just Fresh offers fresh-squeezed juices, gourmet coffee, fresh-baked goods and premium-quality, made-to-order sandwiches, salads and soups. We currently hold a 56% controlling interest in Just Fresh.

Our plans for Just Fresh include maximizing cash flow from our current locations while we evaluate the optimal growth strategy for the brand. As we have allocated the majority of our current internal and financial resources on growing Little Big Burger, we do not anticipate opening new Just Fresh locations in the near term. However, we believe the Just Fresh tradename and operating model provides significant untapped potential for future growth as a company or franchise model and intend to formalize the longer-term growth strategy for this brand over the coming year.

Hooters Full Service

Hooters restaurants are casual beach-themed establishments featuring music, sports on large flat screens, and a menu that includes seafood, sandwiches, burgers, salads, and of course, Hooters original chicken wings and the "nearly world famous" Hooters Girls.

We own and operate 9 Hooters full service restaurants in the United States, South Africa, and the United Kingdom. Chanticleer started initially as an investor in Hooters of America and, subsequently evolved into a franchisee operator. We continue to hold a minority investment stake in Hooters of America and operate Hooters restaurants in our regions. However, we do not currently intend to invest in growing the Hooters segment and instead plan to utilize the cash flows from this segment to support growth in our other fast casual brands.

Restaurant Geographic Locations

United States

We currently operate ABC, BGR and LBB restaurants in the United States as our Better Burger Group. ABC is located in North Carolina, South Carolina and New York. BGR operates company restaurants in the mid-Atlantic region of the United States, as well as franchise locations in the US and internationally. LBB operates in the Portland and Eugene, Oregon areas.

We operate Just Fresh restaurants in the Charlotte, North Carolina area.

We operate Hooters restaurants in Tacoma, Washington and Portland, Oregon ("Hooters Pacific NW"). We also operate gaming machines in Portland, Oregon under license from the Oregon Lottery Commission.

South Africa

We currently own and operate 6 Hooters locations in South Africa: Durban, Pretoria, Port Elizabeth and Johannesburg (3 locations).

Europe

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

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 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 have trademarks and trade names associated with Just Fresh, American Burger, BGR and Little Big Burger. 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.

We also use the "Hooters" mark and certain other service marks and trademarks used in our Hooters restaurants pursuant to our franchise agreements with Hooters of America.

Government Regulation

Environmental regulation.

We are subject to a variety of federal, state and local environmental laws and regulations. Such laws and regulations have not had a significant impact on our capital expenditures, earnings or competitive position.

Local regulation.

Our locations are subject to licensing and regulation by a number of government authorities, which may include health, sanitation, safety, fire, building and other agencies in the countries, states or municipalities in which the restaurants are located. Opening sites in new areas could be delayed by license and approval processes or by more requirements of local government bodies with respect to zoning, land use and environmental factors. Our agreements with our franchisees require them to comply with all applicable federal, state and local laws and regulations.

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.

Franchise regulation.

We must comply with regulations adopted by the Federal Trade Commission (the "FTC") and with several state and foreign laws that regulate the offer and sale of franchises. The FTC's Trade Regulation Rule on Franchising ("FTC Rule") and certain state and foreign laws require that we furnish prospective franchisees with a franchise disclosure document containing information prescribed by the FTC Rule and applicable state and foreign laws and regulations. We register the disclosure document in domestic and foreign jurisdictions that require registration for the sale of franchises. Our domestic franchise disclosure document complies with FTC Rule and various state disclosure requirements, and our international disclosure documents comply with applicable requirements.

We also must comply with a number of state and foreign laws that regulate some substantive aspects of the franchisor-franchisee relationship. These laws may limit a franchisor's ability to: terminate or not renew a franchise without good cause; interfere with the right of free association among franchisees; disapprove the transfer of a franchise; discriminate among franchisees with regard to charges, royalties and other fees; and place new stores near existing franchises. Bills intended to regulate certain aspects of franchise relationships have been introduced into the United States Congress on several occasions during the last decade, but none have been enacted.

Employment regulations.

We are subject to state and federal labor laws that govern our relationship with our employees, such as minimum wage requirements, overtime and working conditions and citizenship requirements. Many of our employees are paid at rates which are influenced by changes in the federal and state wage regulations. Accordingly, changes in the wage regulations could increase our labor costs. The work conditions at our facilities are regulated by the Occupational Safety and Health Administration and are subject to periodic inspections by this agency. In addition, the enactment of recent legislation and resulting new government regulation relating to healthcare benefits may result in additional cost increases and other effects in the future.

Gaming regulations.

We are also subject to regulations in Oregon where we operate gaming machines. Gaming operations are generally highly regulated and conducted under the permission and oversight of the state or local gaming commission, lottery or other government agencies.

Other regulations.

We are subject to a variety of consumer protection and similar laws and regulations at the federal, state and local level. Failure to comply with these laws and regulations could subject us to financial and other penalties.

Seasonality

The sales of our restaurants may peak at various times throughout the year due to certain promotional events, weather and holiday related events. For example, our restaurants in South Africa generally peak in our winter months during their summer holidays. In contrast, our domestic fast casual restaurants tend to peak in the Spring, Summer and Fall months when the weather is milder. Quarterly results also may be affected by the timing of the opening of new stores and the closing of existing stores. For these reasons, results for any quarter are not necessarily indicative of the results that may be achieved for the full fiscal year.

Corporate Information

Our principal executive offices are located at 7621 Little Avenue, Suite 414, Charlotte, NC 28226. Our web site is *www.chanticleerholdings.com*.

Employees

At December 31, 2016, our locations had approximately 957 employees, including 306 in South Africa, 48 in the United Kingdom, and 603 in the United States. Approximately 70 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.

Available information

We make available free of charge through our website, *www.chanticleerholdings.com*, our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements and amendments to those reports and statements filed pursuant to Section 13(a) or 15(d) of the Securities and Exchange Act of 1934, as amended (the "Exchange Act"), as soon as reasonably practicable after we file such material with, or furnish it to, the SEC. The public may read and copy any materials we file with or furnish to the Securities and Exchange Commission ("SEC") at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549, on official business days during the hours of 10:00 am to 3:00 pm. The public may also obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Furthermore, the SEC maintains a free website (www.sec.gov) which includes reports, proxy and information statements, and other information regarding us and other issuers that file electronically with the SEC. Our website and the information contained therein or connected thereto are not intended to be incorporated into this Annual Report on Form 10-K. Additionally, we make available free of charge on our internet website: our Code of Ethics; the charter of our Nominating Committee; the charter of our Compensation Committee; and the charter of our Audit Committee.

ITEM 1A: RISK FACTORS

Investing in our common stock involves risks. Prospective investors in our common stock should carefully consider, among other things, the following risk factors in connection with the other information and financial statements contained in this Report. We have identified the following factors that could cause actual results to differ materially from those projected in any forward looking statements we may make from time to time.

We operate in a continually changing business environment in which new risk factors emerge from time to time. We can neither predict these new risk factors, nor can we assess the impact, if any, of these new risk factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those projected in any forward looking statement. If any of these risks, or combination of risks, actually occurs, our business, financial condition and results of operations could be seriously and materially harmed, and the trading price of our common stock could decline. All forward-looking statements in this document are based on information available to us as of the date hereof, and we assume no obligations to update any such forward-looking statements.

Risks Related to Our Company and Industry

We have not been profitable to date and operating losses could continue.

We have incurred operating losses and generated negative cash flows since our inception and have financed our operations principally through equity investments and borrowings. Future profitability is difficult to predict with certainty. 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 or we are unable to reduce operating expenses, our business, financial condition and operating results will be materially adversely affected.

O***ur financial statements have been prepared assuming a going concern.***

Our financial statements as of December 31, 2016, were prepared under the assumption that we will continue as a going concern for the next twelve months from the date of issuance of these financial statements. 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, re-negotiate or extend existing indebtedness, obtain further operating efficiencies, reduce expenditures and ultimately, create profitable operations. We may not be able to refinance or extend our debt or obtain additional capital on reasonable terms. Our financial statements do not include adjustments that would result from the outcome of this uncertainty.

The prior year acquisitions, as well as future acquisitions, may have unanticipated consequences that could harm our business and our financial condition.

Any acquisition that we pursue, whether or not successfully completed, involves 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 or other businesses, 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 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 the number of new restaurants we and our franchisees will open. In addition, our franchise agreements with Hooters of America ("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;
- 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 expansion.

Additionally, competition for suitable restaurant sites in target markets is intense. Restaurants we open in new markets may take longer to reach expected sales and profit levels on a consistent basis and may have higher construction, occupancy or operating costs than restaurants we open in existing markets, thereby affecting our overall profitability.

New markets may have competitive conditions, consumer tastes and discretionary spending patterns that are more difficult to predict or satisfy than our existing markets. We may need to make greater investments than we originally planned in advertising and promotional activity in new markets to build brand awareness. We may find it more difficult in new markets to hire, motivate and keep qualified employees who share our vision, passion and culture. We may also incur higher costs from entering new markets if, for example, we assign regional managers to manage comparatively fewer restaurants than in more developed markets.

We may not be able to successfully develop critical market presence for our brand in new geographical markets, as we may be unable to find and secure attractive locations, build name recognition or attract new customers. Inability to fully implement or failure to successfully execute our plans to enter new markets could have a material adverse effect on our business, financial condition and results of operations.

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.

We have debt financing arrangements, some of which are in default, which could have a material adverse effect on our financial health and our ability to obtain financing in the future, and may impair our ability to react quickly to changes in our business.

Our exposure to debt financing could limit our ability to satisfy our obligations, limit our ability to operate our business and impair our competitive position. For example, it could:

- increase our vulnerability to adverse economic and industry conditions, including interest rate fluctuations, because a portion of our borrowings are at variable rates of interest;
- require us to dedicate future cash flows to the repayment of debt, reducing the availability of cash to fund working capital, capital expenditures or other general corporate purposes;
- limit our flexibility in planning for, or reacting to, changes in our business and industry; and
- limit our ability to obtain additional debt or equity financing due to applicable financial and restrictive covenants contained in our debt agreements.

We may also incur additional indebtedness in the future, which could materially increase the impact of these risks on our financial condition and results of operations.

We may not be able to refinance our current debt obligations which are currently due and in default. Failure to successfully recapitalize the business could have a material adverse effect on our business, financial condition and results of operations.

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

We are subject to potential for 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 that 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.

Food safety and foodborne illness concerns could have an adverse effect on our business.

We cannot guarantee that our internal controls and training will be fully effective in preventing all food safety issues at our restaurants, including any occurrences of foodborne illnesses such as salmonella, E. coli and hepatitis A. In addition, there is no guarantee that our franchise restaurants will maintain the high levels of internal controls and training we require at our company-operated restaurants.

Furthermore, we and our franchisees rely on third-party vendors, making it difficult to monitor food safety compliance and increasing the risk that foodborne illness would affect multiple locations rather than a single restaurant. Some foodborne illness incidents could be caused by third-party vendors and transporters outside of our control. New illnesses resistant to our current precautions may develop in the future, or diseases with long incubation periods could arise, that could give rise to claims or allegations on a retroactive basis. One or more instances of foodborne illness in any of our restaurants or markets or related to food products we sell could negatively affect our restaurant revenue nationwide if highly publicized on national media outlets or through social media.

This risk exists even if it were later determined that the illness was wrongly attributed to us or one of our restaurants. A number of other restaurant chains have experienced incidents related to foodborne illnesses that have had a material adverse effect on their operations. The occurrence of a similar incident at one or more of our restaurants, or negative publicity or public speculation about an incident, could have a material adverse effect on our business, financial condition and results of operations.

We operate in the highly competitive restaurant industry. If we are not able to compete effectively, it will have a material adverse effect on our business, financial condition and results of operations.

We face significant competition from restaurants in the fast casual dining and traditional fast food segments of the restaurant industry. These segments are highly competitive with respect to, among other things, taste, price, food quality and presentation, service, location and the ambience and condition of each restaurant. Our competition includes a variety of locally owned restaurants and national and regional chains offering dine-in, carry-out, delivery and catering services. Many of our competitors have existed longer and have a more established market presence with substantially greater financial, marketing, personnel and other resources than we do. Among our competitors are a number of multi-unit, multi-market, fast casual restaurant concepts, some of which are expanding nationally. As we expand, we will face competition from these restaurant concepts as well as new competitors that strive to compete with our market segments. These competitors may have, among other things, lower operating costs, better locations, better facilities, better management, more effective marketing and more efficient operations. Additionally, we face the risk that new or existing competitors will copy our business model, menu options, presentation or ambience, among other things.

Any inability to successfully compete with the restaurants in our markets and other restaurant segments will place downward pressure on our customer traffic and may prevent us from increasing or sustaining our revenue and profitability. Consumer tastes, nutritional and dietary trends, traffic patterns and the type, number and location of competing restaurants often affect the restaurant business, and our competitors may react more efficiently and effectively to those conditions. Several of our competitors compete by offering menu items that are specifically identified as low in carbohydrates, gluten-free or healthier for consumers. In addition, many of our traditional fast food restaurant competitors offer lower-priced menu options or meal packages, or have loyalty programs. Our sales could decline due to changes in popular tastes, “fad” food regimens, such as low carbohydrate diets, and media attention on new restaurants. If we are unable to continue to compete effectively, our traffic, sales and restaurant contribution could decline which would have a material adverse effect on our business, financial condition 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 are derived 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 or 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 where we control less than 100% ownership.

We are and will be dependent on our partners to maintain quality, service and cleanliness standards, and their failure to do so could materially affect our 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 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 Hooters 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 could be 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, and 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.

Our ability to maintain consistent price and quality throughout our restaurants depends in part upon our ability to acquire specified food products and supplies in sufficient quantities from third-party vendors, suppliers and distributors at a reasonable cost. We do not control the businesses of our vendors, suppliers and distributors, and our efforts to specify and monitor the standards under which they perform may not be successful. If any of our vendors or other suppliers are unable to fulfill their obligations to our standards, or if we are unable to find replacement providers in the event of a supply or service disruption, we could encounter supply shortages and incur higher costs to secure adequate supplies, which would have a material adverse effect on our business, financial condition and results of operations.

Furthermore, if our current vendors or other suppliers are unable to support our expansion into new markets, or if we are unable to find vendors to meet our supply specifications or service needs as we expand, we could likewise encounter supply shortages and incur higher costs to secure adequate supplies, which could have a material adverse effect on our business, financial condition and results of operations.

Changes in employment laws and minimum wage standards may adversely affect our business.

Labor is a primary component in the cost of operating our restaurants. If we face labor shortages or increased labor costs because of increased competition for employees, higher employee turnover rates, increases in the federal, state or local minimum wage or other employee benefits costs (including costs associated with health insurance coverage), our operating expenses could increase and our growth could be negatively impacted.

In addition, our success depends in part upon our ability to attract, motivate and retain a sufficient number of well-qualified restaurant operators and management personnel, as well as a sufficient number of other qualified employees, including customer service and kitchen staff, to keep pace with our expansion schedule. In addition, restaurants have traditionally experienced relatively high employee turnover rates. Although we have not yet experienced significant problems in recruiting or retaining employees, our ability to recruit and retain such individuals may delay the planned openings of new restaurants or result in higher employee turnover in existing restaurants, which could have a material adverse effect on our business, financial condition and results of operations.

Various federal and state labor laws govern the relationship with our employees and impact operating costs. These laws include employee classification as exempt or non-exempt for overtime and other purposes, minimum wage requirements, unemployment tax rates, workers' compensation rates, immigration status and other wage and benefit requirements. Significant additional government-imposed increases in the following areas could have a material adverse effect on our business, financial condition and results of operations:

- minimum wages;
- mandatory health benefits;
- vacation accruals;
- paid leaves of absence, including paid sick leave; and
- tax reporting.

We could also become subject to fines, penalties and other costs related to claims that we did not fully comply with all recordkeeping obligations of federal and state immigration compliance laws. These factors could have a material adverse effect on our business, financial condition and results of operations.

We are subject to all of the risks associated with leasing space subject to long-term non-cancelable leases.

We lease substantially all of the real property and we expect the new restaurants we open in the future will also be leased. We are obligated under non-cancelable leases for our restaurants and our corporate headquarters. Our restaurant leases generally require us to pay a proportionate share of real estate taxes, insurance, common area maintenance charges and other operating costs. Some restaurant leases provide for contingent rental payments based on sales thresholds, although we generally do not expect to pay significant contingent rent on these properties based on the thresholds in those leases. Additional sites that we lease are likely to be subject to similar long-term non-cancelable leases.

If an existing or future restaurant is not profitable, and we decide to close it, we may nonetheless be committed to perform our obligations under the applicable lease including, among other things, paying the base rent for the balance of the lease term. In addition, as each of our leases expires, we may fail to negotiate renewals, either on commercially acceptable terms or at all, which could cause us to pay increased occupancy costs or to close restaurants in desirable locations. These potential increased occupancy costs and closed restaurants could have a material adverse effect on our business, financial condition and results of operations.

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. 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, gaming revenues 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, gambling, 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 experiencing 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 location or group of restaurants.

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.

Most of our Hooters restaurants and some of our franchisee-owned restaurants operate in foreign countries and territories outside of the U.S. As a result, our business is 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.

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 British Pound 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. The successful development of new units will depend in large part on our ability and the ability of our franchisees to open new restaurants and to operate these restaurants on a profitable basis. We cannot guarantee that we, or our franchisees, 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 that 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 franchisee operators 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.

Changing conditions in the global economy and financial markets 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 demand for our products could be adversely affected in an economic downturn and our revenues may decline under such circumstances. In addition, 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 in the event of adverse market conditions. Future instability in these markets could limit our ability to access the capital we require to fund and grow our business.

Changes to accounting rules or regulations may adversely affect the reporting of our results of operations.

Changes to existing accounting rules or regulations may impact the reporting of our future results of operations or cause the perception that we are more highly leveraged. Other new accounting rules or regulations and varying interpretations of existing accounting rules or regulations have occurred and may occur in the future. For instance, accounting regulatory authorities have indicated that they will require lessees to capitalize operating leases in their financial statements. Such a change would require us to record significant lease obligations on our balance sheet and make other changes to our financial statements. This and other future changes to accounting rules or regulations could have a material adverse effect on the reporting of our business, financial condition and results of operations. In addition, many existing accounting standards require management to make subjective assumptions, such as those required for stock compensation, tax matters, franchise accounting, 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 may not be able to adequately protect our intellectual property, which could harm the value of our brand and have a material adverse effect on our business, financial condition and results of operations.

Our intellectual property is material to the conduct of our business. Our ability to implement our business plan successfully depends in part on our ability to further build brand recognition using our trademarks, service marks, trade dress and other proprietary intellectual property, including our name and logos and the unique ambience of our restaurants. While it is our policy to protect and defend vigorously our rights to our intellectual property, we cannot predict whether steps taken by us to protect our intellectual property rights will be adequate to prevent misappropriation of these rights or the use by others of restaurant features based upon, or otherwise similar to, our restaurant concept. It may be difficult for us to prevent others from copying elements of our concept and any litigation to enforce our rights will likely be costly and may not be successful. 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 could 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, which in turn could have a material adverse effect on our business, financial condition and results of operations.

In addition, we license certain of our proprietary intellectual property, including our name and logos, to third parties. For example, we grant our franchisees and licensees a right to use certain of our trademarks in connection with their operation of the applicable restaurant. If a franchisee or other licensee fails to maintain the quality of the restaurant operations associated with the licensed trademarks, our rights to, and the value of, our trademarks could potentially be harmed. Negative publicity relating to the franchisee or licensee could also be incorrectly associated with us, which could harm our business. Failure to maintain, control and protect our trademarks and other proprietary intellectual property would likely have a material adverse effect on our business, financial condition and results of operations and on our ability to enter into new franchise agreements.

We may incur costs resulting from breaches of security of confidential consumer information related to our electronic processing of credit and debit card transactions.

The majority of our restaurant sales are by credit or debit cards. Other restaurants and retailers have experienced security breaches in which credit and debit card information has been stolen. We may in the future become subject to claims for purportedly fraudulent transactions arising out of the actual or alleged theft of credit or debit card information, and we may also be subject to lawsuits or other proceedings relating to these types of incidents. In addition, most states have enacted legislation requiring notification of security breaches involving personal information, including credit and debit card information. Any such claim or proceeding could cause us to incur significant unplanned expenses, which could have a material adverse effect on our business, financial condition and results of operations. Further, adverse publicity resulting from these allegations may have a material adverse effect on our business and results of operations.

We rely heavily on information technology, and any material failure, weakness, interruption or breach of security could prevent us from effectively operating our business.

We rely heavily on information systems, including point-of-sale processing in our restaurants, for management of our supply chain, payment of obligations, collection of cash, credit and debit card transactions and other processes and procedures. Our ability to efficiently and effectively manage our business depends significantly on the reliability and capacity of these systems. Our operations depend upon our ability to protect our computer equipment and systems against damage from physical theft, fire, power loss, telecommunications failure or other catastrophic events, as well as from internal and external security breaches, viruses and other disruptive problems. The failure of these systems to operate effectively, maintenance problems, upgrading or transitioning to new platforms, or a breach in security of these systems could result in delays in customer service and reduce efficiency in our operations. Remediation of such problems could result in significant, unplanned capital investments.

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.

The uncertainty surrounding the implementation and effect of Brexit may impact our UK operations.

The uncertainty surrounding the implementation and effect of Brexit, including the commencement of the exit negotiation period, the terms and conditions of such exit, the uncertainty in relation to the legal and regulatory framework that would apply to the UK and its relationship with the remaining members of the EU (including, in relation to trade) during a withdrawal process and after any Brexit is effected, has caused and is likely to cause increased economic volatility and market uncertainty globally. It is too early to ascertain the long term effects. To date, the only measurable impact is attributable to the decline in the pound sterling as measured against the U.S. dollar.

Negative publicity could reduce sales at some or all of our restaurants.

We may, from time to time, be faced with negative publicity relating to food quality and integrity, the safety, sanitation and welfare of our restaurant facilities, customer complaints or litigation alleging illness or injury, health inspection scores, integrity of our or our suppliers' food processing and other policies, practices and procedures, employee relationships and welfare or other matters at one or more of our restaurants. Negative publicity may adversely affect us, regardless of whether the allegations are valid or whether we are held to be responsible. The risk of negative publicity is particularly great with respect to our franchised restaurants because we are limited in the manner in which we can regulate them, especially on a real-time basis and negative publicity from our franchised restaurants may also significantly impact company-operated restaurants. A similar risk exists with respect to food service businesses unrelated to us, if customers mistakenly associate such unrelated businesses with our operations. Employee claims against us based on, among other things, wage and hour violations, discrimination, harassment or wrongful termination may also create not only legal and financial liability but negative publicity that could adversely affect us and divert our financial and management resources that would otherwise be used to benefit the future performance of our operations. These types of employee claims could also be asserted against us, on a co-employer theory, by employees of our franchisees. A significant increase in the number of these claims or an increase in the number of successful claims could materially adversely affect our business, financial condition, results of operations and cash flows.

The interests of our franchisees may conflict with ours or yours in the future and we could face liability from our franchisees or related to our relationship with our franchisees.

Franchisees, as independent business operators, may from time to time disagree with us and our strategies regarding the business or our interpretation of our respective rights and obligations under the franchise agreement and the terms and conditions of the franchisee/franchisor relationship or have interests adverse to ours. This may lead to disputes with our franchisees and we expect such disputes to occur from time to time in the future as we continue to offer franchises. Such disputes may result in legal action against us. To the extent we have such disputes, the attention, time and financial resources of our management and our franchisees will be diverted from our restaurants, which could have a material adverse effect on our business, financial condition, results of operations and cash flows even if we have a successful outcome in the dispute.

In addition, various state and federal laws govern our relationship with our franchisees and our potential sale of a franchise. A franchisee and/or a government agency may bring legal action against us based on the franchisee/franchisor relationships that could result in the award of damages to franchisees and/or the imposition of fines or other penalties against us.

We are in default under certain of our notes payable and convertible debt obligations. Our ability to operate as a going concern are contingent upon successfully obtaining additional financing and renegotiating terms of existing indebtedness in the near future. Failure to do so would adversely affect our ability to continue operations.

If capital is not available or we are not able to agree on reasonable terms with our lenders, we may then need to scale back or freeze our organic growth plans, sell assets under unfavorable terms, reduce expenses, and/or curtail future acquisition plans to manage our liquidity and capital resources. We may not be able refinance or otherwise extend or repay our current obligations which could impact our ability to continue to operate as a going concern

Risks Related to Our Common Stock

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. As a result, 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.

