
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549**

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended: June 30, 2017

Commission File Number: 001-35570

CHANTICLEER HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or Jurisdiction of
Incorporation or Organization)

20-2932652

(I.R.S. Employer
Identification No.)

7621 Little Avenue, Suite 414, Charlotte, NC 28226
(Address of principal executive offices) (zip code)

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

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 preceding 12 months (or for such shorter periods as the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No .

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

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

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer (do not check if Smaller
Reporting Company)

Smaller Reporting Company

Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

The number of shares outstanding of registrant's common stock, par value \$.0001 per share, as of August 10, 2017 was 2,500,534 shares.

Chanticleer Holdings, Inc. and Subsidiaries

INDEX

	<u>Page No.</u>	
Part I	Financial Information	
Item 1:	Financial Statements	3
	Condensed Consolidated Balance Sheets as of June 30, 2017 (Unaudited) and December 31, 2016	3
	Condensed Consolidated Statements of Operations (Unaudited) – For the Three Months and Six Months Ended June 30, 2017 and 2016	4
	Condensed Consolidated Statements of Comprehensive Loss (Unaudited) – For the Three Months and Six Months Ended June 30, 2017 and 2016	5
	Condensed Consolidated Statements of Cash Flows (Unaudited) – For the Three Months and Six Months Ended June 30, 2017 and 2016	6
	Notes to Condensed Consolidated Financial Statements (Unaudited)	8
Item 2:	Management’s Discussion and Analysis of Financial Condition and Results of Operations	24
Item 3:	Quantitative and Qualitative Disclosures about Market Risk	38
Item 4:	Controls and Procedures	38
Part II	Other Information	
Item 1:	Legal Proceedings	40
Item 1A:	Risk Factors	40
Item 2:	Unregistered Sales of Equity Securities and Use of Proceeds	40
Item 3:	Defaults Upon Senior Securities	40
Item 4:	Mine Safety Disclosures	40
Item 5:	Other Information	40
Item 6:	Exhibits	41
	Signatures	42

PART I: FINANCIAL INFORMATION

ITEM 1: FINANCIAL STATEMENTS

Chanticleer Holdings, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets

	(Unaudited)	
	June 30, 2017	December 31, 2016
ASSETS		
Current assets:		
Cash	\$ 377,695	\$ 268,575
Restricted cash	275,463	-
Accounts and other receivables	330,055	524,481
Inventories	560,243	539,550
Prepaid expenses and other current assets	367,443	461,074
Assets held for sale, net	578,321	-
TOTAL CURRENT ASSETS	2,489,220	1,793,680
Property and equipment, net	10,342,514	11,513,693
Goodwill	12,540,817	12,405,770
Intangible assets, net	6,374,427	6,530,243
Investments	800,000	800,000
Deposits and other assets	509,907	442,737
TOTAL ASSETS	\$ 33,056,885	\$ 33,486,123
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$ 5,040,696	\$ 5,553,068
Current maturities of long-term debt and notes payable	928,870	6,171,649
Current maturities of capital leases payable	9,294	18,449
Due to related parties	194,350	194,350
Deferred rent	106,818	173,775
TOTAL CURRENT LIABILITIES	6,280,028	12,111,291
Long-term debt, less current portion, net of debt discount and deferred financing costs of \$2,161,422 and \$0, respectively	4,533,161	287,445
Convertible notes payable, net of debt discount (premium) of (\$17,156) and \$46,936, respectively	3,217,156	3,678,064
Redeemable preferred stock: no par value, 62,876 and 19,050 shares issued and outstanding, net of discount of \$226,089 and \$0, respectively	622,737	257,175
Deferred rent	2,207,160	1,961,751
Deferred tax liabilities	1,559,074	1,485,554
TOTAL LIABILITIES	18,419,316	19,781,280
Commitments and contingencies (Note 13)		
Common stock subject to repurchase obligation; 0 and 56,290 shares issued and outstanding, respectively	-	349,000
Stockholders' equity:		
Preferred stock: no par value; authorized 5,000,000 shares; 62,876 and 19,050 issued and outstanding, respectively	-	-
Common stock: \$0.0001 par value; authorized 45,000,000 shares; issued and outstanding 2,500,534 and 2,139,424 shares, respectively	250	213
Additional paid in capital	59,996,594	55,926,196
Accumulated other comprehensive loss	(966,489)	(1,155,658)
Accumulated deficit	(45,357,031)	(42,206,325)
Total Chanticleer Holdings, Inc. Stockholders' Equity	13,673,324	12,564,426
Non-Controlling Interests	964,245	791,417
TOTAL STOCKHOLDERS' EQUITY	14,637,569	13,355,843
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 33,056,885	\$ 33,486,123

See accompanying notes to unaudited condensed consolidated financial statements

Chanticleer Holdings, Inc. and Subsidiaries
Unaudited Condensed Consolidated Statements of Operations

	Three Months Ended		Six Months Ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Revenue:				
Restaurant sales, net	\$ 10,524,787	\$ 10,525,629	\$ 20,177,941	\$ 20,330,320
Gaming income, net	107,520	97,978	213,588	197,511
Management fee income	24,993	25,000	49,983	50,000
Franchise income	108,017	103,387	183,803	285,939
Total revenue	10,765,317	10,751,994	20,625,315	20,863,770
Expenses:				
Restaurant cost of sales	3,579,558	3,445,116	6,770,947	6,695,086
Restaurant operating expenses	5,855,410	5,737,168	11,529,971	11,252,183
Restaurant pre-opening and closing expenses	90,761	-	105,196	7,555
General and administrative expenses	1,084,422	1,374,835	2,460,042	3,049,714
Asset impairment charge	633,962	-	633,962	-
Depreciation and amortization	602,659	577,942	1,196,039	1,148,382
Total expenses	11,846,772	11,135,061	22,696,157	22,152,920
Operating loss from continuing operations	(1,081,455)	(383,067)	(2,070,842)	(1,289,150)
Other (expense) income				
Interest expense	(504,706)	(650,479)	(908,842)	(1,251,406)
Change in fair value of derivative liabilities	-	513,439	-	1,129,101
Gain (loss) on debt refinancing	267,512	-	(95,310)	-
Other income (expense)	(21)	(27,706)	12,212	(19,969)
Total other expense	(237,216)	(164,746)	(991,940)	(142,274)
Loss from continuing operations before income taxes	(1,318,672)	(547,813)	(3,062,782)	(1,431,424)
Income tax expense	(109,531)	(51,405)	(113,328)	(85,393)
Loss from continuing operations	(1,428,201)	(599,217)	(3,176,110)	(1,516,817)
Discontinued operations				
Loss from discontinued operations, net of tax	-	(556,528)	-	(1,235,909)
Loss on write down of net assets	-	(3,876,161)	-	(3,876,161)
Consolidated net loss	(1,428,201)	(5,031,906)	(3,176,110)	(6,628,887)
Less: Net loss attributable to non-controlling interest of continuing operations	56,328	(21,375)	77,171	14,365
Net loss attributable to Chanticleer Holdings, Inc.	(1,371,873)	(5,053,281)	(3,098,939)	(6,614,522)
Net loss attributable to Chanticleer Holdings, Inc.:				
Loss from continuing operations	(1,371,873)	(620,592)	(3,098,939)	(1,502,452)
Loss from discontinued operations	-	(4,432,689)	-	(5,112,070)
Net loss attributable to Chanticleer Holdings, Inc.	(1,371,873)	(5,053,281)	(3,098,939)	(6,614,522)
Dividends on redeemable preferred stock	(27,622)	-	(51,769)	-
Net loss attributable to common shareholders of Chanticleer Holdings, Inc.	(1,399,495)	(5,053,281)	(3,150,708)	(6,614,522)
Net loss attributable to Chanticleer Holdings, Inc. per common share, basic and diluted:				
Continuing operations attributable to common stockholders, basic and diluted	(0.58)	(2.35)	(1.40)	(3.09)
Discontinued operations attributable to common stockholders, basic and diluted	-	(2.06)	-	(2.39)
Weighted average shares outstanding, basic and diluted	2,432,313	2,152,282	2,257,767	2,143,003

See accompanying notes to unaudited condensed consolidated financial statements

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

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Net loss attributable to Chanticleer Holdings, Inc.	\$ (1,371,873)	\$ (5,053,281)	\$ (3,098,939)	\$ (6,614,522)
Unrealized loss on available-for-sale securities, net of tax	-	(22,381)	-	(24,501)
Foreign currency translation gain (loss)	142,339	(307,543)	189,170	(109,140)
Total other comprehensive income (loss)	142,339	(329,924)	189,170	(133,641)
Comprehensive loss	\$ (1,229,535)	\$ (5,383,205)	\$ (2,909,770)	\$ (6,748,163)

