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

**FORM 10-K**

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

**For the Fiscal Year Ended December 31, 2017**

Commission File Number 001-35570

**CHANTICLEER HOLDINGS, INC.**

(Exact name of registrant as specified in the charter)

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**Delaware**

(State or other jurisdiction of  
incorporation or organization)

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**20-2932652**

(I.R.S. Employer  
Identification Number)

**7621 Little Avenue, Suite 414, Charlotte, NC 28226**

(Address of principal executive offices) (Zip Code)

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

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

**Common Stock, \$0.0001 par value**

(Title of Class)

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

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

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X] Yes [ ] No

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

Large accelerated filer [ ] Accelerated filer [ ]

Non-accelerated filer [ ] Smaller reporting company [X]

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

The aggregate market value of the voting stock held by non-affiliates was \$5.0 million based on the closing sale price of the Company's Common Stock as reported on the NASDAQ Stock Market on June 30, 2017.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date. There were 3,222,209 shares of common stock issued and outstanding as of March 25, 2018.

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## PART I

### FORWARD-LOOKING STATEMENTS

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

- The quality of Company and franchise store operations and changes in sales volume;
- Our ability to operate our business and generate profits. We have not been profitable to date;
- Inherent risks in expansion of operations, including our ability to acquire additional territories, generate profits from new restaurants, find suitable sites and develop and construct locations in a timely and cost-effective way;
- Inherent risks associated with acquiring and starting new restaurant concepts and store locations;
- General risk factors affecting the restaurant industry, including current economic climate, costs of labor and food prices;
- Intensive competition in our industry and competition with national and 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;
- Potentially volatile conditions in the global financial markets and economies;
- A decline in market share or failure to achieve growth;
- Negative publicity about the ingredients we use, or the potential occurrence of foodborne illnesses or other problems at our restaurants;
- Breaches of security of confidential consumer information related to our electronic processing of credit and debit card transactions;
- Unusual or significant litigation, governmental investigations or adverse publicity, or otherwise;
- Our debt financing agreements expose us to interest rate risks, contain obligations that may limit the flexibility of our operations and may limit our ability to raise additional capital;
- Adverse effects on our results from a decrease in or cessation or clawback of government incentives related to investments; and
- Adverse effects on our operations resulting from certain geo-political or other events.

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

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

**ITEM 1: BUSINESS**

Chanticleer Holdings, Inc. (“Chanticleer” or the “Company”) is in the business of owning, operating and franchising fast casual dining concepts domestically and internationally. The Company was organized October 21, 1999, under its original name, Tulvine Systems, Inc., under the laws of the State of Delaware. On April 25, 2005, Tulvine Systems, Inc. formed a wholly-owned subsidiary, Chanticleer Holdings, Inc., and on May 2, 2005, Tulvine Systems, Inc. merged with, and changed its name to, Chanticleer Holdings, Inc.

The consolidated financial statements include the accounts of Chanticleer Holdings, Inc. and its subsidiaries presented below (collectively referred to as the “Company”):

Name	Jurisdiction of Incorporation	Percent Owned
<b>CHANTICLEER HOLDINGS, INC.</b>	<b>DE, USA</b>	
<i><b>Burger Business</b></i>		
American Roadside Burgers, Inc.	DE, USA	100%
ARB Stores		
American Burger Ally, LLC	NC, USA	100%
American Burger Morehead, LLC	NC, USA	100%
American Roadside McBee, LLC	NC, USA	100%
American Roadside Southpark, LLC	NC, USA	100%
American Roadside Burgers Smithtown, Inc.	DE, USA	100%
American Burger Prosperity, LLC	NC, USA	100%
BGR Acquisition, LLC	NC, USA	100%
BGR Franchising, LLC	VA, USA	100%
BGR Operations, LLC	VA, USA	100%
BGR Arlington, LLC	VA, USA	100%
BGR Cascades, LLC	VA, USA	100%
BGR Dupont, LLC	DC, USA	100%
BGR Old Keene Mill, LLC	VA, USA	100%
BGR Old Town, LLC	VA, USA	100%
BGR Potomac, LLC	MD, USA	100%
BGR Springfield Mall, LLC	VA, USA	100%
BGR Tysons, LLC	VA, USA	100%
BGR Washingtonian, LLC	MD, USA	100%
Capitol Burger, LLC	MD, USA	100%
BGR Mosaic, LLC	VA, USA	100%
BGR Michigan Ave, LLC	DC, USA	100%
BGR Chevy Chase, LLC	MD, USA	100%
BGR Acquisition 1, LLC	NC, USA	100%
BT Burger Acquisition, LLC	NC, USA	100%
BT's Burgerjoint Biltmore, LLC	NC, USA	100%
BT's Burgerjoint Promenade, LLC	NC, USA	100%
BT's Burgerjoint Rivergate, LLC	NC, USA	100%
BT's Burgerjoint Sun Valley, LLC	NC, USA	100%
LBB Acquisition, LLC	NC, USA	100%
Cuarto LLC	OR, USA	100%
LBB Acquisition 1 LLC	OR, USA	100%
LBB Capitol Hill LLC	WA, USA	50%
LBB Franchising LLC	NC, USA	100%
LBB Green Lake LLC	OR, USA	50%

LBB Hassalo LLC	OR, USA	80%
LBB Lake Oswego LLC	OR, USA	100%
LBB Magnolia Plaza LLC	NC, USA	100%
LBB Multnomah Village LLC	OR, USA	50%
LBB Platform LLC	OR, USA	80%
LBB Progress Ridge LLC	OR, USA	50%
LBB Rea Farms LLC	NC, USA	50%
LBB Wallingford LLC	WA, USA	50%
Noveno LLC	OR, USA	100%
Octavo LLC	OR, USA	100%
Primero LLC	OR, USA	100%
Quinto LLC	OR, USA	100%
Segundo LLC	OR, USA	100%
Septimo LLC	OR, USA	100%
Sexto LLC	OR, USA	100%
<b>Just Fresh</b>		
JF Franchising Systems, LLC	NC, USA	56%
JF Restaurants, LLC	NC, USA	56%
<b>West Coast Hooters</b>		
Jantzen Beach Wings, LLC	OR, USA	100%
Oregon Owl's Nest, LLC	OR, USA	100%
Tacoma Wings, LLC	WA, USA	100%
<b>South African Entities</b>		
Chanticleer South Africa (Pty) Ltd.	South Africa	100%
Hooters Emperors Palace (Pty) Ltd.	South Africa	88%
Hooters On The Buzz (Pty) Ltd	South Africa	95%
Hooters PE (Pty) Ltd.	South Africa	100%
Hooters Ruimsig (Pty) Ltd.	South Africa	100%
Hooters SA (Pty) Ltd.	South Africa	78%
Hooters Umhlanga (Pty) Ltd.	South Africa	90%
Hooters Willows Crossing (Pty) Ltd.	South Africa	100%
<b>European Entities</b>		
Chanticleer Holdings Limited	Jersey	100%
West End Wings Ltd.	United Kingdom	100%
<b>Inactive Entities</b>		
Hooters Brazil	Brazil	100%
DineOut SA Ltd.	England	89%
Avenel Financial Services, LLC	NV, USA	100%
Avenel Ventures, LLC	NV, USA	100%
Chanticleer Advisors, LLC	NV, USA	100%
Chanticleer Investment Partners, LLC	NC, USA	100%
Dallas Spoon Beverage, LLC	TX, USA	100%
Dallas Spoon, LLC	TX, USA	100%
American Roadside Cross Hill, LLC	NC, USA	100%
Chanticleer Finance UK (No. 1) Plc	United Kingdom	100%

## **Restaurant Brands**

### ***Better Burgers Fast Casual***

We operate and franchise a system-wide total of 41 fast casual restaurants specializing the “Better Burger” category of which 28 are company-owned and 13 are owned and operated by franchisees under franchise agreements.

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

BGR: The Burger Joint (“BGR”) was acquired in March 2015 and consists of eight company-owned locations in the United States and 13 franchisee-operated locations in the United States and the Middle East (2 of the franchisee-operated locations were purchased by the Company in 2018 and became company-owned locations).

Little Big Burger (“LBB”) was acquired in September 2015 and consists of 11 company-owned locations in the Portland, Oregon and Charlotte, North Carolina areas. Four of those locations are operated under partnership agreements with investors where we control the management and operations of the stores and the partner supplies a portion of the capital to open the store in exchange for a noncontrolling interest.

We plan to accelerate expansion of our Better Burger business through a combination of company-owned stores, franchising and partnerships primarily in the United States. Within the Burger group, we plan to focus the majority of our resources on growing Little Big Burger, where we are realizing industry-leading margins and returns on capital from our current store locations. We are also considering opportunities to expand the Better Burger business internationally, primarily focusing on those regions where we operate Hooters restaurants to leverage our local infrastructure and management teams across multiple brands. For our BGR brand, we intend to open new stores in 2018, albeit at a slower pace than for our Little Big Burger brand.

### ***Just Fresh Fast Casual***

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

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

### ***Hooters Full Service***

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

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

## **Restaurant Geographic Locations**

### ***United States***

We currently operate ABC, BGR and LBB restaurants in the United States as our Better Burger Group. ABC is located in North Carolina, South Carolina and New York. BGR operates company restaurants in the mid-Atlantic region of the United States, as well as franchise locations across the U.S. and internationally. LBB operates primarily in Oregon, although we opened one store in North Carolina and plan to expand into other states in 2018 through both company and franchise locations.

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

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

### ***South Africa***

We currently own and operate five Hooters restaurants in South Africa: Durban, Pretoria, and Johannesburg (3 locations).

### ***Europe***

We currently own and operate one Hooters restaurant in the United Kingdom located in Nottingham, England.

## **Competition**

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

## **Proprietary Rights**

We have trademarks and trade names associated with Just Fresh, American Roadside Burger, BGR and Little Big Burger. We believe that the trademarks, service marks and other proprietary rights that we use in our restaurants have significant value and are important to our brand-building efforts and the marketing of our restaurant concepts. Although we believe that we have sufficient rights to all of our trademarks and service marks, we may face claims of infringement that could interfere with our ability to market our restaurants and promote our brand. Any such litigation may be costly and divert resources from our business. Moreover, if we are unable to successfully defend against such claims, we may be prevented from using our trademarks or service marks in the future and may be liable for damages.

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

## **Government Regulation**

### ***Environmental regulation.***

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



***Local regulation.***

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

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

***Franchise regulation.***

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

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

***Employment regulations.***

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

***Gaming regulations.***

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

***Other regulations.***

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

## Seasonality

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

## Corporate Information

Our principal executive offices are located at 7621 Little Avenue, Suite 414, Charlotte, NC 28226. Our web site is [www.chanticleerholdings.com](http://www.chanticleerholdings.com).

## Employees

At December 31, 2017, our locations had approximately 886 employees, including 244 in South Africa, 49 in the United Kingdom and 593 in the United States. Approximately 60 of our South African employees are represented by a labor union. We have experienced no work stoppages and believe that our employee relationships are good.

## Available information

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

## ITEM 1A: RISK FACTORS

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

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

## **Risks Related to Our Company and Industry**

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

We have incurred operating losses and generated negative operating cash flows since our inception and have financed our operations principally through equity investments and borrowings. Future profitability is difficult to predict with certainty. Failure to achieve profitability could materially and adversely affect the value of our Company and our ability to obtain additional financings. The success of the business depends on our ability to increase revenues to offset expenses. If our revenues fall short of projections or we are unable to reduce operating expenses, our business, financial condition and operating results will be materially adversely affected.

### ***Our financial statements have been prepared assuming a going concern.***

Our financial statements as of December 31, 2017, were prepared under the assumption that we will continue as a going concern for the next 12 months from the date of issuance of these financial statements. Our independent registered public accounting firm has issued a report that includes an explanatory paragraph referring to our losses from operations and expressing substantial doubt in our ability to continue as a going concern without additional capital becoming available. Our ability to continue as a going concern is dependent upon our ability to obtain additional financing, re-negotiate or extend existing indebtedness, obtain further operating efficiencies, reduce expenditures and ultimately, create profitable operations. We may not be able to refinance or extend our debt or obtain additional capital on reasonable terms. Our financial statements do not include adjustments that would result from the outcome of this uncertainty.

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

Any acquisition that we pursue, whether or not successfully completed, involves risks, including:

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

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

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

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

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

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

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

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

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

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

Not all of these factors are within our control or the control of our partners, and there can be no assurance that we will be able to accelerate our growth or that we will be able to manage the anticipated expansion of our operations effectively.

***We have debt financing arrangement, some of which could be deemed to be in technical default or cross default, that could have a material adverse effect on our financial health and our ability to obtain financing in the future, and may impair our ability to react quickly to changes in our business.***

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

- increase our vulnerability to adverse economic and industry conditions, including interest rate fluctuations, because a portion of our borrowings are at variable rates of interest;

- require us to dedicate significant future cash flows to the repayment of debt, reducing the availability of cash to fund working capital, capital expenditures or other general corporate purposes;
- limit our flexibility in planning for, or reacting to, changes in our business and industry; and
- limit our ability to obtain additional debt or equity financing due to applicable financial and restrictive covenants contained in our debt agreements.

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

We may not be able to refinance our current debt obligations or remedy potential defaults. Failure to successfully recapitalize the business could have a material adverse effect on our business, financial condition and results of operations.

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

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

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

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

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

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

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

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

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

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

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

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

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

In the event Hooters does not grant us franchises to acquire additional locations or terminates our existing franchise agreements, we would be unable to operate and/or expand our Hooters-branded restaurants, identify our business with Hooters or use any of Hooters’ intellectual property. As the Hooters brand and our relationship with Hooters are among our competitive strengths, the failure to grant or the expiration or termination of the franchise agreements would materially and adversely affect our business, results of operations, financial condition and prospects.

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

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

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

***We do not have full operational control over the businesses where we control less than 100% ownership.***

We are and will be dependent on our franchisees to maintain quality, service and cleanliness standards, and their failure to do so could materially affect our brands and harm our future growth. Our franchisees have flexibility in their operations, including the ability to set prices for our products in their restaurants, hire employees and select certain service providers. In addition, it is possible that some franchisees may not operate their restaurants in accordance with our quality, service and cleanliness, health or product standards. Although we intend to take corrective measures if franchisees fail to maintain high quality service and cleanliness standards, we may not be able to identify and rectify problems with sufficient speed and, as a result, our image and operating results may be negatively affected.

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

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

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

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

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

Our profitability is dependent on our ability to anticipate and react to changes in our operating costs, including food, labor, occupancy (including utilities and energy), insurance and supplies costs. Various factors beyond our control, including climatic changes and government regulations, may affect food costs. Specifically, our dependence on frequent, timely deliveries of fresh meat and produce subject us to the risks of possible shortages or interruptions in supply caused by adverse weather or other conditions which could adversely affect the availability and cost of any such items. In the past, we have been able to recover some of our higher operating costs through increased menu prices. There have been, and there may be in the future, delays in implementing such menu price increases, and competitive pressures may limit our ability to recover such cost increases in their entirety.

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

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

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

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

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

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

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

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

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

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

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



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

During the upcoming stages of our Company's anticipated growth, we are entirely dependent upon the management skills and expertise of our management and key personnel. We do not have employment agreements with the majority of our executive officers. The loss of services of our executive officers could dramatically affect our business prospects. Certain of our employees are particularly valuable to us because:

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

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

***Our food service business, gaming revenues and the restaurant industry are subject to extensive government regulation.***

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

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

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

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

Most of our Hooters restaurants and some of our franchisee-owned restaurants operate in foreign countries and territories outside of the U.S. As a result, our business is exposed to risks inherent in foreign operations. These risks, which can vary substantially by market, include political instability, corruption, social and ethnic unrest, changes in economic conditions (including wage and commodity inflation, consumer spending and unemployment levels), the regulatory environment, tax rates and laws and consumer preferences as well as changes in the laws and policies that govern foreign investment in countries where our restaurants are operated.

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

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

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

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

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

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

Our business and results of operations may be materially affected by conditions in the financial markets and the economy generally. The demand for our products could be adversely affected in an economic downturn and our revenues may decline under such circumstances. In addition, we may find it difficult, or we may not be able, to access the credit or equity markets, or we may experience higher funding costs in the event of adverse market conditions. Future instability in these markets could limit our ability to access the capital we require to fund and grow our business.

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

Changes to existing accounting rules or regulations may impact the reporting of our future results of operations or cause the perception that we are more highly leveraged. Other new accounting rules or regulations and varying interpretations of existing accounting rules or regulations have occurred and may occur in the future. For instance, new accounting rules will require lessees to capitalize operating leases in their financial statements in future periods, which will require us to record significant right to use assets and lease obligations on our balance sheet and make other changes to our financial statements. This and other future changes to accounting rules or regulations could have a material adverse effect on the reporting of our business, financial condition and results of operations. In addition, many existing accounting standards require management to make subjective assumptions, such as those required for stock compensation, tax matters, franchise accounting, acquisitions, litigation, and asset impairment calculations. Changes in accounting standards or changes in underlying assumptions, estimates and judgments by our management could significantly change our reported or expected financial performance.