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. 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 that 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. These warrants expire in June 2017.

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.

Failure to establish and maintain effective internal controls in accordance with Section 404 of the Sarbanes-Oxley Act could have a material adverse effect on our business and stock price.

As a publicly traded company, we are required to comply with the SEC's rules implementing Sections 302 and 404 of the Sarbanes-Oxley Act, which requires management to certify financial and other information in our quarterly and annual reports and provide an annual management report on the effectiveness of controls over financial reporting. We have identified internal control weaknesses and may need to undertake various actions, such as implementing new internal controls, new systems and procedures and hiring additional accounting or internal audit staff, which could increase our operating expenses. In addition, we may identify additional deficiencies in our internal control over financial reporting as part of that process.

In addition, if we are unable to resolve internal control deficiencies in a timely manner, investors could lose confidence in the accuracy and completeness of our financial reports and the market price of our common stock could be negatively affected.

We have been notified by NASDAQ of its intent to delist our Common Shares. We intend to implement a reverse stock split of our common stock in order to regain compliance with Nasdaq's continued listing requirements.

The Nasdaq Listing Qualifications Department ("Staff") notified us on February 18, 2016 that the bid price of our common stock had closed at less than $1 per share over the previous 30 consecutive business days, and, as a result, did not comply with Listing Rule 5550(a)(2). Therefore, in accordance with Listing Rule 5810(c)(3)(A), we were provided 180 calendar days, or until August 16, 2016, to regain compliance with the Rule. Subsequently, on August 17, 2016, we were provided an additional 180 calendar day compliance period, or until February 13, 2017, to demonstrate compliance.

We did not regain compliance with Listing Rule 5550(a)(2) and received a delisting determination from Nasdaq on February 14, 2017. We appealed the Staff's determination to a Hearings Panel (the "Panel"), pursuant to the procedures set forth in the Nasdaq Listing Rule 5800 Series. The hearing request stayed the suspension of our securities and the filing of the Form 25-NSE (which Form would remove our securities from listing and registration on The Nasdaq Stock Market) pending the Panel's decision. As part of its plan to regain compliance, our Board of Directors has approved an anticipated reverse stock split at a ratio of up to 1-for-10, which will be placed on the proxy for vote at the Company's upcoming shareholder meeting expected in May.

ITEM 2: PROPERTIES

The Company, through its subsidiaries, leases the land and buildings for our five restaurants in South Africa, one restaurant in Nottingham, United Kingdom, and thirty-six restaurants in the U.S. The terms for our leases vary from two to twenty 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. We also lease our corporate office space in Charlotte, North Carolina.

We own one commercial real estate property in Port Elizabeth, South Africa.

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

ITEM 3: LEGAL PROCEEDINGS

On March 26, 2013, our South African operations received Notice of Motion filed inn 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. Madam Justice Steryi dismissed the action with costs on May 5, 2014. Ms. Shaw appealed this decision and in December 2016, the Court dismissed the Labyrinth case with costs payable to the Company, and allowed the Rolalor case to proceed to liquidation. The Company did not object to the proposed liquidation of Rolalor as the entity has no assets and the Company does not expect there to be any material impact on the Company. No amounts have been accrued as of December 31, 2016 or 2015 in the accompanying consolidated balance sheets.

On January 28, 2016, our Just Fresh subsidiary was notified that it had been served with a copyright infringement complaint, Kevin Chelko Photography, Inc. f. JF Restaurants, LLC, Case No. 3:13-CV-60-GCM (W.D. N.C.). The claim was filed in the United States District Court for the Western District of North Carolina Charlotte Division and seeks unspecified damages related to the use of certain photographic assets allegedly in violation of the United States copyright laws. On January 19, 2017, the case was dismissed with no damages being awarded and no amounts have been reflected in the accompanying consolidated balance sheets as of December 31, 2016, or December 31, 2015.

Prior to the Company's acquisition of Little Big Burger, a class action lawsuit was filed in Oregon by certain current and former employees of Little Big Burger asserting that the former owners of Little Big Burger failed to compensate employees for overtime hours and also that an employee had been wrongfully terminated. The plaintiffs and defendants agreed to enter into a settlement agreement pursuant to which the former owners of Little Big Burger will pay a gross settlement of up to $675,000, inclusive of plaintiffs' attorney's fees of $225,000. This settlement was approved by the court and all settlement payments were distributed by the sellers and this matter closed prior to September 30, 2016.

In connection with our acquisition of Little Big Burger, the sellers agreed that the 1,619,646 shares of the Company's common stock certain of the sellers received from the Company and an additional $200,000 in cash would be held in escrow until such time as the litigation was fully resolved. The Company reflected the $675,000 settlement amount in accrued liabilities, with an offsetting asset in other current assets, in the accompanying consolidated balance sheets as of December 31, 2015. As of December 31 2016, the lawsuit had been fully resolved and all amounts paid by the sellers. Accordingly, no amounts are reflected in the Company's balance sheet as of December 31, 2016.

From time to time, the Company may be involved in legal proceedings and claims that have arisen in the ordinary course of business.

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 listed on the NASDAQ Capital Market under the symbol "HOTR".

The market high and low prices on the NASDAQ for the years ending December 31, 2016 and 2015 are as follows:

QUARTER ENDED	HIGH	LOW
December 31, 2016	$ 0.90	$ 0.38
September 30, 2016	$ 0.64	$ 0.36
June 30, 2016	$ 0.64	$ 0.41
March 31, 2016	$ 1.02	$ 0.64
December 31, 2015	$ 1.32	$ 0.75
September 30, 2015	$ 2.73	$ 1.03
June 30, 2015	$ 4.18	$ 2.17
March 31, 2015	$ 3.07	$ 1.65

Number of Shareholders and Total Outstanding Shares

As of March 20, 2017, there were 21,999,507 shares issued and outstanding, respectively, held by approximately 185 shareholders of record.

Reverse Split

Our Board of Directors has approved an anticipated reverse stock split at a ratio of up to 1-for-10, which will be placed on the proxy for vote at the Company's upcoming shareholder meeting expected in May 2017. If a reverse split is implemented as anticipated, the number of outstanding shares will be reduced by the split ratio (up to 1-for 10). All information contained in this Annual Report has been presented on a historical basis without adjustment to reflect a potential reverse split.

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 2016 were reported in Item 2 of Part II of the Form 10-Q filed for each quarter. There were no sales of common stock during the fourth quarter of 2016 to be reported.

The Company believes that the foregoing transactions were exempt from the registration requirements under Rule 506 of Regulation D promulgated under the Securities Act of 1933, as amended (the "1933 Act") or Section 4(2) under the 1933 Act, based on the following facts: in each case, there was no general solicitation, there was a limited number of investors, each of whom was an "accredited investor" (within the meaning of Regulation D under the 1933 Act, as amended) and/or was (either alone or with his/her purchaser representative) sophisticated about business and financial matters, each such investor had the opportunity to ask questions of our management and to review our filings with the Securities and Exchange Commission, and all securities issued were subject to restrictions on transfer, so as to take reasonable steps to assure that the purchasers were not underwriters within the meaning of Section 2(11) under the 1933 Act.

ITEM 6: SELECTED FINANCIAL DATA

Not applicable.

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

You should read the following discussion of our results of operations and financial condition together with the Selected Financial Data and our audited consolidated financial statements as of and for the year ended December 31, 2016 including the notes thereto, included in this Report. The discussion below contains forward-looking statements and involves numerous risks and uncertainties, including, but not limited to, those described in Item 1A. "Risk Factors". Actual results may differ materially from those contained in any forward-looking statements. Forward-looking statements speak only as of the date they are made. We undertake no obligation to update or revise such statements to reflect new circumstances or unanticipated events as they occur, and you are urged to review and consider disclosures that we make in this and other reports that discuss factors germane to our business.

Management's Analysis of Business

We are in the business of owning, operating and franchising fast casual and full service dining concepts in the United States and internationally.

We own, operate and franchise a system-wide total of 39 fast casual restaurants specializing the "Better Burger" category of which 27 are company-owned and 12 are operated by franchisees under franchise agreements. American Burger Company ("ABC") is a fast casual dining chain consisting of nine locations in New York and the Carolinas, known for its diverse menu featuring, customized burgers, milk shakes, sandwiches, fresh salads and beer and wine. BGR: The Burger Joint ("BGR"), consists of 10 company-owned locations in the United States and 12 franchisee-operated locations in the United States and the Middle East. Little Big Burger ("LBB") consists of 8 locations in Oregon.

We also own and operate Just Fresh, our healthier eating fast casual concept with 7 company owned locations in Charlotte, North Carolina. Just Fresh offers fresh-squeezed juices, gourmet coffee, fresh-baked goods and premium-quality, made-to-order sandwiches, salads and soups.

We own and operate 9 Hooters full service restaurants in the United States, South Africa, and the United Kingdom. Hooters restaurants are casual beach-themed establishments featuring music, sports on large flat screens, and a menu that includes seafood, sandwiches, burgers, salads, and of course, Hooters original chicken wings and the "nearly world famous" Hooters Girls.

As of December, 31, 2016, our system-wide store count totaled 55 locations, consisting of 43 company-owned locations and 12 franchisee-operated locations.

RESULTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2016 COMPARED TO THE YEAR ENDED DECEMBER 31, 2015

Our results of operations are summarized below:

	Year Ended				
	December 31, 2016		December 31, 2015		
	Amount	% of Revenue*	Amount	% of Revenue*	% Change
Restaurant sales, net	$ 40,640,159		$ 34,201,668		18.8%
Gaming income, net	441,620		367,666		20.1%
Management fee income	100,000		424,829		-76.5%
Franchise income	520,222		359,424		44.7%
Total revenue	41,702,001		35,353,587		18.0%
Expenses:					
Restaurant cost of sales	13,392,078	33.0%	11,754,515	34.4%	13.9%
Restaurant operating expenses	22,641,951	55.7%	19,677,617	57.5%	15.1%
Restaurant pre-opening and closing expenses	145,130	0.4%	505,098	1.5%	-71.3%
General and administrative	5,801,033	13.9%	6,798,642	19.2%	-14.7%
Depreciation and amortization	2,341,697	5.6%	1,697,514	4.8%	37.9%
Total expenses	44,321,889	106.3%	40,433,386	114.4%	9.6%
Operating loss from continuing operations	$ (2,619,888)		$ (5,079,799)		-48.4%

** Restaurant cost of sales, operating expenses and pre-opening and closing expense percentages are based on restaurant sales, net .*

Other percentages are based on total revenue.

<u>Revenue</u>

Total revenue increased 18.0% to $42.0 million for the year ended December 31, 2016 from $35.4 million for the year ended December 31, 2015.

Revenues by concept, revenue type and store count are summarized below for each period:

Revenue	Year Ended December 31, 2016						Store Count, end of period		
	Restaurant	Gaming	Franchise	Mgmt Fee	Total	% of Total	Company	Franchise	Total
Better Burgers Fast Casual	$22,068,336	$ -	$ 520,222	$ -	**$22,588,558**	54.2%	27	12	39
Just Fresh Fast Casual	5,684,635	-	-	-	**5,684,635**	13.6%	7	-	7
Hooters Full Service	12,887,188	441,620	-	-	**13,328,808**	32.0%	9	-	9
Corporate and Other	-	-	-	100,000	**100,000**	0.2%	-	-	-
Total Revenue	**$40,640,159**	**$441,620**	**$ 520,222**	**$100,000**	**$41,702,001**	**100.0%**	**43**	**12**	**55**

Revenue	Year Ended December 31, 2015						Store Count, end of period		
	Restaurant	Gaming	Franchise	Mgmt Fee	Total	% of Total	Company	Franchise	Total
Better Burgers Fast Casual	$14,182,670	$ -	$ 359,424	$ -	**$14,542,094**	41.1%	27	13	40
Just Fresh Fast Casual	5,498,790	-	-	-	**5,498,790**	15.6%	7		7
Hooters Full Service	14,520,208	367,666	-	-	**14,887,874**	42.1%	9		9
Corporate and Other	-	-	-	424,829	**424,829**	1.2%	-	-	-
Total Revenue	**$34,201,668**	**$367,666**	**$ 359,424**	**$424,829**	**$35,353,587**	**100.0%**	**43**	**13**	**56**

Revenue	% Change in Revenues Year over Year				
	Restaurant	Gaming	Franchise	Mgmt Fee	Total
Better Burgers Fast Casual	*55.6 %*	-	*44.7 %*	-	***55.3 %***
Just Fresh Fast Casual	*3.4 %*	-	-	-	***3.4 %***
Hooters Full Service	*-11.2 %*	*20.1 %*	-	-	***-10.5 %***
Corporate and Other	-	-	-	*-76.5 %*	***-76.5 %***
Total Revenue	***18.8 %***	***20.1 %***	***44.7 %***	***-76.5 %***	***18.0 %***

Total restaurant revenues increased 18.0% to $40.6 million for the year ended December 31, 2016 from $34.2 million for the year ended December 31, 2015. Revenue increased primarily due the inclusion of operations acquired during 2015 for a full year in 2016 as compared to partial year revenues from those acquired operations in 2015. The increase in revenue from acquisitions was partially offset by the unfavorable impact of a stronger US dollar on the translation of the South Africa and United Kingdom local currency results into US dollars for financial reporting.

Revenue from the Company's Better Burger Group increased 55.3% to $22.6 million for the year ended December 31, 2016 from $14.5 million for the year ended December 31, 2015. The growth in our Better Burger Group was primarily due to the 2015 acquisitions of Little Big Burger, BGR The Burger Joint and BT's Burger Joint which generated a full 12 months of revenue in 2016. In addition, same store revenues from American Burger locations open in both periods increased 4.0% and the Company opened one new BGR location at Springfield Mall in Virginia and closed one American Burger location in Colombia, South Carolina during mid-2015.

Revenue from the Company's Just Fresh Group increased 3.4% to $5.7 million for the year ended December 31, 2016 from $5.5 million for the year ended December 31, 2015. Revenue growth resulted from primarily the addition of one new location in early 2016, partially offset by a decrease in same store revenue of 0.7%

Revenue from the Company's Hooter's restaurants decreased 10.5% to $13.3 million for the year ended December 31, 2016 from $14.8 million for the year ended December 31, 2015. The decline in Hooters revenue was largely the result of fluctuations in foreign currency rates on the translation of local currency results to US dollars for financial reporting. Revenue declined 14.1 % in United Kingdom on a US dollar basis (as compared with 3.1% on a local currency basis), and were negatively impacted by economic and currency rate trends following the recent "Brexit" vote in that region. Excluding Port Elizabeth which opened in 2016, same store sales at our South Africa locations decreased 19.1% on a US dollar basis currency basis (as compared with 6.8% on a local currency basis) and were impacted by soft local economic conditions which effected local consumer spending and exchange rates.

Gaming revenue increased 20.1% to $442 thousand for the year ended December 31, 2016 from $368 thousand for the year ended December 31, 2015 due to increased play resulting from upgrades to the gaming equipment and furniture in late 2015 and early 2016.

Management fee income decreased 76.5% to $100 thousand for the year ended December 31, 2016 from $425 thousand for the year ended December 31, 2015. The Company derives management fee income from serving as general partner for its investment in HOA LLC and as compensation for the Company's CEO serving on the board of Hooters of America In the current year, the Company recognized $0.1 million in management fees from HOA board fees and did not receive distribution from Hooters of America. In the prior year, the Company received a cash distribution totaling $0.5 million on its interest in HOA LLC, of which $0.3 million was reflected in management fee income (along with $0.1 million in board fees from HOA) and $0.2 million was reflected in interest and other income.

Franchise income increased 44.7% to $0.5 million for the year ended December 31, 2016 from $0.4 million for the year ended December 31, 2015. The Company commenced its franchise operations in March 2015 with the acquisition of BGR and recognized a full year of franchise income in 2016 as compared with a partial year in 2015.

Restaurant cost of sales

Restaurant cost of sales increased 13.9% to $13.4 million for the year ended December 31, 2016 from $11.8 million for the year ended December 31, 2015. By comparison, related restaurant revenues increased by 18.8% over the same period.

	Year Ended				
	December 31, 2016		December 31, 2015		
Cost of Restaurant Sales	Amount	% of Restaurant Net Sales	Amount	% of Restaurant Net Sales	% Change
Better Burgers Fast Casual	$ 7,126,736	32.3%	$ 4,770,460	33.6%	49.4%
Just Fresh Fast Casual	1,980,099	34.8%	1,946,550	35.4%	1.7%
Hooters Full Service	4,285,243	33.3%	5,037,505	34.7%	-14.9%
	$13,392,078	33.0%	$11,754,515	34.4%	13.9%

As a percentage of restaurant sales, net, restaurant cost of sales decreased to 33.0% for the year ended December 31, 2016 from 34.4% for the year ended December 31, 2015.

Cost of sales improved in all three operating segments with the Better Burger group improving from 33.6% to 32.3%, Hooters improving from 34.7% to 33.3% and Just Fresh improving from 35.4% to 34.8%. These improvements are attributable to several factors, including price reductions and other efficiencies as a result of our increased scale and purchasing power, menu price increases which have been implemented at most locations during the first half of 2016, and the favorable impact of reductions in beef and other commodity prices during the past year.

Restaurant operating expenses

Restaurant operating expenses increased 15.1% to $22.6 million for the year ended December 31, 2016 from $19.7 million for the year ended December 31, 2015.

Our restaurant operating expenses as well as the percentage of cost of restaurant sales to restaurant revenues for each region of operations is included in the following table:

Operating Expenses	December 31, 2016 Amount	December 31, 2016 % of Restaurant Net Sales	December 31, 2015 Amount	December 31, 2015 % of Restaurant Net Sales	% Change
Better Burgers Fast Casual	$12,176,518	55.2%	$ 8,272,412	58.3%	47.2%
Just Fresh Fast Casual	2,959,597	52.1%	2,975,085	54.1%	-0.5%
Hooters Full Service	7,505,836	58.2%	8,430,120	58.1%	-11.0%
	$22,641,951	55.7%	$19,677,617	57.5%	15.1%

As a percent of restaurant revenues, operating expenses improved to 55.7% for the year ended December 31, 2016 from 57.5% for the year ended December 31, 2015. Operating expenses as a percent of revenue improved in the Better Burger group from 58.3% to 55.2%, and in the Just Fresh business from 54.1% to 52.1%. Operating expenses in our Hooters group remained consistent at 58.2% from 58.1%.

The most significant driver of improved overall operating expenses was in our Better Burger group, where lower operating costs inherent in Little Big Burger's more efficient operating model created improved operating leverage for the overall group. Operating expense comparisons also benefited from the closure of the American Burger Company's Columbia South Carolina location in 2015 which carried higher fixed operating costs than our other stores. Just Fresh improved due to increased focus on controlling costs.

Restaurant pre-opening and closing expenses

Restaurant pre-opening and closing expenses decreased 71.3% to $0.1 million for the year ended December 31, 2016 compared with $0.5 million for the year ended December 31, 2015. During 2015, the Company incurred costs related to closure of the American Burger Company Colombia, South Carolina location and the opening of the Hooters Port Elizabeth location in South Africa. During 2016, the Company incurred costs related to three Little Big Burger stores that are currently under construction and expected to open in early 2017.

General and Administrative Expense ("G&A")

G&A decreased 14.7% to $5.8 million for the year ended December 31, 2016 from $6.8 million for the year ended December 31, 2015. Significant components of G&A are summarized as follows:

	Year Ended December 31, 2016	Year Ended December 31, 2015
Audit, legal and other professional services	$ 1,004,429	$ 1,399,072
Salary and benefits	2,798,247	2,499,450
Consulting and other fees	370,631	1,459,532
Travel and entertainment	337,944	342,025
Shareholder services and fees	80,291	85,960
Advertising, Insurance and other	1,209,491	1,012,603
Total G&A Expenses	$ 5,801,033	$ 6,798,642

As a percentage of total restaurant revenue, G&A decreased to 13.9% for the year ended December 31, 2016 from 19.2% for the year ended December 31, 2015.

For the current year, approximately $2.8 million, or 48% of total G&A, is attributable to the cost of operating our Corporate office, including salaries, travel, audit, legal and other public company and transaction related costs. Approximately $3.0 million, or 52% of total G&A, is attributable to managing the operations of our restaurants, including regional management, franchising operations, marketing and advertising within the Better Burger group, Hooters, and Just Fresh.

In the prior year, approximately $4.1 million, or 61% of total G&A, was attributable to Corporate and public company costs, while approximately $2.7 million, or 39% of total G&A, was attributable to regional management, franchising operations, marketing and advertising within the Better Burger group, Hooters, and Just Fresh.

The improvement in overall G&A expense is primarily due reduced audit, legal, professional and consulting fees at the corporate level. Fees paid to third party professionals were a significant portion of the Company's expenses in 2015 due to the nature of the acquisition and financing transactions occurring last year. During the current period, the Company did not incur significant fees related to acquisitions or financing initiatives. In addition, the Company reduced its public company and corporate operating costs from prior levels through increased focus on cost reduction and rationalization of back office operations, while also leveraging the Company's overhead over a larger business which favorably impacted G&A as a percent of revenue.

These reductions were partially offset by increased G&A and marketing expenses in our regional company store and franchising operations.

Depreciation and amortization

Depreciation and amortization expense increased 37.9% to $2.3 million for the year ended December 31, 2016 from $1.7 million for the year ended December 31, 2015. The increase in depreciation and amortization is due to increased depreciable property and equipment and intangible assets associated with acquired and newly opened restaurants.

Other income (expense)

Other income (expense) consisted of the following:

	Year Ended		
Other Income (Expense)	**December 31, 2016**	**December 31, 2015**	**% Change**
Interest expense	$ (2,347,019)	$ (3,466,554)	-32.3%
Change in fair value of derivative liabilities	1,231,608	868,592	41.8%
Loss on extinguishment of debt	-	(315,923)	0.0%
Other income (Expense)	(412,272)	99,399	-514.8%
Total Other Income (Expense)	$ (1,527,683)	$ (2,814,486)	-45.7%

Other expense, net decreased to $1.5 million for the year ended December 31, 2016 from $2.8 million for the year ended December 31, 2015.

The decrease in other expenses, net was primarily due to favorable changes in non-cash interest amortization, derivative liability adjustments and other largely non-cash charges arising from our convertible and other debt obligations.

Interest expense decreased 32.3% to $2.4 million for the year ended December 31, 2016 from $3.5 million for the year ended December 31, 2015. The reduction in interest are primarily due to lower average outstanding debt balances due to debt conversions occurring in 2015, combined with lower amortization of debt discount. This reduction was partially offset by higher interest rates on certain of our debt obligations that were in default and accrued interest at higher effective rates in the current year.

The Company recognized changes in the fair value of derivative liabilities totaling $1.2 million for the year ended December 31, 2016 as compared with $0.9 million for the year ended December 31, 2015. The liability is a non-cash income or expense associated with our convertible debt and is adjusted quarterly based on the change in the fair value of the price of the Company's common stock.

Loss on extinguishment of debt was zero in the current period and $0.3 million for the year ended December 31, 2015. During 2015, several of the Company's convertible notes and one of the Company's term debt instruments were converted by the holders into shares of the Company's common stock. In connection with the conversions, the Company recognized a loss on extinguishment of convertible debt, related accrued interest, penalties and derivative liabilities. The Company did not have any debt conversions or loss on extinguishments in the current year.

Other expense was $0.4 million for the year ended December 31, 2016 compared to income of $0.1 million for the prior year period. In the current year, the Company wrote down certain marketable securities and investments included in other loss.

LIQUIDITY, CAPITAL RESOURCES AND GOING CONCERN

As of December 31, 2016, our cash balance was $0.3 million, our working capital was negative $10 million and we have significant near term obligations. The level of additional cash needed to fund operations and our ability to conduct business for the next twelve months will be influenced primarily by the following factors:

- our ability to access the capital and debt markets to satisfy current obligations and operate the business;
- our ability to obtain waivers and refinance or otherwise extend maturities of current debt obligations;
- the level of investment in acquisition of new restaurant businesses and entering new markets;
- our ability to manage our operating expenses and maintain gross margins as we grow:
- popularity of and demand for our fast-casual dining concepts; and
- general economic conditions and changes in consumer discretionary income.

We have typically funded our operating costs, acquisition activities, working capital requirements and capital expenditures with proceeds from the issuances of our common stock and other financing arrangements, including convertible debt, lines of credit, notes payable, capital leases, and other forms of external financing.