See accompanying notes to unaudited condensed consolidated financial statements

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

	Six Months Ended	
	June 30, 2017	June 30, 2016
Cash flows from operating activities:		
Net loss	\$ (3,176,110)	\$ (6,628,887)
Net loss from discontinued operations	-	5,112,070
Net loss from continuing operations	(3,176,110)	(1,516,817)
Adjustments to reconcile net loss from continuing operations to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,196,039	1,148,382
Asset impairment charge	633,962	-
Loss on debt refinancing	95,310	-
Common stock and warrants issued for services	154,318	24,510
Common stock and warrants issued for interest	-	349,000
Amortization of debt discount	408,359	726,317
Change in assets and liabilities:		
Accounts and other receivables	194,426	32,395
Prepaid and other assets	26,460	140,440
Inventory	(20,693)	73,315
Accounts payable and accrued liabilities	(19,125)	502,777
Change in amounts payable to related parties	-	197,000
Derivative liabilities	-	(1,129,101)
Deferred income taxes	73,520	67,841
Deferred rent	178,453	(257,507)
Net cash provided by (used in) operating activities from continuing operations	(255,081)	358,551
Net cash used in operating activities from discontinued operations	-	(75,000)
Net cash provided by (used in) operating activities	(255,081)	283,551
Cash flows from investing activities:		
Purchase of property and equipment	(984,301)	(392,829)
Cash paid for acquisitions, net of cash acquired	-	(72,215)
Proceeds from sale of investments	-	8,902
Net cash used in investing activities from continuing operations	(984,301)	(456,142)
Cash flows from financing activities:		
Proceeds from sale of preferred stock	591,651	-
Payments related to sale of preferred stock	(258,153)	-
Loan proceeds	6,598,161	125,000
Payments of deferred financing costs	(293,294)	-
Loan repayments	(5,478,494)	(206,267)
Capital lease payments	(14,551)	(10,783)
Contribution of non-controlling interest	500,000	46,911
Net cash provided by (used in) financing activities from continuing operations	1,645,320	(45,139)
Effect of exchange rate changes on cash	(21,355)	(23,474)
Net increase (decrease) in cash and restricted cash	384,583	(241,204)
Cash and restricted cash, beginning of period	268,575	1,224,415
Cash and restricted cash, end of period	\$ 653,158	\$ 983,211

See accompanying notes to unaudited condensed consolidated financial statements

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

	Six Months Ended	
	June 30, 2017	June 30, 2016
Supplemental cash flow information:		
Cash paid for interest and income taxes:		
Interest	\$ 526,680	\$ 68,467
Income taxes	6,532	-
Non-cash investing and financing activities:		
Convertible debt settled through issuance of common stock	\$ 625,000	\$ -
Accrued interest settled through issuance of convertible debt	95,107	-
Preferred stock dividends paid through issuance of common stock	15,067	-
Commons stock issued in connection with working capital adjustment	27,018	-
Purchases of businesses:		
Current assets excluding cash	\$ -	\$ 1,611
Goodwill	-	70,604
Cash paid for acquisitions	\$ -	\$ 72,215

See accompanying notes to unaudited condensed consolidated financial statements

Chanticleer Holdings, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements
(Unaudited)

1. NATURE OF BUSINESS

ORGANIZATION

Chanticleer Holdings, Inc. and its subsidiaries (together, the “Company”) are in the business of owning, operating and franchising fast casual dining concepts domestically and internationally.

The consolidated financial statements include the accounts of Chanticleer Holdings, Inc. and its subsidiaries. All significant inter-company balances and transactions have been eliminated in consolidation.

The Company operates on a calendar year-end. The accounts of Hooters Nottingham (“WEW”), are consolidated based on a 13 and 26 week periods ending on the Sunday closest to each calendar quarter end. No events occurred related to the difference between the Company’s reporting calendar period-end and the subsidiary’s period end that materially affected the company’s financial position, results of operations, or cash flows.

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

LBB Acquisition 1 LLC	OR, USA	100%	Dallas Spoon, LLC	TX, USA	100%
LBB Green Lake LLC	OR, USA	50%	American Roadside Cross Hill, LLC	NC, USA	100%
LBB Hassalo LLC	OR, USA	80%	UK Bond Company	United Kingdom	100%
LBB Platform LLC	OR, USA	80%			
LBB Progress Ridge LLC	OR, USA	50%			
Noveno LLC	OR, USA	100%			
Octavo LLC	OR, USA	100%			
Primerio LLC	OR, USA	100%			
Quinto LLC	OR, USA	100%			
Segundo LLC	OR, USA	100%			
Septimo LLC	OR, USA	100%			
Sexto LLC	OR, USA	100%			
Wallingford, LLC	OR, USA	50%			
Capitol Hill, LLC	WA, USA	50%			
LBB Franchising, LLC	NC, USA	100%			

GENERAL

The accompanying condensed consolidated financial statements included in this report have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") for interim reporting and include all adjustments (consisting only of normal recurring adjustments) that are, in the opinion of management, necessary for a fair presentation. These condensed consolidated financial statements have not been audited. The results of operations for the three month and six months periods ended June 30, 2017 are not necessarily indicative of the operating results for the full year.

Certain information and footnote disclosures normally included in consolidated financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to such rules and regulations for interim reporting. The Company believes that the disclosures contained herein are adequate to make the information presented not misleading. However, these financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2016 filed with the SEC on March 31, 2017. Certain amounts for the prior year have been reclassified to conform to the current year presentation.

LIQUIDITY AND CAPITAL RESOURCES

As of June 30, 2017, our unrestricted cash balance was \$0.4 million and, our working capital was negative \$3.8 million. We incurred losses from continuing operations of \$3.2 million and cash used in operating activities was \$0.3 million for the six months ended June 30, 2017 and our debt, preferred stock, accounts payable and accrual obligations total approximately \$14.3 million. 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 continue to extend, refinance or recapitalize our debt obligations;
- the level of investment in acquisition of new restaurant businesses and entering new markets;
- our ability to manage our operating expenses and generate positive cash flow 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 deficits and 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 company stores within our current markets and restaurant concepts, the majority of which will utilize funds already committed from outside investors. As we execute our growth plans over the next twelve 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 approximately \$6.3 million in current liabilities payable within the next twelve months from date of issuance of these financial statements and approximately \$7.8 million in obligations payable within the next twenty-four months. In the event that additional working capital is not available, we may then have to scale back or freeze our 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 also have financial covenants and debt service obligations and may incur financial penalties or other negative actions from our lenders if we are not able to meet our obligations.

During March 2017, we extended the payment terms of our convertible debt obligations. During May 2017, we completed a \$6 million private placement of 8% debentures and warrants, the proceeds of which were used to repay, settle and release the \$5 million note payable and related obligations to Florida Mezzanine Fund and to provide additional working capital for new store openings and operations.

Management is actively considering the possible benefits of selling certain of its operating assets to reduce debt and provide additional working capital to fund future growth of its domestic burger business, as well as possibly closing certain underperforming store locations to improve operating cash flow. Our evaluations are at a preliminary stage, no decisions have been made, and we can provide no assurance that the Company will proceed with any asset sales, or that such asset sales could be completed on favorable terms, or at all. In the event that management does elect to proceed with asset sales and/or store closures in the future rather than continue to hold and operate all its assets long term, management's assessment of the fair value, and ultimate recoverability, of goodwill, intangibles, and other long-lived assets could be impacted and the Company could incur significant noncash charges and cash exit costs in future periods.

There can be no assurance that we will be successful in implementing our growth plans, obtaining additional debt or equity financing at reasonable terms, if at all, or selling any of our operating assets. Accordingly, this raises substantial doubt about our ability to continue on a going concern for a period of one year from the issuance of these condensed consolidated financial statements. 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 become necessary should the Company decide to liquidate assets or be unable to continue as a going concern.

REVERSE SPLIT

As of May 19, 2017, the Company effected a one-for-ten reverse stock split of the Company's shares of common stock. As a result of reverse stock split, each ten shares of common stock issued and outstanding were combined into one share of common stock. No fractional shares were issued in connection with the reverse stock split. The Company rounded fractional shares up to the nearest whole number.

The reverse stock split had no impact on the par value per share of the Company's common stock or the number of authorized shares. All current and prior period amounts related to shares, share prices and earnings per share contained in the accompanying unaudited condensed consolidated financial statements have been restated to give retrospective presentation for the reverse stock split.

2. SIGNIFICANT ACCOUNTING POLICIES

There have been no material changes to our significant accounting policies previously disclosed in the Annual Report on Form 10-K for the fiscal year ended December 31, 2016.

USE OF ESTIMATES

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

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 potentially 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 June 30, 2017 and 2016 that have been excluded from the calculation of diluted net loss per common share since the effect would be antidilutive.

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Warrants	1,862,758	950,630
Convertible notes	366,667	390,074
Accrued interest on convertible notes	-	23,327
Total	<u>2,229,425</u>	<u>1,364,031</u>

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 (as subsequently amended)” 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 and believes that the primary change will be the recognition of initial franchise fees over the life of the related franchise agreements, which will cause up front franchise fee revenue deferrals to extend over a longer timeframe.

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 was adopted in the first quarter of 2017 and did not 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 as of January 1, 2019.

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 June 30, 2017, 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

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.

4. 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.

There were no remaining balances attributable to discontinued operations on the accompanying condensed consolidated balance sheets as of June 30, 2017 or December 31, 2016.