***We may not be able to adequately protect our intellectual property, which could harm the value of our brand and have a material adverse effect on our business, financial condition and results of operations.***

Our intellectual property is material to the conduct of our business. Our ability to implement our business plan successfully depends in part on our ability to further build brand recognition using our trademarks, service marks, trade dress and other proprietary intellectual property, including our name and logos and the unique ambience of our restaurants. While it is our policy to protect and defend vigorously our rights to our intellectual property, we cannot predict whether steps taken by us to protect our intellectual property rights will be adequate to prevent misappropriation of these rights or the use by others of restaurant features based upon, or otherwise similar to, our restaurant concept. It may be difficult for us to prevent others from copying elements of our concept and any litigation to enforce our rights will likely be costly and may not be successful. Although we believe that we have sufficient rights to all of our trademarks and service marks, we may face claims of infringement that could interfere with our ability to market our restaurants and promote our brand. Any such litigation may be costly and could divert resources from our business. Moreover, if we are unable to successfully defend against such claims, we may be prevented from using our trademarks or service marks in the future and may be liable for damages, which in turn could have a material adverse effect on our business, financial condition and results of operations.

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

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

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

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

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

***Adverse weather conditions could affect our sales.***

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

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

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

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

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

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

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

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

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

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

***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 significant current liabilities. 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 significant obligations and commitments due in the next year. If we are unable to repay these obligations 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.

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

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

#### **Risks Related to Our Common Stock**

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

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

- quarterly variations in our operating results and achievement of key business metrics;
- changes in the global economy and in the local economies in which we operate;
- our ability to obtain working capital financing, if necessary;

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

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

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

***Shares eligible for future sale may adversely affect the market.***

From time to time, certain of our stockholders may be eligible to sell all or some of their shares of common stock by means of ordinary brokerage transactions in the open market pursuant to Rule 144 promulgated under the Securities Act, subject to certain limitations. In general, pursuant to Rule 144, stockholders who have been non-affiliates for the preceding three months may sell shares of our common stock freely after six months subject only to the current public information requirement. Affiliates may sell shares of our common stock after six months subject to the Rule 144 volume, manner of sale, current public information and notice requirements. Any substantial sales of our common stock pursuant to Rule 144 may have a material adverse effect on the market price of our common stock.

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

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

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

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

*Director and officer liability is limited.*

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

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

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

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

## **ITEM 2: PROPERTIES**

The Company, through its subsidiaries, leases the land and buildings for our five restaurants in South Africa, one restaurant in Nottingham, United Kingdom, and 36 restaurants in the U.S. The terms for our leases vary from two to 20 years and have options to extend. We lease some of our restaurant facilities under "triple net" leases that require us to pay minimum rent, real estate taxes, maintenance costs and insurance premiums and, in some instances, percentage rent based on sales in excess of specified amounts. We also lease our corporate office space in Charlotte, North Carolina.

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

## **ITEM 3: LEGAL PROCEEDINGS**

On March 26, 2013, our South African operations received Notice of Motion filed in the Kwazulu-Natal High Court, Durban, Republic of South Africa, filed against Rolalor (PTY) LTD ("Rolalor") and Labyrinth Trading 18 (PTY) LTD ("Labyrinth") by Jennifer Catherine Mary Shaw ("Shaw"). Rolalor and Labyrinth were the original entities formed to operate the Johannesburg and Durban locations, respectively. On September 9, 2011, the assets and the then-disclosed liabilities of these entities were transferred to Tundraspex (PTY) LTD ("Tundraspex") and Dimaflo (PTY) LTD ("Dimaflo"), respectively. The current entities, Tundraspex and Dimaflo are not parties in the lawsuit. Shaw is requesting that the Respondents, Rolalor and Labyrinth, be wound up in satisfaction of an alleged debt owed in the total amount of R4,082,636 (approximately \$480,000). The two Notices were defended and argued in the High Court of South Africa (Durban) on January 31, 2014. Madam Justice Steryi dismissed the action with costs on May 5, 2014. Ms. Shaw appealed this decision and in December 2016, the Court dismissed the Labyrinth case with costs payable to the Company, and allowed the Rolalor case to proceed to liquidation. The Company did not object to the proposed liquidation of Rolalor as the entity has no assets and the Company does not expect there to be any material impact on the Company. No amounts have been accrued as of December 31, 2017 or 2016 in the accompanying consolidated balance sheets.

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

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

In connection with our acquisition of Little Big Burger, the sellers agreed that the 1,619,646 shares of the Company's common stock certain of the sellers received from the Company and an additional \$200,000 in cash would be held in escrow until such time as the litigation was fully resolved. The Company reflected the \$675,000 settlement amount in accrued liabilities, with an offsetting asset in other current assets, in the accompanying consolidated balance sheets as of December 31, 2016. As of December 31, 2016, the lawsuit had been fully resolved and all amounts paid by the sellers. Accordingly, no amounts are reflected in the Company's balance sheets as of December 31, 2017 or 2016.

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

#### **ITEM 4: MINE SAFETY DISCLOSURES**

Not applicable.

### **PART II**

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

Our common stock is listed on the NASDAQ Capital Market under the symbol "BURG".

The market high and low prices on the NASDAQ for the years ending December 31, 2017 and 2016 are as follows:



QUARTER ENDED	HIGH	LOW
December 31, 2017	\$ 3.20	\$ 1.81
September 30, 2017	\$ 3.44	\$ 1.90
June 30, 2017	\$ 6.89	\$ 2.30
March 31, 2017	\$ 4.70	\$ 3.10
December 31, 2016	\$ 9.00	\$ 3.81
September 30, 2016	\$ 6.40	\$ 3.63
June 30, 2016	\$ 8.90	\$ 4.10
March 31, 2016	\$ 10.20	\$ 6.40

#### Number of Shareholders and Total Outstanding Shares

As of March 15, 2018, there were 3,222,209 shares of our common stock issued and outstanding, respectively, and approximately 184 shareholders of record at our transfer agent. Because many shares of common stock are held by brokers and other institutions on behalf of individual stockholders and those shares change hands from time to time, we do not receive a precise tally of the total number of stockholders on a regular basis. However, our best estimate of the total holders of our common stock ranges from approximately 2,200 to approximately 2,500 shareholders.

#### 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.

#### Dividends on Common Stock

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

#### Recent Sales of Unregistered Securities

Unregistered sales of our common stock during the first three quarters of 2017 were reported in Item 2 of Part II of the Form 10-Q filed for each quarter or on Current Report on Form 8-K. There were no unregistered sales of common stock during the fourth quarter of 2017 to be reported.

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

#### ITEM 6: SELECTED FINANCIAL DATA

Not applicable.

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

*You should read the following discussion of our results of operations and financial condition together with our audited consolidated financial statements as of and for the year ended December 31, 2017 including the notes thereto, included in this Report. The discussion below contains forward-looking statements and involves numerous risks and uncertainties, including, but not limited to, those described in Item 1A. "Risk Factors". Actual results may differ materially from those contained in any forward-looking statements. Forward-looking statements speak only as of the date they are made. We undertake no obligation to update or revise such statements to reflect new circumstances or unanticipated events as they occur, and you are urged to review and consider disclosures that we make in this and other reports that discuss factors germane to our business.*

## Management's Analysis of Business

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

We own, operate and franchise a system-wide total of 41 fast casual restaurants specializing in the "Better Burger" category of which 28 are company-owned and 13 are operated by franchisees under franchise agreements. American Burger Company ("ABC") is a fast casual dining chain consisting of eight 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 eight company-owned locations in the United States and 13 franchisee-operated locations in the United States and the Middle East. Little Big Burger ("LBB") consists of 11 locations in Oregon and one location in North Carolina.

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

As of December, 31, 2017, our system-wide store count totaled 55 locations, consisting of 42 company-owned locations and 13 franchisee-operated locations.

## RESULTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2017 COMPARED TO THE YEAR ENDED DECEMBER 31, 2016

Our results of operations are summarized below:

	Year Ended				% Change
	December 31, 2017		December 31, 2016		
	Amount	% of Revenue*	Amount	% of Revenue*	
Restaurant sales, net	\$ 40,495,166		\$ 40,640,159		-0.4%
Gaming income, net	442,521		441,620		0.2%
Management fee income	100,000		100,000		0.0%
Franchise income	395,176		520,222		-24.0%
<b>Total revenue</b>	<b>41,432,863</b>		<b>41,702,001</b>		<b>-0.6%</b>
<b>Expenses:</b>					
Restaurant cost of sales	13,692,921	33.8%	13,392,078	33.0%	2.2%
Restaurant operating expenses	23,432,124	57.9%	22,641,951	55.7%	3.5%
Restaurant pre-opening and closing expenses	319,282	0.8%	145,130	0.4%	120.0%
General and administrative	4,545,496	11.0%	5,801,033	13.9%	-21.6%
Asset impairment charge	2,395,616	5.8%	-	0.0%	-
Depreciation and amortization	2,282,801	5.5%	2,341,697	5.6%	-2.5%
<b>Total expenses</b>	<b>46,668,240</b>	<b>112.6%</b>	<b>44,321,889</b>	<b>106.3%</b>	<b>5.3%</b>
<b>Operating loss from continuing operations</b>	<b>\$ (5,235,377)</b>		<b>\$ (2,619,888)</b>		<b>99.8%</b>

\* 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 decreased 0.6% to \$41.4 million for the year ended December 31, 2017 from \$41.7 million for the year ended December 31, 2016.

Revenues by concept are summarized below for each period:

### Year Ended December 31, 2017

Revenue	Year Ended December 31, 2017				Total	% of Total
	Better Burgers	Just Fresh	Hooters	Corp		
Restaurant sales, net	\$22,369,395	5,060,072	13,065,699	\$ -	\$40,495,166	97.7%
Gaming income, net	-	-	442,521	-	442,521	1.1%
Management fees	-	-	-	100,000	100,000	0.2%
Franchise income	395,176	-	-	-	395,176	1.0%
Total revenue	<u>\$22,764,571</u>	<u>\$5,060,072</u>	<u>\$13,508,220</u>	<u>\$ 100,000</u>	<u>\$41,432,863</u>	<u>100.0%</u>

### Year Ended December 31, 2016

Revenue	Year Ended December 31, 2016				Total	% of Total
	Better Burgers	Just Fresh	Hooters	Corp		
Restaurant sales, net	\$22,068,335	5,684,635	12,887,189	\$ -	\$40,640,159	97.5%
Gaming income, net	-	-	441,620	-	441,620	1.1%
Management fees	-	-	-	100,000	100,000	0.2%
Franchise income	520,222	-	-	-	520,222	1.2%
Total revenue	<u>\$22,588,557</u>	<u>\$5,684,635</u>	<u>\$13,328,809</u>	<u>\$ 100,000</u>	<u>\$41,702,001</u>	<u>100.0%</u>

### % Change in Revenues Compared to Prior Year

Revenue	% Change in Revenues Compared to Prior Year				
	Better Burgers	Just Fresh	Hooters	Corp	Total
Restaurant sales, net	1.4%	-11.0%	1.4%	-	-0.4%
Gaming income, net	-	-	0.2%	-	0.2%
Management fees	-	-	-	0.0%	0.0%
Franchise income	-24.0%	-	-	-	-24.0%
Total revenue	<u>0.8%</u>	<u>-11.0%</u>	<u>1.3%</u>	<u>0.0%</u>	<u>-0.6%</u>

Total restaurant revenues decreased 0.4% to \$40.5 million for the year ended December 31, 2017 from \$40.6 million for the year ended December 31, 2016. Revenues increased 1.4% in our Better Burger business and in our Hooters business (largely on favorable currency rates), but decreased 11.0% in our Just Fresh business where we've seen increased competitive intrusion near our Charlotte locations.

Revenue from the Company's Better Burger Group increased 0.8% to \$22.8 million for the year ended December 31, 2017 from \$22.6 million for the year ended December 31, 2016. Revenues increased \$2.2 million from the opening of four Little Big Burger and one BGR restaurant during the second and third quarters of 2017. Increased revenue from new stores was partially offset by the closure of four underperforming locations at BGR and American Burger.

Revenue from the Company's Just Fresh Group decreased 11.0% to \$5.1 million for the year ended December 31, 2017 from \$5.7 million for the year ended December 31, 2016. The decline in revenues was primarily from lower traffic and higher competition in the Charlotte locations, combined with the closure of one underperforming location in the fourth quarter.

Revenue from the Company's Hooter's restaurants increased 1.3% to \$13.5 million for the year ended December 31, 2017 from \$13.3 million for the year ended December 31, 2016. The increase in Hooters revenue was largely driven by favorable movements in foreign currency exchange rates during the year.

Gaming revenue was relatively unchanged at \$442 thousand for both the year ended December 31, 2017 and for the year ended December 31, 2016. The favorable effect of new video lottery terminals and seating upgrades at our Hooters locations in the Pacific Northwest were partially by unfavorable weather early in the year and the increased competition from a new casino property in the area.

Management fee income was unchanged at \$100 thousand for both the year ended December 31, 2017 for the year ended December 31, 2016. The Company derives management fee income from serving as general partner for its investment in HOA LLC and as compensation for the Company's CEO serving on the board of Hooters of America. The Company recognized \$0.1 million in management fees from HOA board fees in both years.

Franchise income decreased 24.0% to \$0.4 million for the year ended December 31, 2017 from \$0.5 million for the year ended December 31, 2016. The decline in franchise revenue is primarily due to limited new franchising activity in the current period while the BGR group is undertaking a comprehensive rebranding process to improve their store design and offerings, combined with a decline in international royalties.

#### Restaurant cost of sales

Restaurant cost of sales increased 2.2% to \$13.7 million for the year ended December 31, 2017 from \$13.4 million for the year ended December 31, 2016.

	Year Ended					
	December 31, 2017			December 31, 2016		
<u>Cost of Restaurant Sales</u>	<u>Amount</u>	<u>% of Restaurant Net Sales</u>		<u>Amount</u>	<u>% of Restaurant Net Sales</u>	<u>% Change</u>
Better Burgers Fast Casual	\$ 7,398,092	33.1%	\$	7,126,736	32.3%	3.8%
Just Fresh Fast Casual	1,767,032	34.9%		1,980,099	34.8%	-10.8%
Hooters Full Service	4,527,797	34.7%		4,285,243	33.3%	5.7%
	<u>\$ 13,692,921</u>	33.8%	<u>\$</u>	<u>13,392,078</u>	33.0%	2.2%

As a percentage of restaurant sales, net, restaurant cost of sales increased to 33.8% for the year ended December 31, 2017 from 33.0% for the year ended December 31, 2016.

Cost of sales in the Better Burger group increased from 32.3% to 33.1%, Hooters from 33.3% to 34.7% and Just Fresh from 34.8% to 34.9%. The increases in cost of restaurant sales were partially due to increases in beef, chicken wings and other commodities. In addition, our Hooters business in the United States was required to change food distributors in the current period, which significantly impacted food costs.

#### Restaurant operating expenses

Restaurant operating expenses increased 3.5% to \$23.4 million for the year ended December 31, 2017 from \$22.6 million for the year ended December 31, 2016.

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

Operating Expenses	Year Ended				
	December 31, 2017		December 31, 2016		% Change
	Amount	% of Restaurant Net Sales	Amount	% of Restaurant Net Sales	
Better Burgers Fast Casual	\$ 12,892,870	57.6%	\$ 12,176,518	55.2%	5.9%
Just Fresh Fast Casual	2,774,812	54.8%	2,959,597	52.1%	-6.2%
Hooters Full Service	7,764,442	59.4%	7,505,836	58.2%	3.4%
	<u>\$ 23,432,124</u>	<u>57.9%</u>	<u>\$ 22,641,951</u>	<u>55.7%</u>	<u>3.5%</u>

As a percent of restaurant revenues, operating expenses increased to 57.9% for the year ended December 31, 2017 from 55.7% for the year ended December 31, 2016. Operating expenses increased due to the opening of new stores combined with the impact of increasing wage rates in many locations. In addition, in those locations where revenues declined as compared to the prior year period, non-variable operating expenses such as rent and utilities, increased as a percent of revenue.

#### Restaurant pre-opening and closing expenses

Restaurant pre-opening and closing expenses increased to \$0.3 million for the year ended December 31, 2017 compared with \$0.1 million for the year ended December 31, 2016. The preopening costs in the current period were related to payroll, marketing, advertising, training, rent and other operational expenses incurred prior to opening new Little Big Burger locations in Portland, Charlotte and our BGR opening in northern Virginia.