Our operating plans for the next twelve months contemplate moderate organic growth, opening 6-10 new stores within our current markets and restaurant concepts, the majority of which will be funded by funds already committed from outside investors. As we execute our growth plans over the next 12 months, we intend to carefully monitor the impact of growth on our working capital needs and cash balances relative to the availability of cost-effective debt and equity financing.

We have obligations that are currently past due or otherwise payable within the next twelve months from date of issuance of these financial statements. In the event that capital is not available or we are unable to refinance our debt obligations or obtain waivers, we may then have to scale back or freeze our organic growth plans, sell assets on less than favorable terms, reduce expenses, and/or curtail future acquisition plans to manage our liquidity and capital resources. We may also incur financial penalties or other negative actions from our lenders if we are not able to refinance or otherwise extend or repay our current obligations or obtain waivers.

In addition, our business is subject to additional risks and uncertainties, including, but not limited to, those described in Item 1A. "Risk Factors".

RECENT ACCOUNTING PRONOUNCEMENTS

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09 "Revenue from Contracts with Customers" which provides a single, comprehensive accounting model for revenue arising from contracts with customers. This guidance supersedes most of the existing revenue recognition guidance, including industry-specific guidance. Under this model, revenue is recognized at an amount that a company expects to be entitled to upon transferring control of goods or services to a customer. The new guidance also requires additional disclosures about the nature, timing and uncertainty of revenue and cash flow arising from customer contracts, including significant judgments and changes in judgments. The new guidance will be effective for the Company beginning in calendar 2018 and may be applied retrospectively to all prior periods presented or through a cumulative adjustment to the opening retained earnings balance in the year of adoption. The Company is currently evaluating the effect of this update on its consolidated financial statements, but believes this will not have a material impact on operations.

In April 2015, FASB issued ASU No. 2015-03 "Simplifying the Presentation of Debt Issuance Costs" which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability consistent with the presentation of debt discounts, however debt issuance costs related to revolving credit agreements may be presented in the balance sheet as an asset. This guidance was adopted in the first quarter of 2016 and had no effect on the Company's consolidated financial statements.

In November 2015, the FASB issued ASU No. 2015-07 "Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes" related to the presentation of deferred income taxes. The guidance requires that deferred tax assets and liabilities be classified as non-current in a consolidated balance sheet. This guidance is effective for us in the first quarter of 2017 and is not expected to materially affect the Company's consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02 "Leases," which supersedes ASC 840 "Leases" and creates a new topic, ASC 842 "Leases." This update requires lessees to recognize a lease liability and a lease asset for all leases, including operating leases, with a term greater than 12 months on its balance sheet. The update also expands the required quantitative and qualitative disclosures surrounding leases. This update is effective for fiscal years beginning after December 15, 2018 and interim periods within those fiscal years, with earlier adoption permitted. This update will be applied using a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The Company has not completed its evaluation of effect of this update will have on its consolidated financial statements, but does expect there could be a material increase in both assets and liabilities reflect on its consolidated balance sheets as a result of adoption.

In March 2016, the FASB issued ASU No. 2016-09 "Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting". The amendments in this update simplify several aspects of the accounting for employee share-based payment transactions, including the accounting for income taxes, forfeitures and statutory tax withholding requirements, as well as classification in the statement of cash flows. This update will be effective for the Company in fiscal year 2017, but early adoption is permitted. The Company is currently evaluating the effect of this update on its consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-04 "Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment." The new guidance simplifies the test for goodwill impairment. Currently, the fair value of the reporting unit is compared with the carrying value of the reporting unit (identified as "Step 1"). If the fair value of the reporting unit is lower than its carrying amount then, the implied fair value of goodwill is calculated. If the implied fair value of goodwill is lower than the carrying value of goodwill an impairment is recognized (identified as "Step 2"). The new standard eliminates Step 2 from the impairment test; therefore, a goodwill impairment will be recognized as the difference of the fair value and the carrying value of the reporting unit. The new standard becomes effective on January 1, 2020 with early adoption permitted. The Company is currently evaluating the effect of this update on its consolidated financial statements.

There are several other new accounting pronouncements issued by FASB, which are not yet effective. Each of these pronouncements has been or will be adopted, as applicable, by the Company. At December 31, 2016, other than the adoption of ASU No. 2016-02 "Leases," 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 preparation of consolidated financial statements requires management to use judgment and estimates. The level of uncertainty in estimates and assumptions increases with the length of time until the underlying transactions are completed. Significant estimates include deferred tax asset valuation allowances, valuing options and warrants, goodwill and intangible asset valuations and useful lives, depreciation and uncollectible accounts and reserves. Actual results could differ from those estimates. The accounting policies that are most critical in the preparation of our consolidated financial statements are those that are both important to the presentation of our financial condition and results of operations and require significant judgment and estimates on the part of management. 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. Our critical accounting policies are reviewed periodically with the Audit Committee of the Board of Directors.

Revenue recognition

Revenue is recognized when all of the following criteria have been satisfied:

- 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.

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, value added tax (“VAT”) and goods and services tax (“GST”) collected from customers and remitted to governmental authorities are presented on a net basis within sales in our consolidated statements of operations. Restaurant 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 certain non-affiliated companies, including from managing its investment in Hooters of America.

Gaming Income

The Company receives revenue from operating a gaming facility adjacent to its Hooters restaurant in Jantzen Beach, Oregon. The Company also previously received gaming revenue from gaming machines located in Sydney, Australia. Revenue from gaming is recognized as earned from gaming activities, net of taxes and other government fees.

Franchise Income

The Company accounts for initial franchisee fees in accordance with FASB ASC 952, Franchisors. The Company grants franchises to operators in exchange for initial franchise license fees and continuing royalty payments. Franchise license fees are deferred when received and recognized as revenue when the Company has performed substantially all initial services required by the franchise or license agreement, which is generally upon the opening of a store. Continuing fees, which are based upon a percentage of franchisee revenues, are recognized on the accrual basis as those sales occur.

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 and indefinite lived intangibles

Generally accepted accounting principles in the United States require the Company to perform goodwill and indefinite lived intangible asset impairment tests 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.

Franchise Cost

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

COMMITMENTS AND CONTINGENCIES

The Company, through its subsidiaries, leases the land and buildings for our 6 restaurants in South Africa, 1 restaurant in Nottingham, United Kingdom, and 36 restaurants in the U.S. The terms for our restaurant leases vary from two to twenty 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.

We also lease our corporate office space in Charlotte, North Carolina.

TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

The following table presents a summary of our contractual operating lease obligations, long-term debt and other contractual commitments as of December 31, 2016:

Contractual Obligations	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long-Term Debt Obligations	$ 6,459,094	$ 6,171,649	$ 157,524	$ 16,799	$ 113,122
Convertible Debt Obligations	3,678,064	-	3,678,064	-	-
Operating Lease Obligations	25,890,003	3,887,253	7,464,567	5,950,967	8,587,216
Capital Lease Obligations	18,449	18,449	-	-	-
Purchase Obligations	1,746,479	1,746,479	-	-	-
Total	$37,792,089	$11,823,830	$11,300,155	$ 5,967,766	$ 8,700,338

ITEM 7A: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 8: FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

CHANTICLEER HOLDINGS, INC. AND SUBSIDIARIES
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheets of Chanticleer Holdings, Inc. and Subsidiaries (the "Company") as of December 31, 2016 and 2015 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 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 audit 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 financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall 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, 2016 and 2015 and the results of their operations and their 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 discussed in Note 1 to the consolidated financial statements, the Company incurred net losses during the year ended December 31, 2016 and 2015 of approximately $9.4 million and $14.5 million and the Company has working capital deficits of approximately $10.3 million and $12.4 million as of December 31, 2016 and 2015, respectively. 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 described in Note 1. The consolidated financial statements do not include any adjustments with respect to the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that might result from the outcome of this uncertainty.

/s/ Cherry Bekaert LLP

Charlotte. North Carolina
March 31, 2017

Chanticleer Holdings, Inc. and Subsidiaries
Consolidated Balance Sheets

	December 31, 2016	December 31, 2015
ASSETS		
Current assets:		
Cash	$ 268,575	$ 1,224,415
Accounts and other receivables	524,481	862,935
Inventories	539,550	569,545
Prepaid expenses and other current assets	461,074	568,251
Assets of discontinued operations, current	-	593,430
TOTAL CURRENT ASSETS	**1,793,680**	**3,818,576**
Property and equipment, net	11,513,693	12,144,064
Goodwill	12,405,770	12,702,139
Intangible assets, net	6,530,243	6,776,936
Investments	800,000	800,000
Deposits and other assets	442,737	574,192
Assets of discontinued operations	-	5,389,300
TOTAL ASSETS	**$ 33,486,123**	**$ 42,205,207**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 5,553,068	$ 4,740,131
Current maturities of long-term debt and notes payable, net of discount of of $0 and $171,868, respectively	6,171,649	5,383,003
Current maturities of convertible notes payable, net of debt discount of $0 and $914,724, respectively	-	2,810,276
Current maturities of capital leases payable	18,449	39,303
Due to related parties	194,350	12,963
Deferred rent	173,775	683,793
Derivative liabilities	-	1,231,608
Liabilities of discontinued operations, current	-	1,279,955
TOTAL CURRENT LIABILITIES	**12,111,291**	**16,181,032**
Long-term debt, less current portion	287,445	1,098,641
Convertible notes payable, net of debt discount of $46,936 and $0, respectively	3,678,064	-
Redeemable preferred stock: no par value, 19,050 shares and 0 issued and outstanding, respectively	257,175	-
Capital leases payable, less current maturities	-	15,969
Deferred rent	1,961,751	1,740,012
Liabilities of discontinued operations	-	58,648
Deferred tax liabilities	1,485,554	1,353,771
TOTAL LIABILITIES	**19,781,280**	**20,448,073**
Commitments and contingencies (Note 15)		
Common stock subject to repurchase obligation, 562,900 shares issued and outstanding	349,000	-
Stockholders' equity:		
Preferred stock: no par value; authorized 5,000,000 shares; 19,050 and 0 issued and outstanding, respectively	-	-
Common stock: $0.0001 par value; authorized 45,000,000 shares; issued and outstanding 21,394,247 and 21,337,247 shares, respectively	2,140	2,134
Additional paid in capital	55,924,269	55,365,597
Accumulated other comprehensive loss	(1,155,658)	(987,695)
Accumulated deficit	(42,206,325)	(33,012,712)
Total Chanticleer Holdings, Inc, Stockholder's Equity	**12,564,426**	**21,367,324**
Non-Controlling Interests	791,417	389,810
TOTAL STOCKHOLDERS' EQUITY	**13,355,843**	**21,757,134**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 33,486,123**	**$ 42,205,207**

See accompanying notes to consolidated financial statements

Chanticleer Holdings, Inc. and Subsidiaries
Consolidated Statements of Operations and Comprehensive Loss

	Year Ended	
	December 31, 2016	**December 31, 2015**
Revenue:		
Restaurant sales, net	$ 40,640,159	$ 34,201,668
Gaming income, net	441,620	367,666
Management fee income	100,000	424,829
Franchise income	520,222	359,424
Total revenue	**41,702,001**	**35,353,587**
Expenses:		
Restaurant cost of sales	13,392,078	11,754,515
Restaurant operating expenses	22,641,951	19,677,617
Restaurant pre-opening and closing expenses	145,130	505,098
General and administrative expenses	5,801,033	6,798,642
Depreciation and amortization	2,341,697	1,697,514
Total expenses	**44,321,889**	**40,433,386**
Operating loss from continuing operations	**(2,619,888)**	**(5,079,799)**
Other (expense) income		
Interest expense	(2,347,019)	(3,466,554)
Change in fair value of derivative liabilities	1,231,608	868,592
Loss on extinguishment of debt	-	(315,923)
Other income (expense)	(412,272)	99,399
Total other (expense) income	(1,527,683)	(2,814,486)
Loss from continuing operations before income taxes	**(4,147,571)**	**(7,894,285)**
Income tax expense	(198,463)	(187,568)
Loss from continuing operations	**(4,346,034)**	**(8,081,853)**
Discontinued operations		
Loss from operation of discontinued operations, net of tax	(1,304,627)	(1,884,747)
Loss on write down of net assets, net of tax	(3,762,253)	(4,489,043)
Consolidated net loss	**(9,412,914)**	**(14,455,643)**
Less: Net loss (income) attributable to non-controlling interest of continuing operations	75,417	(9,088)
Less: Net loss (income) attributable to non-controlling interest of discontinued operations	260,925	2,328,206
Net loss attributable to Chanticleer Holdings, Inc.	**$ (9,076,572)**	**$ (12,136,525)**
Net loss attributable to Chanticleer Holdings, Inc.:		
Loss from continuing operations	$ (4,270,617)	$ (8,090,941)
Loss from discontinued operations	(4,805,955)	(4,045,584)
Net loss attributable to Chanticleer Holdings, Inc.	**$ (9,076,572)**	**$ (12,136,525)**
Other comprehensive loss:		
Unrealized loss on available-for-sale securities, net of tax	$ (24,501)	$ (4,039)
Reclassification of loss on available-for-sale securities recognized in net loss, net of tax	223,743	-
Foreign currency translation	(271,452)	(963,528)
Total other comprehensive loss	(72,210)	(967,567)
Comprehensive loss	**$ (9,148,782)**	**$ (13,104,092)**
Net loss attributable to Chanticleer Holdings, Inc. per common share, basic and diluted:		
Continuing operations attributable to common stockholders, basic and diluted	**$ (0.20)**	**$ (0.57)**
Discontinued operations attributable to common stockholders, basic and diluted	**$ (0.22)**	**$ (0.28)**
Weighted average shares outstanding, basic and diluted	21,695,030	14,245,437

See accompanying notes to consolidated financial statements

Chanticleer Holdings, Inc. and Subsidiaries
Consolidated Statements of Stockholders' Equity

	Common Stock		Additional	Accumulated Other	Non-		
	Shares	Amount	Paid-in Capital	Comprehensive Loss	Controlling Interest	Accumulated Deficit	Total
Balance, January 1, 2015	**7,249,442**	**$ 725**	**$32,601,400**	**$ (1,657,908)**	**$ 4,904,471**	**$ (20,876,187)**	**$ 14,972,501**
Common stock and warrants issued for:							
Cash proceeds, net	9,508,659	951	14,920,952	-	-	-	14,921,903
Business combinations	2,985,600	299	4,062,018	-	-	-	4,062,317
Consulting services	104,000	11	279,351	-	-	-	279,362
Convertible debt	1,389,546	138	2,658,395	-	-	-	2,658,533
Settlement of long-term debt	100,000	10	194,990	-	-	-	195,000
Warrants issued in connection with convertible debt	-	-	1,002,688	-	-	-	1,002,688
Adjustment related to discontinued operations	-	-	(376,572)	-	-	-	(376,572)
Amortization of warrants	-	-	22,375	-	-	-	22,375
Foreign currency translation				(963,528)			(963,528)
Available-for-sale securities	-	-	-	(4,039)	-	-	(4,039)
Reclassifications related to Australia transactions	-	-	-	1,637,780	(2,543,653)	-	(905,873)
Non-controlling interest contribution	-	-	-	-	348,109	-	348,109
Net loss	-	-	-	-	(2,319,117)	(12,136,525)	(14,455,642)
Balance, December 31, 2015	**21,337,247**	**$ 2,134**	**$55,365,597**	**$ (987,695)**	**$ 389,810**	**$ (33,012,712)**	**$ 21,757,134**
Common stock and warrants issued for:							
Consulting services	57,000	6	24,505	-	-	-	24,511
Interest	562,900	56	348,944	-	-	-	349,000
Share based compensation	-	-	9,167	-	-	-	9,167
Foreign currency translation	-	-	-	(271,452)	-	-	(271,452)
Available-for-sale securities	-	-	-	199,242	-	-	199,242
Reclassifications related to discontinued operations	-	-	-	(95,753)	335,979	-	240,226
Reclassification of shares subject to redemption	(562,900)	(56)	(348,944)	-	-	-	(349,000)
Non-controlling interest contribution	-	-	525,000	-	401,970	(117,041)	809,929
Net loss	-	-	-	-	(336,342)	(9,076,572)	(9,412,914)
Balance, December 31, 2016	**21,394,247**	**$ 2,140**	**$55,924,269**	**$ (1,155,658)**	**$ 791,417**	**$ (42,206,325)**	**$ 13,355,843**

See accompanying notes to consolidated financial statements

Chanticleer Holdings, Inc. and Subsidiaries
Consolidated Statements of Cash Flows

	December 31, 2016	December 31, 2015
Cash flows from operating activities:		
Net loss	$ (9,412,914)	$ (14,455,643)
Net loss from discontinued operations	5,066,880	6,373,790
Net loss from continuing operations	(4,346,034)	(8,081,853)
Adjustments to reconcile net loss from continuing operations to net cash used in operating activities:		
Depreciation and amortization	2,341,697	1,697,514
Loss on extinguishment of debt	-	315,923
Loss on disposal of property and equipment	-	514,522
Loss (gain) on sales of investments	-	169,639
Common stock and warrants issued for services	24,510	279,362
Common stock and warrants issued for interest	349,000	-
Amortization of debt discount	1,039,656	2,379,951
Amortization of warrants	-	22,375
Change in assets and liabilities:		
Accounts and other receivables	(336,546)	96,261
Prepaid and other assets	113,633	(78,236)
Inventory	33,217	6,016
Accounts payable and accrued liabilities	1,540,463	(235,283)
Change in amounts payable to related parties	194,350	(198,669)
Derivative liabilities	(1,231,608)	(868,592)
Deferred income taxes	131,783	94,527
Deferred rent	(288,279)	(300,259)
Net cash used in operating activities from continuing operations	(434,158)	(4,186,802)
Net cash used in operating activities from discontinued operations	(75,000)	(1,064,363)
Net cash used in operating activities	(509,158)	(5,251,165)
Cash flows from investing activities:		
Purchase of property and equipment	(1,191,174)	(1,798,221)
Cash paid for acquisitions, net of cash acquired	(72,215)	(9,022,791)
Proceeds from sale of investments	8,902	330,361
Net cash used in investing activities from continuing operations	(1,254,487)	(10,490,651)
Cash flows from financing activities:		
Proceeds from sale of common stock and warrants	-	14,921,903
Proceeds from sale of preferred stock	257,175	-
Loan proceeds	275,000	2,813,074
Loan repayments	(513,523)	(891,529)
Capital lease payments	(40,636)	(52,807)
Contribution of non-controlling interest	823,671	-
Net cash provided by financing activities from continuing operations	801,687	16,790,641
Effect of exchange rate changes on cash	6,118	(4,944)
Net increase (decrease) in cash	(955,840)	1,043,881
Cash, beginning of period	1,224,415	180,534
Cash, end of period	$ 268,575	$ 1,224,415

See accompanying notes to consolidated financial statements

Chanticleer Holdings, Inc. and Subsidiaries
Consolidated Statements of Cash Flows, continued

	December 31, 2016	December 31, 2015
Supplemental cash flow information:		
Cash paid for interest and income taxes:		
Interest	$ 581,072	$ 1,068,383
Income taxes	51,100	79,228
Non-cash investing and financing activities:		
Purchase of equipment using capital leases	$ -	$ 50,087
Issuance of stock in connection with business combinations	-	4,062,317
Debt discount for fair value of warrants and conversion feature issued in connection with debt	-	1,781,588
Convertible debt settled through issuance of common stock	-	2,275,000
Long-term debt settled through issuance of common stock	-	100,000
Purchases of businesses:		
Current assets excluding cash	$ 1,611	$ 1,148,334
Property and equipment	-	5,387,283
Goodwill	70,604	4,579,666
Trade name/trademarks/franchise fees	-	4,300,000
Liabilities assumed	-	(2,330,175)
Common stock issued	-	(4,062,317)
Cash acquired	-	253,638
Cash paid for acquisitions	$ 72,215	$ 9,276,429

See accompanying notes to consolidated financial statements

Chanticleer Holdings, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

1. NATURE OF BUSINESS

ORGANIZATION

Chanticleer Holdings, Inc. (the "Company") is in the business of owning, operating and franchising fast casual dining concepts domestically and internationally. The Company was organized October 21, 1999, under its original name, Tulvine Systems, Inc., under the laws of the State of Delaware. 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 include the accounts of Chanticleer Holdings, Inc. and its subsidiaries presented below (collectively referred to as the "Company"):

Name	Jurisdiction of Incorporation	Percent Owned	Name	Jurisdiction of Incorporation	Percent Owned
CHANTICLEER HOLDINGS, INC.	**DE, USA**	**100%**			
Burger Business			***Just Fresh***		
American Roadside Burgers, Inc.	DE, USA	100%	JF Franchising Systems, LLC	NC, USA	56%
ARB Stores			JF Restaurants, LLC	NC, USA	56%
American Burger Ally, LLC	NC, USA	100%			
American Burger Morehead, LLC	NC, USA	100%	***West Coast Hooters***		
American Roadside McBee, LLC	NC, USA	100%	Jantzen Beach Wings, LLC	OR, USA	100%
American Roadside Southpark LLC	NC, USA	100%	Oregon Owl's Nest, LLC	OR, USA	100%
American Roadside Burgers Smithtown, Inc.	DE, USA	100%	Tacoma Wings, LLC	WA, USA	100%
American Burger Prosperity, LLC	NC, USA	100%			
BGR Acquisition, LLC	NC, USA	100%	***South African Entities***		
BGR Franchising, LLC	VA, USA	100%	Chanticleer South Africa (Pty) Ltd.	South Africa	100%
BGR Operations, LLC	VA, USA	100%	Hooters Emperors Palace (Pty.) Ltd.	South Africa	88%
BGR Arlington, LLC	VA, USA	100%	Hooters On The Buzz (Pty) Ltd	South Africa	95%
BGR Cascades, LLC	VA, USA	100%	Hooters PE (Pty) Ltd	South Africa	100%
BGR Dupont, LLC	DC, USA	100%	Hooters Ruimsig (Pty) Ltd.	South Africa	100%
BGR Old Keene Mill, LLC	VA, USA	100%	Hooters SA (Pty) Ltd	South Africa	78%
BGR Old Town, LLC	VA, USA	100%	Hooters Umhlanga (Pty.) Ltd.	South Africa	90%
BGR Potomac, LLC	MD, USA	100%	Hooters Willows Crossing (Pty) Ltd	South Africa	100%
BGR Springfield Mall, LLC	VA, USA	100%			
BGR Tysons, LLC	VA, USA	100%	***European Hooters***		
BGR Washingtonian, LLC	MD, USA	100%	Chanticleer Holdings Limited	Jersey	100%
Capitol Burger, LLC	MD, USA	100%			
BGR Mosaic, LLC	VA, USA	100%	West End Wings LTD	United Kingdom	100%
BGR Michigan Ave, LLC	DC, USA	100%			
BGR Chevy Chase, LLC	MD, USA	100%			
BGR Acquisition 1, LLC	NC, USA	100%	***Inactive Entities***		
BT Burger Acquisition, LLC	NC, USA	100%	Hoot Surfers Paradise Pty. Ltd.	Australia	60%
BT's Burgerjoint Biltmore, LLC	NC, USA	100%	Hooters Brazil	Brazil	100%
BT's Burgerjoint Promenade, LLC	NC, USA	100%	DineOut SA Ltd.	England	89%
BT's Burgerjoint Rivergate LLC	NC, USA	100%	Avenel Financial Services, LLC	NV, USA	100%
BT's Burgerjoint Sun Valley, LLC	NC, USA	100%	Avenel Ventures, LLC	NV, USA	100%
LBB Acquisition, LLC	NC, USA	100%	Chanticleer Advisors, LLC	NV, USA	100%
Cuarto LLC	OR, USA	100%	Chanticleer Investment Partners, LLC	NC, USA	100%
LBB Acquisition 1 LLC	OR, USA	100%	Dallas Spoon Beverage, LLC	TX, USA	100%
LBB Green Lake LLC	OR, USA	50%	Dallas Spoon, LLC	TX, USA	100%
LBB Hassalo LLC	OR, USA	80%	American Roadside Cross Hill, LLC	NC, USA	100%
LBB Platform LLC	OR, USA	80%	Chanticleer Finance UK (No. 1) Plc	United Kingdom	100%
LBB Progress Ridge LLC	OR, USA	50%			
Noveno LLC	OR, USA	100%			
Octavo LLC	OR, USA	100%			
Primero LLC	OR, USA	100%			
Quinto LLC	OR, USA	100%			
Segundo LLC	OR, USA	100%			
Septimo LLC	OR, USA	100%			
Sexto LLC	OR, USA	100%			

All significant inter-company balances and transactions have been eliminated in consolidation.