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

Major line items constituting pre-tax loss of discontinued operations:

	Three Months Ended		Six Months Ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Revenue	\$ -	\$ 1,464,459	\$ -	\$ 2,970,401
Restaurant cost of sales	-	515,718	-	1,042,543
Restaurant operating expenses	-	1,147,178	-	2,450,557
General and administrative expenses	-	168,048	-	254,174
Depreciation and amortization	-	177,929	-	436,144
Other	-	12,114	-	22,892
Loss of discontinued operations	-	(556,528)	-	(1,235,909)
Loss on write-down of net assets	-	(3,876,161)	-	(3,876,161)
Total pretax loss of discontinued operations	-	(4,432,689)	-	(5,112,070)
Income tax	-	-	-	-
Loss on discontinued operations	\$ -	\$ (4,432,689)	\$ -	\$ (5,112,070)

5. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	June 30, 2017	December 31, 2016
Leasehold improvements	\$ 11,450,081	\$ 10,363,996
Restaurant furniture and equipment	6,814,102	6,716,926
Construction in progress	59,963	582,265
Office and computer equipment	68,303	68,303
Land and buildings	-	826,664
Office furniture and fixtures	108,030	108,030
	18,500,479	18,666,184
Accumulated depreciation and amortization	(8,157,965)	(7,152,491)
	\$ 10,342,514	\$ 11,513,693

6. GOODWILL AND OTHER INTANGIBLE ASSETS, NET

Goodwill is summarized by location as follows:

	June 30, 2017	December 31, 2016
Hooters Full Service	\$ 4,596,214	\$ 4,461,167
Better Burgers Fast Casual	7,448,848	7,448,848
Just Fresh Fast Casual	495,755	495,755
	\$ 12,540,817	\$ 12,405,770

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

	June 30, 2017	December 31, 2016
Beginning Balance	\$ 12,405,770	\$ 12,702,139
Acquisitions	-	70,604
Adjustments	-	62,192
Foreign currency translation (loss) gain	135,047	(429,165)
Ending Balance	\$ 12,540,817	\$ 12,405,770

Other intangible assets, consisting of franchise costs, trademarks and tradenames, is summarized by location as follows:

	Estimated Useful Life	June 30, 2017	December 31, 2016
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	Indefinite	1,430,000	1,430,000
Little Big Burger	Indefinite	1,550,000	1,550,000
		<u>5,776,930</u>	<u>5,776,930</u>
Franchise fees:			
Hooters South Africa	20 years	338,458	322,258
Hooters Pacific NW	20 years	88,826	88,826
BGR: The Burger Joint	Indefinite	1,320,000	1,320,000
Hooters UK	5 years	12,665	30,848
		<u>1,759,949</u>	<u>1,761,932</u>
Total Intangibles at cost		<u>7,536,879</u>	<u>7,538,862</u>
Accumulated amortization		<u>(1,162,452)</u>	<u>(1,008,619)</u>
Intangible assets, net		<u>\$ 6,374,427</u>	<u>\$ 6,530,243</u>

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.

Management tested its long-lived assets for impairment as of June 30, 2017 comparing each reporting unit's fair value to its carrying value. That assessment included the assumption that management would continue to hold and operate each segment and generate cash flows over a period of years. Those cash flows were discounted using the income approach and compared to the carrying value of each segment. Management also evaluated the fair value of the reporting segments using the market value approach, comparing the carrying value to fair value based on multiples of current earnings and other indicators of value for each reporting unit. Management determined that the estimated fair value of its reporting unites was greater than the carrying value of the reporting units and that the Company's goodwill, intangibles and long-lived assets were not impaired as of June 30, 2017.

However, management noted that the margin between the estimated fair value and carrying value was very narrow for one of its reporting units and that the impairment assessment in future periods would be sensitive to changes in estimates of cash flow, discount rates and other assumptions increasing the risk that an impairment could be triggered in future periods. The Company is also considering various strategies to improve cash flow and reduce long term debt, which could include selling certain of its operating assets, as well as possibly closing certain underperforming store locations to improve operating cash flow.

Those strategic evaluations are at a preliminary stage as of the date of this report, no decisions have been made, and management can provide no assurance that the Company will proceed with any asset sales, or that such asset sale can be completed on favorable terms, or at all.

In the event that management does elect to proceed with asset sales and/or effect store closures in the future rather than continue to hold and operate all its assets long term, management's assessment of the fair value, and ultimate recoverability, of goodwill, intangibles, property and equipment and other assets would be impacted and the Company could incur significant noncash impairment charges and cash exit costs in future periods.

7. LONG-TERM DEBT AND NOTES PAYABLE

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

	<u>June 30, 2017</u>	<u>December 31, 2016</u>
Note Payable, due January 2019, net of discount and deferred financing costs of \$2,161,422 and \$0, respectively (a)	\$ 3,838,578	\$ -
Note Payable, due January 2017, net of discount of \$0 and \$171,868, respectively (a)	-	5,000,000
Notes Payable Paragon Bank (b)	701,043	811,205
Note Payable (c)	75,000	-
Receivables financing facilities (d)	326,168	161,899
Mortgage Note, South Africa, due July 2024 (e)	224,395	215,962
Bank overdraft facilities, South Africa, annual renewal	174,084	124,599
Equipment financing arrangements, South Africa	<u>122,763</u>	<u>145,430</u>
Total long-term debt	\$ 5,462,031	\$ 6,459,094
Current portion of long-term debt	928,870	6,171,649
Long-term debt, less current portion	<u>\$ 4,533,161</u>	<u>\$ 287,445</u>

For the six months ended June 30, 2017 and 2016 amortization of debt discount was \$432,932 and \$ 85,938, respectively.

a) On May 4, 2017, pursuant to a Securities Purchase Agreement, the Company issued 8% non-convertible secured debentures in the principal amount of \$6,000,000 and warrants to purchase 1,200,000 shares of common stock (as adjusted for the Company's subsequent one-for-ten reverse stock split) to accredited investors. The debentures bear interest at a rate of 8% per annum, payable in cash quarterly in arrears. The debentures mature on December 31, 2018 and contain customary financial and other covenants, including a requirement to maintain positive earnings before interest, taxes, depreciation and amortization. The debentures are secured by a second priority security interest on the Company's assets and the obligation is guaranteed by the Company's subsidiaries. The debentures contain a mandatory redemption provision that is triggered by an asset sale. Sale of greater than 33% of the Company's assets will also trigger an event of default. Upon any event of default, in addition to other customary remedies, the holders have the right, at their sole option, to purchase Little Big Burger from the Company, for an aggregate purchase price of \$6,500,000. The warrants have an exercise price of \$3.50 (as adjusted for the reverse stock split) and a ten-year term. The warrants are not exercisable until November 4, 2017. Warrants to purchase 800,000 shares include a beneficial ownership limit upon exercise of 4.99% of the number of shares of the common stock outstanding immediately after giving effect to the issuance of shares of common stock issuable upon exercise of the warrant; warrants to purchase the remaining 400,000 shares were amended to increase the beneficial ownership limit upon exercise to 19.99%. The shares of common stock underlying the warrants have registration rights, and, if the warrant shares are not registered, the holders will have the right to cashless exercise.

In conjunction with the financing described above, the Company entered into a Satisfaction, Settlement and Release Agreement with Florida Mezzanine Fund LLLP, a Florida limited liability partnership ("Florida Mezz"), pursuant to which Florida Mezz agreed to release the Company from all claims and outstanding obligations pursuant to that certain Assumption Agreement dated June 30, 2014, as amended October 15, 2014 and October 22, 2016, and that certain Agreement dated May 23, 2016, as amended January 30, 2017, in exchange for payment of \$5,000,000.

Five million of the net proceeds from the offering were remitted to Florida Mezz, \$500,000 will be reserved to fund the opening of new stores, and the balance of \$206,746, after transaction expenses, will be used for working capital and general corporate purposes. As of June 30, 2017, \$275,463 of the proceeds restricted to fund the opening of new stores remains unexpended, and has been presented as restricted cash in the accompanying condensed consolidated balance sheet.

As a result of the issuance of the debentures and the settlement of the Florida Mezz obligations subsequent to March 31, 2016, the \$5 million notes payable are no longer outstanding, the Company's share repurchase obligation from Florida Mezz has been terminated and Florida Mezz waived unpaid interest and penalties previously recorded in the Company's consolidated financial statements which resulted in the Company recognizing a gain of \$267,512. As a result, as of June 30, 2017, the shares subject to repurchase were reclassified from temporary equity to permanent capital and the amounts accrued for interest and penalties reversed effective as of May 14, 2017.

The new \$6 million loan was accounted for as a new borrowing with consideration allocated between the loan and the warrants based upon the relative fair value of the loan and the warrants. The Company valued the warrants associated with the new debt obligation using the Black Sholes model, which resulted in the allocation of \$2.3 million to additional paid in capital with a corresponding offset to debt discount. In addition, there were \$293,294 in debt origination costs that are also accounted for as an offset to outstanding debt. The resulting debt discount of \$2.6 million is being amortized to interest expense over the 20-month term of the notes.

b) The Company has three term loans with Paragon Bank, all of which are collateralized by all assets of the Company and personally guaranteed by our Chief Executive Officer. The outstanding balance, interest rate and maturity date of each loan is as follows:

	<u>Maturity date</u>	<u>Interest rate</u>	<u>Principal balance</u>	<u>Monthly principal and interest payment</u>
Note 1	9/10/2018	5.50%	\$ 61,151	\$ 4,406
Note 2	5/10/2019	5.25%	262,778	11,532
Note 3	8/10/2021	5.25%	377,114	8,500
			<u>\$ 701,043</u>	<u>\$ 24,438</u>

(c) The Company has a promissory note payable on demand in the amount of \$75,000 with 800 shares of restricted company common stock to be paid to the lender each month while the note is outstanding.

d) 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. Also, 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 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.