#### General and administrative expense ("G&A")

G&A decreased 21.6% to \$4.5 million for the year ended December 31, 2017 from \$5.8 million for the year ended December 31, 2016. Significant components of G&A are summarized as follows:

	Year Ended		
	December 31, 2017	December 31, 2016	% Change
Audit, legal and other professional services	\$ 1,159,850	\$ 1,375,060	-15.7%
Salary and benefits	2,192,825	2,798,247	-21.6%
Travel and entertainment	195,883	337,944	-42.0%
Shareholder services and fees	129,287	80,291	61.0%
Advertising, insurance and other	867,651	1,209,491	-28.3%
Total G&A Expenses	<u>\$ 4,545,496</u>	<u>\$ 5,801,033</u>	<u>-21.6%</u>

As a percentage of total restaurant revenue, G&A decreased to 11.0% for the year ended December 31, 2017 from 13.9% for the year ended December 31, 2016.

For the current year, approximately \$2.5 million is attributable to the cost of operating our Corporate office including salaries, travel, audit, legal and other public company and transaction related costs. Approximately \$2.0 million is attributable to managing the operations of our restaurants, including regional management, franchising operations, marketing and advertising within the Better Burger group, Hooters and Just Fresh.

The reduction in G&A is primarily due to reductions in regional management and corporate office staffing as the Company has continued to streamline and integrate its back-office functions and regional management structure over the past year. The Company implemented a new enterprise-wide accounting platform and point-of-sale system across the Company's U.S. based locations further streamlining and simplifying operational process during the current year, which also contributed to the overhead expense reductions.

#### **Asset impairment charges**

Asset impairment charges totaled \$2.4 million for the year ended December 31, 2017 as compared with \$0 during the year ended December 31, 2016. During the 2017, the Company recognized impairment charges related to the closure of three BGR store locations in the Washington D.C. area, one Just Fresh location in Charlotte and one Hooters location in South Africa and one Hooters location in the United States. The impairment charges are primarily non-cash and arise from writing leasehold improvements, intangible assets and property and equipment to estimated net realizable value based on management's intent to close or sell the related store locations.

The Company also has intangible assets representing the fair value of customer contracts acquired in connection with BGR's franchise business. The Company previously determined this intangible asset to be indefinite lived based on the Company's expectations of franchisee renewals. During 2017, management reevaluated the expected life of the BGR franchise intangible and determined that the asset was impaired, resulting in an impairment charge of \$264 thousand.

#### **Depreciation and amortization**

Depreciation and amortization expense was essentially unchanged at \$2.3 million for both the years ended December 31, 2017 and December 31, 2016.

#### **Other income (expense)**

Other income (expense) consisted of the following:

<b>Other Income (Expense)</b>	<b>Year Ended</b>		
	<b>December 31, 2017</b>	<b>December 31, 2016</b>	<b>% Change</b>
Interest expense	\$ (2,592,961)	\$ (2,347,019)	10.5%
Change in fair value of derivative liabilities	-	1,231,608	-100.0%
Loss on extinguishment of debt	(95,310)	-	-
Other income (expense)	112,984	(412,272)	-127.4%
<b>Total other expense</b>	<b>\$ (2,575,287)</b>	<b>\$ (1,527,683)</b>	<b>68.6%</b>

Other expense, net increased to \$2.6 million for the year ended December 31, 2017 from \$1.5 million for the year ended December 31, 2016.

Interest expense increased 10.5% to \$2.6 million for the year ended December 31, 2017 from \$2.3 million for the year ended December 31, 2016. The change in interest is primarily due to lower interest rates on the Company's term debt, lower non-cash amortization charges and the reduction in convertible debt balances outstanding, which were offset by increased contingent interest accruals.

The revaluation of the fair value of derivative liabilities resulted in a non-cash gain of \$1.2 million in 2016. The Company did not have any derivative liabilities or related gains or losses 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 \$95 thousand for the year ended December 31, 2017.

Other income (expense) was \$0.1 million for the year ended December 31, 2017 compared to a loss of \$0.4 million for the prior year period. In the prior year, the Company wrote down investments totaling \$125 thousand, which were included in other loss.

#### **LIQUIDITY, CAPITAL RESOURCES AND GOING CONCERN**

As of December 31, 2017, our cash and restricted cash balance was \$0.4 million, our working capital was negative \$13 million and we have significant near-term commitments and contractual obligations. The level of additional cash needed to fund operations and our ability to conduct business for the next twelve months will be influenced primarily by the following factors:

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

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

Our operating plans for the next twelve months contemplate opening at least eight additional company owned stores as well as growing our franchising businesses at Little Big Burger and BGR. We have contractual commitments related to store construction of approximately \$1.5 million, of which we expect approximately \$1.0 million to be funded by private investors and approximately \$0.5 million will be funded internally by the Company. We also have \$8.7 million of principal due on our debt obligations within the next 12 months plus interest. In addition, if our lenders were to assess default interest and penalties, our obligations could be accelerated and additional interest and penalties of approximately \$800 thousand could potentially be assessed. We expect to be able to refinance our current debt obligations during 2018 and are also exploring the sale of certain assets and raising additional capital. However, we cannot provide assurance that we will be able to refinance our long-term debt or sell assets or raise the capital necessary to fund construction commitments.

As we execute our growth plans over the next 12 months, we intend to carefully monitor the impact of growth on our working capital needs and cash balances relative to the availability of cost-effective debt and equity financing. In the event that capital is not available or we are unable to refinance our debt obligations or obtain waivers, we may then have to scale back or freeze our organic growth plans, sell assets on less than favorable terms, reduce expenses, and/or curtail future acquisition plans to manage our liquidity and capital resources. We may also incur financial penalties or other negative actions from our lenders if we are not able to refinance or otherwise extend or repay our current obligations or obtain waivers.

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

## RECENT ACCOUNTING PRONOUNCEMENTS

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09 “Revenue from Contracts with Customers”. The FASB has also issued additional related standards (ASU’s 2015-14, 2016-08, 2016-10, 2016-12, 2016-20) all of which supersede the existing revenue recognition guidance and provides a new framework for recognizing revenue. The core principle of the new standard is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The new standard also requires significantly more comprehensive disclosures than the existing standard. Guidance subsequent to ASU 2014-09 has been issued to clarify various provisions in the standard, including principal versus agent considerations, identifying performance obligations, licensing transactions, as well as various technical corrections and improvements. This standard may be adopted using either a retrospective or modified retrospective method. Early adoption is permitted.

We do not expect a significant impact on restaurant sales, gaming income or management fees or to sales-based royalty revenue. However, the pattern and timing of revenue recognition related to the fixed fees associated with our franchise agreements (such as restaurant opening and area fees) will differ from current policy. Under the new standard, the license granted to each restaurant under each existing contract is considered a performance obligation. All other promises (such as providing assistance during the opening of a restaurant) will be combined with the license as one performance obligation. Accordingly, we will allocate the total transaction price (comprised of the restaurant opening and territory fees) to each restaurant expected to be opened by the licensee under the contract. We will recognize the fee allocated to each restaurant as revenue on a straight-line basis over the restaurant’s license term, which generally begins when the restaurant opens.

We plan to adopt the standard on January 1, 2018, utilizing a modified retrospective transition approach. We are in the process of finalizing our analysis and expect the adoption to result in a decrease to retained earnings of approximately \$220 thousand on the transition date with a corresponding increase of \$220 thousand in deferred revenue.

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 is currently evaluating the impact this standard will have on its consolidated financial statements and are in process of identifying the population of leases to be analyzed and recognized as right to use assets and liabilities on the Company’s consolidated balance sheet upon adoption. The Company has not completed its evaluation or quantified the impact that adoption of ASU 2016-02 will have on its consolidated financial statements. However, management does expect there to be a material increase in both assets and liabilities reflected on its consolidated balance sheets as a result of adoption on January 1, 2019 with the majority of leases currently classified as operating will be reflected as right to use assets and capital lease obligations on the consolidated balance sheet under the new standard.

In March 2016, the FASB issued ASU No. 2016-09 “Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting”. The amendments in this update simplify several aspects of the accounting for employee share-based payment transactions, including the accounting for income taxes, forfeitures and statutory tax withholding requirements, as well as classification in the statement of cash flows. This update was adopted by the Company as of January 1, 2017 and did not have any effect on the Company’s consolidated financial statements.



In January 2017, the FASB issued ASU No. 2017-04 “Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment.” The new guidance simplifies the test for goodwill impairment. Currently, the fair value of the reporting unit is compared with the carrying value of the reporting unit (identified as “Step 1”). If the fair value of the reporting unit is lower than its carrying amount then, the implied fair value of goodwill is calculated. If the implied fair value of goodwill is lower than the carrying value of goodwill an impairment is recognized (identified as “Step 2”). The new standard eliminates Step 2 from the impairment test; therefore, a goodwill impairment will be recognized as the difference of the fair value and the carrying value of the reporting unit. The new standard becomes effective on January 1, 2020 with early adoption permitted. The Company adopted ASU 2017-04 effective January 1, 2018 and did not have any effect on the Company’s consolidated financial statements.

In July 2017, the FASB issued ASU 2017-11, Earnings Per Share (Topic 260), Distinguishing Liabilities from Equity (Topic 480) and Derivatives and Hedging (Topic 815): I. Accounting for Certain Financial Instruments with Down Round Features; II. Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interests with a Scope Exception. Part I of this update addresses the complexity of accounting for certain financial instruments with down round features. Down round features are features of certain equity-linked instruments (or embedded features) that result in the strike price being reduced on the basis of the pricing of future equity offerings. Current accounting guidance creates cost and complexity for entities that issue financial instruments (such as warrants and convertible instruments) with down round features that require fair value measurement of the entire instrument or conversion option. Part II of this update addresses the difficulty of navigating Topic 480, Distinguishing Liabilities from Equity, because of the existence of extensive pending content in the FASB Accounting Standards Codification. This pending content is the result of the indefinite deferral of accounting requirements about mandatorily redeemable financial instruments of certain nonpublic entities and certain mandatorily redeemable noncontrolling interests. The amendments in Part II of this update do not have an accounting effect. This ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018. Early adoption is permitted. The Company adopted ASU 2017-11 as of January 1, 2018 with no material effect on the Company’s consolidated financial statements.

There are several other new accounting pronouncements issued by FASB, which are not yet effective. Each of these pronouncements has been or will be adopted, as applicable, by the Company. At December 31, 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.

## **CRITICAL ACCOUNTING POLICIES**

The preparation of consolidated financial statements requires management to use judgment and estimates. The level of uncertainty in estimates and assumptions increases with the length of time until the underlying transactions are completed. Significant estimates include deferred tax asset valuation allowances, valuing options and warrants, goodwill and intangible asset valuations and useful lives, depreciation and uncollectible accounts and reserves. Actual results could differ from those estimates. The accounting policies that are most critical in the preparation of our consolidated financial statements are those that are both important to the presentation of our financial condition and results of operations and require significant judgment and estimates on the part of management. The methods, estimates and judgments we use in applying this accounting policy has a significant impact on the results we report in our financial statements. Our critical accounting policies are reviewed periodically with the Audit Committee of the Board of Directors.

### **Revenue recognition**

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

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

#### *Restaurant Net Sales and Food and Beverage Costs*

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

#### *Management Fee Income*

The Company receives revenue from management fees from certain non-affiliated companies, including from managing its investment in Hooters of America.

### *Gaming Income*

The Company receives revenue from operating a gaming facility adjacent to its Hooters restaurant in Jantzen Beach, Oregon. Revenue from gaming is recognized as earned from gaming activities, net of payouts to customers, taxes and government fees.

### *Franchise Income*

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

### **Leases**

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

### **Intangible Assets**

#### **Goodwill**

Generally accepted accounting principles in the United States require the Company to perform goodwill impairment testing annually or more frequently when negative conditions or triggering events arise. After an assessment of certain qualitative factors, if it is determined to be more likely than not that the fair value of a reporting unit is less than its carrying amount, entities must perform a quantitative impairment analysis. Alternatively, the Company may elect, and has chosen to elect, to bypass the qualitative assessment and perform a quantitative assessment.

The quantitative goodwill impairment test involves a two-step process. The first step is a comparison of each reporting unit's fair value to its carrying value. If the fair value of the reporting unit is higher than its carrying value, goodwill is deemed not to be impaired, and no further testing is required. If the carrying value of the reporting unit is higher than its fair value, there is an indication that impairment may exist and the second step must be performed to measure the amount of impairment loss. The amount of impairment is determined by comparing the implied fair value of reporting unit goodwill to the carrying value of the goodwill in the same manner as if the reporting unit was being acquired in a business combination. Specifically, fair value is allocated to all of the assets and liabilities of the reporting unit, including any unrecognized intangible assets, in a hypothetical analysis that would calculate the implied fair value of goodwill. If the implied fair value of goodwill is less than the recorded goodwill, the Company would record an impairment loss for the difference. The Company's Hooters Full Service segment has a goodwill balance of approximately \$4.7 million assigned to this reporting unit. A significant reduction in future revenues for the Hooters unit could potentially impair goodwill. As of December 31, 2017, goodwill is not impaired at any of our reporting units.

#### **Indefinite-lived trade name/trademark**

Certain of the Company's trade name/trademarks have been determined to have an indefinite life. Generally accepted accounting principles in the United States require the Company to perform indefinite-lived asset impairment testing annually or more frequently when negative conditions or triggering events arise. The fair value of trade name/trademarks are estimated and compared to the carrying value. The Company estimates the fair value of trademarks using the relief-from-royalty method, which requires assumptions related to projected sales from its annual long-range plan; assumed royalty rates that could be payable if the Company did not own the trademarks; and a discount rate. As of December 31, 2017, indefinite-lived trade names/trademarks are not impaired.

#### **Definite-lived trade name/trademark**

Certain of the Company's trade name/trademarks have been determined to have a definite life and are being amortized on a straight-line basis over estimated useful lives of 10 years. The amortization expense of these definite-lived intangibles is included in depreciation and amortization in the Company's consolidated statement of operations and comprehensive loss. As of December 31, 2017, definite-lived trade names/trademarks are not impaired.

#### *Franchise Cost*

Intangible assets are recorded for the initial franchise fees for our Hooters restaurants. The Company amortizes these amounts over a 20-year period, which is the life of the franchise agreement. The Company also has intangible assets representing the fair value of customer contracts acquired in connection with BGR's franchise business. The Company previously determined this intangible asset to be indefinite lived based on the Company's expectations of franchisee renewals. During 2017, management reevaluated the expected life of the BGR franchise intangible and determined that the asset was impaired, resulting in an impairment charged of \$264 thousand. Management also revised its estimated useful life of the related intangible asset and began amortizing the related asset over the weighted average life of the underlying franchise agreements.

## COMMITMENTS AND CONTINGENCIES

The Company, through its subsidiaries, leases the land and buildings for all our restaurant and office locations. The terms for our restaurant leases vary from two to twenty years and have options to extend. We lease some of our restaurant facilities under "triple net" leases that require us to pay minimum rent, real estate taxes, maintenance costs and insurance premiums and, in some instances, percentage rent based on sales in excess of specified amounts.

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

### TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

The following table presents a summary of our contractual operating lease obligations, long-term debt and other contractual commitments as of December 31, 2017:

<b>Contractual Obligations</b>	<b>Total</b>	<b>Less than 1 year</b>	<b>1-3 years</b>	<b>3-5 years</b>	<b>More than 5 years</b>
Long-Term Debt Obligations	\$ 5,741,911	\$ 5,741,911	\$ -	\$ -	\$ -
Convertible Debt Obligations	3,212,256	\$ 3,000,000	212,256	-	-
Operating Lease Obligations	21,649,416	3,870,057	6,761,792	4,669,924	6,347,643
Capital Lease Obligations	-	-	-	-	-
Purchase Obligations	1,460,613	1,460,613	-	-	-
Total	<u>\$ 32,064,196</u>	<u>\$ 14,072,581</u>	<u>\$ 6,974,048</u>	<u>\$ 4,669,924</u>	<u>\$ 6,347,643</u>

### ITEM 7A: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

**ITEM 8: FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

CHANTICLEER HOLDINGS, INC. AND SUBSIDIARIES  
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## Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of  
Chanticleer Holdings, Inc. and Subsidiaries  
Charlotte, North Carolina

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Chanticleer Holdings, Inc. and Subsidiaries (the "Company") as of December 31, 2017 and 2016, the related consolidated statements of operations, comprehensive loss, stockholders' equity, and cash flows for the years then ended, and the related notes, (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

### Substantial Doubt about the Company's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company incurred net losses during the years ended December 31, 2017 and 2016 of approximately \$7.2 million and \$9.4 million, respectively, and the Company has working capital deficits of approximately \$13.1 million and \$10.1 million as of December 31, 2017 and 2016, respectively. These conditions raise substantial doubt about its ability to continue as a going concern. Management's evaluations of the events and conditions and management's plans regarding those matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

### Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

*/s/ Cherry Bekaert LLP*

We have served as the Company's auditor since 2015.