The Company operates on a calendar year-end. The accounts of one of the Company's subsidiaries, Hooters Nottingham ("WEW"), are consolidated based on either a 52- or 53-week period ending on the Sunday closest to each December 31. No events occurred related to the difference between the Company's reporting calendar year end and the Company's subsidiary year end that materially affected the company's financial position, results of operations, or cash flows.

LIQUIDITY, CAPITAL RESOURCES AND GOING CONCERN

As of December 31, 2016, our cash balance was $0.3 million, our working capital was negative $10 million and we have significant near term obligations. The level of additional cash needed to fund operations and our ability to conduct business for the next twelve months will be influenced primarily by the following factors:

- our ability to access the capital and debt markets to satisfy current obligations and operate the business;
- our ability to obtain waivers and refinance or otherwise extend maturities of current debt obligations;
- the level of investment in acquisition of new restaurant businesses and entering new markets;
- our ability to manage our operating expenses and maintain gross margins as we grow:
- popularity of and demand for our fast-casual dining concepts; and
- general economic conditions and changes in consumer discretionary income.

We have typically funded our operating costs, acquisition activities, working capital requirements and capital expenditures with proceeds from the issuances of our common stock and other financing arrangements, including convertible debt, lines of credit, notes payable, capital leases, and other forms of external financing.

Our operating plans for the next twelve months contemplate moderate organic growth, opening 6-10 new stores within our current markets and restaurant concepts, the majority of which will be funded by funds already committed from outside investors. As we execute our growth plans over the next 12 months, we intend to carefully monitor the impact of growth on our working capital needs and cash balances relative to the availability of cost-effective debt and equity financing.

We have obligations that are currently past due or otherwise payable within the next twelve months from date of issuance of these financial statements. In the event that capital is not available or we are unable to refinance our debt obligations or obtain waivers, we may then have to scale back or freeze our organic growth plans, sell assets on less than favorable terms, reduce expenses, and/or curtail future acquisition plans to manage our liquidity and capital resources. We may also incur financial penalties or other negative actions from our lenders if we are not able to refinance or otherwise extend or repay our current obligations or obtain waivers.

The accompanying consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

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, deferred tax asset valuation allowances, valuing options and warrants using the Binomial Lattice and Black Scholes models, intangible asset valuations and useful lives, depreciation and uncollectible accounts and reserves. Actual results could differ from those estimates.

REVENUE RECOGNITION

Revenue is recognized when all of the following criteria have been satisfied:

- 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.

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, value added tax ("VAT") and goods and services tax ("GST") collected from customers and remitted to governmental authorities are presented on a net basis within sales in our consolidated statements of operations and comprehensive loss. Restaurant 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 certain non-affiliated companies, including from managing its investment in Hooters of America.

Gaming Income

The Company receives revenue from operating a gaming facility adjacent to its Hooters restaurant in Jantzen Beach, Oregon. The Company also previously received gaming revenue from gaming machines located in Sydney, Australia. Revenue from gaming is recognized as earned from gaming activities, net of taxes and other government fees.

Franchise Income

The Company accounts for initial franchisee fees in accordance with FASB ASC 952, Franchisors. The Company grants franchises to operators in exchange for initial franchise license fees and continuing royalty payments. Franchise license fees are deferred when received and recognized as revenue when the Company has performed substantially all initial services required by the franchise or license agreement, which is generally upon the opening of a store. Continuing fees, which are based upon a percentage of franchisee revenues, are recognized on the accrual basis as those sales occur.

BUSINESS COMBINATIONS

For business combinations, the assets acquired, the liabilities assumed, and any non-controlling interest are recognized at the acquisition date, measured at their fair values as of that date. In a business combination achieved in stages, the identifiable assets and liabilities, as well as the non-controlling interest in the acquiree, are recognized at the full amounts of their fair values. In a bargain purchase in which the total acquisition-date fair value of the identifiable net assets acquired exceeds the fair value of the consideration transferred plus any non-controlling interest in the acquiree, that excess would be recognized in earnings as a gain attributable to the Company.

LONG-LIVED ASSETS

The Company accounts for long-lived assets in accordance with Accounting Standards Codification ("ASC") 360, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("ASC 360"), which requires that long-lived assets be evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable or the useful life has changed. Some of the events or changes in circumstances that would trigger an impairment test include, but are not limited to;

- significant under-performance relative to expected and/or historical results (negative comparable sales growth or operating cash flows for two consecutive years);
- significant negative industry or economic trends;
- knowledge of transactions involving the sale of similar property at amounts below the company's carrying value; or
- the company's expectation to dispose of long-lived assets before the end of their estimated useful lives, even though the assets do not meet the criteria to be classified as "held for sale".

Long-lived assets are grouped for recognition and measurement of impairment at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets. The impairment test for long-lived assets requires us to assess the recoverability of our long-lived assets by comparing their net carrying value to the sum of undiscounted estimated future cash flows directly associated with and arising from the company's use and eventual disposition of the assets. If the net carrying value of a group of long-lived assets exceeds the sum of related undiscounted estimated future cash flows, the Company would be required to record an impairment charge equal to the excess, if any, of net carrying value over fair value.

When assessing the recoverability of our long-lived assets, which include property and equipment and finite-lived intangible assets, the company makes assumptions regarding estimated future cash flows and other factors. Some of these assumptions involve a high degree of judgment and also bear a significant impact on the assessment conclusions. Included among these assumptions are estimating undiscounted future cash flows, including the projection of comparable sales, operating expenses, capital requirements for maintaining property and equipment and residual value of asset groups. The Company formulates estimates from historical experience and assumptions of future performance, based on business plans and forecasts, recent economic and business trends, and competitive conditions. In the event that our estimates or related assumptions change in the future, the company may be required to record an impairment charge.

The Company evaluates the remaining useful lives of long-lived assets and identifiable intangible assets whenever events or circumstances indicate that a revision to the remaining period of amortization is warranted. Such events or circumstances may include (but are not limited to): the effects of obsolescence, demand, competition, and/or other economic factors including the stability of the industry in which the Company operates, known technological advances, legislative actions, or changes in the regulatory environment. If the estimated remaining useful lives change, the remaining carrying amount of the long-lived assets and identifiable intangible assets would be amortized prospectively over that revised remaining useful life.

RESTAURANT PRE-OPENING AND CLOSING EXPENSES

Restaurant pre-opening and closing expenses are non-capital expenditures, and are expensed as incurred. Restaurant pre-opening expenses 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. Restaurant closing expenses consists of the costs related to the closing of a restaurant location and include write-off of property and equipment, lease termination costs and other costs directly related to the closure. Pre-opening and closing expenses are expensed as incurred.

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 annually or when 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 AND OTHER RECEIVABLES

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. The majority of the Company's accounts are from customer credit card transactions with minimal historical credit risk. As of December 31, 2016 and 2015, 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 recorded at the lower of cost (first-in, first-out method) or market, and consist primarily of restaurant food items, supplies, beverages and merchandise.

LEASES

The Company leases certain property under operating leases. The Company also finances certain property using capital leases, with the asset and obligation recorded 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 rent liability line in the consolidated balance sheet. The tenant improvement allowance liability is amortized on a straight-line basis over the lease term. The rent commencement date of the lease term is the earlier of the date when the Company becomes legally obligated for the rent payments or the date when the Company takes access to the property or the grounds for build out. Certain leases contain percentage rent provisions where additional rent may become due if the location exceeds certain sales thresholds. The Company recognizes expense related to percentage rent obligations at such time as it becomes probable that the percent rent threshold will be met.

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, other receivables, 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/or 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	5-15 years
Restaurant furnishings and equipment	3-10 years
Furniture and fixtures	3-10 years
Office and computer equipment	3-7 years

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, 2016 and 2015.

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.

GOODWILL

The Company reviews goodwill for impairment annually or more frequently if indicators of impairment exist. Goodwill is not subject to amortization and has been assigned to reporting units for purposes of impairment testing. The reporting units are our segments.

A significant amount of judgment is involved in determining if an indicator of impairment has occurred. Such indicators may include, among others: a significant decline in the Company's expected future cash flows; a sustained, significant decline in our stock price and market capitalization; a significant adverse change in legal factors or in the business climate; unanticipated competition; the testing for recoverability of a significant asset group within a reporting unit; and slower growth rates. Any adverse change in these factors could have a significant impact on the recoverability of these assets and could have a material impact on the Company's consolidated financial statements.

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. The Company estimates fair value using the best information available, including market information and discounted cash flow projections (also referred to as the income approach). The income approach uses a reporting unit's projection of estimated operating results and cash flows that is discounted using a weighted-average cost of capital that reflects current market conditions. The projection uses management's best estimates of economic and market conditions over the projected period including growth rates in sales, costs and number of units, estimates of future expected changes in operating margins and cash expenditures. Other significant estimates and assumptions include terminal value growth rates, future estimates of capital expenditures and changes in future working capital requirements. The Company validates its estimates of fair value under the income approach by comparing the values to fair value estimates using a market approach. A market approach estimates fair value by applying cash flow and sales multiples to the reporting unit's operating performance. The multiples are derived from comparable publicly traded companies with similar operating and investment characteristics of the reporting units.

If the fair value of the reporting unit is higher than its carrying value, goodwill is deemed not to be impaired, and no further testing is required. 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. The Company's Hooters Full Service segment has a goodwill balance of approximately $4.5 million assigned to this reporting unit. A significant reduction in future revenues for the Hooters unit could potentially impair goodwill. As of December 31, 2016, goodwill is not impaired at any of our reporting units.

INTANGIBLE ASSETS

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. Certain of the Company's trade name/trademarks have been determined to have a definite-lived life and are 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 and comprehensive loss. Certain of the Company's trade name/trademarks have been classified as indefinite-lived intangible assets and are not amortized, but instead are reviewed for impairment at least annually or more frequently if indicators of impairment exist.

FRANCHISE COST

Intangible assets are recorded for the initial franchise fees for our Hooter's 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 required 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 in the statement of operations. 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. As of December 31, 2016, the conversion feature expired.

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, 2016 and 2015, the Company had no accrued interest or penalties relating to any income 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.

LOSS PER COMMON SHARE

The Company is required to report both basic earnings per share, which is based on the weighted-average number of shares outstanding and diluted earnings per share, which is based on the weighted-average number of common shares outstanding plus all diluted shares outstanding.

The following table summarizes the number of common shares potentially issuable upon the exercise of certain warrants, convertible notes payable and convertible interest as of December 31, 2016 and 2015, which have been excluded from the calculation of diluted net loss per common share since the effect would be antidilutive.

	December 31, 2016	December 31, 2015
Warrants -W*eighted avg exercise price $4.93*	9,222,032	9,506,304
Convertible notes - *Weighted avg conversion price $1.05*	3,725,000	3,757,188
Accrued interest on convertible notes	458,762	123,526
Total	13,405,794	13,387,018

ADVERTISING

Advertising costs are expensed as incurred. Advertising expenses which are included in restaurant operating expenses in the accompanying consolidated statement of operations, totaled $0.7 million and $0.7 million for the years ended December 31, 2016 and 2015, respectively. Advertising expense primarily includes local advertising.

AMORTIZATION OF DEBT DISCOUNT

The Company has issued various debt with warrants and conversion features for which total proceeds were allocated to individual instruments based on the relative fair value of each instrument at the time of issuance. The value of the debt was recorded as discount on debt and amortized over the term of the respective debt. For the year ended December 31, 2016 and 2015 amortization of debt discount was $1.0 million and $2.4 million, respectively.

FOREIGN CURRENCY TRANSLATION

Assets and liabilities denominated in local currency are translated to U.S. dollars using the exchange rates as in effect at the balance sheet date. Results of operations are translated using average exchange rates prevailing throughout the period. Adjustments resulting from the process of translating foreign currency financial statements from functional currency into U.S. dollars are included in accumulated other comprehensive loss within stockholders' equity. Foreign currency transaction gains and losses are included in current earnings. The Company has determined that local currency is the functional currency for each of its foreign operations.

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 Africa or the United Kingdom bank accounts. There was approximately $35 thousand and $165 thousand in aggregate uninsured cash balances at December 31, 2016 and 2015, respectively.

RECLASSIFICATIONS

Certain reclassifications have been made in the financial statements at December 31, 2015 and for the period then ended to conform to the December 31, 2016 presentation, including the reclassification of discontinued operations. The reclassifications had no effect on net loss.

RECENT ACCOUNTING PRONOUNCEMENTS

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09 "Revenue from Contracts with Customers" which provides a single, comprehensive accounting model for revenue arising from contracts with customers. This guidance supersedes most of the existing revenue recognition guidance, including industry-specific guidance. Under this model, revenue is recognized at an amount that a company expects to be entitled to upon transferring control of goods or services to a customer. The new guidance also requires additional disclosures about the nature, timing and uncertainty of revenue and cash flow arising from customer contracts, including significant judgments and changes in judgments. The new guidance will be effective for the Company beginning in calendar 2018 and may be applied retrospectively to all prior periods presented or through a cumulative adjustment to the opening retained earnings balance in the year of adoption. The Company is currently evaluating the effect of this update on its consolidated financial statements, but believes it will not have a material impact on operations.

In April 2015, FASB issued ASU No. 2015-03 "Simplifying the Presentation of Debt Issuance Costs" which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability consistent with the presentation of debt discounts, however debt issuance costs related to revolving credit agreements may be presented in the balance sheet as an asset. This guidance was adopted in the first quarter of 2016 and had no effect on the Company's consolidated financial statements.

In November 2015, the FASB issued ASU No. 2015-07 "Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes" related to the presentation of deferred income taxes. The guidance requires that deferred tax assets and liabilities be classified as non-current in a consolidated balance sheet. This guidance is effective for us in the first quarter of 2017 and is not expected to materially affect the Company's consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02 "Leases," which supersedes ASC 840 "Leases" and creates a new topic, ASC 842 "Leases." This update requires lessees to recognize a lease liability and a lease asset for all leases, including operating leases, with a term greater than 12 months on its balance sheet. The update also expands the required quantitative and qualitative disclosures surrounding leases. This update is effective for fiscal years beginning after December 15, 2018 and interim periods within those fiscal years, with earlier adoption permitted. This update will be applied using a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The Company has not completed its evaluation of effect this update will have on its consolidated financial statements, but does expect there could be a material increase in both assets and liabilities reflect on its consolidated balance sheets as a result of adoption.

In March 2016, the FASB issued ASU No. 2016-09 "Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting". The amendments in this update simplify several aspects of the accounting for employee share-based payment transactions, including the accounting for income taxes, forfeitures and statutory tax withholding requirements, as well as classification in the statement of cash flows. This update will be effective for the Company in fiscal year 2017, but early adoption is permitted. The Company is currently evaluating the effect of this update on its consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-04 "Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment." The new guidance simplifies the test for goodwill impairment. Currently, the fair value of the reporting unit is compared with the carrying value of the reporting unit (identified as "Step 1"). If the fair value of the reporting unit is lower than its carrying amount then, the implied fair value of goodwill is calculated. If the implied fair value of goodwill is lower than the carrying value of goodwill an impairment is recognized (identified as "Step 2"). The new standard eliminates Step 2 from the impairment test; therefore, a goodwill impairment will be recognized as the difference of the fair value and the carrying value of the reporting unit. The new standard becomes effective on January 1, 2020 with early adoption permitted. The Company is currently evaluating the effect of this update on its consolidated financial statements.

There are several other new accounting pronouncements issued by FASB, which are not yet effective. Each of these pronouncements has been or will be adopted, as applicable, by the Company. At December 31, 2016, other than the adoption of ASU No. 2016-02 "Leases," none of these pronouncements are expected to have a material effect on the financial position, results of operations or cash flows of the Company.

3. ACQUISITIONS

The Company's acquisitions were accounted for using the purchase method of accounting in accordance with ASC 805 "Business Combinations" and, accordingly, the condensed 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 based on information currently available and based on certain assumptions as to future operations.

In connection with the acquisition of the restaurants, the Company analyzed each acquisition to determine the purchase price allocation in consideration of all identifiable intangibles. Based on our evaluation, there were no marketing related assets, customer related intangibles or contract based arrangements for which the purchase price would be required to be allocated. For marketing related assets, the Company did not acquire any trademarks or trade names (for Hooters acquisitions) or enter into any non-compete agreements. The Company is however required to pay royalties based on future sales. For acquisitions other than Hooters restaurants, the value of any trademark/tradename, was calculated using a relief of royalty method considering future franchise opportunities, and the value was determined to be de minimus. With respect to customer related intangibles, the Company did not acquire any customer lists or enter into any customer contractual arrangements nor did the Company enter into any licensing or royalty arrangements requiring a further allocation of the purchase price. The premium paid for the businesses represents the economic value that is not captured by other assets such as the reputation of the businesses, the value of its human capital, its future growth potential and its professional management. The acquisition of these businesses will help the Company expand its domestic operations and presence.

During the years ended December 31, 2016 and 2015, the Company acquired several businesses to complement and expand its fast casual restaurant businesses. In connection with these acquisitions, the Company acquired strategic opportunities to expand its scale and presence in the geographic markets where it operates, to expand into new markets, and to strengthen the Company's full service and fast casual restaurant businesses.

2016 Acquisition

The Company completed one acquisition during 2016, which was the acquisition of a restaurant location in the Harris YMCA in Charlotte, N.C. to expand our Just Fresh business. The Company allocated the purchase price as of the date of acquisition based on the estimated fair value of the acquired assets and assumed liabilities. In consideration of the purchased assets, the Company paid a purchase price totaling $72,215 in cash, of which $1,611 was allocated to acquired inventory and $70,604 to goodwill. The equipment and other assets used in the operation of the business are property of the YMCA and no other tangible or identifiable intangible assets other than inventory were acquired, with the balance being allocated to goodwill.

No proforma information was included as the proforma impact of the acquisition is not material.

2015 Acquisitions

During the year ended December 31, 2015, the Company acquired three businesses to complement and expand its current operations in the Better Burger fast casual restaurant category. In connection with these acquisitions, the Company acquired strategic opportunities to expand its scale and presence in the Better Burger category.

Acquisition of BGR: The Burger Joint

The Company completed the acquisition of BGR: The Burger Joint effective March 15, 2015. The Company allocated the purchase price as of the date of acquisition based on appraisals and estimated the fair value of the acquired assets and assumed liabilities. In consideration of the purchased assets, the Company paid a purchase price consisting of $4.0 million in cash, 500,000 shares of the Company's common stock valued at $1.0 million, and a contractual working capital adjustment of $276,429. The fair value of the shares was the closing stock market price on the date the acquisition was consummated.

Acquisition of BT's Burger Joint

On July 1, 2015, the Company completed the acquisition with BT's Burgerjoint Management, LLC, a limited liability company organized under the laws of North Carolina ("BT's"), including the ownership interests of four operating restaurant subsidiaries engaged in the fast casual hamburger restaurant business under the name "BT's Burger Joint". In consideration of the purchased assets, the Company paid a purchase price consisting of $1.4 million in cash and 424,080 shares of the Company's common stock valued at $1.0 million. The fair value of the shares was the closing stock market price on, the date the deal acquisition was consummated.

Acquisition of Little Big Burger

On September 30, 2015, the Company completed the acquisition of various entities operating eight Little Big Burger restaurants in Oregon. In consideration of the purchased assets, the Company paid a purchase price consisting of $3.6 in cash and 1,874,063 shares of the Company's common stock valued at $2.1 million. The fair value of the shares was the closing stock market price on the date the acquisition was consummated.

The acquisitions were accounted for using the purchase method of accounting in accordance with ASC 805 "Business Combinations" and, accordingly, the consolidated statements of operations and comprehensive loss include the results of these operations from the dates of acquisition. The assets acquired and the liabilities assumed were recorded at estimated fair values based on information currently available and based on certain assumptions as to future operations as follows:

	2015 Acquisitions			
	BGR: The Burger Joint	**BT's Burger Joint**	**Little Big Burger**	**Total**
Consideration paid:				
Common stock	$ 1,000,000	$ 1,000,848	$ 2,061,469	$ 4,062,317
Cash	4,276,429	1,400,000	3,600,000	9,276,429
Total consideration paid	$ 5,276,429	$ 2,400,848	$ 5,661,469	$13,338,746
Cash acquired	11,000	8,000	234,638	253,638
Property and equipment	2,164,023	1,511,270	1,711,990	5,387,283
Goodwill	663,037	1,040,542	2,938,279	4,641,858
Trademark/trade name/franchise fee	2,750,000	-	1,550,000	4,300,000
Inventory, deposits and other assets	296,104	103,451	73,779	473,334
Accounts held in escrow to satisfy acquired liabilities	-	-	675,000	675,000
Total assets acquired, less cash	5,884,164	2,663,263	7,183,686	15,731,113
Liabilities assumed	(607,735)	(262,415)	(949,857)	(1,820,007)
Deferred tax liabilities	-	-	(572,360)	(572,360)
Total consideration paid	$ 5,276,429	$ 2,400,848	$ 5,661,469	$13,338,746

4. INVESTMENTS

Investments at cost consist of the following at December 31, 2016 and 2015:

	2016	2015
Chanticleer Investors, LLC	$ 800,000	$ 800,000

Chanticleer Investors LLC – The Company invested $800,000 during 2011 and 2012 in exchange for a 22% ownership stake in Chanticleer Investors, LLC., which in turn holds a 3% interest in Hooters of America, the operator and franchisor of the Hooters Brand worldwide.

In November 2015, the Company received a cash distribution totaling $543,130 on its 3% equity interest in Hooters of America, of which $324,054 is included in management fee income and $219,076 in other income in the accompanying consolidated statements of operations and comprehensive loss. Hooters of America did not make distributions in 2016, instead retaining its cash flow for investment in additional company store locations.

5. DISCONTINUED OPERATIONS

In June 2016, the Company approved a plan to exit the Australia and Eastern Europe markets, authorizing management to sell or close its five Hooters stores in Australia and its one store in Budapest.

The Company completed the sale of the Hooters Australia and Budapest stores during the third quarter of 2016, transferring substantially all of the assets and liabilities of those operations to the local operating groups. In both cases, the Company did not receive any proceeds from the transfer, although in the case of Hooters Australia, the Company retained a five-year option to repurchase a 20% interest in the stores for $1.

The carrying amount of major classes of assets and liabilities included as part of discontinued operations are as follows:

	December 31, 2016	December 31, 2015
Cash	$ -	$ 303,471
Accounts receivable	-	19,328
Inventory	-	157,079
Property, plant and equipment	-	4,497,168
Goodwill and intangible assets	-	505,138
Other assets	-	500,546
Valuation allowance	-	-
Total	-	5,982,730
Accounts payable and accrued liabilites	-	889,177
Due to affiliates	-	390,779
Deferred rent	-	58,647
Total	-	1,338,603
Net Assets of discontinued operations	$ -	$ 4,644,127

The major line items comprising the loss of discontinued operations are as follows:

	Year Ended	
	December 31, 2016	December 31, 2015
Revenue	$ 3,427,928	$ 7,043,222
Restaurant cost of sales	1,196,734	2,281,649
Restaurant operating expenses	2,780,441	5,137,605
Restaurant pre-opening and closing expenses	-	258,850
General and administrative expenses	296,343	616,740
Depreciation and amortization	436,144	667,453
Other	22,893	(34,328)
Loss of discontinued operations	(1,304,627)	(1,884,747)
Loss on write-down of net assets	(3,762,253)	(4,489,043)
Total pretax loss of discontinued operations	(5,066,880)	(6,373,790)
Income tax	-	-
Loss on discontinued operations	$ (5,066,880)	$ (6,373,790)

6. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2016 and 2015:

	December 31, 2016	December 31, 2015
Leasehold improvements	$ 10,363,996	$ 10,094,130
Restaurant furniture and equipment	6,716,926	6,243,196
Construction in progress	582,265	-
Office and computer equipment	68,303	5,470
Land and buildings	826,664	708,020
Office furniture and fixtures	108,030	104,406
	18,666,184	17,155,222
Accumulated depreciation and amortization	(7,152,491)	(5,011,158)
	$ 11,513,693	$ 12,144,064

Depreciation and amortization expense was $2,029,804 and $1,468,144 for the years ended December 31, 2016 and 2015, respectively.