(e) The Company's mortgage note is secured by the Company's land and building used for the Hooters Port Elizabeth facility. The Company has identified several potential purchases for its land and building and anticipates closing the Port Elizabeth Hooters location in the third calendar quarter of 2017 and closing the sale of the land and building. If a transaction closes, the Company estimates it would receive gross proceeds of approximately 6 million to 8 million Rand (approximately \$470,000 - \$570,000 USD net estimated proceeds after broker commissions). The Company expects to pay the mortgage in full at closing using the net proceeds from the sale of the property. The net assets and liabilities related to Port Elizabeth location have been reclassified to Assets Held for Sale in the accompanying unaudited condensed consolidated balance sheet as of June 30, 2017 and an impairment loss of \$634 thousand has been reflected in the accompanying unaudited condensed statement of operations for the periods ended June 30, 2017. These amounts are still subject to change and there can be no assurance that the transaction will be consummated and the estimated net proceeds and impairment loss remain subject to adjustment until finalization of the transaction.

8. CONVERTIBLE NOTES PAYABLE

Convertible Notes payable are summarized as follows:

	<u>June 30, 2017</u>	<u>December 31, 2016</u>
6% Convertible notes payable due June 2018	\$ 3,000,000	\$ 3,000,000
8% Convertible notes payable due March 2019	100,000	100,000
Premium on above convertible note	8,578	-
8% Convertible notes payable due March 2019	100,000	150,000
Premium (discount) on above convertible note	8,578	(46,936)
8% Convertible notes payable due March 2019	-	475,000
Total Convertible notes payable	3,217,156	3,678,064
Current portion of convertible notes payable	-	-
Convertible notes payable, less current portion	\$ 3,217,156	\$ 3,678,064

For the six months ended June 30, 2017 and 2016 amortization of debt discount was \$24,573 and \$640,379, respectively.

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 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 \$725,000 in principal and \$95,107 unpaid accrued interest. The original convertible notes were canceled and new convertible notes issued that may be converted to common stock of the Company, at the option of the holder, at a conversion price of \$3.00 per share. The notes have a two-year term, but may be called by the holder after the one-year anniversary of the exchange date. During March 2017, subsequent to the exchange agreements, convertible notes in the amount of \$150,000 were converted by the holders into 50,000 shares of common stock. During April and May 2017, convertible notes in the amount of \$475,000, plus related accrued interest balances, were converted by the holders into 187,798 shares of common stock.

The exchange of the convertible notes was accounting for as an extinguishment of the previous debt, resulting in the recognition of a net loss on extinguishment of \$362,822 in the accompanying condensed consolidated financial statements, which was recorded during March 2017. In addition, the lenders of the \$3 million 6% convertible debt agreed to waive defaults and extend the note maturity by eighteen months to December 2018.

9. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses are summarized as follows:

	<u>June 30, 2017</u>	<u>December 31, 2016</u>
Accounts payable and accrued expenses	\$ 3,675,139	\$ 3,807,880
Accrued taxes (VAT, Sales Payroll)	879,254	988,056
Accrued income taxes	134,828	71,713
Accrued interest	351,475	685,419
	<u>\$ 5,040,696</u>	<u>\$ 5,553,068</u>

10. STOCKHOLDERS' EQUITY

The Company had 45,000,000 shares of its \$0.0001 par value common stock authorized at both June 30, 2017 and December 31, 2016. The Company had 2,500,534 and 2,190,014 shares issued and outstanding at June 30, 2017 and December 31, 2016, respectively (including 56,290 shares that were previously classified as shares subject to repurchase obligations as of December 31, 2016). All current and prior period amounts related to shares, share prices and earnings per share contained in the accompanying unaudited condensed consolidated financial statements, have been restated to give retrospective presentation for the reverse stock split (See Note 1).

The Company has 5,000,000 shares of its no par value preferred stock authorized at both June 30, 2017 and December 31, 2016.

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 at the election of the Company. 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 are to be paid prior to any dividend to the holders of common stock. The Series 1 Preferred is 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 2017 for a total of 62,876 issued and outstanding as June 30, 2017.

In connection with the payment of past due interest on its \$5 million note payable, the Company issued 56,290 shares of its common stock to the lender. Concurrently, the Company entered into a put agreement with Florida Mezzanine Fund during 2016, which provided 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 June 30, 2017. The shares subject to the repurchase were reflected as a redeemable temporary equity on the accompanying consolidated balance sheet as of December 31, 2016. In May 2017, Florida Mezzanine fund's put right terminated in connection with the Company's repayment of its principal and the shares were reclassified as permanent equity in the accompanying consolidated balance sheet as of June 30, 2017.

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, 400,000 shares have been approved for grant.

As of June 30, 2017, the Company had issued 32,534 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 June 30, 2017 or December 31, 2016. The Company issued 15,000 restricted stock units to an employee during 2016. Approximately 367,466 shares remained available for grant in the future.

The Company also has issued warrants to investors in connection with financing transactions in prior periods. A summary of the warrants outstanding and related activity is presented below:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Remaining Life
Outstanding January 1, 2017	922,203	\$ 49.80	1.7
Granted	1,200,000	\$ 3.50	-
Exercised	-	-	-
Forfeited	(259,445)	51.01	-
Outstanding June 30, 2017	1,862,758	\$ 19.79	2.6
Exercisable June 30, 2017	1,862,758	\$ 19.79	2.6

Exercise Price	Outstanding Number of Warrants	Weighted Average Remaining Life in Years	Exercisable Number of Warrants
>\$40.00	484,518	1.47	484,518
\$30.00-\$39.99	49,990	2.14	49,990
\$20.00-\$29.99	77,950	2.57	77,950
\$10.00-\$19.99	50,300	3.78	50,300
\$0.00-\$9.99	1,200,000	9.84	1,200,000
	1,862,758	2.56	1,862,758

11. RELATED PARTY TRANSACTIONS

Due to related parties

The Company has received non-interest bearing, short-term advances Chanticleer Investors, LCC, a related party, in the amount of \$194,350 as of June 30, 2017 and December 31, 2016. The amount owed to 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.

12. SEGMENT INFORMATION

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 at the group level comprised of: Full Service Hooters, Better Burger Fast Casual, Just Fresh Fast Casual, and Corporate.

The following are revenues and operating income (loss) from continuing operations by segment as of and for the periods presented. The Company does not aggregate or review non-current assets at the segment level.

	Three Months Ended		Six Months Ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Revenue:				
Hooters Full Service	\$ 3,392,766	\$ 3,338,259	\$ 6,528,229	\$ 6,512,172
Better Burgers Fast Casual	6,010,542	5,898,316	11,326,830	11,449,966
Just Fresh Fast Casual	1,337,017	1,490,419	2,720,274	2,851,632
Corporate and Other	24,992	25,000	49,982	50,000
	<u>\$ 10,765,317</u>	<u>\$ 10,751,994</u>	<u>\$ 20,625,315</u>	<u>\$ 20,863,770</u>
Operating Income (Loss):				
Hooters Full Service	\$ (546,770)	\$ 54,196	\$ (589,616)	\$ 43,744
Better Burgers Fast Casual	110,488	7,524	(58,622)	(60,514)
Just Fresh Fast Casual	(109,524)	45,753	(45,884)	(27,455)
Corporate and Other	(535,649)	(490,540)	(1,376,720)	(1,244,925)
	<u>\$ (1,081,455)</u>	<u>\$ (383,067)</u>	<u>\$ (2,070,842)</u>	<u>\$ (1,289,150)</u>
Depreciation and Amortization				
Hooters Full Service	\$ 142,759	\$ 132,650	\$ 278,938	\$ 261,926
Better Burgers Fast Casual	379,331	365,092	755,963	730,224
Just Fresh Fast Casual	79,726	79,247	159,452	154,370
Corporate and Other	843	953	1,686	1,862
	<u>\$ 602,659</u>	<u>\$ 577,942</u>	<u>\$ 1,196,039</u>	<u>\$ 1,148,382</u>

The following are revenues and operating income (loss) from continuing operations and non-current assets by geographic region as of and for the periods presented.

	Three Months Ended		Six Months Ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Revenue:				
United States	\$ 8,598,831	\$ 8,675,754	\$ 16,510,926	\$ 16,904,900
South Africa	1,482,379	1,307,517	2,866,773	2,521,573
Europe	684,107	768,723	1,247,616	1,437,297
	<u>\$ 10,765,317</u>	<u>\$ 10,751,994</u>	<u>\$ 20,625,315</u>	<u>\$ 20,863,770</u>
Operating Income (Loss):				
United States	\$ (1,123,772)	\$ (406,169)	\$ (2,064,843)	\$ (1,271,981)
South Africa	(28,453)	(57,571)	(85,514)	(117,629)
Europe	70,770	80,673	79,515	100,460
	<u>\$ (1,081,455)</u>	<u>\$ (383,067)</u>	<u>\$ (2,070,842)</u>	<u>\$ (1,289,150)</u>
Non-current Assets:				
			June 30, 2017	December 31, 2016
United States			\$ 26,800,768	\$ 26,812,062
South Africa			1,299,979	2,519,135
Europe			2,466,918	2,361,246
			<u>\$ 30,567,665</u>	<u>\$ 31,692,443</u>

13. COMMITMENTS AND CONTINGENCIES

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. Mrs. Shaw has since applied to the High Court for Rolalor to be re-registered to seek to set aside the transfer by Rolalor [Pty] Limited, which is now in final liquidation, of its assets to Tundraspex [Pty] Limited. This request to re-register Rolalor is being opposed by Tundraspex [Pty] Limited. No amounts have been accrued as of June 30, 2017 or December 31, 2016 in the accompanying condensed 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 condensed consolidated balance sheets as of June 30, 2017 or 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

Management has evaluated all events and transactions that occurred from July 1, 2017 through the date these unaudited condensed consolidated financial statements were issued for subsequent events requiring recognition or disclosure in the condensed consolidated financial statements.

ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q 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 Quarterly 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 Part II, Item 1A of this Quarterly Report and Item 1A of Part I of our Annual Report filed on Form 10-K for the period ended December 31, 2016, 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 Quarterly Report and the Annual Report are factors that, individually or in the aggregate, the Company believes could cause its actual results to differ materially from expected and historical results. You should understand that it is not possible to predict or identify all such factors. Consequently, you should not consider such disclosures to be a complete discussion of all potential risks or uncertainties.

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

Management's Analysis of Business

We are in the business of owning, operating and franchising fast casual and full service dining concepts in the United States and internationally. As of June 30, 2017, our system-wide store count totaled 61 locations, consisting of 47 company-owned locations and 14 franchisee-operated locations as summarized below:

As of June 30, 2017						
<i>Store Count</i>	Better Burgers	Just Fresh	Hooters	Corp	Total	% of Total
<i>Company</i>	31	7	9	-	47	77.0%
<i>Franchise</i>	14	-	-	-	14	23.0%
<i>Total</i>	<u>45</u>	<u>7</u>	<u>9</u>	-	<u>61</u>	<u>100.0%</u>
As of June 30, 2016						
<i>Store Count</i>	Better Burgers	Just Fresh	Hooters	Corp	Total	% of Total
<i>Company</i>	27	8	9	-	44	80.0%
<i>Franchise</i>	11	-	-	-	11	20.0%
<i>Total</i>	<u>38</u>	<u>8</u>	<u>9</u>	-	<u>55</u>	<u>100.0%</u>

We own, operate and franchise a system-wide total of 45 fast casual restaurants specializing in the "Better Burger" category of which 31 are company-owned and 14 are operated by franchisees under franchise agreements. American Burger Company ("ABC") is a fast casual dining chain consisting of 9 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 11 company-owned locations in the United States and 14 franchisee-operated locations in the United States and the Middle East. Little Big Burger ("LBB") consists of 11 company-owned 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.

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED JUNE 30, 2017 COMPARED TO THE THREE MONTHS ENDED JUNE 30, 2016

Our results of operations are summarized below:

	<u>June 30, 2017</u>		<u>June 30, 2016</u>		<u>% Change</u>
	<u>Amount</u>	<u>% of Revenue*</u>	<u>Amount</u>	<u>% of Revenue*</u>	
Restaurant sales, net	\$ 10,524,787		\$ 10,525,629		0.0%
Gaming income, net	107,520		97,978		9.7%
Management fees	24,993		25,000		0.0%
Franchise income	108,017		103,387		4.5%
Total revenue	10,765,317		10,751,994		0.1%
Expenses:					
Restaurant cost of sales	3,579,558	34.0%	3,445,116	32.7%	3.9%
Restaurant operating expenses	5,855,410	55.6%	5,737,168	54.5%	2.1%
Restaurant pre-opening and closing expenses	90,761	0.9%	-	0.0%	-
General and administrative	1,084,422	10.1%	1,374,835	12.8%	-21.1%
Asset impairment charge	633,962	5.9%	-	0.0%	-
Depreciation and amortization	602,659	5.6%	577,942	5.4%	4.3%
Total expenses	11,846,772	110.0%	11,135,061	103.6%	6.4%
Operating loss from continuing operations	\$ (1,081,455)		\$ (383,067)		

* 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.

Revenue

Total revenue from continuing operations increased 0.1% to \$10.8 million for the three months ended June 30, 2017 from \$10.8 million for the three months ended June 30, 2016.

Revenues by concept and revenue type and a breakdown of system-wide store count are further summarized below:

Revenue	Three Months Ended June 30, 2017					
	Better Burgers	Just Fresh	Hooters	Corp	Total	% of Total
Restaurant sales, net	\$ 5,902,525	1,337,017	3,285,245	\$ -	\$ 10,524,787	97.8%
Gaming income, net	-	-	107,520	-	107,520	1.0%
Management fees	-	-	-	24,993	24,993	0.2%
Franchise income	108,017	-	-	-	108,017	1.0%
Total revenue	\$ 6,010,542	\$ 1,337,017	\$ 3,392,765	\$ 24,993	\$ 10,765,317	100.0%

Revenue	Three Months Ended June 30, 2016					
	Better Burgers	Just Fresh	Hooters	Corp	Total	% of Total
Restaurant sales, net	\$ 5,794,929	1,490,418	3,240,281	\$ -	\$ 10,525,629	97.9%
Gaming income, net	-	-	97,978	-	97,978	0.9%
Management fees	-	-	-	25,000	25,000	0.2%
Franchise income	103,387	-	-	-	103,387	1.0%
Total revenue	\$ 5,898,316	\$ 1,490,418	\$ 3,338,259	\$ 25,000	\$ 10,751,994	100.0%

Revenue	% Change in Revenues Compared to Prior Year				
	Better Burgers	Just Fresh	Hooters	Corp	Total
Restaurant sales, net	1.9%	-10.3%	1.4%	-	0.0%
Gaming income, net	-	-	9.7%	-	9.7%
Management fees	-	-	-	0.0%	0.0%
Franchise income	4.5%	-	-	-	4.5%
Total revenue	1.9%	-10.3%	1.6%	0.0%	0.1%

Restaurant revenues from continuing operations were unchanged at \$10.5 million for both the three months ended June 30, 2017 and for the three months ended June 30, 2016.

- Restaurant revenue from the Company's Better Burger Group increased 1.9% to \$5.9 million for the three months ended June 30, 2017 from \$5.8 million for the three months ended June 30, 2016. The increase was attributable the opening of one new Little Big Burger store during the first quarter of 2017, two new Little Big Burger stores and one new BGR store during the second quarter of 2017. The increases attributable to new store openings were partially offset by a 9.7% decrease in revenue from stores open during both periods, primarily at certain of the Company's American Burger and BGR locations.
- Restaurant revenue from the Company's Just Fresh Group decreased 10.3% to \$1.3 million for the three months ended June 30, 2017 from \$1.5 million for the three months ended June 30, 2016. Revenue was negatively impacted by a reduction in days of operation at the East Boulevard location, which we reduced from seven days per week to five to improve operating margins, and the decision to not renew the Charlotte Knights location, which contributed to a same stores sales decrease of 10.9%.
- Restaurant revenue from the Company's Hooter's restaurants increased 1.4% to \$3.3 million for the three months ended June 30, 2017 from \$3.2 million for the three months ended June 30, 2016. Revenue increased by 16% in South Africa primarily due to favorable foreign currency rates as compared with the prior year. In the United Kingdom, revenue declined 11%, primarily due to unfavorable foreign currency exchange rates as compared to prior year. Revenue from Hooters in United States declined 3.9%.

Gaming revenue increased 9.7% due to increased play as a result of recent upgrades to the VLT terminals at our Hooters locations in the Pacific Northwest over the past year. The favorable effects of the upgrades were partially offset by the opening of a new casino property in the areas during the current year.

Franchise revenue consisted of recurring royalties in both periods and was essentially unchanged, increasing 4.5% to \$108 thousand for the three months ended June 30, 2017 from \$103 thousand for the three months ended June 30, 2016.

Management fee revenue was unchanged at \$25 thousand in each period. The Company earns \$100 thousand annually for its CEO serving on the Board of Directors of Hooters of America.

Cost of Restaurant sales

Cost of restaurant sales increased 3.9% to \$3.6 million for the three months ended June 30, 2017 from \$3.4 million for the three months ended June 30, 2016.

Cost of Restaurant Sales	Three Months Ended				
	June 30, 2017		June 30, 2016		% Change
	Amount	% of Restaurant Net Sales	Amount	% of Restaurant Net Sales	
Better Burgers Fast Casual	\$ 1,957,303	33.2%	\$ 1,867,303	32.2%	4.8%
Just Fresh Fast Casual	520,922	39.0%	506,911	34.0%	2.8%
Hooters Full Service	1,101,333	33.5%	1,070,902	33.0%	2.8%
	<u>\$ 3,579,558</u>	34.0%	<u>\$ 3,445,116</u>	32.7%	3.9%

Cost of restaurant sales increased to 34.0% as a percent of net restaurant revenues for the three months ended June 30, 2017 from 32.7% for the three months ended June 30, 2016. The increase in cost of restaurant sales was partially due to increased revenues associated with new stores opened in the past twelve months combined with increases in the cost of beef and other ingredients.

Restaurant operating expenses

Restaurant operating expenses increased 2.1% to \$5.9 million for the three months ended June 30, 2017 from \$5.7 million for the three months ended June 30, 2016.

Our restaurant operating expenses as a percentage of restaurant sales for each region of operations is included in the following table:

Operating Expenses	Three Months Ended				
	June 30, 2017		June 30, 2016		% Change
	Amount	% of Restaurant Net Sales	Amount	% of Restaurant Net Sales	
Better Burgers Fast Casual	\$ 3,205,085	54.3%	\$ 3,143,990	54.3%	1.9%
Just Fresh Fast Casual	739,155	55.3%	744,077	49.9%	-0.7%
Hooters Full Service	1,911,170	58.2%	1,849,101	57.1%	3.4%
	<u>\$ 5,855,410</u>	<u>55.6%</u>	<u>\$ 5,737,168</u>	<u>54.5%</u>	<u>2.1%</u>

As a percent of restaurant revenues, operating expenses increased to 55.6% for the three months ended June 30, 2017 from 54.5% for the three months ended June 30, 2016. Operating expenses increased partially due to increased revenues associated with new stores opened in the past twelve months combined with the impact of fixed operating costs in certain of our restaurant locations which experienced revenue declines as compared to the prior year period.