Charlotte, North Carolina  
March 30, 2018

**Chanticleer Holdings, Inc. and Subsidiaries**  
**Consolidated Balance Sheets**

<b>ASSETS</b>	<b>December 31, 2017</b>	<b>December 31, 2016</b>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 272,976	\$ 268,575
Restricted cash	165,517	-
Accounts and other receivables, net	475,988	524,481
Inventories	460,756	539,550
Prepaid expenses and other current assets	324,324	461,074
Assets held for sale, net	100,000	-
<b>TOTAL CURRENT ASSETS</b>	<b>1,799,561</b>	<b>1,793,680</b>
Property and equipment, net	8,548,592	11,513,693
Goodwill	12,647,806	12,405,770
Intangible assets, net	5,896,732	6,530,243
Investments	800,000	800,000
Deposits and other assets	490,328	442,737
<b>TOTAL ASSETS</b>	<b>\$ 30,183,019</b>	<b>\$ 33,486,123</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 5,972,252	\$ 5,553,068
Current maturities of long-term debt and notes payable	5,741,911	6,171,649
Current maturities of convertible notes payable	3,000,000	-
Current maturities of capital leases payable	-	18,449
Due to related parties	191,850	194,350
<b>TOTAL CURRENT LIABILITIES</b>	<b>14,906,013</b>	<b>11,937,516</b>
Long-term debt, less current portion, net of unamortized discount and deferred financing costs of \$1,173,190 and \$0, respectively	-	287,445
Convertible notes payable, net of unamortized debt discount (premium) of (\$12,256) and \$46,936, respectively	212,256	3,678,064
Redeemable preferred stock: no par value, 62,876 and 19,050 shares issued and outstanding, net of unamortized deferred financing costs of \$208,697 and \$0, respectively	640,129	257,175
Deferred rent	2,156,378	2,135,526
Deferred tax liabilities	779,359	1,485,554
<b>TOTAL LIABILITIES</b>	<b>18,694,135</b>	<b>19,781,280</b>
Commitments and contingencies		
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;	-	-
Common stock: \$0.0001 par value; authorized 45,000,000 shares; issued and outstanding 3,045,809 and 2,139,424 shares, respectively	305	213
Additional paid-in capital	60,750,330	55,926,196
Accumulated other comprehensive loss	(934,901)	(1,155,658)
Accumulated deficit	(49,109,303)	(42,206,325)
<b>Total Chanticleer Holdings, Inc, Stockholders' Equity</b>	<b>10,706,431</b>	<b>12,564,426</b>
Non-Controlling Interests	782,453	791,417
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>11,488,884</b>	<b>13,355,843</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 30,183,019</b>	<b>\$ 33,486,123</b>

See accompanying notes to consolidated financial statements.

**Chanticleer Holdings, Inc. and Subsidiaries**  
**Consolidated Statements of Operations**

	Year Ended	
	December 31, 2017	December 31, 2016
<b>Revenue:</b>		
Restaurant sales, net	\$ 40,495,166	\$ 40,640,159
Gaming income, net	442,521	441,620
Management fee income	100,000	100,000
Franchise income	395,176	520,222
<b>Total revenue</b>	<b>41,432,863</b>	<b>41,702,001</b>
<b>Expenses:</b>		
Restaurant cost of sales	13,692,921	13,392,078
Restaurant operating expenses	23,432,124	22,641,951
Restaurant pre-opening and closing expenses	319,282	145,130
General and administrative expenses	4,545,496	5,801,033
Asset impairment charges	2,395,616	-
Depreciation and amortization	2,282,801	2,341,697
<b>Total expenses</b>	<b>46,668,240</b>	<b>44,321,889</b>
<b>Operating loss from continuing operations</b>	<b>(5,235,377)</b>	<b>(2,619,888)</b>
<b>Other (expense) income</b>		
Interest expense	(2,592,961)	(2,347,019)
Change in fair value of derivative liabilities	-	1,231,608
Loss on debt refinancing	(95,310)	-
Other income (expense)	112,984	(412,272)
<b>Total other expense</b>	<b>(2,575,287)</b>	<b>(1,527,683)</b>
Loss from continuing operations before income taxes	<b>(7,810,664)</b>	<b>(4,147,571)</b>
<b>Income tax benefit (expense)</b>	<b>644,429</b>	<b>(198,463)</b>
<b>Loss from continuing operations</b>	<b>(7,166,235)</b>	<b>(4,346,034)</b>
<b>Discontinued operations</b>		
Loss from discontinued operations, net of tax	-	(1,304,627)
Loss on write down of net assets	-	(3,762,253)
<b>Consolidated net loss</b>	<b>(7,166,235)</b>	<b>(9,412,914)</b>
Less net loss attributable to non-controlling interest:		
Continuing operations	371,464	75,417
Discontinued operations	-	260,925
<b>Net loss attributable to Chanticleer Holdings, Inc.</b>	<b>\$ (6,794,771)</b>	<b>\$ (9,076,572)</b>
<b>Net loss attributable to Chanticleer Holdings, Inc.:</b>		
Loss from continuing operations	\$ (6,794,771)	\$ (4,270,617)
Loss from discontinued operations	-	(4,805,955)
<b>Net loss attributable to Chanticleer Holdings, Inc.</b>	<b>\$ (6,794,771)</b>	<b>\$ (9,076,572)</b>
Dividends on redeemable preferred stock	(108,206)	-
<b>Net loss attributable to common shareholders of Chanticleer Holdings, Inc.</b>	<b>\$ (6,902,977)</b>	<b>\$ (9,076,572)</b>
<b>Net loss attributable to Chanticleer Holdings, Inc. per common share, basic and diluted:</b>		
<b>Continuing operations attributable to common stockholders, basic and diluted</b>	<b>\$ (2.73)</b>	<b>\$ (4.18)</b>
<b>Discontinued operations attributable to common stockholders, basic and diluted</b>	<b>\$ -</b>	<b>\$ (2.22)</b>
Weighted average shares outstanding, basic and diluted	2,525,037	2,169,503

See accompanying notes to consolidated financial statements.

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

	<b>Year Ended</b>	
	<b>December 31, 2017</b>	<b>December 31, 2016</b>
<b>Net loss attributable to Chanticleer Holdings, Inc.</b>	<b>\$ (6,794,771)</b>	<b>\$ (9,076,572)</b>
Reclassification of loss recognized in net loss, net of tax	-	199,242
Foreign currency translation gain (loss)	220,757	(271,452)
Total other comprehensive income (loss)	-	(72,210)
<b>Comprehensive loss</b>	<b>\$ (6,574,014)</b>	<b>\$ (9,148,782)</b>

See accompanying notes to consolidated financial statements.



**Chanticleer Holdings, Inc. and Subsidiaries**  
**Consolidated Statements Stockholders' Equity**  
**Years ended December 31, 2017 and 2016**

	Common Stock		Additional Paid-in Capital	Accumulated other Comprehensive Loss	Non- Controlling Interest	Accumulated Deficit	Total
	Shares	Amount					
<b>Balance, January 1, 2016</b>	<u>2,133,725</u>	<u>\$ 213</u>	<u>\$ 55,367,518</u>	<u>\$ (987,695)</u>	<u>\$ 389,810</u>	<u>\$ (33,012,712)</u>	<u>\$ 21,757,134</u>
Common stock and warrants issued for:	-	-	-	-	-	-	-
Consulting services	5,700	-	24,511	-	-	-	24,511
Convertible debt	56,290	6	348,994	-	-	-	349,000
Share based compensation	-	-	9,167	-	-	-	9,167
Foreign currency translation	-	-	-	(271,452)	-	-	(271,452)
Available-for-sale securities	-	-	-	199,242	-	-	199,242
Reclassifications related to discontinued operations	-	-	-	(95,753)	335,979	-	240,226
Shares subject redemption	(56,290)	(6)	(348,994)	-	-	-	(349,000)
Non-controlling interest	-	-	525,000	-	401,970	(117,041)	809,929
Net loss	-	-	-	-	(336,342)	(9,076,572)	(9,412,914)
<b>Balance, December 31, 2016</b>	<u>2,139,425</u>	<u>\$ 213</u>	<u>\$ 55,926,196</u>	<u>\$ (1,155,658)</u>	<u>\$ 791,417</u>	<u>\$ (42,206,325)</u>	<u>\$ 13,355,843</u>
Common stock and warrants issued for:	-	-	-	-	-	-	-
Cash proceeds, net	499,856	50	939,662	-	-	-	939,712
Working capital adjustments	9,006	1	27,017	-	-	-	27,018
Consulting services	86,389	10	280,659	-	-	-	280,669
Convertible debt	233,255	23	699,740	-	-	-	699,763
Preferred Unit dividend	20,782	2	54,002	-	-	(108,207)	(54,205)
Convertible debt beneficial conversion feature	-	-	274,167	-	-	-	274,167
Warrants issued with notes payable	-	-	1,837,397	-	-	-	1,837,397
Foreign currency translation	-	-	-	220,757	-	-	220,757
Shares released from redemption feature	56,290	6	348,990	-	-	-	348,996
Non-controlling interest contributions	-	-	362,500	-	362,500	-	725,000
Net loss	-	-	-	-	(371,464)	(6,794,771)	(7,166,235)
Round-up shares in reverse split	806	-	-	-	-	-	-
<b>Balance, December 31, 2017</b>	<u>3,045,809</u>	<u>\$ 305</u>	<u>\$ 60,750,330</u>	<u>\$ (934,901)</u>	<u>\$ 782,453</u>	<u>\$ (49,109,303)</u>	<u>\$ 11,488,884</u>

See accompanying notes to consolidated financial statements.

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

	<b>Year Ended</b>	
	<b>December 31, 2017</b>	<b>December 31, 2016</b>
<b>Cash flows from operating activities:</b>		
Net loss	\$ (7,166,235)	\$ (9,412,914)
Net loss from discontinued operations	-	5,066,880
Net loss from continuing operations	<u>(7,166,235)</u>	<u>(4,346,034)</u>
Adjustments to reconcile net loss from continuing operations to net cash used in operating activities:		
Depreciation and amortization	2,282,801	2,341,697
Asset impairment charge	2,395,616	-
Loss on debt refinancing	95,310	-
Common stock and warrants issued for services	280,669	24,510
Common stock and warrants issued for interest	-	349,000
Amortization of debt discount	788,187	1,039,656
Change in assets and liabilities:		
Accounts and other receivables	35,154	(336,546)
Prepaid and other assets	22,157	113,633
Inventory	23,062	33,217
Accounts payable and accrued liabilities	1,039,179	1,540,463
Change in amounts payable to related parties	(2,500)	194,350
Derivative liabilities	-	(1,231,608)
Deferred income taxes	(706,195)	131,783
Deferred rent	188,363	(288,279)
Net cash used in operating activities from continuing operations	<u>(724,432)</u>	<u>(434,158)</u>
Net cash used in operating activities from discontinued operations	-	(75,000)
Net cash used in operating activities	<u>(724,432)</u>	<u>(509,158)</u>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(1,625,460)	(1,191,174)
Cash paid for acquisitions, net of cash acquired	-	(72,215)
Proceeds from sale of property	461,158	8,902
Net cash used in investing activities from continuing operations	<u>(1,164,302)</u>	<u>(1,254,487)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from sale of common stock and warrants	939,712	-
Proceeds from sale of redeemable preferred stock, net of offering costs of \$243,480	348,171	257,175
Loan proceeds, including \$1,837,397 of warrants associated therewith	6,578,090	275,000
Payment of deferred financing costs	(293,294)	-
Loan repayments	(6,187,738)	(513,523)
Capital lease payments	(28,405)	(40,636)
Contribution of non-controlling interest	725,000	823,671
Net cash provided by financing activities from continuing operations	<u>2,081,536</u>	<u>801,687</u>
Effect of exchange rate changes on cash	(22,884)	6,118
<b>Net increase (decrease) in cash and restricted cash</b>	<u>169,918</u>	<u>(955,840)</u>
<b>Cash and restricted cash, beginning of year</b>	<u>268,575</u>	<u>1,224,415</u>
<b>Cash and restricted cash, end of year</b>	<u>\$ 438,493</u>	<u>\$ 268,575</u>

See accompanying notes to consolidated financial statements.

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

	Year Ended	
	December 31, 2017	December 31, 2016
<b>Supplemental cash flow information:</b>		
Cash paid for interest and income taxes:		
Interest	\$ 839,816	\$ 581,072
Income taxes	27,631	51,100
<b>Non-cash investing and financing activities:</b>		
Convertible debt settled through issuance of common stock	\$ 625,000	\$ -
Accrued interest settled through issuance of common stock	74,763	-
Preferred stock dividends paid through issuance of common stock	54,004	-
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 consolidated financial statements.

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

**1. NATURE OF BUSINESS**

**ORGANIZATION**

Chanticleer Holdings, Inc. (the “Company”) is in the business of owning, operating and franchising fast casual dining concepts domestically and internationally. The Company was organized October 21, 1999, under its original name, Tulvine Systems, Inc., under the laws of the State of Delaware. On April 25, 2005, Tulvine Systems, Inc. formed a wholly-owned subsidiary, Chanticleer Holdings, Inc., and on May 2, 2005, Tulvine Systems, Inc. merged with, and changed its name to, Chanticleer Holdings, Inc.

The consolidated financial statements include the accounts of Chanticleer Holdings, Inc. and its subsidiaries presented below (collectively referred to as the “Company”):

Name	Jurisdiction of Incorporation	Percent Owned
<b>CHANTICLEER HOLDINGS, INC.</b>	<b>DE, USA</b>	
<i><b>Burger Business</b></i>		
American Roadside Burgers, Inc.	DE, USA	100%
<i>ARB Stores</i>		
American Burger Ally, LLC	NC, USA	100%
American Burger Morehead, LLC	NC, USA	100%
American Roadside McBee, LLC	NC, USA	100%
American Roadside Southpark LLC	NC, USA	100%
American Roadside Burgers Smithtown, Inc.	DE, USA	100%
American Burger Prosperity, LLC	NC, USA	100%
BGR Acquisition, LLC	NC, USA	100%
BGR Franchising, LLC	VA, USA	100%
BGR Operations, LLC	VA, USA	100%
BGR Arlington, LLC	VA, USA	100%
BGR Cascades, LLC	VA, USA	100%
BGR Dupont, LLC	DC, USA	100%
BGR Old Keene Mill, LLC	VA, USA	100%
BGR Old Town, LLC	VA, USA	100%
BGR Potomac, LLC	MD, USA	100%
BGR Springfield Mall, LLC	VA, USA	100%
BGR Tysons, LLC	VA, USA	100%
BGR Washingtonian, LLC	MD, USA	100%
Capitol Burger, LLC	MD, USA	100%
BGR Mosaic, LLC	VA, USA	100%
BGR Michigan Ave, LLC	DC, USA	100%
BGR Chevy Chase, LLC	MD, USA	100%
BGR Acquisition 1, LLC	NC, USA	100%
BT Burger Acquisition, LLC	NC, USA	100%
BT’s Burgerjoint Biltmore, LLC	NC, USA	100%
BT’s Burgerjoint Promenade, LLC	NC, USA	100%
BT’s Burgerjoint Rivergate LLC	NC, USA	100%
BT’s Burgerjoint Sun Valley, LLC	NC, USA	100%
LBB Acquisition, LLC	NC, USA	100%
Cuarto LLC	OR, USA	100%

LBB Acquisition 1 LLC	OR, USA	100%
LBB Capitol Hill LLC	WA, USA	50%
LBB Franchising LLC	NC, USA	100%
LBB Green Lake LLC	OR, USA	50%
LBB Hassalo LLC	OR, USA	80%
LBB Lake Oswego LLC	OR, USA	100%
LBB Magnolia Plaza LLC	NC, USA	100%
LBB Multnomah Village LLC	OR, USA	50%
LBB Platform LLC	OR, USA	80%
LBB Progress Ridge LLC	OR, USA	50%
LBB Rea Farms LLC	NC, USA	50%
LBB Wallingford LLC	WA, USA	50%
Noveno LLC	OR, USA	100%
Octavo LLC	OR, USA	100%
Primero LLC	OR, USA	100%
Quinto LLC	OR, USA	100%
Segundo LLC	OR, USA	100%
Septimo LLC	OR, USA	100%
Sexto LLC	OR, USA	100%
<b>Just Fresh</b>		
JF Franchising Systems, LLC	NC, USA	56%
JF Restaurants, LLC	NC, USA	56%
<b>West Coast Hooters</b>		
Jantzen Beach Wings, LLC	OR, USA	100%
Oregon Owl's Nest, LLC	OR, USA	100%
Tacoma Wings, LLC	WA, USA	100%
<b>South African Entities</b>		
Chanticleer South Africa (Pty) Ltd.	South Africa	100%
Hooters Emperors Palace (Pty.) Ltd.	South Africa	88%
Hooters On The Buzz (Pty) Ltd	South Africa	95%
Hooters PE (Pty) Ltd	South Africa	100%
Hooters Ruimsig (Pty) Ltd.	South Africa	100%
Hooters SA (Pty) Ltd	South Africa	78%
Hooters Umhlanga (Pty.) Ltd.	South Africa	90%
Hooters Willows Crossing (Pty) Ltd	South Africa	100%
<b>European Entities</b>		
Chanticleer Holdings Limited	Jersey	100%
West End Wings LTD	United Kingdom	100%
<b>Inactive Entities</b>		
Hooters Brazil	Brazil	100%
DineOut SA Ltd.	England	89%
Avenel Financial Services, LLC	NV, USA	100%
Avenel Ventures, LLC	NV, USA	100%
Chanticleer Advisors, LLC	NV, USA	100%
Chanticleer Investment Partners, LLC	NC, USA	100%
Dallas Spoon Beverage, LLC	TX, USA	100%
Dallas Spoon, LLC	TX, USA	100%
American Roadside Cross Hill, LLC	NC, USA	100%
Chanticleer Finance UK (No. 1) Plc	United Kingdom	100%

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

## LIQUIDITY, CAPITAL RESOURCES AND GOING CONCERN

As of December 31, 2017, our cash and restricted cash balance was \$0.4 million, our working capital was negative \$13 million and we have significant near-term commitments and contractual obligations. The level of additional cash needed to fund operations and our ability to conduct business for the next twelve months will be influenced primarily by the following factors:

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

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

Our operating plans for the next twelve months contemplate opening at least eight additional company owned stores as well as growing our franchising businesses at Little Big Burger and BGR. We have contractual commitments related to store construction of approximately \$1.5 million, of which we expect approximately \$1.0 million to be funded by private investors and approximately \$0.5 million will be funded internally by the Company. We also have \$8.7 million of principal due on our debt obligations within the next 12 months plus interest. In addition, if our lenders were to assess default interest and penalties, our obligations could be accelerated and additional interest and penalties of approximately \$800 thousand could potentially be assessed. We expect to be able to refinance our current debt obligations during 2018 and are also exploring the sale of certain assets and raising additional capital. However, we cannot provide assurance that we will be able to refinance our long-term debt or sell assets or raise the capital necessary to fund construction commitments.