7. INTANGIBLE ASSETS, NET

GOODWILL

Goodwill consist of the following at December 31, 2016 and December 31, 2015:

	December 31, 2016	December 31, 2015
Hooters Full Service	$ 4,461,167	$ 4,890,332
Better Burgers Fast Casual	7,448,848	7,386,656
Just Fresh Fast Casual	495,755	425,151
	$ 12,405,770	$ 12,702,139

The changes in the carrying amount of goodwill are summarized as follows:

	December 31, 2016	December 31, 2015
Beginning Balance	$ 12,702,139	$ 8,325,979
Acquisitions	70,604	4,579,666
Adjustments	62,192	-
Foreign currency translation (loss) gain	(429,165)	(203,506)
Ending Balance	$ 12,405,770	$ 12,702,139

An evaluation was completed effective December 31, 2016 at which time the Company determined that no impairment was necessary for any of the Company's goodwill balances.

OTHER INTANGIBLE ASSETS

Franchise and trademark/tradename intangible assets consist of the following at December 31, 2016 and December 31, 2015:

	Estimated Useful Life	December 31, 2016	December 31, 2015
Trademark, Tradenames:			
Just Fresh	10 years	$ 1,010,000	$ 1,010,000
American Roadside Burger	10 years	1,786,930	1,786,930
BGR: The Burger Joint	Indefinte	1,430,000	1,430,000
Little Big Burger	Indefinte	1,550,000	1,550,000
		5,776,930	5,776,930
Franchise fees:			
Hooters South Africa	20 years	322,258	286,732
Hooters Pacific NW	20 years	88,826	90,000
BGR: The Burger Joint	Indefinite	1,320,000	1,320,000
Hooters UK	20 years	30,848	-
		1,761,932	1,696,732
Total Intangibles at cost		7,538,862	7,473,662
Accumulated amortization		(1,008,619)	(696,726)
Intangible assets, net		$ 6,530,243	$ 6,776,936

	Year Ended December 31, 2016	Year Ended December 31, 2015
Amortization expense	$ 311,893	$ 229,370

8. LONG-TERM DEBT AND NOTES PAYABLE

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

	December 31, 2016	December 31, 2015
Note Payable, due January 2017, net of discount of $0 and $171,868, respectively (a)	$ 5,000,000	$ 4,828,132
Note Payable, due April 2017 (b)	725,231	942,918
Note Payable, due October 2018 (c)	85,974	132,596
Mortgage Note, South Africa, due July 2024 (d)	215,962	208,131
Bank overdraft facilities, South Africa, annual renewal (e)	124,598	180,377
Equipment financing arrangements, South Africa (f)	145,430	189,490
Receivable financing facilities (g)	161,899	-
Total long-term debt	**$ 6,459,094**	**$ 6,481,644**
Current portion of long-term debt	**6,171,649**	**5,383,003**
Long-term debt, less current portion	**$ 287,445**	**$ 1,098,641**

(a) The Company has a note payable of $5 million with Florida Mezzanine Fund. The note obligation was assumed in connection with Company's acquisition of Hooter's Australia, which the Company subsequently discontinued. The note, which bears interest at an annualized rate of 12%, was originally due and payable effective December 31, 2016. In connection with the Company's agreement to conduct capital raise and apply a portion of the proceeds to the note, the lender has agreed to waive defaults and extend the note maturity by eighteen months. The Company is continuing to negotiate with the lender for changes to the current payment and other terms. While the lender has not demanded repayment, discussions are ongoing and it is unclear if the lender agrees that the Company met all terms of the extension as of December 31, 2016; therefore, the note continues to be reflected as a current liability on the December 31, 2016 balance sheet.

In connection with the payment of past due interest, the Company issued 562,900 shares of its common stock to the lender. Concurrently, the Company entered into a put agreement with Florida Mezzanine Fund during 2016 which provides the lender the right to require the Company to repurchase those shares at a price of $0.62 cents per share. This put right originally expired in January 2017 and was subsequently extended to March 31, 2017, and may likely be extended beyond that date in connection with other discussion with the lender. The shares subject to the repurchase obligation have been reflected as a redeemable temporary equity on the accompanying consolidated balance sheet as of December 31, 2016.

(b) The Company has a $1 million term note payable with Paragon Bank with a current balance of $0.7 million. The note bears interest at 5.0%, and is payable in monthly installments of principal and interest of $8,500 with a $392,325 balloon payment due at maturity. Paragon's note is collateralized by substantially all of the Company's assets and guaranteed by an officer of the Company. The notes matured in January 2017 and Paragon has extended the maturity through April 2017.

(c) The Company has a note payable with Paragon due on October 10, 2018, bearing interest at a 5% annual rate, with principal and interest monthly payments of $11,532. Paragon's note is collateralized by substantially all of the Company's assets and guaranteed by an officer of the Company.

(d) In April 2014, our South African subsidiary entered into a mortgage note with a South African bank for the purchase of the building in Port Elizabeth for our Hooters location. The 10-year note as originally entered into for $330,220 with an annual interest rate of 2.6% above the South African prime rate (prime currently 9.25%). Monthly principal and interest payments are approximately $4,600. The mortgage note is personally guaranteed by our CEO and South African COO and secured by the assets of the Port Elizabeth building.

(e) The Company's South African subsidiary has local bank financing in the form of term and overdraft facilities, which are payable on demand and renew annually.

(f) The Company's South African subsidiary has three local equipment financing arrangements in the form of term loans. The obligations bear interest at South African Prime plus 3.0% with monthly payments through maturity are various dates in 2018 and 2019.

(g) The Company entered into two Receivables Financing Agreements during 2016. During the third calendar quarter of 2016, in consideration for proceeds to the Company of $125,000, the Company agreed to remit a total of $156,250 from the merchant accounts of two of its restaurant locations directly to the lender over an estimated nine-month period. The daily amounts to be remitted to the lender, and the resulting term under which the borrowings will ultimately be outstanding, are based on remitting approximately 5% of the total daily credit card receipts of the two restaurant locations resulting the in $156,250 being paid in full approximately nine months from inception.

During the fourth quarter of 2016, in consideration for additional proceeds of $150,000, the Company added this amount to the aforementioned agreement and agreed to remit a total of $270,773 from the merchant accounts of one of its restaurant locations directly to a lender. The Company agreed to make payments of $1,547 per day for 175 business days.

The Company granted a security interest in the credit card receivables of the specified restaurants in connection with the Receivables Financing Agreements.

9. CONVERTIBLE NOTES PAYABLE

Convertible Notes payable are summarized as follows:

	December 31, 2016	December 31, 2015
6% Convertible notes payable issued in August 2013 (a)	$ 3,000,000	$ 3,000,000
Discounts on above convertible note	-	(583,341)
Discounts on above convertible note	-	-
8% Convertible notes payable issued in Nov/Dec 2014 (b)	100,000	100,000
Discounts on above convertible note	-	-
8% Convertible notes payable issued in January 2015 (c)	150,000	150,000
Discounts on above convertible note	(46,936)	(93,231)
8% Convertible notes payable issued in January 2015 (d)	475,000	475,000
Discounts on above convertible note	-	(238,152)
Total Convertible notes payable	**3,678,064**	**2,810,276**
Current portion of convertible notes payable	**-**	**(2,810,276)**
Convertible notes payable, less current portion	**$ 3,678,064**	**$ -**

(a) 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 and a subordinate position to all other assets of the Company. The funding from the private offering was used exclusively for the acquisition of the Nottingham, England Hooters restaurant location. The Notes, which had reached maturity on December 31, 2016, contained 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, England Hooters 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.

In connection with the Company's agreement to conduct capital raise and apply a portion of the proceeds to the notes, the lenders agreed to waive defaults and extend the note maturity by eighteen months (to June 30, 2018). The notes were classified as current liabilities as of December 31, 2015. The notes have been reflected as a non-current liability on the December 31, 2016 balance sheet as the waiver and extension was received prior to the issuance of the consolidated financial statements.

(b) During November and December 2014, the Company entered into agreements whereby the Company issued 3-year convertible notes in the amounts of $250,000 and $100,000, respectively. The notes accrue annualized interest of 8% until the date the notes are converted. The notes are convertible into the Company's common stock (at 85% of lowest three (3) trading prices for the common stock during the ten (10) trading day period ending on the last complete Trading Day prior to the Conversion Date. The Company also issued 5 year warrants of 62,500 and 25,000, respectively, with an exercise price of $2.50 per share. In March 2015, the debt holder converted $250,000 principal plus accrued interest into 168,713 shares of the Company's common stock. In connection with the conversion, the Company recognized a loss on extinguishment of convertible debt, related accrued interest, penalties and derivative liabilities totaling $88,724.

In March 2017, subsequent to the date of these financial statements, the Company and the lenders agreed to exchange the convertible notes for a new note with a 2-year term (due March, 2019), interest at 2%, and a $0.30 conversion price (see Note 16 - Subsequent Events). The notes have been reflected as a non-current liability on the December 31, 2016 balance sheet as the waiver and extension was received prior to the issuance of the consolidated financial statements.

(c) In January 2015, the Company issued a convertible promissory note for a total of $150,000. The note accrues interest at 8% per annum until the date the notes are converted. The notes are convertible into the Company's common stock at 85% of the average of the lowest three closing trading prices over ten days prior the conversion date. The conversion price is subject to a floor of $1.00 per share and a ceiling of $2.00. If not converted, the note matures three years from the issuance date. The Company also issued warrants to purchase 37,500 shares of common stock, exercisable at $2.50 per share for a period of up to 5 years from the note's original issuance date. The fair value of the embedded conversion feature and the warrants was $108,600 and $30,314, respectively. The resulting debt discount is being 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 and comprehensive loss. The embedded conversion feature is accounted for as a derivative liability in the accompanying condensed consolidated balance sheet, with its carrying value marked to market at each balance sheet date.

In March 2017, subsequent to the date of these financial statements, the Company and the lenders agreed to exchange the convertible notes for a new note with a 2-year term due March, 2019, interest at 2%, and a $0.30 conversion price (see Note 16 - Subsequent Events). The notes have been reflected as a non-current liability on the December 31, 2016 balance sheet as the waiver and extension was received prior to the issuance of the consolidated financial statements.

(d) In January 2015, the Company issued convertible promissory notes for $1,000,000. The notes accrue interest at 8% per annum until the date the notes are converted. The notes are convertible into the Company's common stock at 85% of the average of the lowest three closing trading prices over ten days prior the conversion date. The conversion price is subject to a floor of $1.00 per share and a ceiling of $2.00. If not converted, the notes mature three years from the issuance date. The holder could demand payment in full after one year from the issuance date. The Company also issued warrants to purchase 250,000 shares of common stock, exercisable at $2.50 per share for a period of up to 5 years from the note's original issuance date. The fair value of the embedded conversion feature and the warrants was $670,300 and $202,358, respectively. The resulting debt discount is being 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 condensed consolidated statements of operations and comprehensive loss. The embedded conversion feature is accounted for as a derivative liability in the accompanying consolidated balance sheet, with its carrying value marked to market at each balance sheet date. $525,000 of the $1,000,000 note has been converted into common stock during 2015. In connection with the conversions, the Company recognized a loss on extinguishment of convertible debt, related accrued interest, penalties and derivative liabilities totaling $145,833 during 2015.

In March 2017, subsequent to the date of these financial statements, the Company and the lenders agreed to exchange the convertible notes for a new note with a 2-year term (due March, 2019), interest at 2%, and a $0.30 conversion price (see Note 16 - Subsequent Events). The notes have been reflected as a non-current liability on the December 31, 2016 balance sheet as the waiver and extension was received prior to the issuance of the consolidated financial statements.

In addition, in March 2015, the Company issued a convertible promissory note for $1,000,000. During June 2015, this $1,000,000 million note was converted into 500,000 shares of common stock at the $2.00 per share contractual conversion price. The note accrued interest at 9% per annum until the date the note was converted. The note was convertible into the Company's common stock at $2.00 per share. If not converted, the note matured two years from the issuance date. The Company also issued warrants to purchase 320,000 shares of common stock, exercisable at $2.50 per share for a period of up to 5 years from the note's original issuance date. The fair value of the embedded conversion feature and the warrants on the date of issuance was $455,008 and $315,008, respectively. The resulting debt discount was being 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 and comprehensive loss. The embedded conversion feature is accounted for as a component of additional paid-in capital in the accompanying consolidated balance sheet. On the date of conversion, $643,371 of unamortized debt discount was accelerated and recognized as interest expense in the accompanying condensed consolidated statement of operations and comprehensive loss.

10. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses are summarized as follows:

	December 31, 2016	December 31, 2015
Accounts payable and accrued expenses	$ 3,807,880	$ 3,547,174
Accrued taxes (VAT, Sales Payroll)	988,056	784,842
Accrued income taxes	71,713	27,709
Accrued interest	685,419	380,406
	$ 5,553,068	$ 4,740,131

11. INCOME TAXES

The breakout of the loss from continuing operations before income taxes between domestic and foreign operations is below:

	2016	2015
Income (Loss) from continuing operations before income taxes		
United States	$ (4,155,057)	$ (7,828,941)
Foreign	7,486	(65,346)
	$ (4,147,571)	$ (7,894,285)

The Income Tax (benefit) provision from continuing operations consists of the following:

Foreign		
Current	$ 66,680	$ 93,037
Deferred	55,670	135,280
Change in Valuation Allowance	(55,670)	(135,280)
U.S. Federal		
Current	-	-
Deferred	(1,614,833)	(1,838,235)
Change in Valuation Allowance	1,734,224	1,922,815
State & Local		
Current	-	-
Deferred	(167,597)	(216,263)
Change in Valuation Allowance	179,989	226,214
	$ 198,463	$ 187,568

The (benefit) provision for income tax, from continuing operations, using statutory U.S. federal tax rate of 34% is reconciled to the company's effective tax rate as follows:

	2016	2015
Computed "expected" income tax benefit	$ (1,410,174)	$ (2,684,057)
State income taxes, net of federal benefit	(146,357)	(315,771)
Foreign rate differential	-	87,657
Prior year true-ups other deferred tax balances	(337,713)	322,936
Permanent Items	27,219	11,698
Capital loss expiration	-	333,837
Convertible Debt Issuances and conversions	-	482,018
Foreign Tax Expense	66,680	93,037
Other	140,265	(157,536)
Change in valuation allowance	1,858,543	2,013,749
Effective Rate	$ 198,463	$ 187,568

Deferred income taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting and the amounts used for tax purposes. Major components of deferred tax assets for continuing operations at December 31, 2016 and 2015 were:

	2016	2015
Net operating loss carryforwards	$ 9,291,804	$ 8,612,906
Capital loss carryforwards	152,772	154,700
Section 1231 loss carryforwards	111,506	15,080
Charitable contribution carryforwards	33,998	16,815
Derivative liability	0	468,011
Other	260,086	190,551
Restaurant startup costs	89,159	137,893
Accrued Expenses	686,321	36,182
Deferred occupancy liabilities	261,181	290,500
Total deferred Tax Assets	10,886,827	9,922,638
Property and equipment	(765,187)	(978,583)
Convertible debt	(17,611)	(811,177)
Investments	(80,246)	(90,200)
Intangibles and Goodwill	(536,891)	(282,547)
Total deferred tax liabilities	(1,399,935)	(2,162,507)
Net deferred tax assets	9,486,892	7,760,131
Valuation Allowance	(10,972,446)	(9,113,900)
	$ (1,485,554)	$ (1,353,771)

Excluded from the above table of deferred tax assets are approximately $2,940,000 and $3,213,000 for net operating loss carryforwards and related valuation allowances for discontinued operations at December 31, 2016 and 2015, respectively.

As of December 31, 2016 and 2015, the company has U.S. federal and state net operating loss carryovers of approximately $32,893,000 and $29,635,000 respectively, which will expire at various dates beginning in 2031 through 2036, if not utilized. As of December 31, 2016 and 2015 the company has foreign net operating loss carryovers of approximately $1,352,000 (for South Africa) and $2,284,000 ($701,000 for Hungary, $1,175,000 for South Africa, and $408,000 for Australia) respectively. Depending on the jurisdiction, some of these net operating loss carryovers will begin to expire within 5 years, while other net operating losses can be carried forward indefinitely as long as the company is trading. The company has a capital loss carryforward of $407,000 which expires between 2016 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. Quarterly ownership changes for the past 3 years were analyzed and it was determined that there was no change of control as of December 31, 2016.

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 years ended December 31, 2016 and December 31, 2015 the change in valuation allowance related to continuing operations was approximately $1,858,543 and $2,013,749, respectively.

The company evaluated the provisions of ASC 740 related to the accounting for uncertainty in income taxes recognized in their 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.

Interest related to uncertain tax positions are required to be calculated, if applicable, and would be classified as "interest expense" in the two statements of operations. Penalties would be recognized as a component of "general and administrative expenses". As of December 31, 2016 and 2015 no interest or penalties were required to be reported.

No provision was made for U.S. or foreign taxes on approximately $1,267,000 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 or on any book-tax basis differences. Earnings from the U.K. subsidiary are no longer considered to be permanently reinvested. Therefore, for deferred tax purposes only, the company has deemed the earnings to be repatriated to the parent company as a dividend. This deemed dividend is fully offset by the company's net operating losses, so there is no deferred tax expense on the deemed repatriation.

12. STOCKHOLDERS' EQUITY

The Company had 45,000,000 shares of its $0.0001 par value common stock authorized at both December 31, 2016 and December 31, 2015. The Company had 21,394,247 and 21,337,247 shares issued and outstanding at December 31, 2016 and December 31, 2015, respectively.

The Company has 5,000,000 shares of its no par value preferred stock authorized at both December 31, 2016 and December 31, 2015.

Beginning in December 2016, the Company conducted a rights offering of units, each unit consisting of one share of 9% Redeemable Series 1 Preferred Stock ("Series 1 Preferred") and one Series 1 Warrant ("Series 1 Warrant") to purchase 10 shares of common stock. Holders of the Series 1 Preferred are entitled to receive cumulative dividends out of legally available funds at the rate of 9% of the purchase price per year for a term of seven years, payable quarterly on the last day of March, June, September and December in each year in cash or registered common stock. Shares of common stock issued as dividends will be issued at a 10% discount to the five-day volume weighted average price per share of common stock prior to the date of issuance. Dividends will be paid prior to any dividend to the holders of common stock. The Series 1 Preferred in non-voting and has a liquidation preference of $13.50 per share, equal to its purchase price. Chanticleer is required to redeem the outstanding Series 1 Preferred at the expiration of the seven-year term.. The redemption price for any shares of Series 1 Preferred will be an amount equal to the $13.50 purchase price per share plus any accrued but unpaid dividends to the date fixed for redemption.

As of December 31, 2016, 19,050 shares of preferred stock were issued pursuant to the Preferred Stock Units rights offering. In addition, 43,826 additional shares were issued following in February 2016 for a total of 62,876 issued and outstanding as the date of this report (See Note 16 Subsequent Events).

In connection with the payment of past due interest on its $5 million note payable, the Company issued 562,900 shares of its common stock to the lender. Concurrently, the Company entered into a put agreement with Florida Mezzanine Fund during 2016 which provides the lender the right to require the Company to repurchase those shares at a price of $0.62 cents per share. This put right originally expired in January 2017 and was subsequently extended to March 31, 2017, and may conceivably be extended beyond that date in connection with ongoing discussion with the lender. The shares subject to the repurchase obligation have been reflected as a redeemable temporary equity on the accompanying consolidated balance sheet as of December 31, 2016.

Options and Warrants

The Company's shareholders have approved the Chanticleer Holdings, Inc. 2014 Stock Incentive Plan (the "2014 Plan"), authorizing the issuance of options, stock appreciation rights, restricted stock awards and units, performance shares and units, phantom stock and other stock-based and dividend equivalent awards. Pursuant to the approved 2014 Plan, 4,000,000 shares have been approved for grant.

As of December 31, 2016, the Company had issued 325,340 restricted and unrestricted shares on a cumulative basis under the plan pursuant to compensatory arrangements with employees, board members and outside consultants. No employee stock options have been issued or are outstanding as of December 31, 2016 and December 31, 2015. The Company issued 150,000 restricted stock units to employees during 2016. Approximately 3,674,660 shares remained available for grant in the future.

The Company also has issued warrants to investors in connection with financing transactions. Fair value of any warrant issuances is valued utilizing the Black-Scholes model. The model includes subjective input assumptions that can materially affect the fair value estimates. The expected stock price volatility for the Company's warrants was determined by the historical volatilities for industry peers and used an average of those volatilities.

A summary of the warrant activity during the years ended December 31, 2016 and 2015 is presented below:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Remaining Life
Outstanding January 1, 2016	9,506,304	$ 4.93	1.5
Granted	190,500	1.35	7.0
Exercised	-	-	
Forfeited	(474,772)	(2.63)	-
Outstanding December 31, 2016	9,222,032	$ 4.98	1.7
Exercisable December 31, 2016	9,222,032	$ 4.98	1.7

Exercise Price	Outstanding Number of Warrants	Weighted Average Remaining Life in Years	Exerciseable Number of Warrants
> $4.00	7,439,631	1.5	7,439,631
$3.00-$3.99	499,901	2.6	499,901
$2.00-$2.99	779,500	3.1	779,500
$1.00-$1.99	503,000	4.3	503,000
	9,222,032		9,222,032

13. 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, 2016 and 2015 are as follows:

	December 31, 2016	December 31, 2015
Hoot SA I, LLC	$ -	$ 12,963
Chanticleer Investors, LLC	194,350	-
	$ 194,350	$ 12,963

The amount from Chanticleer Investors LLC is related to cash distributions received from Chanticleer Investors LLC's interest Hooters of America which is payable to the Company's co-investors in that investment.

14. SEGMENTS OF BUSINESS

The Company is in the business of operating restaurants and its operations are organized by geographic region and by brand within each region. Further each restaurant location produces monthly financial statements at the individual store level. The Company's chief operating decision maker reviews revenues and profitability at the individual restaurant location level, as well as for Full Service Hooters, Better Burger Fast Casual and Just Fresh Fast Casual level, and corporate as a group.

The following are revenues and operating income (loss) from continuing operations by segment as of and for the years ended December 31, 2016 and 2015. The Company does not aggregate or review non-current assets at the segment level.

	Year Ended	
	December 31, 2016	December 31, 2015
Revenue:		
Hooters Full Service	$ 13,328,809	$ 14,887,874
Better Burgers Fast Casual	22,588,557	14,542,094
Just Fresh Fast Casual	5,684,635	5,498,790
Corporate and Other	100,000	424,829
	$ 41,702,001	$ 35,353,587
Operating Income (Loss):		
Hooters Full Service	$ 116,843	$ (194,442)
Better Burgers Fast Casual	(372,401)	(1,356,984)
Just Fresh Fast Casual	(33,529)	(33,248)
Corporate and Other	(2,330,801)	(3,495,125)
	$ (2,619,888)	$ (5,079,799)
Depreciation and Amortization		
Hooters Full Service	$ 534,210	$ 541,799
Better Burgers Fast Casual	1,481,005	969,331
Just Fresh Fast Casual	323,108	182,173
Corporate and Other	3,374	4,211
	$ 2,341,697	$ 1,697,514

The following are revenues and operating income (loss) from continuing operations and non-current assets by geographic region as of and for the years ended December 31, 2016 and 2015.

	Year Ended	
	December 31, 2016	December 31, 2015
Revenue:		
United States	$ 33,374,791	$ 25,528,468
South Africa	5,409,648	6,430,524
Europe	2,917,562	3,394,595
	$ 41,702,001	$ 35,353,587
Operating Income (Loss):		
United States	$ (2,712,766)	$ (5,114,687)
South Africa	(114,971)	(162,228)
Europe	207,849	197,116
	$ (2,619,888)	$ (5,079,799)
Non-current Assets:	**December 31, 2016**	**December 31, 2015**
United States	$ 26,812,062	$ 33,417,290
South Africa	2,519,135	2,186,644
Europe	2,361,246	2,782,697
	$ 31,692,443	$ 38,386,631

15. COMMITMENTS AND CONTINGENCIES

The Company, through its subsidiaries, leases the land and buildings for our 6 restaurants in South Africa, 1 restaurant in Nottingham, United Kingdom, and 36 restaurants in the U.S. The South Africa leases are for five-year terms and include options to extend the terms. The terms for our U.S. restaurant leases vary from two 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. We also lease our corporate office space in Charlotte, North Carolina.