Restaurant pre-opening and closing expenses

Restaurant pre-opening and closing expenses increased to \$91 thousand for the three months ended June 30, 2017 from \$0 for the three months ended June 30, 2016. The preopening costs in the current period were primarily related to pre-opening payroll and other expenses for our Little Big Burger openings in Portland and our BGR opening in northern Virginia during the current quarter.

General and Administrative Expense ("G&A")

G&A decreased 21.1% to \$1.1 million for the three months ended June 30, 2017 from \$1.4 million for the three months ended June 30, 2016. Significant components of G&A are summarized as follows:

	Three Months Ended	
	June 30, 2017	June 30, 2016
Audit, legal and other professional services	\$ 308,982	\$ 193,576
Salary and benefits	542,650	660,918
Consulting and other fees	17,853	76,642
Travel and entertainment	21,834	68,834
Shareholder services and fees	35,154	1,867
Advertising, Insurance and other	157,949	372,998
Total G&A Expenses	<u>\$ 1,084,422</u>	<u>\$ 1,374,835</u>

As a percentage of total revenue, G&A decreased to 10.1% for the three months ended June 30, 2017 from 12.8% for the three months ended June 30, 2016.

For the current period, approximately 52% of the Company's consolidated G&A is attributable to operating the Corporate office primarily comprised of public company costs (officer salaries, audit, legal, insurance and related expenses) and store support services (accounting, human resources, IT and related expenses).

Approximately 48% of total consolidated G&A is attributable to regional management, franchising, marketing, advertising, and other administrative activities within the Better Burger group, Hooters, and Just Fresh.

The improvement in G&A is primarily due to reductions in regional management and administrative staffing as the Company has continued to streamline and integrate its corporate office and regional operations following the acquisitions... The Company implemented a new enterprise-wide accounting platform and point of sale system across the company's US based locations further streamlining and simplifying operational process during the current year, which also contributed to the overhead expense reductions.

Depreciation and amortization

Depreciation and amortization expense was essentially unchanged at \$0.6 million for the three months ended June 30, 2017 and 2016.

OTHER INCOME (EXPENSE)

Other income (expense) consisted of the following:

Other Income (Expense)	Three Months Ended		
	June 30, 2017	June 30, 2016	% Change
Interest expense	\$ (504,706)	\$ (650,479)	-22.4%
Change in fair value of derivative liabilities	-	513,439	-100.0%
Gain on debt refinancing	267,512	-	-
Total other expense	(21)	(27,706)	-99.9%
Total other expense	\$ (237,215)	\$ (164,746)	44.0%

Other expense, net increased 44.0% to \$237 thousand for the three months ended June 30, 2017 from \$165 thousand for the three months ended June 30, 2016. The change in other expenses, net was primarily related to lower interest expenses and a gain on refinancing of the Florida Mezzanine debt in 2017 were partially offset by the \$0.5 million noncash income from the change in fair value of non-cash derivative liabilities in the prior year.

Interest expense decreased 22.4% to \$0.5 million for the three months ended June 30, 2017 from \$0.7 million for the three months ended June 30, 2016. The reduction in interest is primarily due to lower non-cash amortization of debt discounts and the reduction in convertible debt outstanding during the current period.

The Company recognized changes in the fair value of derivative liabilities totaling \$0.5 million for the three months ended June 30, 2016. This is a non-cash income or expense associated with our convertible debt and is adjusted quarterly based primarily on the change in the fair value of the price of the Company's common stock. The Company does not have derivative liabilities in 2017.

In connection with the refinancing of the \$5 million Florida Mezzanine Fund debt in May 2017, the Company recognized a gain of \$267,512 from Florida Mezz waiving the unpaid interest and penalties previously owed to them.

RESULTS OF OPERATIONS FOR THE SIX MONTHS ENDED JUNE 30, 2017 COMPARED TO THE SIX MONTHS ENDED JUNE 30, 2016

Our results of operations are summarized below:

	Six Months Ended				% Change
	June 30, 2017		June 30, 2016		
	Amount	% of Revenue*	Amount	% of Revenue*	
Restaurant sales, net	\$ 20,177,941		\$ 20,330,320		-0.7%
Gaming income, net	213,588		197,511		8.1%
Management fee income	49,983		50,000		0.0%
Franchise income	183,803		285,939		-35.7%
Total revenue	20,625,315		20,863,770		-1.1%
Expenses:					
Restaurant cost of sales	6,770,947	33.6%	6,695,086	32.9%	1.1%
Restaurant operating expenses	11,529,971	57.1%	11,252,183	55.3%	2.5%
Restaurant pre-opening and closing expenses	105,196	0.5%	7,555	0.0%	1292.4%
General and administrative	2,460,042	11.9%	3,049,714	14.6%	-19.3%
Asset impairment charge	633,962	3.1%	-	0.0%	-
Depreciation and amortization	1,196,039	5.8%	1,148,382	5.5%	4.1%
Total expenses	22,696,157	110.0%	22,152,920	106.2%	2.5%
Operating loss from continuing operations	\$ (2,070,842)		\$ (1,289,150)		60.6%

* 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.

Revenue

Total revenue from continuing operations decreased 1.1% to \$20.6 million for the six months ended June 30, 2017 from \$20.9 million for the six months ended June 30, 2016.

Revenues by concept and revenue type and a breakdown of system-wide store count are further summarized below:

Revenue	Six Months Ended June 30, 2017					
	Better Burgers	Just Fresh	Hooters	Corp	Total	% of Total
Restaurant sales, net	\$ 11,143,026	2,720,274	6,314,641	\$ -	\$ 20,177,941	97.8%
Gaming income, net	-	-	213,588	-	213,588	1.0%
Management fees	-	-	-	49,983	49,983	0.2%
Franchise income	183,803	-	-	-	183,803	0.9%
Total revenue	\$ 11,326,829	\$ 2,720,274	\$ 6,528,228	\$ 49,983	\$ 20,625,315	100.0%

Revenue	Six Months Ended June 30, 2016					
	Better Burgers	Just Fresh	Hooters	Corp	Total	% of Total
Restaurant sales, net	\$ 11,164,027	2,851,632	6,314,660	\$ -	\$ 20,330,320	97.4%
Gaming income, net	-	-	197,511	-	197,511	0.9%
Management fees	-	-	-	50,000	50,000	0.2%
Franchise income	285,939	-	-	-	285,939	1.4%
Total revenue	\$ 11,449,966	\$ 2,851,632	\$ 6,512,171	\$ 50,000	\$ 20,863,770	100.0%

Revenue	% Change in Revenues Compared to Prior Year				
	Better Burgers	Just Fresh	Hooters	Corp	Total
Restaurant sales, net	-0.2%	-4.6%	0.0%	-	-0.7%
Gaming income, net	-	-	8.1%	-	8.1%
Management fees	-	-	-	0.0%	0.0%
Franchise income	-35.7%	-	-	-	-35.7%
Total revenue	-1.1%	-4.6%	0.2%	0.0%	-1.1%

Restaurant revenues from continuing operations decreased 0.7% to \$20.2 million for the six months ended June 30, 2017 from \$20.3 million for the six months ended June 30, 2016.

- Restaurant revenue from the Company's Better Burger Group decreased 0.2% to \$11.1 million for the six months ended June 30, 2017 from \$11.2 million for the six months ended June 30, 2016. The increases attributable to new store openings were partially offset by a 9.2% decrease in revenue from stores open during both periods, primarily at certain of the Company's American Burger and BGR locations. The decrease was also attributable to the loss of approximately 4 operating days due to unusual weather in the Pacific Northwest, combined with slower than normal traffic in January and February in the Charlotte and Washington DC markets. Those decreases were partially offset by increased restaurant revenue from the opening of three new Little Big Burger stores and one new BGR store during the first half of 2017.
- Restaurant revenue from the Company's Just Fresh Group decreased 4.6% to \$2.7 million for the six months ended June 30, 2017 from \$2.9 million for the six months ended June 30, 2016. Revenue was negatively impacted by a reduction in days of operation at the East Boulevard location, which we reduced from seven days per week to five to improve operating margins, and the decision to not renew the Charlotte Knights location, which contributed to a same stores sales decrease of 6.6%.

- Restaurant revenue from the Company's Hooter's restaurants were unchanged at \$6.3 million for both the six months ended June 30, 2017 and the six months ended June 30, 2016. Revenue increased by 16% in South Africa primarily due to favorable foreign currency rates as compared with the prior year. In the United Kingdom, revenue declined 13%, primarily due to unfavorable foreign currency exchange rates as compared to prior year. Revenue from Hooters in the United States declined 6.6%, primarily as a result of unfavorable weather in the Pacific Northwest during the current year with the loss of approximately 4 operating days and slower than normal traffic during January and February.

Gaming revenue increased 8.1% due to increased play as a result of recent upgrades to the VLT terminals at our Hooters locations in the Pacific Northwest over the past year. The favorable effects of the upgrades were partially offset by unfavorable weather and the opening of a new casino property in the area during the current year.

Franchise revenue decreased 35.7% to \$183 thousand for the six months ended June 30, 2017 from \$285 thousand for the six months ended June 30, 2016. The decline in franchise revenue is primarily due to limited new franchising activity in the current period while the BGR groups is undertaking a comprehensive rebranding process to improve their store design and offerings, combined with a decline in international royalties.

Management fee revenue was unchanged at \$50 thousand in each period. The Company earns \$100 thousand annually for its CEO serving on the Board of Directors of Hooters of America.