As we execute our growth plans over the next 12 months, we intend to carefully monitor the impact of growth on our working capital needs and cash balances relative to the availability of cost-effective debt and equity financing. In the event that capital is not available or we are unable to refinance our debt obligations or obtain waivers, we may then have to scale back or freeze our organic growth plans, sell assets on less than favorable terms, reduce expenses, and/or curtail future acquisition plans to manage our liquidity and capital resources. We may also incur financial penalties or other negative actions from our lenders if we are not able to refinance or otherwise extend or repay our current obligations or obtain waivers. These factors raise substantial doubt about our ability to continue as a going concern.

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

## 2. SIGNIFICANT ACCOUNTING POLICIES

### USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Significant estimates include the valuation of the investments, deferred tax asset valuation allowances, valuing options and warrants using the 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. Revenue from gaming is recognized as earned from gaming activities, net of payouts to customers, taxes and government fees. These fees are recognized as they are earned based on the terms of the management agreements.

#### *Franchise Income*

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

## BUSINESS COMBINATIONS

For business combinations, the assets acquired, the liabilities assumed, and any non-controlling interest are recognized at the acquisition date, measured at their fair values as of that date. In a business combination achieved in stages, the identifiable assets and liabilities, as well as the non-controlling interest in the acquiree, are recognized at the full amounts of their fair values.

## LONG-LIVED ASSETS

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

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

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

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

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



## **RESTAURANT PRE-OPENING AND CLOSING EXPENSES**

Restaurant pre-opening and closing expenses are non-capital expenditures and are expensed as incurred or as triggered by managements determination to close a store. Restaurant pre-opening expenses consist of the costs of hiring and training the initial hourly work force for each new restaurant, travel, the cost of food and supplies used in training, grand opening promotional costs, the cost of the initial stocking of operating supplies and other direct costs related to the opening of a restaurant, including rent during the construction and in-restaurant training period. Restaurant closing expenses consists of the costs related to the closing of a restaurant location and include write-off of property and equipment, lease termination costs and other costs directly related to the closure.

## **LIQUOR LICENSES**

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

## **ACCOUNTS AND OTHER RECEIVABLES**

The Company monitors its exposure for credit losses on its receivable balances and the creditworthiness of its receivables on an ongoing basis and records related allowances for doubtful accounts. Allowances are estimated based upon specific customer and other balances, where a risk of default has been identified, and also include a provision for non-customer specific defaults based upon historical experience. The majority of the Company's accounts are from customer credit card transactions with minimal historical credit risk. As of December 31, 2017 and 2016, the Company has not recorded an allowance for doubtful accounts. If circumstances related to specific customers change, estimates of the recoverability of receivables could also change.

## **INVENTORIES**

Inventories are recorded at the lower of cost (first-in, first-out method) or net realizable value, and consist primarily of restaurant food items, supplies, beverages and merchandise.

## **LEASES**

The Company leases certain property under operating leases. The Company also finances certain property using capital leases, with the asset and obligation recorded at an amount equal to the present value of the minimum lease payments during the lease term.

Many of these lease agreements contain rent holidays, rent escalation clauses and/or contingent rent provisions. Rent expense is recognized on a straight-line basis over the expected lease term, including cancelable option periods when failure to exercise such options would result in an economic penalty. The Company also may receive tenant improvement allowances in connection with its leases, which are capitalized as leasehold improvements with a corresponding liability recorded in the deferred rent liability line in the consolidated balance sheet. The tenant improvement allowance liability is amortized on a straight-line basis over the lease term as a reduction of rent expense. The rent commencement date of the lease term is the earlier of the date when the Company becomes legally obligated for the rent payments or the date when the Company takes access to the property or the grounds for build out. Certain leases contain percentage rent provisions where additional rent may become due if the location exceeds certain sales thresholds. The Company recognizes expense related to percentage rent obligations at such time as it becomes probable that the percent rent threshold will be met.

## FAIR VALUE OF FINANCIAL INSTRUMENTS

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

## PROPERTY AND EQUIPMENT

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

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

Leasehold improvements	5-15 years
Restaurant furnishings and equipment	3-10 years
Furniture and fixtures	3-10 years
Office and computer equipment	3-7 years

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

## GOODWILL

The Company reviews goodwill for impairment annually or more frequently if indicators of impairment exist. Goodwill is not subject to amortization and has been assigned to reporting units for purposes of impairment testing. The reporting units are our segments (See Note 14).

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.

As of December 31, 2017, goodwill is not impaired at any of our reporting units. While the estimated fair value of the Hooters Full Service reporting unit exceeded its carrying value, that excess was not significant. Accordingly, a significant reduction in future revenue for the Hooters unit from that contemplated in the Company's cash flow projections could result in an impairment of goodwill.

The Company is 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 under-performing store locations to improve cash flows. Those strategic evaluations are ongoing, 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 affect 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.

## **INTANGIBLE ASSETS**

### **Indefinite-lived trade name/trademark**

Certain of the Company's trade name/trademarks have been determined to have an indefinite life. Generally accepted accounting principles in the United States require the Company to perform indefinite lived asset impairment testing annually or more frequently when negative conditions or triggering events arise. The fair value of trade name/trademarks are estimated and compared to the carrying value. The Company estimates the fair value of trademarks using the relief-from-royalty method, which requires assumptions related to projected sales from its annual long-range plan; assumed royalty rates that could be payable if the Company did not own the trademarks; and a discount rate. As of December 31, 2017, indefinite-lived trade names/trademarks are not impaired.

### **Definite-lived trade name/trademark**

Certain of the Company's trade name/trademarks have been determined to have a definite life and are being amortized on a straight-line basis over estimated useful lives of 10 years. The amortization expense of these definite-lived intangibles is included in depreciation and amortization in the Company's consolidated statement of operations and comprehensive loss. As of December 31, 2017, definite-lived trade names/trademarks are not impaired.

### **Franchise Cost**

Intangible assets are recorded for the initial franchise fees for our Hooter's restaurants. The Company amortizes these amounts over a 20-year period, which is the life of the franchise agreement. The Company also has intangible assets representing the acquisition date fair value of customer contracts acquired in connection with BGR's franchise business. The Company previously determined this intangible asset to be indefinite lived based on the Company's expectations of franchisee renewals. During 2017, management reevaluated the expected life of the BGR franchise intangible and determined that the asset was impaired, resulting in an impairment charged of \$264 thousand. Management also revised its estimated useful life of the related intangible asset and began amortizing the related asset over the weighted average life of the underlying franchise agreements.

## **DERIVATIVES**

On May 4, 2017, 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 at an exercise price of \$3.50 and a ten-year term (see Note 8- Long Term Debt and Notes Payable). On October 12, 2017, the Company entered into a Securities Purchase Agreement for the sale of 499,857 shares of common stock at a purchase price of \$2.00 per share. The company also issued 5½ year warrants to purchase up to 499,857 shares of common stock at a exercise price of \$3.50 per share. (See Note 12- Shareholder's Equity). The Company determined that the warrants issued in connection with both the debentures and the Securities Purchase Agreement were fixed price instruments and did not meet any other criteria requiring derivative liability accounting.

## **ACQUIRED ASSETS AND ASSUMED LIABILITIES**

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

## INCOME TAXES

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

As of December 31, 2017 and 2016, the Company had no accrued interest or penalties relating to any income tax obligations. The Company currently has no federal or state examinations in progress, nor has it had any federal or state tax examinations since its inception. The last three years of the Company's tax years are subject to federal and state tax examination.

## STOCK-BASED COMPENSATION

The compensation cost relating to share-based payment transactions (including the cost of all employee stock options) is required to be recognized in the financial statements. That cost is measured based on the estimated fair value of the equity or liability instruments issued. A wide range of share-based compensation arrangements including share options, restricted share plans, performance-based awards, share appreciation rights and employee share purchase plans are included.

### Reverse Split

As of May 19, 2017, the Company affected 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.

## LOSS PER COMMON SHARE

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

The following table summarizes the number of common shares potentially issuable upon the exercise of certain warrants, convertible notes payable and convertible interest as of December 31, 2017 and 2016, which have been excluded from the calculation of diluted net loss per common share since the effect would be antidilutive.

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Warrants	2,362,615	972,203
Convertible notes	366,667	372,500
Accrued interest on convertible notes	18,681	45,876
Total	<u>2,747,963</u>	<u>1,390,579</u>

## ADVERTISING

Advertising costs are expensed as incurred. Advertising expenses which are included in restaurant operating expenses in the accompanying consolidated statement of operations, totaled \$0.5 million and \$0.7 million for the years ended December 31, 2017 and 2016, respectively. Advertising expense primarily consists of local advertising.

## AMORTIZATION OF DEBT DISCOUNT

The Company has issued various debt with warrants and conversion features for which total proceeds were allocated to individual instruments based on the relative fair value of each instrument at the time of issuance. The offset to the amounts allocated to the other warrants and conversion features and the value of the debt was recorded as discount on debt and amortized over the term of the respective debt. For the year ended December 31, 2017 and 2016 amortization of debt discount was \$0.8 million and \$1.0 million, respectively.

## **FOREIGN CURRENCY TRANSLATION**

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

## **COMPREHENSIVE INCOME (LOSS)**

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

## **CONCENTRATION OF CREDIT RISK**

The Company maintains its cash with major financial institutions. Cash held in U.S. bank institutions is currently insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 at each institution. No similar insurance or guarantee exists for cash held in South Africa or the United Kingdom bank accounts. There was approximately \$202 thousand and \$35 thousand in aggregate uninsured cash balances at December 31, 2017 and 2016, respectively.

Certain reclassifications have been made in the financial statements at December 31, 2016 and for the year then ended to conform with current year presentation. The reclassifications had no effect on net loss.

## **RECENT ACCOUNTING PRONOUNCEMENTS**

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09 "Revenue from Contracts with Customers". The FASB has also issued additional related standards (ASU's 2015-14, 2016-08, 2016-10, 2016-12, 2016-20) all of which supersede the existing revenue recognition guidance and provides a new framework for recognizing revenue. The core principle of the new standard is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The new standard also requires significantly more comprehensive disclosures than the existing standard. Guidance subsequent to ASU 2014-09 has been issued to clarify various provisions in the standard, including principal versus agent considerations, identifying performance obligations, licensing transactions, as well as various technical corrections and improvements. This standard may be adopted using either a retrospective or modified retrospective method. Early adoption is permitted.

We are substantially complete with our evaluation of the impact this standard is expected to have on our consolidated financial statements. We do not expect a significant impact on restaurant sales, gaming income or management fees or to sales-based royalty revenue. However, the pattern and timing of revenue recognition related to the fixed fees associated with our franchise agreements (such as restaurant opening and area fees) will differ from current policy. Under the new standard, the license granted to each restaurant under each existing contract is considered a performance obligation. All other promises (such as providing assistance during the opening of a restaurant) will be combined with the license as one performance obligation. Accordingly, we will allocate the total transaction price (comprised of the restaurant opening and territory fees) to each restaurant expected to be opened by the licensee under the contract. We will recognize the fee allocated to each restaurant as revenue on a straight-line basis over the restaurant's license term, which generally begins when the restaurant opens.

We plan to adopt the standard on January 1, 2018, utilizing a modified retrospective transition approach. We are in the process of finalizing our analysis and expect the adoption to result in a decrease to retained earnings of approximately \$220 thousand on the transition date with a corresponding increase of \$220 thousand in deferred revenue.

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 is currently evaluating the impact this standard will have on its consolidated financial statements and are in process of identifying the population of leases to be analyzed and recognized as right to use assets and liabilities on the Company's consolidated balance sheet upon adoption. The Company has not completed its evaluation or quantified the impact that adoption of ASU 2016-02 will have on its consolidated financial statements. However, management does expect there to be a material increase in both assets and liabilities reflected on its consolidated balance sheets as a result of adoption on January 1, 2019 with the majority of leases currently classified as operating will be reflected as right to use assets and capital lease obligations on the consolidated balance sheet under the new standard.

In March 2016, the FASB issued ASU No. 2016-09 "Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting". The amendments in this update simplify several aspects of the accounting for employee share-based payment transactions, including the accounting for income taxes, forfeitures and statutory tax withholding requirements, as well as classification in the statement of cash flows. This update was adopted by the Company as of January 1, 2017 and did not have any effect on the Company's consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-04 "Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment." The new guidance simplifies the test for goodwill impairment. Currently, the fair value of the reporting unit is compared with the carrying value of the reporting unit (identified as "Step 1"). If the fair value of the reporting unit is lower than its carrying amount then, the implied fair value of goodwill is calculated. If the implied fair value of goodwill is lower than the carrying value of goodwill an impairment is recognized (identified as "Step 2"). The new standard eliminates Step 2 from the impairment test; therefore, a goodwill impairment will be recognized as the difference of the fair value and the carrying value of the reporting unit. The new standard becomes effective on January 1, 2020 with early adoption permitted. The Company adopted ASU 2017-04 effective January 1, 2018 and it did not have any effect on the Company's consolidated financial statements.

In July 2017, the FASB issued ASU 2017-11, Earnings Per Share (Topic 260), Distinguishing Liabilities from Equity (Topic 480) and Derivatives and Hedging (Topic 815): I. Accounting for Certain Financial Instruments with Down Round Features; II. Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interests with a Scope Exception. Part I of this update addresses the complexity of accounting for certain financial instruments with down round features. Down round features are features of certain equity-linked instruments (or embedded features) that result in the strike price being reduced on the basis of the pricing of future equity offerings. Current accounting guidance creates cost and complexity for entities that issue financial instruments (such as warrants and convertible instruments) with down round features that require fair value measurement of the entire instrument or conversion option. Part II of this update addresses the difficulty of navigating Topic 480, Distinguishing Liabilities from Equity, because of the existence of extensive pending content in the FASB Accounting Standards Codification. This pending content is the result of the indefinite deferral of accounting requirements about mandatorily redeemable financial instruments of certain nonpublic entities and certain mandatorily redeemable noncontrolling interests. The amendments in Part II of this update do not have an accounting effect. This ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018. Early adoption is permitted. The Company adopted ASU 2017-11 as of January 1, 2017 with no material effect on the Company's consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payment. ASU 2016-15 provides guidance on the classification of eight cash flow issues in order to reduce diversity in practice. The new standard is effective for us beginning January 1, 2018, with early adoption permitted.

We elected to early adopt ASU 2016-15 during fiscal year 2017. The new standard requires application using a retrospective transition method. We have evaluated the impact on a quantitative and qualitative basis and concluded it was not material to any of our prior periods presented.

There are several other new accounting pronouncements issued by FASB, which are not yet effective. Each of these pronouncements has been or will be adopted, as applicable, by the Company. At December 31, 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

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

### 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. INVESTMENTS

Investments at cost consist of the following at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Chanticleer Investors, LLC	\$ 800,000	\$ 800,000

**Chanticleer Investors LLC** – The Company invested \$800,000 during 2011 and 2012 in exchange for a 22% ownership stake in Chanticleer Investors, LLC., which in turn holds a 3% interest in Hooters of America, Inc., the operator and franchisor of the Hooters Brand worldwide. As a result, the Company effective economic interest in Hooters of America is approximately 0.6%.