Rent obligations for are presented below:

	Total
12/31/2017	$ 3,887,253
12/31/2018	3,782,172
12/31/2019	3,682,395
12/31/2020	3,239,564
12/31/2021	2,711,403
thereafter	8,587,216
	$ 25,890,003

Rent expense for the years ended December 31, 2016 and December 31, 2015 was $3.4 million and $3.0 million respectively. Rent expense for the years ended December 31, 2016 and 2015 for the Company's restaurants was $3.3 million and $3.0 million, respectively, and is included in the "Restaurant operating expenses" of the Consolidated Statements of Operations and Comprehensive Loss. Rent expense for the years ended December 31, 2016 and 2015 for the non-restaurants was $50 thousand and $35 thousand, and is included in the "General and administrative expense" of the Consolidated Statements of Operations and Comprehensive Loss.

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. Madam Justice Steryi dismissed the action with costs on May 5, 2014. Ms. Shaw appealed this decision and in December 2016, the Court dismissed the Labyrinth case with costs payable to the Company, and allowed the Rolalor case to proceed to liquidation. The Company did not object to the proposed liquidation of Rolalor as the entity has no assets and the Company does not expect there to be any material impact on the Company. No amounts have been accrued as of December 31, 2016 or 2015 in the accompanying consolidated balance sheets.

On January 28, 2016, our Just Fresh subsidiary was notified that it had been served with a copyright infringement complaint, Kevin Chelko Photography, Inc. f. JF Restaurants, LLC, Case No. 3:13-CV-60-GCM (W.D. N.C.). The claim was filed in the United States District Court for the Western District of North Carolina Charlotte Division and seeks unspecified damages related to the use of certain photographic assets allegedly in violation of the United States copyright laws. On January 19, 2017, the case was dismissed with no damages being awarded and no amounts have been reflected in the accompanying consolidated balance sheets as of December 31, 2016, or December 31, 2015.

Prior to the Company's acquisition of Little Big Burger, a class action lawsuit was filed in Oregon by certain current and former employees of Little Big Burger asserting that the former owners of Little Big Burger failed to compensate employees for overtime hours and also that an employee had been wrongfully terminated. The plaintiffs and defendants agreed to enter into a settlement agreement pursuant to which the former owners of Little Big Burger will pay a gross settlement of up to $675,000, inclusive of plaintiffs' attorney's fees of $225,000. This settlement was approved by the court and all settlement payments were distributed by the sellers and this matter closed prior to September 30, 2016.

In connection with our acquisition of Little Big Burger, the sellers agreed that the 1,619,646 shares of the Company's common stock certain of the sellers received from the Company and an additional $200,000 in cash would be held in escrow until such time as the litigation was fully resolved. The Company reflected the $675,000 settlement amount in accrued liabilities, with an offsetting asset in other current assets, in the accompanying consolidated balance sheets as of December 31, 2015. As of December 31, 2016, the lawsuit had been fully resolved and all amounts paid by the sellers. Accordingly, no amounts are reflected in the Company's consolildated balance sheet as of December 31, 2016.

From time to time, the Company may be involved in legal proceedings and claims that 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.

16. SUBSEQUENT EVENTS

Rights Offering and Preferred Units

As of December 31, 2016, the Company had issued 19,050 units, each unit consisting of one share of Series 1 Preferred Stock and one Series 1 warrants to purchase 10 shares of Common Stock at a strike price of $1.35 and a 7-year term. The preferred stock is presented as a liability as it is subject to mandatory redemption on the accompanying consolidated balance sheet as of December 31, 2016 (see Note 12 "Stockholder's Equity).

Subsequent to December 31, 2016 the Company continued its rights offering through February 10, 2017. The total subscription proceeds received by the Company amounted to $848,826 before payment of the dealer-manager and placement agent fees and other offering expenses and the Company issued a total of 62,875 units representing 62,875 shares of Series 1 Preferred Stock and 62,875 warrants which entitle the holders to purchase 628,750 shares of common stock at a price of $13.50 with a 7-year term.

Receivables Financing Facilities

During February 2017, in consideration for proceeds of $330,000, the Company agreed to remit a total of $412,500 from the merchant accounts of eight of its restaurant locations directly to a lender. The Company agreed to make payments of $1,965 per day for 210 days. The Company has the option to payoff the loan early by remitting a total of $372,900 by the 120th day.

During March 2017 in consideration for proceeds of $150,000, the Company agreed to remit a total of $205,500 from the merchant accounts of three of its restaurant locations directly to the lender. The Company agreed to make payments of $856.25 per day for 240 days.

The Company granted a security interest in the credit card receivables of the specified restaurants in connection with the Receivables Financing Agreements.

Convertible Note Exchanges

Pursuant to exchange agreements dated and effective March 10, 2017 by and between the Company and four existing note holders, the Company exchanged its 8% convertible notes (see Note 9 - Convertible Debt) in the aggregate principal amount of $725,000, which notes were in default, for new two-year 2% notes, in the aggregate principal amount of $820,107, representing principal and unpaid accrued interest. The original convertible notes were canceled and the new convertible notes may be converted to common stock of the Company, at the option of the holder, at a conversion price of $0.30 per share and may be called by the holder after the one-year anniversary of the exchange date.

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

None.

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, 2016. Our management has determined that, as of December 31, 2016, the Company's disclosure controls and procedures were ineffective.

Management's report on internal control over financial reporting

Management Responsibility for Internal Control over Financial Reporting. 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 Internal Control over Financial Reporting. Management evaluated our internal control over financial reporting as of December 31, 2016. 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, 2016, 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 deficiencies in its internal controls over financial reporting:

- As the Company recently completed multiple acquisitions in a short period of time, it operated multiple accounting systems using disparate charts of accounts and inconsistent financial close procedures and timetables for a large portion of the current year. The lack of consistency makes it more difficult to ensure that the consolidated financial records are completed timely and on a consistent basis each reporting period, which increases the risk of undetected errors.

- The Company's financial close procedures are not formally documented across the organization with the degree of consistency necessary to ensure that financial statements are prepared consistently and accurately each reporting period.

- The Company's information systems, as well as the organization and storage of critical financial records, were not deemed adequate to ensure the timely ability to recover from a disaster or prevent the accidental loss of critical financial records.

- The Company's financial statements include complex transactions and financial instruments that are subject to extensive technical accounting standards that increase the risk of undetected errors and where the Company's internal resources do not possess deep technical specialization.

- The Company performs extensive reconciliation and manual review procedures to ensure that the financial statements results are accurately presented, however, there is inconsistent and informal documentation of those review procedures.

Management determined that the deficiencies, evaluated in the aggregate, could potentially result in a material misstatement of the consolidated financial statements in a future annual or interim period that would not be prevented or detected. Therefore, the deficiencies constitute material weaknesses in internal control. Based on that evaluation, management determined that our internal controls over financial reporting were not effective as of December 31, 2016,

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 control deficiencies noted above.

While our evaluation of the appropriate remediation plans is still ongoing, efforts to date have included recruiting additional qualified personnel with experience in financial reporting and internal controls. We have also migrated substantially all of our operations to a common accounting system during 2016 and are now utilizing a common chart of accounts and improved accounting close and review procedures throughout many of our operations.

As of January 1, 2017, the Company continued the remediation process by transitioning the majority of its accounting functions to a more robust central accounting system, consolidated its Burger operations to a common point of sale platform, and automated many of the underling transactional processes to further standardize, streamline and enhance consistency in preparing financial reports. While these changes were not in place in time to have any impact on our assessment as of December 31, 2106, management expects internal controls over financial reporting to improve during 2017 as a result of these actions.

Changes in Internal Control over Financial Reporting — As a result of the acquisitions, the Company has been evaluating additional changes to processes and policies to further standardize the internal control over financial reporting with respect to the monitoring, reporting and consolidation of the financial results of the acquired operations into the Company's financial statements. 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, 2016, 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.

Information called for by this item may be found in our definitive Proxy Statement in connection with our 2016 Annual Meeting of Shareholders to be filed with the SEC under the headings "Board of Directors and Management," "Section 16(a) Beneficial Ownership Reporting Compliance" and "Corporate Governance Matters" and is incorporated herein by reference.

ITEM 11. Executive Compensation.

Information called for by this item may be found in our definitive Proxy Statement in connection with our 2016 Annual Meeting of Shareholders to be filed with the SEC under the headings "Executive Compensation" and "Corporate Governance Matters" and is incorporated herein by reference.

ITEM 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Information called for by this item may be found in our definitive Proxy Statement in connection with our 2016 Annual Meeting of Shareholders to be filed with the SEC under the headings "Equity Compensation Plan Information" and "Security Ownership of Certain Beneficial Owners and Management" and is incorporated herein by reference.

ITEM 13. Certain Relationships and Related Transactions, and Director Independence.

Information called for by this item may be found in our definitive Proxy Statement in connection with our 2016 Annual Meeting of Shareholders to be filed with the SEC under the headings "Related Person Transactions" and "Corporate Governance Matters" and is incorporated herein by reference.

ITEM 14. Principal Accountant Fees and Services.

Information called for by this item may be found in our definitive Proxy Statement in connection with our 2016 Annual Meeting of Shareholders to be filed with the SEC under the headings "Independent Registered Public Accounting Firm Fee Information" and "Audit Committee Pre-Approval Policy" and is incorporated herein by reference.

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, 2016 and 2015
- Consolidated Statements of Operations and Comprehensive Loss for the years ended December 31, 2016 and 2015
- Consolidated Statements of Stockholders' Equity at December 31, 2016 and 2015
- Consolidated Statements of Cash Flows for the years ended December 31, 2016 and 2015
- 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, 2017.

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, 2017	Chairman, Chief Executive Officer, and Principal Executive Officer	*/s/ Michael D. Pruitt* Michael D. Pruitt
March 31, 2017	Chief Financial Officer and Principal Accounting Officer	*/s/ Eric S. Lederer* Eric S. Lederer
March 31, 2017	Director	*/s/ Greg Kraut* Greg Kraut
March 31, 2017	Director	*/s/ Russell J. Page* Russell J. Page
March 31, 2017	Director	*/s/ Neil Kiefer* Neil Kiefer
March 31, 2017	Director	*/s/ Keith Johnson* Keith Johnson

EXHIBIT INDEX

Exhibit	Description
2.1	Purchase Agreements for Australian Entities dated June 30, 2014 (Incorporated by reference to Exhibit 2.1 to our Current Report on Form 8-K, filed with the SEC on July 3, 2014)
3.1	Certificate of Incorporation (Incorporated by reference to the Exhibit 3.1.A to our Registration Statement on Form 10SB-12G, filed with the SEC on February 15, 2000 (File No. 000-29507)
3.2	Certificate of Merger, filed May 2, 2005 (Incorporated by reference to Exhibit 2.1 filed with our Quarterly Report on Form 10-Q, filed with the SEC on August 15, 2011)
3.3	Certificate of Amendment, filed July 16, 2008 (Incorporated by reference to Exhibit 3.1 filed with our Registration Statement on Form S-1/A (Registration No. 333-178307), filed with the SEC on February 3, 2012)
3.4	Certificate of Amendment, filed March 18, 2011 Incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K, filed with the SEC on March 18, 2011)
3.5	Certificate of Amendment, filed May 23, 2012 (Incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K, filed with the SEC on May 24, 2012)
3.6	Certificate of Amendment, filed February 3, 2014 (Incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K, filed with the SEC on February 4, 2014)
3.7	Certificate of Amendment, filed October 2, 2014 (Incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K, filed with the SEC on October 2, 2014)
3.8	Form of Certificate of Designation of the Series 1 Preferred Stock (Incorporated by reference to Exhibit 3.8 to Registration Statement on Form S-1 (Registration No. 333-214319, as filed December 5, 2016)
3.8	Bylaws (Incorporated by reference to Exhibit 3.II.A to our Registration Statement on Form 10SB-12G, filed with the SEC on February 15, 2000 (File No. 000-29507))
4.1	Form of Common Stock Certificate (Incorporated by reference to Exhibit 4.1 to our Registration Statement on Form S-1 (Registration No. 333-178307), filed with the SEC on December 2, 2011)

4.2	Form of Unit Certificate dated June 2012 (Incorporated by reference to Exhibit 4.2 to our Registration Statement on Form S-1/A (Registration No. 333-178307), filed with the SEC on May 30, 2012)
4.3	Form of Warrant Agency Agreement dated June 2012 with Form of Warrant Certificate with $6.50 Exercise Price (Incorporated by reference to Exhibit 4.4 to our Registration Statement on Form S-1/A (Registration No. 333-178307), filed with the SEC on May 30, 2012)
4.4	Form of 6% Secured Subordinate Convertible Note dated August 2013 (Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K, filed with the SEC on August 5, 2013)
4.5	Form of Warrant for August 2013 Convertible Note with $3.00 Exercise Price (Incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K, filed with the SEC on August 5, 2013).
4.6	Form of Warrant for September 2013 Merger Agreement with $5.00 Exercise Price (Incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K, filed with the SEC on October 1, 2013)
4.7	Form of Warrant for September 2013 Subscription Agreement with $5.00 Exercise Price (Incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K, filed with the SEC on October 10, 2013)
4.8	Form of Warrant for November 2013 Subscription Agreement with $5.50 and $7.00 Exercise Price (Incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K, filed with the SEC on November 13, 2013)
4.9	Form of Warrant for January 2015 Subscription Agreement with $2.50 Exercise Price (Incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K/A, filed with the SEC on January 9, 2015)
10.1	Form of Franchise Agreement between the Company and Hooters of America, LLC (Incorporated by reference to Exhibit 10.2 to our Registration Statement on Form S-1 (Registration No. 333-178307), filed with the SEC on December 2, 2011)
10.2*	Chanticleer Holdings, Inc. 2014 Stock Incentive Plan effective February 3, 2014 (Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K, filed with the SEC on February 4, 2014)
10.3	Debt Assumption Agreements, dated July 1, 2014 (Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K, filed with the SEC on July 3, 2014)
10.4	Gaming Assignment, dated July 1, 2014 (Incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K, filed with the SEC on July 3, 2014)
10.5	Asset Purchase Agreement by and between Chanticleer Holdings, Inc., The Burger Company, LLC and American Burger Morehead, LLC dated September 9, 2014 (Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K, filed with the SEC on September 10, 2014)
10.6	Asset Purchase Agreement by and between Chanticleer Holdings, Inc., Dallas Spoon, LLC and Express Working Capital, LLC d/b/a CapRock Services dated December 31, 2014 (Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K, filed with the SEC on January 6, 2015)
10.7	Form of Subscription Agreement dated January 2015 (Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K/A, filed with the SEC on January 9, 2015)
10.8	Form of Note dated January 2015 (Incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K/A, filed with the SEC on January 9, 2015)
10.9	Form of Registration Rights Agreement dated January 2015 (Incorporated by reference to Exhibit 10.3 to our Current Report on Form 8-K/A, filed with the SEC on January 9, 2015)

10.10	Asset Purchase Agreement by and between Chanticleer Holdings, Inc., BGR Holdings, LLC and BGR Acquisition LLC, dated February 18, 2015 (Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K, filed with the SEC on February 18, 2015)
10.11	Membership Interest Purchase Agreement dated July 31, 2015 (Incorporated by reference to exhibit 10.1 to our Current Report on Form 8-K, filed with the SEC on August 3, 2015)
10.12	Form of Leak Out Agreement dated September 30, 2015 (Incorporated by reference to exhibit 10.2 to our Current Report on Form 8-K, filed with the SEC on October 5, 2015)
10.13	Form of Securities Account Control Agreement dated September 30, 2015 (Incorporated by reference to exhibit 10.3 to our Current Report on Form 8-K, filed with the SEC on October 5, 2015)
10.14	Stock Pledge and Security Agreement dated September 30, 2015 (Incorporated by reference to exhibit 10.4 to our Current Report on Form 8-K, filed with the SEC on October 5, 2015)
10.15	Asset Purchase Agreement by and between Chanticleer Holdings, Inc., BT's Burgerjoint Management, LLC and BT Burger Acquisition, LLC dated March 31, 2015 (Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K, filed with the SEC on March 31, 2015)
10.16	Amendment No. 1 to Asset Purchase Agreement by and between Chanticleer Holdings, Inc., BT's Burgerjoint Management, LLC and BT Burger Acquisition, LLC dated May 31, 2015 (incorporated by reference to Exhibit 10.7 to Amendment No. 1 to Form S-3, Registration No. 333- 203679, as filed June 3, 2015)
10.17	Form of Securities Purchase Agreement by and between the Company and Carl Caserta dated February 11, 2015 (Incorporated by reference to Exhibit 10.1 to our Registration Statement on Form S-3 filed with the SEC on April 27, 2015)
10.18	Agreement dated April 24, 2015 by and among the Company, AT Media Corp. and Aton Select Fund, Ltd. (Incorporated by reference to Exhibit 10.2 to our Registration Statement on Form S-3 filed with the SEC on April 27, 2015)
10.19	Registration Rights Agreement by and between the Company and Carl Caserta dated February 11, 2015 (Incorporated by reference to Exhibit 10.3 to our Registration Statement on Form S-3 filed with the SEC on April 27, 2015)
10.20	Membership Interest Purchase Agreement dated July 31, 2015 (incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K as filed with the SEC on August 3, 2015)
10.21	Form of Leak out Agreement (incorporated by reference to Exhibit 10.2 to Current Report on Form 8-K as filed with the SEC on October 5, 2015)
10.22	Form of Securities Account Control Agreement Form of Leak out Agreement (incorporated by reference to Exhibit 10.3 to Current Report on Form 8-K as filed with the SEC on October 5, 2015)
10.23	Stock Pledge and Security Agreement dated September 30, 2015 (incorporated by reference to Exhibit 10.4 to Current Report on Form 8-K as filed with the SEC on October 5, 2015)
10.24	Business sale agreement to purchase the assets of Hoot Campbelltown Pty Ltd and Hoot Penrith Pty Ltd for the purchase price of $390,000 AUD dated August 12, 2015 (Incorporated by reference to Exhibit 10.24 to Annual Report on Form 10K for the period ending December 31, 2015, as filed March 30, 2016)
10.25	Business sale agreement to purchase the assets of Hoot Gold Coast Pty Ltd and Hoot Townsville Pty Limited dated August 12, 2015 (Incorporated by reference to Exhibit 10.25 to Annual Report on Form 10K for the period ending December 31, 2015, as filed March 30, 2016)

10.26	Business sale agreement to purchase the assets of Hoot Parramatta Pty Ltd dated August 13, 2015 (Incorporated by reference to Exhibit 10.26 to Annual Report on Form 10K for the period ending December 31, 2015, as filed March 30, 2016)
10.27	Second Amendment to Assumption and Assignment Agreement dated October 22, 2016 by and between the Company and Florida Mezzanine Fund, LLLP (Incorporated by reference to Exhibit 10.27 to Registration Statement on Form S-1 (Registration No. 333-214319, as filed October 28, 2016)
10.28	Form of Exchange Agreement dated March 10, 2017 by and between the Company and certain note holders+
10.29	Form of 2% Convertible Promissory note issued March 10, 2017+
10.30	Amendment to 6% Secured Subordinated Convertible Note by and between the Company and certain note holder.
21	Subsidiaries of the Company+
23.1	Consent of Cherry Bekaert 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, 2014, formatted in XBRL (eXtensible Business Reporting Language) includes: (i) the Consolidated Balance Sheets at December 31, 2015 and December 31, 2014, (ii) the Consolidated Statements of Operations for the years ended December 31, 2015 and December 31, 2014, (iii) the Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 2015 and December 31, 2014, (iv) the Consolidated Statements of Cash Flows for the years ended December 31, 2015 and December 31, 2014, and (v) the Notes to the Financial Statements.

* Denotes an executive compensation plan or agreement

+ Filed herewith

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.

Name	Jurisdiction of Incorporation	Percent Owned	Name	Jurisdiction of Incorporation	Percent Owned

EXCHANGE AGREEMENT

This Exchange Agreement (the "**Agreement**") is entered into as of the 10th of March, 2017, by and among Chanticleer Holdings, Inc., a Delaware corporation with offices located at 7621 Little Avenue, Suite 414, Charlotte, North Carolina 28226 (the "**Company**"), and the investor signatory hereto (the "**Investor**"), with reference to the following facts:

A. On or about December 31, 2014, pursuant to that Subscription Agreement, dated as of December 31, 2014, by and among the Company and the Investor (the "**December 2014 Subscription Purchase Agreement**"), the Company issued a 8% Convertible Note to Purchase Common Stock to the Investor, certain of which are currently held by the Investor in such aggregate amounts as set forth below the signature of the Investor hereto (without regard to any limitations on exercise set forth therein) (collectively, the "**Investor Note**", as exercised, the "**Investor Note Shares**");

B. The Company has duly authorized the issuance to the Investor of new note in the form attached hereto as **Exhibit A** in the principal face amount of $[ ] to be exchanged for the Investor Note (the "**Exchanged Note**", as exercised, the "**Exchanged Note Shares**", and together with the Exchanged Note, the "**Exchanged Securities**");

C. Each of the Company and the Investor desire to effectuate such exchanges on the basis and subject to the terms and conditions set forth in this Agreement;

D. The exchange of the Investor Note for the Exchanged Note is being made in reliance upon the exemption from registration provided by Section 3(a)(9) of the Securities Act of 1933, as amended (the "**Securities Act**");

E. Capitalized terms used but not otherwise defined herein shall have the meanings set forth in the December 2014 Subscription Agreement.

NOW, THEREFORE, in consideration of the foregoing premises and the mutual covenants hereinafter contained, the parties hereto agree as follows:

1. **Exchange of Securities**. On the Effective Date (as defined below), pursuant to Section 3(a)(9) of the Securities Act, the Investor hereby agrees to convey, assign and transfer the Investor Note to the Company in exchange for which the Company agrees to issue the Exchanged Note to the Investor as follows (such transactions in this Section 1, the "**Exchange**").

(a) In exchange for the Investor Note, on the date hereof the Company shall deliver or cause to be delivered to the Investor (or its designee) the Exchanged Note at the address for delivery set forth on the signature page of the Investor. The Exchanged Note shall be issued without any restrictive legend.

(b) The Investor shall deliver or cause to be delivered to the Company (or its designee) the Investor Note as soon as commercially practicable following the date hereof. Immediately following the delivery of the Exchanged Note to the Investor (or its designee) (such time, the "**Effective Date**"), the Investor Note shall be cancelled.

(c) The Company and the Investor shall execute and/or deliver such other documents and agreements as are customary and reasonably necessary to effectuate the Exchange.

2. **Representations and Warranties of the Company**. The Company represents and warrants to the Investor, as of the date hereof, and as of the time of consummation of the Exchange, that:

(a) Organization and Qualification. The Company and each Subsidiary are duly incorporated or otherwise organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization (as applicable), with the requisite power and authority to own and use its properties and assets and to carry on its business as currently conducted. Neither the Company nor any Subsidiary is in violation of any of the provisions of its respective certificate or articles of incorporation, bylaws or other organizational or charter documents except, with respect to the Subsidiaries, for violations which would not, individually or in the aggregate, have or reasonably be expected to result in a Material Adverse Effect. The Company and each Subsidiary are duly qualified to conduct its respective businesses and are in good standing as a foreign corporation or other entity in each jurisdiction in which the nature of the business conducted or property owned by it makes such qualification necessary, except where the failure to be so qualified or in good standing, as the case may be, would not, individually or in the aggregate, have or reasonably be expected to result in a Material Adverse Effect.

(b) Authorization and Binding Obligation. The Company has the requisite power and authority to enter into and perform its obligations under this Agreement and each of the other agreements and certificates entered into by the parties hereto in connection with the transactions contemplated by this Agreement (collectively, the "**Exchange Documents**") and to issue the Exchanged Securities in accordance with the terms hereof and thereof. The execution and delivery of the Exchange Documents by the Company and the consummation by the Company of the transactions contemplated hereby and thereby, including, without limitation, the issuance of the Exchanged Securities, have been duly authorized by the Board of Directors of the Company and, other than (i) such filings required under applicable securities or "Blue Sky" laws of the states of the United States, (ii) no further filing, consent, or authorization is required by the Company or of its Board of Directors or its shareholders. This Agreement and the other Exchange Documents have been duly executed and delivered by the Company and constitute the legal, valid and binding obligations of the Company enforceable against the Company in accordance with their respective terms, except as such enforceability may be limited by general principles of equity or applicable bankruptcy, insolvency, reorganization, moratorium, liquidation or similar laws relating to, or affecting generally, the enforcement of applicable creditors' rights and remedies.

(c) No Conflict; Required Filings and Consents.