Cost of Restaurant sales

Cost of restaurant sales increased 1.1% to \$6.8 million for the six months ended June 30, 2017 from \$6.7 million for the six months ended June 30, 2016.

Cost of Restaurant Sales	Six Months Ended					
	June 30, 2017		June 30, 2016		% Change	
	Amount	% of Restaurant Net Sales	Amount	% of Restaurant Net Sales		
Better Burgers Fast Casual	\$ 3,657,763	32.8%	\$ 3,602,376	32.3%	1.5%	
Just Fresh Fast Casual	963,338	35.4%	996,924	35.0%	-3.4%	
Hooters Full Service	2,149,846	34.0%	2,095,786	33.2%	2.6%	
	<u>\$ 6,770,947</u>	33.6%	<u>\$ 6,695,086</u>	32.9%	1.1%	

Cost of restaurant sales increased to 33.6% of net restaurant revenues for the six months ended June 30, 2017 compared to 32.9% for the six months ended June 30, 2016. The increase in cost of restaurant sales was partially due to increased revenues associated with new stores opened in the past twelve months combined with increases in the cost of beef and other ingredients.

Restaurant operating expenses

Restaurant operating expenses increased 2.5% to \$11.5 million for the six months ended June 30, 2017 from \$11.3 million for the six months ended June 30, 2016.

Our restaurant operating expenses, as a percentage of restaurant sales for each region of operations, are included in the following table:

Operating Expenses	Six Months Ended				
	June 30, 2017		June 30, 2016		% Change
	Amount	% of Restaurant Net Sales	Amount	% of Restaurant Net Sales	
Better Burgers Fast Casual	\$ 6,273,355	56.3%	\$ 6,090,148	54.6%	3.0%
Just Fresh Fast Casual	1,448,127	53.2%	1,472,100	51.6%	-1.6%
Hooters Full Service	3,808,489	60.3%	3,689,935	58.4%	3.2%
	<u>\$ 11,529,971</u>	57.1%	<u>\$ 11,252,183</u>	55.3%	2.5%

As a percent of restaurant revenues, operating expenses increased to 57.1% for the six months ended June 30, 2017 from 55.3% for the six months ended June 30, 2016. Operating expenses increased partially due to increased revenues associated with new stores opened in the past twelve months combined with the impact of fixed operating costs in certain of our restaurant locations which experienced revenue declines as compared to the prior year period.

Restaurant pre-opening and closing expenses

Restaurant pre-opening and closing expenses increased to \$105 thousand for the six months ended June 30, 2017 from \$8 thousand for the six months ended June 30, 2016. The preopening costs in the current period were primarily related to pre-opening payroll and other expenses for our Little Big Burger openings in Portland and our BGR opening in northern Virginia during the current quarter.

General and Administrative Expense ("G&A")

G&A decreased 19.3% to \$2.5 million for the six months ended June 30, 2017 from \$3.0 million for the six months ended June 30, 2016. Significant components of G&A are summarized as follows:

	Six Months Ended	
	June 30, 2017	June 30, 2016
Audit, legal and other professional services	\$ 675,888	\$ 561,590
Salary and benefits	1,088,489	1,313,422
Consulting and other fees	54,840	234,634
Travel and entertainment	81,899	146,050
Shareholder services and fees	86,973	17,541
Advertising, Insurance and other	471,953	776,477
Total G&A Expenses	<u>\$ 2,460,042</u>	<u>\$ 3,049,714</u>

As a percentage of total revenue, G&A decreased to 11.9% for the six months ended June 30, 2017 from 14.6% for the six months ended June 30, 2016.

For the current period, approximately 58% of the Company's consolidated G&A is attributable to operating the Corporate office primarily comprised of public company costs (officer salaries, audit, legal, insurance and related expenses) and store support services (accounting, human resources, IT and related expenses).

Approximately 42% of total consolidated G&A is attributable to regional management, franchising, marketing, advertising, and other administrative activities within the Better Burger group, Hooters, and Just Fresh.

The improvement in G&A is primarily due to reductions in regional management and administrative staffing as the Company has continued to streamline and integrate its operations. The Company is also in process of implementing a new enterprise-wide accounting platform and point of sale system across the majority of the company's locations, which increased G&A spending in the current period.

Depreciation and amortization

Depreciation and amortization expense was essentially unchanged at \$1.2 and \$1.1 million for the six months ended June 30, 2017 and 2016, respectively.

OTHER INCOME (EXPENSE)

Other income (expense) consisted of the following:

Other Income (Expense)	Six Months Ended		
	June 30, 2017	June 30, 2016	% Change
Interest expense	\$ (908,842)	\$ (1,251,406)	-27.4%
Change in fair value of derivative liabilities	-	1,129,101	-100.0%
Loss on debt refinancing	(95,310)	-	-
Other income	12,212	(19,969)	-161.2%
Total other expense	\$ (991,940)	\$ (142,274)	597.2%

Other expense, net increased to a net expense of \$1.0 million for the six months ended June 30, 2017 from \$0.1 million. The change in other expenses, net was primarily as a result of lower interest expenses and a net loss on refinancing of the Florida Mezzanine debt and several convertible debt obligations during 2017 were partially offset by the \$1.1 million noncash income from change in fair value of non-cash derivative liabilities in the prior year.

Interest expense decreased 27.4% to \$0.9 million for the six months ended June 30, 2017 from \$1.3 million for the six months ended June 30, 2016. The reduction in interest is primarily due to lower non-cash amortization of debt discounts and the reduction in convertible debt outstanding during the current period.

The Company recognized changes in the fair value of derivative liabilities totaling \$1.1 million for the six months ended June 30, 2016. This is a non-cash income or expense associated with our convertible debt and is adjusted quarterly based primarily on the change in the fair value of the price of the Company's common stock. The Company does not have derivative liabilities in 2017.

In connection with the refinancing of the \$5 million Florida Mezzanine Fund debt in May 2017, the Company recognized a gain of \$268 thousand from Florida Mezz waiving the unpaid interest and penalties previously owed to them. In connection with the modification of convertible note obligations in March 2017, the Company recognized net loss on extinguishment of \$363 thousand during the first quarter of 2017, resulting in a net loss of \$95 thousand for the six months ended June 30, 2017.

LIQUIDITY, CAPITAL RESOURCES AND GOING CONCERN

As of June 30, 2017, our unrestricted cash balance was \$0.4 million, our working capital was negative \$3.8 million. We incurred losses from continuing operations of \$3.2 million and cash used in operating activities was \$0.3 million for the six months ended June 30, 2017 and our debt, preferred stock, accounts payable and accrual obligations total approximately \$14.3 million. 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 continue to extend, refinance or recapitalize our debt obligations;
- the level of investment in acquisition of new restaurant businesses and entering new markets;
- our ability to manage our operating expenses and generate positive cash flow 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 deficits and 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 company stores within our current markets and restaurant concepts, the majority of which will utilize funds already committed from outside investors. As we execute our growth plans over the next twelve 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 approximately \$6.3 million in current liabilities payable within the next twelve months from date of issuance of these financial statements and approximately \$7.8 million in obligations payable within the next twenty-four months. In the event that additional working capital is not available, we may then have to scale back or freeze our 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 also have financial covenants and debt service obligations and may incur financial penalties or other negative actions from our lenders if we are not able to meet our obligations.

During March 2017, we extended the payment terms of our convertible debt obligations. During May 2017, we completed a \$6 million private placement of 8% debentures and warrants, the proceeds of which were used to repay, settle and release the \$5 million note payable and related obligations to Florida Mezzanine Fund and to provide additional working capital for new store openings and operations.

Management is actively considering the possibility benefits of selling certain of its operating assets to reduce debt and provide additional working capital to fund future growth of its domestic burger business, as well as possibly closing certain underperforming store locations to improve operating cash flow. These evaluations are at a preliminary stage, no decisions have been made, and we can provide no assurance that the Company will proceed with any asset sales, or that such asset sale can be completed on favorable terms, or at all. In the event that management does elect to proceed with asset sales and/or store closures in the future rather than continue to hold and operate all its assets long term, management's assessment of the fair value, and ultimate recoverability, of goodwill, intangibles, and other long-lived assets could be impacted and the Company could incur significant noncash charges and cash exit costs in future periods.

There can be no assurance that we will be successful in implementing our growth plans, obtaining additional debt or equity financing at reasonable terms, if at all, or selling any of our operating assets. Accordingly, this raises substantial doubt about our ability to continue on a going concern for a period of one year from the issuance of these condensed consolidated financial statements. 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 become necessary should the Company decide to liquidate assets or be unable to continue as a going concern.

In addition, our business is subject to additional risks and uncertainties, including, but not limited to, those described Part II, Item 1A of this Quarterly Report and in Item 1A of Part I of our Annual Report filed on Form 10-K for the period ended December 31, 2016. "Risk Factors".

CRITICAL ACCOUNTING POLICIES

Our condensed consolidated financial statements and accompanying notes are prepared in accordance with accounting principles generally accepted in the United States of America. Preparation of these statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. These estimates and assumptions are affected by the application of our accounting policies. Critical accounting policies are those that require application of management's most difficult, subjective, or complex judgments, often as a result of the need to make estimates about the effects of matters that are inherently uncertain and may change in subsequent periods. A summary of significant accounting policies and a description of accounting policies that are considered critical may be found in our 2016 Annual Report on Form 10-K, filed with the U.S. Securities and Exchange Commission on March 31, 2017, in the Notes to the Consolidated Financial Statements, Note 1, and the Critical Accounting Policies section of Management's Discussion and Analysis of Financial Condition and Results of Operations.