### 5. DISCONTINUED OPERATIONS

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

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

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

	<u>Year ended</u> <u>December 31, 2016</u>	
Revenue	\$	3,427,928
Restaurant cost of sales		1,196,734
Restaurant operating expenses		2,780,441
General and administrative expenses		296,343
Depreciation and amortization		436,144
Other		22,893
Loss of discontinued operations		<u>(1,304,627)</u>
Loss on write-down of net assets		<u>(3,762,253)</u>
Total pretax loss of discontinued operations		<u>(5,066,880)</u>
Income tax		-
Loss on discontinued operations	\$	<u>(5,066,880)</u>

## 6. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2017 and 2016:

	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Leasehold improvements	\$ 9,941,223	\$ 10,363,996
Restaurant furniture and equipment	5,952,934	6,716,926
Construction in progress	176,939	582,265
Office and computer equipment	71,965	68,303
Land and buildings	-	826,664
Office furniture and fixtures	76,486	108,030
	<u>16,219,547</u>	<u>18,666,184</u>
Accumulated depreciation and amortization	<u>(7,670,955)</u>	<u>(7,152,491)</u>
	<u>\$ 8,548,592</u>	<u>\$ 11,513,693</u>

Depreciation and amortization expense was \$1,950,021 and \$2,029,804 for the years ended December 31, 2017 and 2016, respectively.

## 7. INTANGIBLE ASSETS, NET

### GOODWILL

Goodwill consist of the following at December 31, 2017 and December 31, 2016:

	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Hooters Full Service	\$ 4,703,203	\$ 4,461,167
Better Burgers Fast Casual	7,448,848	7,448,848
Just Fresh Fast Casual	495,755	495,755
	<u>\$ 12,647,806</u>	<u>\$ 12,405,770</u>

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

	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Beginning Balance	\$ 12,405,770	\$ 12,702,139
Acquisitions	-	70,604
Adjustments	-	62,192
Foreign currency translation (loss) gain	242,036	(429,165)
Ending Balance	<u>\$ 12,647,806</u>	<u>\$ 12,405,770</u>



## OTHER INTANGIBLE ASSETS

Franchise and trademark/tradename intangible assets consist of the following at December 31, 2017 and December 31, 2016:

	Estimated Useful Life	December 31, 2017	December 31, 2016
<b>Trademark, Tradenames:</b>			
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>
<b>Acquired Franchise Rights</b>			
BGR: The Burger Joint, net of impairment of \$264,000	7 years	1,056,000	1,320,000
<b>Franchise License Fees:</b>			
Hooters South Africa	20 years	273,194	322,258
Hooters Pacific NW	20 years	74,507	88,826
Hooters UK	5 years	13,158	30,848
		<u>360,859</u>	<u>441,932</u>
Total Intangibles at cost		<u>7,193,789</u>	<u>7,538,862</u>
Accumulated amortization		<u>(1,297,057)</u>	<u>(1,008,619)</u>
Intangible assets, net		<u>\$ 5,896,732</u>	<u>\$ 6,530,243</u>

	Periods Ended	
	December 31, 2017	December 31, 2016
Amortization expense	\$ 302,879	\$ 311,893

## 8. LONG-TERM DEBT AND NOTES PAYABLE

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

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Note Payable, due December 31, 2018, net of discount of \$1,173,390 and \$0, respectively (a)	\$ 4,826,610	\$ -
Note Payable, due January 2017 (a)	-	5,000,000
Notes Payable Paragon Bank (b)	572,276	811,205
Note Payable (c)	75,000	-
Receivables financing facilities (d)	76,109	161,899
Mortgage Note, South Africa, due July 2024 (e)	-	215,962
Bank overdraft facilities, South Africa, annual renewal	164,619	124,598
Equipment financing arrangements, South Africa	27,297	145,430
<b>Total long-term debt</b>	<b>\$ 5,741,911</b>	<b>\$ 6,459,094</b>
<b>Current portion of long-term debt</b>	<b>5,741,911</b>	<b>6,171,649</b>
<b>Long-term debt, less current portion</b>	<b>\$ -</b>	<b>\$ 287,445</b>

For the year ended December 31 2017 and 2016 amortization of debt discount was \$782,260 and \$171,861 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 annual 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, or demand repayment at 108% of the outstanding principal balance and any outstanding accrued interest. The warrants have an exercise price of \$3.50 (as adjusted for the reverse stock split on May 19, 2017) and a ten-year term. 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 were not registered, the holders would have the right to cashless exercise. The registration statement underlying the warrants was declared effective on October 30, 2017.

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 September 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.

\$5 million of the net proceeds from the offering were remitted to Florida Mezz, \$500,000 was reserved to fund the opening of new stores, and the balance of \$206,746, after transaction expenses, was designated to be used for working capital and general corporate purposes. As of December 31, 2017, \$165,517 of the proceeds to fund the opening of new stores remains unexpended, and has been presented as restricted cash in the accompanying 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 loss of 95,310. As a result, the shares subject to repurchase have been 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-Scholes model, which resulted in the allocation of \$1.7 million to additional paid in capital with a corresponding offset to debt discount. In addition, there were \$0.3 million in debt origination costs that are also accounted for as an offset to outstanding debt. The resulting debt discount of \$2.0 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 contractual maturity date of each loan is as follows:

	Maturity date	Interest rate	Principal balance	Monthly principal and interest payment
Note 1	9/10/2018	5.50%	\$ 36,502	\$ 4,406
Note 2	5/10/2019	5.25%	199,992	11,532
Note 3	8/10/2021	5.25%	335,782	8,500
			<u>\$ 572,276</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 make payments of \$1,965 per day for 210 days. As of October 2017, the daily payment amount was modified to \$1,200 per day and the term was extended to February 2018, with total remittance over the life of the loan unchanged. Also, during March 2017 in consideration for proceeds of \$150,000, 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 was secured by the land and building used for the Hooters Port Elizabeth facility which was sold during the third calendar quarter of 2017. The Company received gross proceeds of 6 million Rand (approximately \$470,000 USD net proceeds after broker commissions). The Company repaid the mortgage note 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 written off and an impairment loss of \$823 thousand recognized in the consolidated statement of operations.

The Company's various loan agreements contain financial and non-financial covenants and provisions providing for cross-default. The evaluation of compliance with these provisions is subject to interpretation and the exercise of judgement. The Company concluded that conditions could be interpreted as events of default under one or more of its loan obligations, which could also trigger cross default provisions across its various loan agreements. Management quantified the potential penalties and default interest that could be assessed in the event the loans were deemed to be in default. Accordingly, the Company recorded a liability for potential default interest and penalties of \$881 thousand as interest expense in the accompanying consolidated financial statements of December 31, 2017.

## 9. CONVERTIBLE NOTES PAYABLE

Convertible Notes payable are summarized as follows:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
6% Convertible notes payable due June 2018 (a)	\$ 3,000,000	\$ 3,000,000
Convertible notes payable due March 2019 (b)	200,000	250,000
Premium (discount) on above convertible note	12,256	(46,936)
8% Convertible notes payable due March 2019 (b)	-	475,000
<b>Total Convertible notes payable</b>	<b>3,212,256</b>	<b>3,678,064</b>
<b>Current portion of convertible notes payable</b>	<b>3,000,000</b>	<b>-</b>
<b>Convertible notes payable, less current portion</b>	<b>\$ 212,256</b>	<b>\$ 3,678,064</b>

(a) On August 2, 2013, the Company entered into an agreement with seven individual accredited investors, whereby the Company issued separate 6% Secured Subordinate Convertible Notes for a total of \$3,000,000 in a private offering and is collateralized by the assets of the Hooters Nottingham restaurant and a subordinate position to all other assets of the Company. In connection with the Company's agreement to conduct capital raise in 2016, the lenders agreed to waive certain existing defaults and extended the original note maturity by eighteen months from December 31, 2016 to June 30, 2018. The Note holders shall receive 10%, pro rata, of the net profit of the Nottingham, England Hooters restaurant, paid quarterly, and 10% of the net proceeds should the location be sold.

(b) 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 approximately 188,000 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 \$95,310 in the accompanying condensed consolidated financial statements. In addition, the lenders of the \$3 million 6% convertible debt agreed to waive defaults and extend the note maturity by eighteen months to June 30, 2018.

## 10. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses are summarized as follows:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Accounts payable and accrued expenses	\$ 3,853,691	\$ 3,807,880
Accrued taxes (VAT, Sales Payroll)	826,305	988,056
Accrued income taxes	83,878	71,713
Accrued interest	1,208,378	685,419
	<u>\$ 5,972,252</u>	<u>\$ 5,553,068</u>

## 11. INCOME TAXES

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

	<u>2017</u>	<u>2016</u>
Income (Loss) from continuing operations before income taxes		
United States	\$ (6,925,267)	\$ (4,155,057)
Foreign	(885,397)	7,486
	<u>\$ (7,810,664)</u>	<u>\$ (4,147,571)</u>

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

Foreign		
Current	\$ 61,766	\$ 66,680
Deferred	265,809	55,670
Change in Valuation Allowance	(277,126)	(55,670)
U.S. Federal		
Current	-	-
Deferred	2,682,311	(1,614,833)
Change in Valuation Allowance	(3,362,028)	1,734,224
State & Local		
Current	-	-
Deferred	65,450	(167,597)
Change in Valuation Allowance	(80,611)	179,989
	<u>\$ (644,429)</u>	<u>\$ 198,463</u>

On December 22, 2017, the President of the United States signed into law the Tax Cuts and Jobs Act (the "2017 Tax Act"). The 2017 Tax Act includes a number of changes to existing U.S. tax laws that impact the Company, most notably a reduction of the U.S. corporate income tax rate from 35 percent to 21 percent for tax years beginning after December 31, 2017.

The Company recognized the income tax effects of the 2017 Tax Act in its 2017 financial statements in accordance with Staff Accounting Bulletin No. 118, which provides SEC staff guidance for the application of ASC Topic 740, *Income Taxes*, in the reporting period in which the 2017 Tax Act was signed into law. As such, the Company's financial results reflect the income tax effects of the 2017 Tax Act for which the accounting under ASC Topic 740 is complete and provisional amounts for those specific income tax effects of the 2017 Tax Act for which the accounting under ASC Topic 740 is incomplete but a reasonable estimate could be determined. The Company did not identify items for which the income tax effects of the 2017 Tax Act have not been completed and a reasonable estimate could not be determined as of December 31, 2017.

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

	2017	2016
Computed "expected" income tax benefit	\$ (2,392,649)	\$ (1,410,174)
State income taxes, net of federal benefit	(276,242)	(146,357)
Noncontrolling interest	140,879	-
Prior year true-ups other deferred tax balances	-	(337,713)
Permanent Items	4,025	27,219
Federal expense of tax rate change	4,836,697	-
Foreign Tax Expense	61,766	66,680
Other	169,253	140,265
Change in valuation allowance	(3,188,148)	1,858,543
	<u>\$ (644,419)</u>	<u>\$ 198,463</u>

Deferred income taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting and the amounts used for tax purposes. Major components of deferred tax assets for continuing operations at December 31, 2017 and 2016 were:

	2017	2016
Net operating loss carryforwards	\$ 10,279,350	\$ 9,291,804
Capital loss carryforwards	50,226	152,772
Section 1231 loss carryforwards	78,176	111,506
Charitable contribution carryforwards	22,618	33,998
Other	10,154	260,086
Restaurant startup costs	-	89,159
Accrued Expenses	68,477	686,321
Deferred occupancy liabilities	151,532	261,181
Total deferred Tax Assets	<u>10,660,533</u>	<u>10,886,827</u>
Property and equipment	(72,553)	(765,187)
Convertible debt	-	(17,611)
Other Asset & Liability Impairment	(62,008)	-
Investments	(114,519)	(80,246)
Intangibles and Goodwill	(465,841)	(536,891)
Total deferred tax liabilities	<u>(714,921)</u>	<u>(1,399,935)</u>
Net deferred tax assets	9,945,612	9,486,892
Valuation Allowance	(10,724,970)	(10,972,446)
	<u>\$ (779,359)</u>	<u>\$ (1,485,554)</u>

The Company measures deferred tax assets and liabilities using enacted tax rates that will apply in the years in which the temporary differences are expected to be recovered or paid. Accordingly, the Company's deferred tax assets and liabilities were remeasured to reflect the reduction in the U.S. federal corporate income tax rate from 35 percent to 21 percent, resulting in approximately a \$414,000 increase in income tax benefit for the year ended December 31, 2017 and a corresponding \$414,000 decrease in net deferred tax liabilities as of December 31, 2017.

Excluded from the above table of deferred tax assets are approximately \$0 and \$2,940,000 for net operating loss carryforwards and related valuation allowances for discontinued operations at December 31, 2017 and 2016, respectively.

As of December 31, 2017 and 2016, the Company has U.S. federal and state net operating loss carryovers of approximately \$38,590,000 and \$32,893,000 respectively, which will expire at various dates beginning in 2031 through 2036, if not utilized. As of December 31, 2017 and 2016, the Company has foreign net operating loss carryovers of approximately \$2,360,000 (for South Africa) and \$1,352,000 (for South Africa), respectively. Depending on the jurisdiction, some of these net operating loss carryovers will begin to expire within 5 years, while other net operating losses can be carried forward indefinitely as long as the Company is trading. In accordance with Section 382 of the internal revenue code, deductibility of the Company's U.S. net operating loss carryovers may be subject to an annual limitation in the event of a change of control as defined under the Section 382 regulations. Quarterly ownership changes for the past 3 years were analyzed and it was determined that there was no change of control as of December 31, 2017.

In assessing the realization of deferred tax assets, Management considers whether it is more likely than not that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. After consideration of all of the information available, Management believes that significant uncertainty exists with respect to future realization of the deferred tax assets and has therefore established a full valuation allowance. For the years ended December 31, 2017 and 2016 the change in valuation allowance related to continuing operations was approximately \$(2,904,457) and \$1,858,543, respectively.

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

Interest related to uncertain tax positions are required to be calculated, if applicable, and would be classified as "interest expense" in the two statements of operations. Penalties would be recognized as a component of "general and administrative expenses". As of December 31, 2017 and 2016 no interest or penalties were required to be reported.

The Company previously did not record a provision for taxes on undistributed foreign earnings, based on an intention and ability to permanently reinvest the earnings of its foreign subsidiaries in those operations. Under the Tax Cuts and Jobs Act, the Company has re-assessed its strategies by evaluating the impact of the Tax Cuts and Jobs Act on its operations. As a result of the Act, the Company analyzed if a liability needed to be recorded for the deemed repatriation of undistributed earnings. It was determined that there is no outstanding liability associated with this based on overall negative undistributed earnings (accumulated deficit) in the consolidated foreign group.

Additionally, the Company had previously recorded a deferred tax liability associated with deemed repatriated earnings from UK. Based on the Tax Cuts and Jobs Act, any future repatriation of dividends would qualify for a full participation exemption, thus removing the deferred tax liability as of December 31, 2017. The full value of the liability was previously fully offset but carryover NOLs, thus there is not impact to the overall tax expense of the Company.

## **12. STOCKHOLDERS' EQUITY**

The Company had 45,000,000 shares of its \$0.0001 par value common stock authorized at both December 31, 2017 and 2016. The Company had 3,045,809 and 2,139,425 shares issued and outstanding at December 31, 2017 and 2016, respectively.

The Company has 5,000,000 shares of its no par value preferred stock authorized at both December 31, 2017 and 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. Shares of common stock issued as dividends will be issued at a 10% discount to the five-day volume weighted-average price per share of common stock prior to the date of issuance. Dividends will be paid prior to any dividend to the holders of common stock. The Series 1 Preferred 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 in February 2017 for \$591,651 in cash for a total of 62,876 issued and outstanding as of December 31, 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 provides the lender the right to require the Company to repurchase those shares at a price of \$0.62 cents per share. The shares subject to the repurchase obligation 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.

On October 12, 2017, the Company entered into a Securities Purchase Agreement with institutional and accredited investors in a registered direct offering for the sale of 499,857 shares of common stock (the "Shares") at a purchase price of \$2.00 per share, for a total gross purchase price of \$999,714. The Securities Purchase Agreement contains customary representations, warranties and covenants. The company also agreed to issue unregistered 5 ½ year warrants to purchase up to 499,857 shares of common stock ("Warrants") to the investors in a concurrent private placement at an exercise price of \$3.50 per share. The company has agreed to register the resale of the common shares underlying the Warrants and the registration was declared effective in October, 2017. The Warrants are exercisable for cash in full commencing six months after the issuance date.

### **Options and Warrants**

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

As of December 31, 2017, the Company had issued 87,678 restricted and unrestricted shares on a cumulative basis under the plan pursuant to compensatory arrangements with employees, board members and outside consultants. No employee stock options have been issued or are outstanding as of December 31, 2017 and December 31, 2016. The Company issued 15,000 restricted stock units to employees during 2016. Approximately 297,322 shares remained available for grant in the future.