(i) The execution, delivery and performance of the Exchange Documents by the Company and the consummation by the Company of the transactions contemplated hereby and thereby will not (A) result in a violation of the Certificate of Incorporation, the terms of any share capital of the Company or any of its Subsidiaries, the Bylaws or any of the organizational documents of the Company or any of its Subsidiaries or (B) conflict with, or constitute a default (or an event which with notice or lapse of time or both would become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation of, any agreement, indenture or instrument to which the Company or any of its Subsidiaries is a party, or (C) result in a violation of any law, rule, regulation, order, judgment or decree (including U.S. federal and state securities laws, rules, and regulations, and the rules and regulations of the NASDAQ Capital Market (the "**Principal Market**") applicable to the Company or any of its Subsidiaries or by which any property or asset of the Company or any of its Subsidiaries is bound or affected.

(ii) Neither the Company nor any of its Subsidiaries is required to obtain any consent, authorization or order of, or, make any filing or registration with, any court, governmental agency or any regulatory or self-regulatory agency or any other Person in order for it to execute, deliver or perform any of its obligations under or contemplated by the Exchange Documents, in each case in accordance with the terms hereof or thereof. All consents, authorizations, orders, filings and registrations (which the Company is required to obtain pursuant to the preceding sentence) have been obtained or effected, or will have been obtained or effected, on or prior to the date hereof, and the Company and its Subsidiaries are unaware of any facts or circumstances that might prevent the Company from obtaining or effecting any of the registration, application or filings pursuant to the preceding sentence.

(d) No Integration. None of the Company, its Subsidiaries, any of their affiliates, or any Person acting on their behalf has, directly or indirectly, made any offers or sales of any security or solicited any offers to buy any security, under circumstances that would require registration of any of Exchanged Securities under the Securities Act or cause this offering of the Exchanged Securities to be integrated with prior offerings by the Company for purposes of the Securities Act or any applicable shareholder approval provisions, including, without limitation, under the rules and regulations of any exchange or automated quotation system on which any of the securities of the Company are listed or designated. None of the Company, its Subsidiaries, their affiliates or any Person acting on their behalf will take any action or steps referred to in the preceding sentence that would require registration of any of Exchanged Securities under the Securities Act or cause the offering of the Exchanged Securities to be integrated with other offerings.

(e) Securities Law Exemptions. Assuming the accuracy of the representations and warranties of the Investor contained herein, the offer and issuance by the Company of the Exchanged Securities is exempt from registration under the Securities Act and all applicable state securities laws. The offer and issuance of the Exchanged Securities is exempt from registration under the Securities Act pursuant to the exemption provided by Section 3(a)(9) thereof.

(f) Issuance of Exchanged Securities. The issuance of the Exchanged Securities is duly authorized and upon issuance in accordance with the terms of the Exchange Documents shall be validly issued, fully paid and non-assessable and free from all taxes, liens, charges and other encumbrances with respect to the issue thereof. Upon conversion, the Exchange Note Shares shall be (i) issued in electronic form, (ii) freely tradable and transferable and without restriction on resale, and (iii) timely credited by the Company to the Investor's or its designee's specified Deposit/Withdrawal at Custodian account with DTC under its Fast Automated Securities Transfer Program, or any similar program hereafter adopted by the Depository Trust Company ("**DTC**") performing substantially the same function ("**DWAC Shares**"). The Company shall take all action necessary to ensure that its Common Stock can be transferred electronically as DWAC Shares.

(g) Disclosure. Other than as set forth in the Press Release (as defined below), the Company confirms that neither it nor any other Person acting on its behalf has provided the Investor or its agents or counsel with any information that constitutes or could reasonably be expected to constitute material, nonpublic information. The Company understands and confirms that the Investor will rely on the foregoing representations in effecting transactions in the Exchanged Securities. All disclosure provided to the Investor regarding the Company and its Subsidiaries, their business and the transactions contemplated hereby, including the schedules to this Agreement, furnished by or on behalf of the Company is true and correct and does not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading. No event or circumstance has occurred or information exists with respect to the Company or any of its Subsidiaries or its or their business, properties, prospects, operations or financial conditions, which, under applicable law, rule or regulation, requires public disclosure or announcement by the Company but which has not been so publicly announced or disclosed.

(h) Shell Company Status. The Company is not currently, and has never been, an issuer identified in Rule 144(i)(1) under the Securities Act.

(i) SEC Documents. The Company has filed all reports, schedules, forms, statements and other documents required to be filed by the Company under the Securities Act and the Exchange Act of 1934, as amended (the "**Exchange Act**"), including pursuant to Section 13(a) or 15(d) thereof, for the 24 months preceding the date hereof (or such shorter period as the Company was required by law or regulation to file such material) (the foregoing materials, including the exhibits thereto and documents incorporated by reference therein, being collectively referred to herein as the "**SEC Documents**") on a timely basis or has received a valid extension of such time of filing and has filed any such SEC Documents prior to the expiration of any such extension. As of their respective dates, the SEC Documents complied in all material respects with the requirements of the Securities Act and the Exchange Act, as applicable. None of the SEC Documents, when filed, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

3. **Representations and Warranties of Investors**. The Investor represents and warrants to the Company , as of the date hereof, as follows:

(a) Organization and Authority. The Investor has the requisite power and authority to enter into and perform its obligations under this Agreement. The execution and delivery of this Agreement by the Investor and the consummation by Investor of the transactions contemplated hereby has been duly authorized by Investor's board of directors or other governing body. This Agreement has been duly executed and delivered by Investor and constitutes the legal, valid and binding obligation of Investor, enforceable against Investor in accordance with its terms.

(b) Ownership of Investor Note . The Investor owns the Investor Note free and clear of any liens (other than the obligations pursuant to this Agreement, the Transaction Documents and applicable securities laws).

(c) Reliance on Exemptions. The Investor understands that the Exchanged Securities are being offered and exchanged in reliance on specific exemptions from the registration requirements of United States federal and state securities laws and that the Company is relying in part upon the truth and accuracy of, and the Investor's compliance with, the representations, warranties, agreements, acknowledgments and understandings of the Investor set forth herein and in the Exchange Documents in order to determine the availability of such exemptions and the eligibility of the Investor to acquire the Exchanged Securities.

(d) Validity; Enforcement. This Agreement and the Exchange Documents to which the Investor is a party have been duly and validly authorized, executed and delivered on behalf of the Investor and shall constitute the legal, valid and binding obligations of the Investor enforceable against the Investor in accordance with their respective terms, except as such enforceability may be limited by general principles of equity or to applicable bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws relating to, or affecting generally, the enforcement of applicable creditors' rights and remedies.

(e) No Conflicts. The execution, delivery and performance by the Investor of this Agreement and the Exchange Documents to which the Investor is a party, and the consummation by the Investor of the transactions contemplated hereby and thereby will not (i) result in a violation of the organizational documents of the Investor or (ii) conflict with, or constitute a default (or an event which with notice or lapse of time or both would become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation of, any agreement, indenture or instrument to which the Investor is a party, or (iii) result in a violation of any law, rule, regulation, order, judgment or decree (including federal and state securities laws) applicable to the Investor, except in the case of clauses (ii) and (iii) above, for such conflicts, defaults, rights or violations which would not, individually or in the aggregate, reasonably be expected to have a material adverse effect on the ability of the Investor to perform its obligations hereunder.

4. **Disclosure of Transaction**. The Company shall, on or before 8:30 a.m., New York City Time, on the first business day after the date of this Agreement, issue a press release and/or Current Report on Form 8-K (collectively, the "**Press Release**") disclosing all material terms of the transactions contemplated hereby. From and after the issuance of the Press Release, the Investor shall not be in possession of any material, nonpublic information received from the Company or any of its respective officers, directors, employees or agents, that is not disclosed in the Press Release. The Company shall not, and shall cause its officers, directors, employees and agents, not to, provide the Investor with any material, nonpublic information regarding the Company from and after the filing of the Press Release without the express written consent of the Investor. The Company shall not disclose the name of the Investor in any filing, announcement, release or otherwise, unless such disclosure is required by law or regulation.

5. **No Integration**. None of the Company, its Subsidiaries, any of their affiliates, or any Person acting on their behalf shall, directly or indirectly, make any offers or sales of any security (as defined in the Securities Act) or solicit any offers to buy any security or take any other actions, under circumstances that would require registration of any of the Exchanged Securities under the Securities Act or cause this offering of the Exchanged Securities to be integrated with such offering or any prior offerings by the Company for purposes of the Securities Act or any applicable shareholder approval provisions, including, without limitation, under the rules and regulations of the Principal Market and/or any exchange or automated quotation system on which any of the securities of the Company are listed or designated.

6. **Listing**. The Company shall maintain the Common Stock's authorization for quotation on the Principal Market. Neither the Company nor any of its Subsidiaries shall take any action which would be reasonably expected to result in the delisting or suspension of the Common Stock on the Principal Market. The Company shall pay all fees and expenses in connection with satisfying its obligations under this Section 6.

7. **Holding Period.** For the purposes of Rule 144, the Company acknowledges that the holding period of the Exchanged Note may be tacked onto the holding period of the Investor Note, and the Company agrees not to take a position contrary to this Section 7. The Company agrees to take all actions, including, without limitation, the issuance by its legal counsel of any necessary legal opinions, necessary to issue the Exchanged Note that are freely tradable on the Principal Market without restriction and not containing any restrictive legend without the need for any action by the Investor.

8. **Regulatory Filings**. The Company shall make all filings and reports relating to the Exchange required under applicable securities or "Blue Sky" laws of the states of the United States following the date hereof, if any.

9. **No Commissions**. Neither the Company nor the Investor has paid or given, or will pay or give, to any person, any commission, fee or other remuneration, directly or indirectly, in connection with the transactions contemplated by this Agreement.

10. **Termination**. Notwithstanding anything contained in this Agreement to the contrary, if the Effective Date has not occurred and the Company does not deliver the Exchanged Note to the Investor in accordance with Section 1 hereof, then, at the election of the Investor delivered in writing to the Company at any time after the fifth (5th) business day immediately following the date of this Agreement, this Agreement shall be terminated and be null and void ab initio and the Investor Note shall not be terminated hereunder and shall remain outstanding as if this Agreement never existed.

[The remainder of the page is intentionally left blank]

IN WITNESS WHEREOF, Investor and the Company have executed this Agreement as of the date set forth on the first page of this Agreement.

INVESTOR:

By: ____________________________
Name:

Amount of principal of the Investor Note*:

$[ ] in Principal

Amount of principal of the Exchanged Note in the Exchange*:

$[ ] in Principal

Delivery Information:

____

____

____

* Without regard to any limitations on exercise set forth therein

THE COMPANY:
Chanticleer Holdings, Inc.

By: ____________________________
Name:
Title:

NEITHER THIS SECURITY NOR THE SECURITIES INTO WHICH THIS SECURITY IS CONVERTIBLE HAVE BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS AS EVIDENCED BY A LEGAL OPINION OF COUNSEL TO THE TRANSFEROR TO SUCH EFFECT, THE SUBSTANCE OF WHICH MUST BE REASONABLY ACCEPTABLE TO THE COMPANY.

Original Issue Date: December 31, 2014
Exchange Date: March 10, 2017 $[ ]

2% CONVERTIBLE NOTE

THIS 2% CONVERTIBLE NOTE is a duly authorized and validly issued 2% Convertible Note of Chanticleer Holdings, Inc., a Delaware corporation, having its principal place of business at 7621 Little Avenue, Suite 414, Charlotte, North Carolina 28226 (the "Company"), designated as its 2% Convertible Note (the "Note").

FOR VALUE RECEIVED, the Company promises to pay to _____________, (the "Holder"), or Holder's assigns, the principal sum __________ on or before March 10, 2019, unless the Holder exercises its early prepayment option as set forth in Section 6(a) of this Note (the "Maturity Date"), to pay interest to the Holder on the aggregate unconverted and then outstanding principal amount of this Note at the non-compounded rate of two percent (2%) per annum, payable quarterly in arrears beginning on March 31, 2017 and continuing thereafter until the Maturity Date. Interest shall be calculated on the basis of a 360- day year and shall accrue daily commencing on the Original Issue Date until payment in full of the principal sum, together with all accrued and unpaid interest, and other amounts, which may become due hereunder, has been made. Interest hereunder will be paid to the Person in whose name this Note is registered on the records of the Company regarding registration and transfers of this Note (the "2017 Note Register"). On and after June 30, 2017, at the Company's discretion, each payment of principal and/or interest may be paid in cash or in kind at the Conversion Price (by an increase in the principal amount payable equal to the interest due); provided, however a payment in kind may only be made if and to the extent that (A) there is an effective registration statement permitting the resale of the Conversion Shares and Warrant Shares or (B) the Conversion Shares and Warrant Shares are eligible for resale without volume or manner-of-sale limitations pursuant to Rule 144, with the Company bearing all costs of the aforementioned sales (e.g., legal and transfer agent expenses). Interest shall cease to accrue with respect to any principal amount converted or paid. This Note is being issued to the Holder pursuant to the terms and conditions of that certain Exchange Agreement dated March 10, 2017 (the "**Exchange Agreement**") and the Subscription Agreement dated December 31, 2014 by and between the Company and the Holder (the "**2014 Subscription Agreement**"). All terms not otherwise defined herein shall have the same meaning as in the Exchange Agreement and the 2014 Subscription Agreement.

This Note is subject to the following additional provisions:

1. Definitions. For the purposes hereof, in addition to the terms defined elsewhere in this Note , the following terms shall have the following meanings:

"Bankruptcy Event" means any of the following events: (a) the Company or any subsidiary commences a case or other proceeding under any bankruptcy, reorganization, arrangement, adjustment of debt, relief of debtors, dissolution, insolvency or liquidation or similar law of any jurisdiction relating to the Company or any subsidiary thereof; (b) there is commenced against the Company or any subsidiary thereof any such case or proceeding that is not dismissed within 60 days after commencement; (c) the Company or any subsidiary thereof is adjudicated insolvent or bankrupt or any order of relief or other order approving any such case or proceeding is entered; (d) the Company or any subsidiary thereof suffers any appointment of any custodian or the like for it or any substantial part of its property that is not discharged or stayed within 60 calendar days after such appointment; or (e) the Company or any subsidiary thereof makes a general assignment for the benefit of creditors.

"Business Day" means any day except Saturday, Sunday, any day which shall be a federal legal holiday in the United States or any day on which banking institutions in the State of Delaware are authorized or required by law or other governmental action to close.

"Common Stock" means the common stock, par value $0.0001 per share, of the Company.

"Common Stock Equivalent" means any securities of the Company entitling the holder thereof to acquire at any time Common Stock, including, without limitation, any debt, preferred stock, rights, options, warrants or other instrument that is at any time convertible into or exercisable or exchangeable for, or otherwise entitles the holder thereof to receive, Common Stock.

"Conversion Price" means $0.30 per share of Common Stock; provided, however, that in the event the Company (i) subdivides its outstanding Common Stock into a greater number of shares, or (ii) combines its outstanding Common Stock into a lesser number of shares, or (iii) increases or decreases the number of shares of outstanding Common Stock by reclassification of its Common Stock, then the Conversion Price on the date of such division or distribution of the effective date of such action shall be adjusted by multiplying the Conversion Price by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately before such event and the denominator of which is the number of shares of Common Stock outstanding immediately after such event.

"Notice of Conversion" means a notice in the form of Attachment A.

"Original Issue Date" means the date of the first issuance of this Note, regardless of any transfers of this Note and regardless of the number of instruments which may be issued to evidence such Note.

"Person" means an individual or corporation, partnership, trust, incorporated or unincorporated association, joint venture, limited liability company, joint stock company, government (or an agency or subdivision thereof) or other entity of any kind.

"SEC" means U.S. Securities and Exchange Commission.

"Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"Trading Day" means a day on which the principal market or exchange, on which the Common Stock is listed or quoted for trading, is open (e.g. The Nasdaq Stock Market, the NYSE AMEX Equities Exchange, the New York Stock Exchange, the OTC Bulletin Board or the OTC Markets, etc.).

"Trading Price" means the closing bid price of the Common Stock on The Nasdaq Stock Exchange or if The Nasdaq Stock Exchange is not the principal trading market for such security, the closing bid price of the Common Stock on the principal securities exchange or trading market where the Company Stock is listed or traded or, if no closing bid price of the Common Stock is available in any of the foregoing manners, the average of the closing bid prices of any market makers for the Common Stock on the OTC Markets.

2. Conversion of Outstanding Balance.

(a) The Holder shall have the right from time to time, and at any time during the period beginning on the date which is one hundred eighty (180) days following the original issuance date (December 31, 2014) of this Note and ending on the later of: (i) the Maturity Date and (ii) the date of payment of the Note, each in respect of the remaining outstanding principal amount of this Note plus all accrued and unpaid interest to convert all or any part of the outstanding and unpaid principal amount of this Note into fully paid and non- assessable shares of Common Stock, as such Common Stock exists on the Original Issuance Date, or any shares of capital stock or other securities of the Company into which such Common Stock shall hereafter be changed or reclassified at the Conversion Price. The number of shares of Common Stock to be issued upon each conversion of this Note shall be determined by dividing the Conversion Amount (as defined below) by the applicable Conversion Price then in effect on the date specified in the notice of conversion, in the form attached hereto as Exhibit A (the "Notice of Conversion"), delivered to the Company by the Holder in accordance with this Note; provided that the Notice of Conversion is submitted by facsimile or e-mail (or by other means resulting in, or reasonably expected to result in, notice) to the Company before 6:00 p.m., New York, New York time on such conversion date (the "Conversion Date"). The term "Conversion Amount" means, with respect to any conversion of this Note, the sum of (1) the principal amount of this Note to be converted in such conversion plus (2) at the Holder's option, accrued and unpaid interest, if any, on such principal amount at the interest rates provided in this Note to the Conversion Date.

(b) Mechanism to Effect Conversions. The Holder may convert this Note in whole or in part at any time and from time to time after the Original Issuance Date by delivering to the Company, via e-mail or a nationally recognized overnight courier service, a fully completed Notice of Conversion. To effect conversion(s) hereunder, the Holder shall not be required to physically surrender this Note to the Company unless the entire principal amount of this Note, plus all accrued and unpaid interest thereon, has been so converted. Conversion(s) hereunder shall have the effect of lowering the outstanding principal amount of this Note in an amount equal to the applicable conversion(s). The Company shall maintain records showing the amount(s) converted and the date of such conversion(s). The Holder, and any assignee by acceptance of this Note, acknowledge and agree that, by reason of the provisions of this paragraph, following conversion of a portion of this Note , the unpaid and unconverted amount of this Note may be less than the amount stated on the face hereof.

(c) Delivery of Common Stock Upon Conversion. Upon receipt by the Company from the Holder of a facsimile transmission or e-mail (or other reasonable means of communication) of a Notice of Conversion, the Company shall, at its sole expense, issue and deliver or cause to be issued and delivered to or upon the order of the Holder certificates for the Common Stock issuable upon such conversion within two (2) Business Days after such receipt (the "Deadline") in accordance with the terms hereof and the Exchange Agreement.

(d) Obligation of Company to Deliver Common Stock. Upon receipt by the Company of a Notice of Conversion, the Holder shall be deemed to be the holder of record of the Common Stock issuable upon such conversion, the outstanding principal amount and the amount of accrued and unpaid interest on this Note shall be reduced to reflect such conversion, and, unless the Company defaults on its obligations under this Section 2, all rights with respect to the portion of this Note being so converted shall forthwith terminate except the right to receive the Common Stock or other securities, cash or other assets, as herein provided, on such conversion. If the Holder shall have given a Notice of Conversion as provided herein, the Company's obligation to issue and deliver the certificates for Common Stock shall be absolute and unconditional, irrespective of the absence of any action by the Holder to enforce the same, any waiver or consent with respect to any provision thereof, the recovery of any judgment against any person or any action to enforce the same, any failure or delay in the enforcement of any other obligation of the Company to the holder of record, or any setoff, counterclaim, recoupment, limitation or termination, or any breach or alleged breach by the Holder of any obligation to the Company, and irrespective of any other circumstance which might otherwise limit such obligation of the Company to the Holder in connection with such conversion.

(e) Delivery of Common Stock by Electronic Transfer. In lieu of delivering physical certificates representing the Common Stock issuable upon conversion, provided the Company is participating in the Depository Trust Company ("DTC") Fast Automated Securities Transfer ("FAST") program, upon request of the Holder the Company shall use its best efforts to cause its transfer agent to electronically transmit the Common Stock issuable upon conversion to the Holder by crediting the account of Holder's Prime Broker with DTC through its Deposit Withdrawal Agent Commission ("DWAC") system.

(f) Failure to Deliver Common Stock Prior to Deadline. Without in any way limiting the Holder's right to pursue other remedies, including actual damages and/or equitable relief, the parties agree that if delivery of the Common Stock issuable upon conversion of this Note is not delivered by the Deadline, the Company shall pay to the Holder $2,000 per day in cash, for each day beyond the Deadline that the Company fails to deliver such Common Stock. Such cash amount shall be paid to Holder by the fifth day of the month following the month in which it has accrued or, at the option of the Holder (by written notice to the Company by the first day of the month following the month in which it has accrued), shall be added to the principal amount of this Note and be due on demand, in which event interest shall accrue thereon in accordance with the terms of this Note and such additional principal amount shall be convertible into Common Stock in accordance with the terms of this Note. The Company agrees that the right to convert is a valuable right to the Holder. The damages resulting from a failure, attempt to frustrate, interference with such conversion right are difficult if not impossible to qualify. Accordingly the parties acknowledge that the liquidated damages provision contained in this Section 2 are justified.

(g) Concerning the Shares. The shares of Common Stock issuable upon conversion of this Note may not be sold or transferred unless (i) such shares are sold pursuant to an effective registration statement under the Securities Act, or (ii) the Company or its transfer agent shall have been furnished with an opinion of counsel (which opinion shall be in form, substance and scope customary for opinions of counsel in comparable transactions) to the effect that the shares to be sold or transferred may be sold or transferred pursuant to an exemption from such registration or (iii) such shares are sold or transferred pursuant to Rule 144 under the Securities Act (or a successor rule) ("Rule 144") or (iv) such shares are transferred to an "affiliate" (as defined in Rule 144) of the Holder who agrees to sell or otherwise transfer the shares only in accordance with this Section 2 and who is an accredited investor. Until such time as the shares of Common Stock issuable upon conversion of this Note have been registered under the Securities Act or otherwise may be sold pursuant to Rule 144 without any restriction as to the number of securities as of a particular date that can then be immediately sold, each certificate for shares of Common Stock issuable upon conversion of this Note that has not been so included in an effective registration statement or that has not been sold pursuant to an effective registration statement or an exemption that permits removal of the legend, shall bear a legend substantially in the following form, as appropriate:

"NEITHER THE ISSUANCE AND SALE OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE NOR THE SECURITIES INTO WHICH THESE SECURITIES ARE EXERCISABLE HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS. THE SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED OR ASSIGNED (I) IN THE ABSENCE OF (A) AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR (B) AN OPINION OF COUNSEL (WHICH COUNSEL SHALL BE SELECTED BY THE HOLDER), IN A GENERALLY ACCEPTABLE FORM, THAT REGISTRATION IS NOT REQUIRED UNDER SAID ACT OR (II) UNLESS SOLD PURSUANT TO RULE 144 OR RULE 144A UNDER SAID ACT. NOTWITHSTANDING THE FOREGOING, THE SECURITIES MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT OR OTHER LOAN OR FINANCING ARRANGEMENT SECURED BY THE SECURITIES."

The legend set forth above shall be removed and the Company shall issue to the Holder a new certificate therefore free of any transfer legend if (i) the Company or its transfer agent shall have received an opinion of counsel, in form, substance and scope customary for opinions of counsel in comparable transactions, to the effect that a public sale or transfer of such Common Stock may be made without registration under the Securities Act, which opinion shall be accepted by the Company so that the sale or transfer is effected or (ii) in the case of the Common Stock issuable upon conversion of this Note, such security is registered for sale by the Holder under an effective registration statement filed under the Securities Act or otherwise may be sold pursuant to Rule 144 without any restriction as to the number of securities as of a particular date that can then be immediately sold.

(h) Reservation of Shares Issuable Upon Conversion. The Company covenants that it will at all times reserve and keep available out of its authorized and unissued shares of Common Stock for the sole purpose of issuance under this Section 2, free from preemptive rights or any other actual contingent purchase rights of Persons other than the Holder, not less than such aggregate number of shares of the Common Stock as shall be issuable from time to time under this Section 2 (taking into account the adjustments of Section 3). The Company covenants that all shares of Common Stock that shall be so issuable shall, upon issue, be duly authorized, validly issued, fully paid and nonassessable.