ITEM 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 4: 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 terms are 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 June 30, 2017. Our management has determined that, as of June 30, 2017 the Company's disclosure controls and procedures were not effective.

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 June 30, 2017. 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 June 30, 2017, 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 control over financial reporting during the prior year:

- As the Company completed multiple acquisitions in a short period of time over the past two years, it has operated multiple accounting systems using disparate charts of accounts and inconsistent financial close procedures and timetables. 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 to the degree 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 these 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 control over financial reporting was not effective as of June 30, 2017.

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 control. During 2016, the Company took steps to standardize its chart of accounts and accounting procedures. During the first half of 2017, the Company implemented a new enterprise wide accounting system and point of sale systems at the majority of its US based operations to further standardize accounting procedures and reporting and address the information system weaknesses identified.

Changes in Internal Control over Financial Reporting — The Company is implementing changes to its accounting systems internal 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. During the three months ended June 30, 2017, the Company made changes to its accounting systems and its internal control over financial reporting that it expects to materially improve its internal control over financial reporting in future periods.

PART II – OTHER INFORMATION

ITEM 1: LEGAL PROCEEDINGS

We are subject to various legal proceedings from time to time in the ordinary course of business, which may not be required to be disclosed under this Item 1. For the three month period ending June 30, 2017 covered by this Quarterly Report, there have been no reportable legal proceedings or material developments to previously reported legal proceedings.

ITEM 1A: RISK FACTORS

In the event that management proceeds with asset sales and/or store closures rather than continuing to hold and operate all its assets long term, management's assessment of the fair value, and ultimate recoverability, of goodwill, intangibles, and other long-lived assets would be impacted and the Company could incur significant noncash charges and cash exit costs in future periods.

We have approximately \$6.3 million in current liabilities payable within the next twelve months from date of issuance of these financial statements and approximately \$7.8 million in obligations payable within the next twenty-four months. In the event that additional working capital is not available, we may be forced to scale back or freeze our growth plans, sell assets on less than favorable terms, reduce expenses, and/or curtail future acquisition plans to manage our liquidity and capital resources. In the event that management elects to proceed with asset sales and/or store closures in the future rather than continue to hold and operate all its assets long term, management's assessment of the fair value, and ultimate recoverability, of goodwill, intangibles, and other long-lived assets would be impacted and the Company could incur significant noncash charges and cash exit costs in future periods.

We may not be able to refinance, extend or repay our substantial indebtedness owed to our secured lenders, which would have a material adverse effect on our financial condition and ability to continue as a going concern.

We have approximately \$6.3 million in current liabilities payable within the next twelve months from date of issuance of these financial statements and approximately \$7.8 million in obligations payable within the next twenty-four months. If we are unable to repay these obligations at maturity and we are otherwise unable to extend the maturity dates or refinance these obligations, we would be in default. We cannot provide any assurances that we will be able to raise the necessary amount of capital to repay these obligations or that we will be able to extend the maturity dates or otherwise refinance these obligations. Upon a default, our secured lenders would have the right to exercise their rights and remedies to collect, which would include foreclosing on our assets. Accordingly, a default would have a material adverse effect on our business and we would likely be forced to seek bankruptcy protection.

Proceeds from asset sales are subject to a right of mandatory redemption of our 8% non-convertible secured debenture holders, in principal amount of \$6,000,000, thereby limiting our flexibility to allocate proceeds from asset sales to payment of other debt obligations or working capital.

Management is actively considering the possible benefits of selling certain of its operating assets to reduce debt and provide additional working capital to fund future growth of its domestic burger business, as well as possibly closing certain underperforming store locations to improve operating cash flow. Proceeds from asset sales are subject to a right of mandatory redemption of our 8% non-convertible secured debenture holders, in principal amount of \$6,000,000, thereby limiting our flexibility to allocate proceeds from asset sales to payment of other debt obligations or working capital.

On June 12, 2017, we received notification from Nasdaq that we regained compliance with the minimum bid price rule and we are in compliance with other applicable requirements required for listing on The Nasdaq Stock Market. Accordingly, our securities will continue to be listed on The Nasdaq Stock Market.

There have been no other material changes to our risk factors as previously disclosed in "Risk Factors" in Item 1A of Part I of our Annual Report on Form 10-K for the year ended December 31, 2016 ("Risk Factors"). Readers should carefully consider these Risk Factors, which could materially affect our business, financial condition or future results. These Risk Factors are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or future results.

ITEM 2: UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

We did not issue or sell any other unregistered equity securities during the period covered by this report that were not previously reported on a Current Report on Form 8-K.

ITEM 3: DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4: MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5: OTHER INFORMATION

None.

ITEM 6: EXHIBITS

<u>Exhibit No.</u>	<u>Description</u>
3.1	Certificate of Amendment of Certificate of Incorporation of Chanticleer Holdings Inc. dated May 16, 2017 (Incorporated by reference to Exhibit 3.1 to Current Report on Form 8-K, as filed May 18, 2017)
4.1	Form of 8% Non-convertible Secured Debenture (Incorporated by reference to Exhibit 4.1 to Current Report on Form 8-K, as filed May 5, 2017)
4.2	Form of Warrant issued May 4, 2017 (Incorporated by reference to Exhibit 4.2 to Current Report on Form 8-K, as filed May 5, 2017)
4.3	Amendment to Warrant dated April 7, 2017 by and between Chanticleer Holdings, Inc., and Larry S. Spitcaufsky, Trustee of Larry Spitcaufsky Family Trust UTD 1-19-88 (Incorporated by reference to Exhibit 4.1 to Current Report on Form 8-K, as filed August 9, 2017)
4.4	Form of 2% Convertible Note issued March 10, 2017 (filed herewith)
4.5	Form of Amendment to 6% Secured Convertible Note dated March 24, 2017 (filed herewith)
10.1	Form of Exchange Agreement by and between Chanticleer Holdings Inc. and holders of 8% Notes dated March 10, 2017 (filed herewith)
10.2	Securities Purchase Agreement dated May 4, 2017 by and between Chanticleer Holdings Inc. and certain purchasers (Incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K, as filed May 5, 2017)
10.3	Security Agreement dated May 4, 2017 by and between Chanticleer Holding's Inc. and holders of 8% Non-convertible Secured Debentures (Incorporated by reference to Exhibit 10.2 to Current Report on Form 8-K, as filed May 5, 2017)
10.3	Subsidiary Guarantee dated May 4, 2017 by and between the subsidiaries of Chanticleer Holdings Inc. and holders of 8% Non-convertible Secured Debentures (Incorporated by reference to Exhibit 10.3 to Current Report on Form 8-K, as filed May 5, 2017)
10.4	Satisfaction, Settlement and Release Agreement dated May 2, 2017 by and between Chanticleer Holdings Inc. and Florida Mezzanine Fund, LLLP (Incorporated by reference to Exhibit 10.4 to Current Report on Form 8-K, as filed May 5, 2017)
10.5	Amendment to Securities Purchase Agreement by and between Chanticleer Holdings, Inc. and holders of 8% Non-convertible Secured Debentures executed August 7, 2017 (Incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K, as filed August 9, 2017)
31.2	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
32.1	Certification of Principal Executive Officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith)
32.2	Certification of Principal Financial Officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith)
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

*XBRL (Extensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

In accordance with SEC Release 33-8238, Exhibits 32.1 and 32.2 are furnished and not filed.

SIGNATURES

Pursuant to the requirements 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.

CHANTICLEER HOLDINGS, INC.

Date: August 14, 2017

By: /s/ Michael D. Pruitt

Michael D. Pruitt
Chief Executive Officer
(Principal Executive Officer)

/s/ Eric S. Lederer

Eric S. Lederer
Chief Financial Officer
(Principal Accounting Officer)

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 Note or 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

Debt to be Converted: \$ _____

Signature: _____
Name: _____
Address: _____

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:

CHANTICLEER HOLDINGS, INC. FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 2017
CERTIFICATION OF 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 quarterly report on Form 10-Q of Chanticleer Holdings, Inc. (the "registrant");
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: August 14, 2017

/s/ Michael D. Pruitt

Michael D. Pruitt
Chief Executive Officer
(Principal Executive Officer)

CHANTICLEER HOLDINGS, INC. FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 2017
CERTIFICATION OF 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 Quarterly Report on Form 10-Q 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: August 14, 2017

/s/ Eric S. Lederer

Eric S. Lederer
Chief Financial Officer

CHANTICLEER HOLDINGS, INC. FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 2017
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

In connection with this Quarterly Report of Chanticleer Holdings, Inc. (the "Company") on Form 10-Q for the quarter ended June 30, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Michael D. Pruitt, Chief Executive Officer of the Company, does hereby certify, pursuant to § 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1350), that to his knowledge:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Chanticleer Holdings, Inc.

Date: August 14, 2017

/s/ Michael D. Pruitt

Michael D. Pruitt
Chief Executive Officer
(Principal Executive Officer)

CHANTICLEER HOLDINGS, INC. FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 2017
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

In connection with this Quarterly Report of Chanticleer Holdings, Inc. (the "Company") on Form 10-Q for the quarter ended June 30, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Eric S. Lederer, Chief Financial Officer of the Company, does hereby certify, pursuant to § 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1350), that to his knowledge:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Chanticleer Holdings, Inc.

Date: August 14, 2017

/s/ Eric S. Lederer

Eric S. Lederer
Chief Financial Officer
(Principal Accounting Officer)