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



A summary of the warrant activity during the years ended December 31, 2017 and 2016 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	1,699,857	\$ 3.50	-
Exercised	-	-	-
Forfeited	(259,445)	51.01	-
Outstanding December 31, 2017	2,362,615	\$ 16.34	2.2
Exercisable December 31, 2017	2,362,615	\$ 16.34	2.2

### 13. RELATED PARTY TRANSACTIONS

#### Due to related parties

The Company has received non-interest bearing loans and advances from related parties. The amounts owed by the Company as of December 31, 2017 and 2016 are as follows:

	December 31, 2017	December 31, 2016
Chanticleer Investors, LLC	\$ 191,850	\$ 194,350
	\$ 191,850	\$ 194,350

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

#### Transactions with Board Members

Larry Spitaufsky, a significant shareholder and member of the Company's board of directors, is also a lender to the Company lending \$2 million of the Company's \$6 million note payable due December 31, 2018. In connection with this Note, in 2017 the Company made payments of interest of \$66,222 (\$40,889 paid in January 2018) to the board member and related entities as required under the Notes.

The Company has also entered into a franchise agreement with entities controlled by Mr. Spitaufsky providing him with the franchise rights for Little Big Burger in the San Diego area and an option for southern California. The Company received franchise fees totaling \$60,000 under this arrangement during 2017.

### 14. SEGMENTS OF BUSINESS

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

The following are revenues and operating income (loss) from continuing operations by segment as of and for the years ended December 31, 2017 and 2016. The Company does not aggregate or review non-current assets at the segment level.

	Year Ended	
	December 31, 2017	December 31, 2016
<b>Revenue:</b>		
Hooters Full Service	\$ 13,508,220	\$ 13,328,809
Better Burgers Fast Casual	22,764,571	22,588,557
Just Fresh Fast Casual	5,060,072	5,684,635
Corporate and Other	100,000	100,000
	<u>\$ 41,432,863</u>	<u>\$ 41,702,001</u>
<b>Operating Income (Loss):</b>		
Hooters Full Service	\$ (1,188,598)	\$ 116,843
Better Burgers Fast Casual	(537,971)	(372,401)
Just Fresh Fast Casual	(256,319)	(33,529)
Corporate and Other	(3,252,489)	(2,330,801)
	<u>\$ (5,235,377)</u>	<u>\$ (2,619,888)</u>
<b>Depreciation and Amortization</b>		
Hooters Full Service	\$ 496,996	\$ 534,210
Better Burgers Fast Casual	1,459,527	1,481,005
Just Fresh Fast Casual	322,904	323,108
Corporate and Other	3,374	3,374
	<u>\$ 2,282,801</u>	<u>\$ 2,341,697</u>

The following are revenues and operating income (loss) from continuing operations and non-current assets by geographic region as of and for the years ended December 31, 2017 and 2016.

	Year Ended	
	December 31, 2017	December 31, 2016
<b>Revenue:</b>		
United States	\$ 32,804,708	\$ 33,374,791
South Africa	5,777,306	5,409,648
Europe	2,850,849	2,917,562
	<u>\$ 41,432,863</u>	<u>\$ 41,702,001</u>
<b>Operating Income (Loss):</b>		
United States	\$ (4,554,429)	\$ (2,712,766)
South Africa	(798,914)	(114,971)
Europe	117,966	207,849
	<u>\$ (5,235,377)</u>	<u>\$ (2,619,888)</u>
<b>Non-current Assets:</b>		
United States	\$ 24,630,101	\$ 26,812,062
South Africa	1,203,610	2,519,135
Europe	2,549,747	2,361,246
	<u>\$ 28,383,458</u>	<u>\$ 31,692,443</u>

## 15. COMMITMENTS AND CONTINGENCIES

The Company, through its subsidiaries, leases the land and buildings for its restaurant locations. The South Africa leases are for five-year terms and include options to extend the terms. The terms for our U.S. restaurant leases vary from two to ten years and have options to extend. We lease some of our restaurant facilities under "triple net" leases that require us to pay minimum rent, real estate taxes, maintenance costs and insurance premiums and, in some instances, percentage rent based on sales in excess of specified amounts. We also lease our corporate office space in Charlotte, North Carolina.

Rent obligations for are presented below:

Years Ended	Total
12/31/2018	\$ 3,870,057
12/31/2019	3,629,790
12/31/2020	3,132,002
12/31/2021	2,731,513
12/31/2022	1,938,411
Thereafter	6,347,643
	<u>\$ 21,649,416</u>

Rent expense for the years ended December 31, 2017 and 2016 was \$3.7 million and \$3.4 million respectively. Rent expense for the years ended December 31, 2017 and 2016 for the Company's restaurants was \$3.7 million and \$3.4 million, respectively, and is included in the "Restaurant operating expenses" of the Consolidated Statements of Operations. Rent expense related to non-restaurant facilities of \$50 thousand for both years ended December 31, 2017 and 2016 was included in the "General and administrative expense" of the Consolidated Statements of Operations.

The Company has commitments related to the construction of new restaurant locations of approximately \$1.5 million.

On March 26, 2013, our South African operations received Notice of Motion filed in the Kwazulu-Natal High Court, Durban, Republic of South Africa, filed against Rolalor (PTY) LTD (“Rolalor”) and Labyrinth Trading 18 (PTY) LTD (“Labyrinth”) by Jennifer Catherine Mary Shaw (“Shaw”). Rolalor and Labyrinth were the original entities formed to operate the Johannesburg and Durban locations, respectively. On September 9, 2011, the assets and the then-disclosed liabilities of these entities were transferred to Tundraspex (PTY) LTD (“Tundraspex”) and Dimaflo (PTY) LTD (“Dimaflo”), respectively. The current entities, Tundraspex and Dimaflo are not parties in the lawsuit. Shaw is requesting that the Respondents, Rolalor and Labyrinth, be wound up in satisfaction of an alleged debt owed in the total amount of R4,082,636 (approximately \$480,000). The two Notices were defended and argued in the High Court of South Africa (Durban) on January 31, 2014. Madam Justice Steryi dismissed the action with costs on May 5, 2014. Ms. Shaw appealed this decision and in December 2016, the Court dismissed the Labyrinth case with costs payable to the Company, and allowed the Rolalor case to proceed to liquidation. The Company did not object to the proposed liquidation of Rolalor as the entity has no assets and the Company does not expect there to be any material impact on the Company. No amounts have been accrued as of December 31, 2017 or 2016 in the accompanying consolidated balance sheets.

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

Prior to the Company’s acquisition of Little Big Burger, a class action lawsuit was filed in Oregon by certain current and former employees of Little Big Burger asserting that the former owners of Little Big Burger failed to compensate employees for overtime hours and also that an employee had been wrongfully terminated. The plaintiffs and defendants agreed to enter into a settlement agreement pursuant to which the former owners of Little Big Burger will pay a gross settlement of up to \$675,000, inclusive of plaintiffs’ attorney’s fees of \$225,000. This settlement was approved by the court and all settlement payments were distributed by the sellers and this matter closed prior to December 31, 2017.

In connection with our acquisition of Little Big Burger, the sellers agreed that the 1,619,646 shares of the Company’s common stock certain of the sellers received from the Company and an additional \$200,000 in cash would be held in escrow until such time as the litigation was fully resolved. The Company reflected the \$675,000 settlement amount in accrued liabilities, with an offsetting asset in other current assets, in the accompanying consolidated balance sheets as of December 31, 2016. As of December 31, 2017, the lawsuit had been fully resolved and all amounts paid by the sellers. Accordingly, no amounts are reflected in the Company’s consolidated balance sheet as of December 31, 2017.

## **16. NON-CONTROLLING INTERESTS**

The Company’s consolidated financial statements include the accounts of entities where the Company has operating control but may own less than 100% of the equity interest in the LLC or other entity. A significant element of the Company’s plans to finance growth is through the use of partnerships where private investors contribute all or substantially all of the capital required to open its Little Big Burger restaurants in return for an ownership interest in the LLC and an economic interest in the net income of the restaurant location. The Company manages the operations of the restaurant in return for a management fee and an economic interest in the net income of the restaurant location. While terms may vary by LLC, the investor generally contributes between \$250,000 and \$350,000 per location and is entitled to 80% of the net income of the LLC until such time as the investor recoups the initial investment at which time the investor return on net income changes from 80% to 50%, (and in certain cases to 20%, of net income). The Company contributes the intellectual property and management related to operating a Little Big Burger, manages the construction, opening and ongoing operations of the store in return for a 5% management fee and 20% of net income until such time as the investor recoups the initial investment at which time the Company return on net income changes from 20% to 50%, (and in certain cases to 80%, of net income).

In addition to the Little Big Burger LLC's referred to above, the Company holds less than a 100% interest in its Just Fresh subsidiaries and several of its consolidated legal entities in South Africa.

The accounts of these partnerships are included in the consolidated accounts of the Company and intercompany transactions, including management fees and intercompany loans and advances, are eliminated in consolidation. The carrying amount of the Company's interest in subsidiaries where it owns less than 100% is adjusted quarterly based on the Company's ownership of the net assets of each entity.

The carrying amount of assets and liabilities of consolidated subsidiaries with non-controlling interests are as follows (refer to Footnote 1 Organization for details of the Company's ownership percentages for each entity):

December 31, 2017	LBB Hassalo LLC	LBB Platform LLC	LBB Progress Ridge LLC	LBB Green Lake LLC	American Burger Prosperity, LLC (DBA LBB Propserity)	LBB Wallingford LLC	LBB Capitol Hill LLC	LBB Rea Farms LLC
Cash	\$ 8,012	\$ 9,953	\$ 19,819	\$ 235	\$ 1,917	\$ 27	\$ 170	\$ 1,440
Accounts receivable	837	2,166	234	-	87	-	-	-
Inventory	5,444	7,219	6,237	-	5,596	-	-	-
Property, plant and equipment	269,350	211,055	283,666	500	385,404	3,000	7,348	-
Goodwill and intangible assets	-	-	-	-	-	-	-	-
Other assets	4,470	5,447	7,910	4,332	5,000	10,840	15,259	4,520
Due from (to) Chanticleer and affiliates	30,381	115,988	96,388	54,101	(125,162)	87,937	58,163	18,873
<b>Total Assets</b>	<b>318,494</b>	<b>351,828</b>	<b>414,254</b>	<b>59,168</b>	<b>272,842</b>	<b>101,804</b>	<b>80,940</b>	<b>24,833</b>
Accounts payable and accrued liabilities	22,905	28,384	25,956	500	40,575	10,558	7,348	-
Debt	-	-	-	-	-	-	-	-
Deferred rent	85,076	75,149	107,875	-	47,550	-	-	-
<b>Total Liabilities</b>	<b>107,981</b>	<b>103,533</b>	<b>133,831</b>	<b>500</b>	<b>88,125</b>	<b>10,558</b>	<b>7,348</b>	<b>-</b>
Net Book Value attributable to Chanticleer and affiliates	168,411	198,637	140,211	29,334	92,359	45,623	36,796	12,417
Net Book Value attributable to Non-Controlling Interest	42,103	49,659	140,211	29,334	92,359	45,623	36,796	12,417
<b>Net Book Value</b>	<b>\$ 210,514</b>	<b>\$ 248,296</b>	<b>\$ 280,422</b>	<b>\$ 58,668</b>	<b>\$ 184,718</b>	<b>\$ 91,246</b>	<b>\$ 73,592</b>	<b>\$ 24,834</b>

December 31, 2017	LBB Multnomah Village LLC	JF Restaurants, LLC	DINE OUT	Hooters Emperors Palace (PTY) Ltd	Hooters on the Buzz (PTY) Ltd.	Hooters Umhlang (Pty) Ltd.	Hooters Wings Mgmt Company	Total
Cash	\$ 200	\$ (5,231)	\$ -	\$ 31,818	\$ 926	\$ 9,992	\$ 148,227	\$ 227,505
Accounts receivable	-	6,110	-	13,501	-	-	8,557	31,492
Inventory	-	57,840	-	27,080	20,640	22,329	-	152,385
Property, plant and equipment	-	334,818	-	100,492	95,716	61,794	4,041	1,757,184
Goodwill and intangible assets	-	1,101,751	-	40,827	30,115	29,888	-	1,202,581
Other assets	12,705	33,888	-	27,965	170	6,939	-	139,445
Due from (to) Chanticleer and affiliates	12,095	(155,637)	(32,183)	1,034,034	(256,573)	188,310	(512,662)	614,053
<b>Total Assets</b>	<b>25,000</b>	<b>1,373,539</b>	<b>(32,183)</b>	<b>1,275,717</b>	<b>(109,006)</b>	<b>319,252</b>	<b>(351,837)</b>	<b>4,124,643</b>
Accounts payable and accrued liabilities	39	603,698	-	525,151	230,209	135,283	30,834	1,661,440
Debt	-	-	-	-	56,569	-	-	56,569
Deferred rent	-	16,602	-	15,732	33,178	25,760	-	406,922
<b>Total Liabilities</b>	<b>39</b>	<b>620,300</b>	<b>-</b>	<b>540,883</b>	<b>319,956</b>	<b>161,043</b>	<b>30,834</b>	<b>2,124,931</b>
Net Book Value attributable to Chanticleer and affiliates	12,481	424,676	(28,643)	646,654	(407,514)	142,388	(296,570)	1,217,260
Net Book Value attributable to Non-Controlling Interest	12,481	328,562	(3,540)	88,180	(21,448)	15,821	(86,101)	782,457
<b>Net Book Value</b>	<b>\$ 24,962</b>	<b>\$ 753,238</b>	<b>\$ (32,183)</b>	<b>\$ 734,834</b>	<b>\$ (428,962)</b>	<b>\$ 158,209</b>	<b>\$ (382,671)</b>	<b>\$ 1,999,711</b>

December 31, 2016					American Burger Prosperity, LLC (DBA LBB Propserity)	LBB Wallingford LLC	LBB Capitol Hill LLC	LBB Rea Farms LLC
	LBB Hassalo LLC	LBB Platform LLC	LBB Progress Ridge LLC	LBB Green Lake LLC				
Cash	\$ 1,809	\$ 1,145	\$ 1,210	\$ 906	\$ -	\$ -	\$ -	\$ -
Accounts receivable	-	-	-	-	-	-	-	-
Inventory	-	-	-	-	-	-	-	-
Property, plant and equipment	249,543	108,333	143,950	-	-	-	-	-
Goodwill and intangible assets	-	-	-	-	-	-	-	-
Other assets	4,370	5,447	7,910	4,332	-	-	-	-
Due from (to) Chanticleer and affiliates	(21,627)	119,068	7,845	94,532	-	-	-	-
<b>Total Assets</b>	<b>234,095</b>	<b>233,993</b>	<b>160,915</b>	<b>99,770</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Accounts payable and accrued liabilities	81,849	59,418	75,079	-	-	-	-	-
Debt	-	-	-	-	-	-	-	-
Deferred rent	-	-	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>81,849</b>	<b>59,418</b>	<b>75,079</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Book Value attributable to Chanticleer and affiliates	121,796	139,660	42,918	49,885	-	-	-	-
Net Book Value attributable to Non-Controlling Interest	30,449	34,915	42,918	49,885	-	-	-	-
<b>Net Book Value</b>	<b>\$ 152,245</b>	<b>\$ 174,575</b>	<b>\$ 85,836</b>	<b>\$ 99,770</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

December 31, 2016	LBB		JF	Hooters			Hooters	Total
	Multnomah Village LLC	Restaurants, LLC	DINE OUT	Emperors Palace (PTY) Ltd	Hooters on the Buzz (PTY) Ltd.	Hooters Umhlang (Pty) Ltd.	Wings Mgmt Company	
Cash	\$ -	\$ 12,817	\$ -	\$ 13,861	\$ 686	\$ 7,921	\$ 2,181	\$ 42,536
Accounts receivable	-	9,235	-	21,360	-	-	11,285	41,880
Inventory	-	76,793	-	20,082	18,752	27,658	-	143,285
Property, plant and equipment	-	515,327	-	118,382	119,783	71,954	1,725	1,328,997
Goodwill and intangible assets	-	1,202,751	-	39,472	29,381	29,267	826,663	2,127,534
Other assets	-	37,607	-	25,255	153	6,266	-	91,340
Due from (to) Chanticleer and affiliates	-	19,958	(32,183)	821,452	(275,433)	136,835	(500,934)	369,513
<b>Total Assets</b>	<b>-</b>	<b>1,874,488</b>	<b>(32,183)</b>	<b>1,059,864</b>	<b>(106,678)</b>	<b>279,901</b>	<b>340,920</b>	<b>4,145,083</b>
Accounts payable and accrued liabilities	-	606,514	-	435,585	214,388	115,703	58,512	1,647,048
Debt	-	-	-	-	46,170	-	218,448	264,618
Deferred rent	-	1,194	-	(828)	18,286	23,229	-	41,881
<b>Total Liabilities</b>	<b>-</b>	<b>607,708</b>	<b>-</b>	<b>434,757</b>	<b>278,844</b>	<b>138,932</b>	<b>276,960</b>	<b>1,953,547</b>
Net Book Value attributable to Chanticleer and affiliates	-	714,210	(28,643)	550,094	(366,246)	126,872	49,569	1,400,115
Net Book Value attributable to Non-Controlling Interest	-	552,568	(3,540)	75,013	(19,276)	14,097	14,391	791,420
<b>Net Book Value</b>	<b>\$ -</b>	<b>\$ 1,266,778</b>	<b>\$ (32,183)</b>	<b>\$ 625,107</b>	<b>\$ (385,522)</b>	<b>\$ 140,969</b>	<b>\$ 63,960</b>	<b>\$ 2,191,535</b>

## 17. SUBSEQUENT EVENTS

### Repurchase of Franchise Location

On March 7, 2018, the Company entered into an agreement to purchase two BGR franchise locations in Maryland. As of March 28, 2018, the Company has closed on the purchase of one of the locations and intends to close on the second location pending completion of lease assignments in April 2018.