(i) Fractional Shares. Upon a conversion hereunder the Company shall not be required to issue stock certificates representing fractions of shares of Common Stock, but may if otherwise permitted, issue, in lieu of the final fraction of a share, one (1) whole share of Common Stock.

(j) Transfer Taxes. The Company shall not be required to pay any tax that may be payable in respect of any transfer involved in the issuance and delivery of any certificate(s) upon conversion in a name other than that of the Holder of this Note and the Company shall not be required to issue or deliver such certificates unless or until the person or persons requesting the issuance thereof shall have paid to the Company the amount of such tax or shall have established to the satisfaction of the Company that such tax has been paid

(k) Limitations. Notwithstanding anything to the contrary contained herein, the number of Conversion Shares that may be acquired by the Holder upon exercise of this Note (or otherwise in respect hereof) shall be limited to the extent necessary to ensure that, following such conversion (or other issuance), the total number of shares of Common Stock then beneficially owned by such Holder and its affiliates and any other persons whose beneficial ownership of Common Stock would be aggregated with the Holder‘s for purposes of Section 13(d) of the Securities and Exchange Act of 1934, as amended (the “Exchange Act”), does not exceed 4.99% of the total number of issued and outstanding Common Stock (including for such purpose the shares of Common Stock issuable upon such conversion). For such purposes, beneficial ownership shall be determined in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder. The Holder, upon not less than 61 days’ prior notice to the Company, may increase or decrease the beneficial ownership limitations provision of this Section, provided that the beneficial ownership limitation in no event exceeds 9.99% of the number of shares of the Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock upon exercise of this Note held by the Holder and the provisions of this Section shall continue to apply. Any such increase or decrease will not be effective until the 61st day after such notice is delivered to the Company. The provisions of this paragraph shall be construed and implemented in a manner otherwise than in strict conformity with the terms of this Section to correct this paragraph (or any portion hereof) which may be defective or inconsistent with the intended beneficial ownership limitation herein contained or to make changes or supplements necessary or desirable to properly give effect to such limitation. The limitations contained in this paragraph shall apply to a successor holder of this Note.

3. Certain Adjustments.

(a) Adjustment Due to Merger, Consolidation, Etc. If, at any time when all or any portion of this Note is outstanding, there shall be any merger, consolidation, exchange of shares, recapitalization, reorganization, or other similar event, as a result of which shares of Common Stock of the Company shall be changed into the same or a different number of shares of another class or classes of stock or securities of the Company or another entity, or in case of any sale or conveyance of all or substantially all of the assets of the Company other than in connection with a plan of complete liquidation of the Company, then the Holder of this Note shall thereafter have the right to receive upon conversion of this Note, upon the basis and upon the terms and conditions specified herein and in lieu of the shares of Common Stock immediately theretofore issuable upon conversion, such stock, securities or assets which the Holder would have been entitled to receive in such transaction had this Note been converted in full immediately prior to such transaction, and appropriate provisions shall be made with respect to the rights and interests of the Holder of this Note to the end that the provisions hereof shall thereafter be applicable, as nearly as may be practicable in relation to any securities or assets thereafter deliverable upon the conversion hereof. The Company shall not affect any transaction described in this Section 3(a) unless (a) it first gives, to the extent practicable, thirty (30) Business Days prior written notice (but in any event at least fifteen (15) Business Days prior written notice) of the record date of the meeting of stockholders to approve, or if there is no such record date, the consummation of, such merger, consolidation, exchange of shares, recapitalization, reorganization or other similar event or sale of assets (during which time the Holder shall be entitled to convert this Note) and (b) the resulting successor or acquiring entity (if not the Company) assumes by written instrument the obligations of this Section 3(a). These provisions shall similarly apply to successive consolidations, mergers, sales, transfers or share exchanges.

(b) Adjustment Due to Distribution. If the Company shall declare or make any distribution of its assets (or rights to acquire its assets) to holders of Common Stock as a dividend, stock repurchase, by way of return of capital or otherwise (including any dividend or distribution to the Company's shareholders in cash or shares (or rights to acquire shares) of capital stock of a subsidiary (i.e., a spin-off)) (a "Distribution"), then the Holder of this Note shall be entitled, upon any conversion of this Note after the date of record for determining shareholders entitled to such Distribution, to receive the amount of such assets which would have been payable to the Holder with respect to the shares of Common Stock issuable upon such conversion had such Holder been the holder of such shares of Common Stock on the record date for the determination of shareholders entitled to such Distribution.

(c) Notice of Adjustment. While this Note is outstanding, should the Company propose to take any action set forth in Section 3, the Company shall send to each Holder a notice of such proposed action or offer. Such notice shall be mailed to the Holders, and shall specify the record date for the proposed event, shall briefly indicate the effect of the proposed event on the securities or property issuable upon the conversion of the Note , and shall indicate the effect of the proposed event, if any, on the Conversion Price (after giving effect to any adjustment pursuant to Section 2).

4. Events of Default. "Event of Default" means, wherever used herein, any of the following events (whatever the reason for such event and whether such event shall be voluntary or involuntary or effected by operation of law or pursuant to any judgment, decree or order of any court, or any order, rule or regulation of any administrative or governmental body):

(a) The Company fails to pay the principal hereof or interest thereon when due on this Note, whether at the Maturity Date, upon acceleration or otherwise.

(b) The Company (i) fails to issue shares of Common Stock to the Holder (or announces or threatens in writing that it will not honor its obligation to do so) upon exercise by the Holder of the conversion rights of the Holder in accordance with the terms of this Note, (ii) fails to transfer or cause its transfer agent to transfer (issue) (electronically or in certificated form) any certificate for shares of Common Stock issued to the Holder upon conversion of or otherwise pursuant to this Note as and when required by this Note, (iii) directs its transfer agent not to transfer or delays, impairs, and/or hinders its transfer agent in transferring (or issuing) (electronically or in certificated form) any certificate for shares of Common Stock to be issued to the Holder upon conversion of or otherwise pursuant to this Note as and when required by this Note, or (iv) fails to remove (or directs its transfer agent not to remove or impairs, delays, and/or hinders its transfer agent from removing) any restrictive legend (or to withdraw any stop transfer instructions in respect thereof) on any certificate for any shares of Common Stock issued to the Holder upon conversion of or otherwise pursuant to this Note as and when required by this Note (or makes any written announcement, statement or threat that it does not intend to honor the obligations described in this paragraph), and any such failure shall continue uncured (or any written announcement, statement or threat not to honor its obligations shall not be rescinded in writing) for three (3) Business Days after the Holder shall have delivered a Notice of Conversion.

(c) The Company breaches any material covenant or other material term or condition contained in this Note and any collateral documents, and such breach continues for a period of ten (10) days after written notice thereof to the Company from the Holder.

(d) Any representation or warranty of the Company made herein or in any agreement, statement or certificate given in writing pursuant hereto or in connection herewith (including, without limitation, the Exchange Agreement), shall be false or misleading in any material respect when made and the breach of which has (or with the passage of time will have) a material adverse effect on the rights of the Holder with respect to this Noteor the Exchange Agreement.

(e) The Company shall be subject to a Bankruptcy Event.

5. Remedies Upon Event of Default. If any Event of Default occurs, the outstanding principal amount of this Note plus accrued but unpaid interest, shall become, at the Holder’s election, immediately due and payable in cash. Upon the occurrence and during the continuation of an Event of Default (after the tolling of all applicable cure periods), the interest rate on this Note shall increase to the lesser of twenty one percent (21%) per annum or the maximum rate permitted under applicable law (the “Default Interest”). In connection with any acceleration described herein, the Holder need not provide, and the Company hereby waives, any presentment, demand, protest or other notice of any kind, and the Holders may immediately and without expiration of any grace period enforce any and all of its rights and remedies hereunder and all other remedies available to it under applicable law. The Holder shall have all rights as a holder of the Note until such time, if any, as the Holder receives full pro rata payment according to the original investment pursuant to this Section.

6. Miscellaneous.

(a) Holder Early Prepayment Option. Notwithstanding any provision contained herein to the contrary, at any time after the one (1) year anniversary of the Exchange Date may, at its sole option, demand full repayment of the remaining outstanding principal amount of this Note plus all accrued and unpaid interest upon thirty (30) days prior written notice to the Company.

(b) Prepayment. The Company may prepay any amount outstanding under this Note without penalty upon ten (10) Business Days prior notice to the Holder.

(c) Legal Fees. In the event that Holder is required to take legal or other action to enforce its rights or obtain collection under this Note, the Company shall pay the Holder hereof reasonable costs of collection, or enforcement of the terms hereof, including reasonable attorneys' fees.

(d) Assignability. This Note shall be binding upon the Company and its successors and assigns, and shall inure to be the benefit of the Holder and its successors and assigns. This Note is not assignable by the Company without the Holder's prior written consent.

(e) Notices. Any and all notices or other communications or deliveries to be provided by the Holders hereunder, including, without limitation, any Notice of Conversion, shall be in writing and delivered personally, by facsimile, or sent by a nationally recognized overnight courier service, addressed to the Company, at the address set forth above, facsimile number (704) 366-2463, Attn: Chief Executive Officer or such other facsimile number or address as the Company may specify for such purpose by notice to the Holder delivered in accordance with this Section. Any and all notices or other communications or deliveries to be provided by the Company hereunder shall be in writing and delivered personally, by facsimile, or sent by a nationally recognized overnight courier service addressed to each Holder at the facsimile number or address of such Holder appearing on the books of the Company, or if no such facsimile number or address appears, at the principal place of business of the Holder. Any notice or other communication or deliveries hereunder shall be deemed given and effective on the earliest of (i) the date immediately following the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number specified in this Section or by electronic mail, receipt confirmed in each case, (ii) the second Business Day following the date of mailing, if sent by nationally recognized overnight courier service, or (iii) upon actual receipt by the party to whom such notice is required to be given.

(f) Lost or Mutilated Debenture. If this Note shall be mutilated, lost, stolen or destroyed, the Company shall execute and deliver, in exchange and substitution for and upon cancellation of a mutilated Note, or in lieu of or in substitution for a lost, stolen or destroyed Note, a new Note for the principal amount of this Note so mutilated, lost, stolen or destroyed, but only upon receipt of evidence of such loss, theft or destruction of such Note, and of the ownership hereof, reasonably satisfactory to the Company.

(g) Governing Law; Venue. This Note shall be governed by and construed in accordance with the domestic laws of the State of New York, without giving effect to any choice or conflict of law provision or rule. The parties further: (i) agree that any legal suit, action or proceeding arising out of or relating to this Note shall be instituted exclusively in any Federal or State court of competent jurisdiction within the State of New York, County of New York, (ii) waive any objection that they may have now or hereafter to the venue of any such suit, action or proceeding, and (iii) irrevocably consent to the *in personam* jurisdiction of any Federal or State court of competent jurisdiction within the State of New York, County of New York in any such suit, action or proceeding. The parties each further agree to accept and acknowledge service of any and all process which may be served in any such suit, action or proceeding in a Federal or State court of competent jurisdiction within the State of New York, County of New York, and that service of process upon the parties mailed by certified mail to their respective addresses shall be deemed in every respect effective service of process upon the parties, in any action or proceeding.

(h) Construction and Enforcement. Each party acknowledges that its legal counsel participated in the preparation of this Note and, therefore, stipulates that the rule of construction that ambiguities are to be resolved against the drafting party shall not be applied in the interpretation of this Note to favor any party against the other. This Note reflects an investment made by Holder or its assignor to the Company. This Note is intended as, and shall be deemed an unconditional obligation of the Company for the payment of money only and, without limitation to any other remedies of Holder (such as, without limitation, summary judgment after initiation of a proceeding, or equitable remedies), shall be enforceable against the Company by summary proceeding pursuant to New York Civil Procedure Law and Rules Section 3213 or any similar rule or statute in the jurisdiction where enforcement is sought.

(i) Maximum Payments. Nothing contained herein shall be deemed to establish or require the payment of a rate of interest or other charges in excess of the maximum permitted by applicable law. In the event that the rate of interest required to be paid or other charges hereunder exceed the maximum permitted by such law (such as, without limitation, the usury laws), any payments in excess of such maximum shall be credited against amounts owed by the Company to the Holder and thus refunded to the Company, or if no further amounts are owed by the Company to the Holder, shall be refunded to the Company. The Company hereby irrevocable consents to the reformation of this Note, as may be necessary by a court of law, so as to enable enforcement of this Note pursuant to summary judgment or summary proceeding. For avoidance of doubt, in the event that, for any reason, a finding by a court having jurisdiction over this Note is made that limits enforceability as a result of excessive interest or other origination or investment banking fees pursuant to the laws of any jurisdiction, then, such defense shall not be deemed to bar a summary proceeding or summary judgment on the Note but rather, the Note shall be fully and absolutely enforceable as to all principal and, the court having jurisdiction shall, after an inquest, have power to reform the Note so as to reduce interest amount to such amount as is immediately enforceable pursuant to summary judgment or summary proceeding and grant such award, plus any legal or enforcement fees of Holder(s).

(h) Waiver. Any waiver by the Company or the Holder of a breach of any provision of this Note shall not operate as or be construed to be a waiver of any other breach of such provision or of any breach of any other provision of this Note. The failure of the Company or the Holder to insist upon strict adherence to any term of this Note on one or more occasions shall not be considered a waiver or deprive that party of the right thereafter to insist upon strict adherence to that term or any other term of this Note. Any waiver by the Company or the Holder must be in writing.

(i) Severability. If any provision of this Note is invalid, illegal or unenforceable, the balance of this Note shall remain in effect, and if any provision is inapplicable to any Person or circumstance, it shall nevertheless remain applicable to all other Persons and circumstances. If it shall be found that any interest or other amount deemed interest due hereunder violates the applicable law governing usury, the applicable rate of interest due hereunder shall automatically be lowered to equal the maximum rate of interest permitted under applicable law.

(j) Next Business Day. Whenever any payment or other obligation hereunder shall be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day.

(k) Headings. The headings contained herein are for convenience only, do not constitute a part of this Note and shall not be deemed to limit or affect any of the provisions hereof.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, the Company has caused this Note to be duly executed by a duly authorized officer as of the date first above indicated

CHANTICLEER HOLDINGS, INC

Signature: ______________________________

Name: Michael Pruitt

Title: Chief Executive Officer

ACKNOWLEDGED AND AGREED:

By: ______________________________

Name:

ATTACHMENT A
NOTICE OF CONVERSION

The undersigned hereby elects to convert amounts outstanding under the 2% Convertible Note of Chanticleer Holdings, Inc., a Delaware corporation (the "Company"), into shares of common stock, par value $0.0001 per share (the "Common Stock"), of the Company according to the conditions hereof, as of the date written below. If shares of Common Stock are to be issued in the name of a person other than the undersigned, the undersigned will pay all transfer taxes payable with respect thereto and is delivering herewith such certificates and opinions as reasonably requested by the Company in accordance therewith. No fee will be charged to the Holders for any conversion, except for such transfer taxes, if any.

Date to Effect Conversion: ____________________________

(if not date is set, conversion date shall be the date this notice is received) Amount of Debenture to

Amount of Debenture to be Converted: $ _________________________________

Signature: ____
Name: ____
Address: ____

AMENDMENT TO 6% SECURED SUBORDINATE CONVERTIBLE NOTE

This Amendment ("Amendment") is made and effective as of March 24, 2017 ("Effective Date") and amends those certain 6% Secured Subordinate Convertible Notes dated August 2, 2013 in the aggregate principal amount of $3,000,000 (the "Notes") and Security Agreement of even date therewith ("Security Agreement") issued by CHANTICLEER HOLDINGS, INC., a Delaware corporation ("Chanticleer") in favor of the the undersigned individuals ("Holders").

WHEREAS, Chanticleer and the Holders desire to modify the terms and conditions of the Notes in the manner hereinafter set forth.

NOW, THEREFORE, in consideration of the mutual promises, conditions, representations and warranties hereinafter set forth and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto have mutually agreed as follows:

1. The foregoing recital is true and correct and incorporated herein. Any capitalized term not defined herein shall have the same meaning as set forth in the Notes.

2. Chanticleer agrees to remit a payment of One Hundred Thirty Five Thousand Six Hundred and Sixteen and 49/100 Dollars (U.S. $135,616.49) pro-rata to the Holders based on percentage of aggregate principal amount of Notes held by each Holder, no later than April 17, 2017, representing all accrued and unpaid interest outstanding under the Notes as of March 31, 2017 (the "Interest Payment").

3. The Maturity Date of the Notes is hereby extended to June 30, 2018.

4. Any prior or existing Event of Default under the Notes and/or Security Agreement therewith is hereby waived by the Holders as of the respective date(s) of the applicable Event of Default.

5. Chanticleer covenants and agrees to continue to make timely interest only payments to the Holders and comply with the terms of this Amendment.

6. Subsequent to the Effective date of this Amendment, an Event of Default under Section 3(a)(i) of the Notes will be triggered only if breach is not cured within 10 days after receipt by Chanticleer of written notice from Holders.

7. Chanticleer will endeavor to sell the Hooters® Nottingham, England store at a purchase price mutually acceptable to the Holders and Chanticleer. One hundred percent of net proceeds from the sale of this store will be remitted pro-rata to the Holders based on percentage of aggregate principal amount of Notes held by each Holder.

8. Except as set forth herein, all other terms and conditions contained in the Agreement that are not changed, amended or modified through this Amendment shall remain unchanged and in full force and effect. The Notes shall remain subject to the Security Agreement dated August 2, 2013 by the Company in favor of the Holders, and the Notes continue to be secured by the Collateral, as defined therein.

9. In the case of conflict between the provisions of the Notes, on the one hand, and this Amendment on the other hand, the provisions of this Amendment will prevail.

10. This Amendment may be executed in counterparts, all of which, when so executed and delivered, shall be deemed an original, but all counterparts together shall constitute but one agreement. Delivery of an executed counterpart of a signature page to this Amendment by facsimile or in electronic (i.e., "pdf") format shall be effective as delivery of a manually executed counterpart signature page.

IN WITNESS WHEREOF, this Amendment has been duly executed by or on behalf of each of the parties as of the date first written above.

CHANTICLEER HOLDINGS INC.,
a Delaware corporation

By: ______________________________
Name: Michael D. Pruitt
Its: Chief Executive Officer

AGREED AND ACCEPTED:
HOLDERS:

*______________________________
Edwin Jackson Jr.
Principal Amount of Note: $500,000

*______________________________
Rickie Weeks
Principal Amount of Note: $500,000

*______________________________
Matthew Garza-Alibidrez
Principal Amount of Note: $500,000

*______________________________
Andrew Stefan McCutchen
Principal Amount of Note: $250,000

*______________________________
Justin Upton
Principal Amount of Note: $500,000

*______________________________
Monta Ellis
Principal Amount of Note: $250,000

*______________________________
Melvin E. Upton Jr.
Principal Amount of Note: $500,000

*By: ______________________________

Name: ______________________________, Attorney in Fact

Exhibit 21

Name	Jurisdiction of Incorporation	Percent Owned	Name	Jurisdiction of Incorporation	Percent Owned
CHANTICLEER HOLDINGS, INC.	**DE, USA**	**100%**			
Burger Business			***Just Fresh***		
American Roadside Burgers, Inc.	DE, USA	100%	JF Franchising Systems, LLC	NC, USA	56%
ARB Stores			JF Restaurants, LLC	NC, USA	56%
American Burger Ally, LLC	NC, USA	100%			
American Burger Morehead, LLC	NC, USA	100%	***West Coast Hooters***		
American Roadside McBee, LLC	NC, USA	100%	Jantzen Beach Wings, LLC	OR, USA	100%
American Roadside Southpark LLC	NC, USA	100%	Oregon Owl's Nest, LLC	OR, USA	100%
American Roadside Burgers Smithtown, Inc.	DE, USA	100%	Tacoma Wings, LLC	WA, USA	100%
American Burger Prosperity, LLC	NC, USA	100%			
BGR Acquisition, LLC	NC, USA	100%	***South African Entities***		
BGR Franchising, LLC	VA, USA	100%	Chanticleer South Africa (Pty) Ltd.	South Africa	100%
BGR Operations, LLC	VA, USA	100%	Hooters Emperors Palace (Pty.) Ltd.	South Africa	88%
BGR Arlington, LLC	VA, USA	100%	Hooters On The Buzz (Pty) Ltd	South Africa	95%
BGR Cascades, LLC	VA, USA	100%	Hooters PE (Pty) Ltd	South Africa	100%
BGR Dupont, LLC	DC, USA	100%	Hooters Ruimsig (Pty) Ltd.	South Africa	100%
BGR Old Keene Mill, LLC	VA, USA	100%	Hooters SA (Pty) Ltd	South Africa	78%
BGR Old Town, LLC	VA, USA	100%	Hooters Umhlanga (Pty.) Ltd.	South Africa	90%
BGR Potomac, LLC	MD, USA	100%	Hooters Willows Crossing (Pty) Ltd	South Africa	100%
BGR Springfield Mall, LLC	VA, USA	100%			
BGR Tysons, LLC	VA, USA	100%	***European Hooters***		
BGR Washingtonian, LLC	MD, USA	100%	Chanticleer Holdings Limited	Jersey	100%
Capitol Burger, LLC	MD, USA	100%			
BGR Mosaic, LLC	VA, USA	100%	West End Wings LTD	United Kingdom	100%
BGR Michigan Ave, LLC	DC, USA	100%			
BGR Chevy Chase, LLC	MD, USA	100%			
BGR Acquisition 1, LLC	NC, USA	100%	***Inactive Entities***		
BT Burger Acquisition, LLC	NC, USA	100%	Hoot Surfers Paradise Pty. Ltd.	Australia	60%
BT's Burgerjoint Biltmore, LLC	NC, USA	100%	Hooters Brazil	Brazil	100%
BT's Burgerjoint Promenade, LLC	NC, USA	100%	DineOut SA Ltd.	England	89%
BT's Burgerjoint Rivergate LLC	NC, USA	100%	Avenel Financial Services, LLC	NV, USA	100%
BT's Burgerjoint Sun Valley, LLC	NC, USA	100%	Avenel Ventures, LLC	NV, USA	100%
LBB Acquisition, LLC	NC, USA	100%	Chanticleer Advisors, LLC	NV, USA	100%
Cuarto LLC	OR, USA	100%	Chanticleer Investment Partners, LLC	NC, USA	100%
LBB Acquisition 1 LLC	OR, USA	100%	Dallas Spoon Beverage, LLC	TX, USA	100%
LBB Green Lake LLC	OR, USA	50%	Dallas Spoon, LLC	TX, USA	100%
LBB Hassalo LLC	OR, USA	80%	American Roadside Cross Hill, LLC	NC, USA	100%
LBB Platform LLC	OR, USA	80%	Chanticleer Finance UK (No. 1) Plc	United Kingdom	100%
LBB Progress Ridge LLC	OR, USA	50%			
Noveno LLC	OR, USA	100%			
Octavo LLC	OR, USA	100%			
Primero LLC	OR, USA	100%			
Quinto LLC	OR, USA	100%			
Segundo LLC	OR, USA	100%			

Septimo LLC	OR, USA	100%
Sexto LLC	OR, USA	100%

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the inclusion or incorporation by reference of our report, dated March 31, 2017, with respect to the consolidated balance sheets of Chanticleer Holdings, Inc. and Subsidiaries (the "Company") as of December 31, 2016 and 2015 and the related consolidated statements of operations and comprehensive loss, stockholders' equity and cash flows for the years then ended, in (i) the Company's Registration Statement on Form S-1 (File No. 333-214319), (ii) the Company's Registration Statement on Form S-3 (File Nos. 333-193144, 333-195055, 333-207409, 333-203679) and (iii) the Company's Registration Statement on Form S-8 (File No. 333-193742), which report is included in this Annual report on Form 10-K of Chanticleer Holdings, Inc. and Subsidiaries as of December 31, 2016 and 2015 and for the years then ended.

/s/ Cherry Bekaert LLP

Charlotte, North Carolina
March 31, 2017

Exhibit 31.1

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 annual 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, 2017

/s/ Michael D. Pruitt
Michael D. Pruitt
President, Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

**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 annual 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, 2017

/s/ Eric S. Lederer
Eric S. Lederer
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

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 the Annual Report on Form 10-K for the fiscal year ended December 31, 2016 (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, as amended (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 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.

March 31, 2017

/s/ Michael D. Pruitt
Michael D. Pruitt
President, Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

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 the Annual Report on Form 10-K for the fiscal year ended December 31, 2016 (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, as amended (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 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.

March 31, 2017

/s/ Eric S. Lederer
Eric S. Lederer
Chief Financial Officer
(Principal Financial Officer)