## Conversion of Convertible Debt

On February 22, 2018, \$200,000 of the Company's convertible debt was converted into 66,667 shares of Company common stock in accordance with the terms of the convertible debt agreements.

## 18. RESTATEMENT OF 2018 UNAUDITED QUARTELRY RESULTS

The Company's various loan agreements contain financial and non-financial covenants and provisions providing for cross-default. The evaluation of compliance with these provisions is subject to interpretation and the exercise of judgement. The Company concluded that, as of December 31, 2017, conditions could be interpreted as events of default under one or more of its loan obligations, which could also could trigger cross default provisions across its various loan agreements. Management quantified the potential penalties and default interest that could consequently be assessed in the event the loans were deemed to be in default. Accordingly, the Company recorded a liability for potential default interest and penalties of \$881 thousand as interest expense in the accompanying consolidated financial statements as of December 31, 2017. Management evaluated the potential impact of this liability on the prior quarterly financial statements issued during 2017 and determined that net loss of the quarterly periods ended June 30, 2017 and September 30, 2017 should be restated to reflect the liability.

The table below presents major captions of the Company's condensed consolidated as originally reported and as adjusted. There was no impact on the condensed consolidated statement of cash flows or on the Company's cash from operations for the year ended December 31, 2017.

	Three Months Ended			Six Months Ended			Three Months Ended			Nine Months Ended		
	As Reported June 30, 2017	Adjustment	As Restated June 30, 2017	As Reported June 30, 2017	Adjustment	As Restated June 30, 2017	As Reported September 30, 2017	Adjustment	As Restated September 30, 2017	As Reported September 30, 2017	Adjustment	As Restated September 30, 2017
Total revenue	\$ 10,765,317	\$ -	\$ 10,765,317	\$ 20,625,315	\$ -	\$ 20,625,315	\$ 10,725,365	\$ -	\$ 10,725,365	\$ 31,350,678	\$ -	\$ 31,350,678
Operating loss from continuing operations	\$ (1,081,455)	\$ -	\$ (1,081,455)	\$ (2,070,842)	\$ -	\$ (2,070,842)	\$ (1,398,442)	\$ -	\$ (1,398,442)	\$ (3,469,285)	\$ -	\$ (3,469,285)
Interest expense	\$ (504,706)	\$ (575,000)	\$ (1,079,706)	\$ (908,842)	\$ (575,000)	\$ (1,483,842)	\$ (309,538)	\$ (153,333)	\$ (462,871)	\$ (1,218,379)	\$ (728,333)	\$ (1,946,712)
Loss from continuing operations	\$ (1,428,201)	\$ (575,000)	\$ (2,003,201)	\$ (3,176,110)	\$ (575,000)	\$ (3,751,110)	\$ (1,726,211)	\$ (153,333)	\$ (1,879,544)	\$ (4,902,324)	\$ (728,333)	\$ (5,630,657)
Consolidated net loss	\$ (1,428,201)	\$ (575,000)	\$ (2,003,201)	\$ (3,176,110)	\$ (575,000)	\$ (3,751,110)	\$ (1,726,211)	\$ (153,333)	\$ (1,879,544)	\$ (4,902,324)	\$ (728,333)	\$ (5,630,657)
Net loss attributable to Chanticleer Holdings, Inc.	\$ (1,371,873)	\$ (575,000)	\$ (1,946,873)	\$ (3,098,939)	\$ (575,000)	\$ (3,673,939)	\$ (1,557,439)	\$ (153,333)	\$ (1,710,772)	\$ (4,656,381)	\$ (728,333)	\$ (5,384,714)
Net loss attributable to common shareholders of Chanticleer Holdings, Inc.	\$ (1,399,495)	\$ (575,000)	\$ (1,974,495)	\$ (3,150,708)	\$ (575,000)	\$ (3,725,708)	\$ (1,585,658)	\$ (153,333)	\$ (1,738,991)	\$ (4,736,369)	\$ (728,333)	\$ (5,464,702)
Net loss attributable to Chanticleer Holdings, Inc. per common share, basic and diluted	\$ (0.58)	\$ (0.23)	\$ (0.81)	\$ (1.40)	\$ (0.25)	\$ (1.65)	\$ (0.63)	\$ (0.08)	\$ (0.71)	\$ (2.10)	\$ (0.32)	\$ (2.42)
Weighted average shares outstanding, basic and diluted	2,432,313	\$ -	\$ 2,432,313	2,257,767	\$ -	\$ 2,257,767	2,432,313	\$ -	\$ 2,432,313	2,258,013	\$ -	\$ 2,258,013
Total Assets	\$ 33,056,885	\$ -	\$ 33,056,885	\$ 33,056,885	\$ -	\$ 33,056,885	\$ 31,564,589	\$ -	\$ 31,564,589	\$ 31,564,589	\$ -	\$ 31,564,589
Total Liabilities	\$ 18,419,316	\$ 575,000	\$ 18,994,316	\$ 18,419,316	\$ 575,000	\$ 18,994,316	\$ 19,030,560	\$ 153,333	\$ 19,183,893	\$ 19,030,560	\$ 728,333	\$ 19,758,893
Total Chanticleer Holdings, Inc. Stockholder's Equity	\$ 13,673,324	\$ (575,000)	\$ 13,098,324	\$ 13,673,324	\$ (575,000)	\$ 13,098,324	\$ 11,629,109	\$ (153,333)	\$ 11,475,776	\$ 11,629,109	\$ (728,333)	\$ 10,900,776
Total Stockholder's Equity	\$ 14,637,569	\$ 575,000	\$ 15,212,569	\$ 14,637,569	\$ 575,000	\$ 15,212,569	\$ 12,534,029	\$ 153,333	\$ 12,687,362	\$ 12,534,029	\$ 728,333	\$ 13,262,362
Total Liabilities and Stockholder's Equity	\$ 33,056,885	\$ -	\$ 33,056,885	\$ 33,056,885	\$ -	\$ 33,056,885	\$ 31,564,589	\$ -	\$ 31,564,589	\$ 31,564,589	\$ -	\$ 31,564,589

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

None.

### ITEM 9A: CONTROLS AND PROCEDURES

#### Evaluation of disclosure controls and procedures

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

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) and Rule 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended (Exchange Act), as of December 31, 2017. Our management has determined that, as of December 31, 2017, the Company's disclosure controls and procedures were ineffective.

#### Management's report on internal control over financial reporting

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

Management's Evaluation of Internal Control over Financial Reporting Management evaluated our internal control over financial reporting as of December 31, 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 of December 31, 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 controls over financial reporting:

- The Company performs extensive reconciliation and manual review procedures to ensure that the financial statements results are accurately presented. However, the financial close procedures are not formally documented and were inconsistently applied across the organization for periods prior to mid-2017 at which time management implement a new centralized accounting system and standardized the close process across all its domestic operations.
- The Company’s financial statements include significant and unusual transactions as well as complex 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.

Management determined that the deficiencies, evaluated in the aggregate, could potentially result in a material misstatement of the consolidated financial statements in a future annual or interim period that would not be prevented or detected. Therefore, the deficiencies constitute material weaknesses in internal control. Based on that evaluation, management determined that our internal controls over financial reporting were not effective as of December 31, 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 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. The Company outsourced certain day-to-day accounting processes and controls and took advantage of more robust and advanced accounting software for our multiple concepts and entities.

While the changes implemented have significantly improved the Company’s internal controls, simplified its reporting processes and reduced the risk of undetected errors, management determined that additional testing of the new internal controls and formalization of documentation would be required before updating managements’ conclusions regarding the effectiveness of its internal controls over financial reporting.

*Changes in Internal Control over Financial Reporting* — The Company has implemented 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 December 31, 2017, the Company made changes to its accounting systems and its internal control over financial reporting to improve its internal control over financial reporting in future periods.

#### **ITEM 9B: OTHER INFORMATION**

Not applicable.

### **PART III**

#### **ITEM 10. Directors, Executive Officers and Corporate Governance.**

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

#### **ITEM 11. Executive Compensation.**

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



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

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

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

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

**ITEM 14. Principal Accountant Fees and Services.**

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

**PART IV**

**ITEM 15: EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

**(a)(1) Financial Statements.**

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

- Report of Independent Registered Public Accounting Firm
- Consolidated Balance Sheets at December 31, 2017 and 2015
- Consolidated Statements of Operations and Comprehensive Loss for the years ended December 31, 2017 and 2015
- Consolidated Statements of Stockholders’ Equity at December 31, 2017 and 2015
- Consolidated Statements of Cash Flows for the years ended December 31, 2017 and 2015
- Notes to the Consolidated Financial Statements

**(a)(2) Financial Statements Schedules.**

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

**(a)(3) Exhibits Filed.**

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

**(b) Exhibits.**

See Exhibit Index.

**(c) Separate Financial Statements and Schedules.**

None.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized on March 30, 2018.

**CHANTICLEER HOLDINGS, INC.**

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

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

<u>Date</u>	<u>Title (Capacity)</u>	<u>Signature</u>
March 30, 2018	Chairman, Chief Executive Officer, and Principal Executive Officer	<u>/s/ Michael D. Pruitt</u> Michael D. Pruitt
March 30, 2018	Chief Financial Officer and Principal Accounting Officer	<u>/s/ Eric S. Lederer</u> Eric S. Lederer
March 30, 2018	Director	<u>/s/ Russell J. Page</u> Russell J. Page
March 30, 2018	Director	<u>/s/ Neil Kiefer</u> Neil Kiefer
March 30, 2018	Director	<u>/s/ Eric Wagoner</u> Eric Wagoner
March 30, 2018	Director	<u>/s/ Keith Johnson</u> Keith Johnson
March 30, 2018	Director	<u>/s/ Larry Spitaufsky</u> Larry Spitaufsky

## EXHIBIT INDEX

Exhibit	Description
2.1	<a href="#">Purchase Agreements for Australian Entities dated June 30, 2014 (Incorporated by reference to Exhibit 2.1 to our Current Report on Form 8-K, filed with the SEC on July 3, 2014)</a>
3.1	Certificate of Incorporation (Incorporated by reference to the Exhibit 3.1.A to our Registration Statement on Form 10SB-12G, filed with the SEC on February 15, 2000 (File No. 000-29507))
3.2	<a href="#">Certificate of Merger, filed May 2, 2005 (Incorporated by reference to Exhibit 2.1 filed with our Quarterly Report on Form 10-Q, filed with the SEC on August 15, 2011)</a>
3.3	<a href="#">Certificate of Amendment, filed July 16, 2008 (Incorporated by reference to Exhibit 3.1 filed with our Registration Statement on Form S-1/A (Registration No. 333-178307), filed with the SEC on February 3, 2012)</a>
3.4	<a href="#">Certificate of Amendment, filed March 18, 2011 Incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K, filed with the SEC on March 18, 2011)</a>
3.5	<a href="#">Certificate of Amendment, filed May 23, 2012 (Incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K, filed with the SEC on May 24, 2012)</a>
3.6	<a href="#">Certificate of Amendment, filed February 3, 2014 (Incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K, filed with the SEC on February 4, 2014)</a>
3.7	<a href="#">Certificate of Amendment, filed October 2, 2014 (Incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K, filed with the SEC on October 2, 2014)</a>
3.8	<a href="#">Form of Certificate of Designation of the Series 1 Preferred Stock (Incorporated by reference to Exhibit 3.8 to Registration Statement on Form S-1 (Registration No. 333-214319, as filed December 5, 2016)</a>
3.8	Bylaws (Incorporated by reference to Exhibit 3.II.A to our Registration Statement on Form 10SB-12G, filed with the SEC on February 15, 2000 (File No. 000-29507))
4.1	<a href="#">Form of Common Stock Certificate (Incorporated by reference to Exhibit 4.1 to our Registration Statement on Form S-1 (Registration No. 333-178307), filed with the SEC on December 2, 2011)</a>
4.2	<a href="#">Form of Unit Certificate dated June 2012 (Incorporated by reference to Exhibit 4.2 to our Registration Statement on Form S-1/A (Registration No. 333-178307), filed with the SEC on May 30, 2012)</a>
4.3	<a href="#">Form of Warrant Agency Agreement dated June 2012 with Form of Warrant Certificate with \$6.50 Exercise Price (Incorporated by reference to Exhibit 4.4 to our Registration Statement on Form S-1/A (Registration No. 333-178307), filed with the SEC on May 30, 2012)</a>
4.4	<a href="#">Form of 6% Secured Subordinate Convertible Note dated August 2013 (Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K, filed with the SEC on August 5, 2013)</a>
4.5	<a href="#">Form of Warrant for August 2013 Convertible Note with \$3.00 Exercise Price (Incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K, filed with the SEC on August 5, 2013).</a>
4.6	<a href="#">Form of Warrant for September 2013 Merger Agreement with \$5.00 Exercise Price (Incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K, filed with the SEC on October 1, 2013)</a>
4.7	<a href="#">Form of Warrant for September 2013 Subscription Agreement with \$5.00 Exercise Price (Incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K, filed with the SEC on October 10, 2013)</a>
4.8	<a href="#">Form of Warrant for November 2013 Subscription Agreement with \$5.50 and \$7.00 Exercise Price (Incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K, filed with the SEC on November 13, 2013)</a>
4.9	<a href="#">Form of Warrant for January 2015 Subscription Agreement with \$2.50 Exercise Price (Incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K/A, filed with the SEC on January 9, 2015)</a>
4.10	<a href="#">Form of 8% Non-Convertible Secured Debenture dated May 4, 2017 (Incorporated by reference to Exhibit 4.1 to Current Report on Form 8-k, filed with the SEC on May 5, 2017)</a>
4.11	<a href="#">Form of Warrant dated May 4, 2017 (Incorporated by reference to Exhibit 4.2 to Current Report on Form 8-K, filed with the SEC on May 5, 2017)</a>
4.12	<a href="#">Amendment to Warrant dated April 7, 2017 by and between Chanticleer Holdings, Inc., and Larry S. Spitcaufsky, Trustee of Larry Spitaufsky Family Trust UTD 1-19-88 (Incorporated by reference to Exhibit 14.1 to Current Report on Form 8-K, filed with the SEC on August 9, 2017)</a>

- 4.13 [Form of Warrant dated October 12, 2017 \(Incorporated by reference to Exhibit 4.1 to Current Report on Form 8-K, filed with the SEC on October 13, 2017\)](#)
- 10.1 [Form of Franchise Agreement between the Company and Hooters of America, LLC \(Incorporated by reference to Exhibit 10.2 to our Registration Statement on Form S-1 \(Registration No. 333-178307\), filed with the SEC on December 2, 2011\)](#)
- 10.2\* [Chanticleer Holdings, Inc. 2014 Stock Incentive Plan effective February 3, 2014 \(Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K, filed with the SEC on February 4, 2014\)](#)
- 10.3 [Debt Assumption Agreements, dated July 1, 2014 \(Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K, filed with the SEC on July 3, 2014\)](#)
- 10.4 [Gaming Assignment, dated July 1, 2014 \(Incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K, filed with the SEC on July 3, 2014\)](#)
- 10.5 [Asset Purchase Agreement by and between Chanticleer Holdings, Inc., The Burger Company, LLC and American Burger Morehead, LLC dated September 9, 2014 \(Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K, filed with the SEC on September 10, 2014\)](#)
- 10.6 [Asset Purchase Agreement by and between Chanticleer Holdings, Inc., Dallas Spoon, LLC and Express Working Capital, LLC d/b/a CapRock Services dated December 31, 2014 \(Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K, filed with the SEC on January 6, 2015\)](#)
- 10.7 [Form of Subscription Agreement dated January 2015 \(Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K/A, filed with the SEC on January 9, 2015\)](#)
- 10.8 [Form of Note dated January 2015 \(Incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K/A, filed with the SEC on January 9, 2015\)](#)
- 10.9 [Form of Registration Rights Agreement dated January 2015 \(Incorporated by reference to Exhibit 10.3 to our Current Report on Form 8-K/A, filed with the SEC on January 9, 2015\)](#)
- 10.10 [Asset Purchase Agreement by and between Chanticleer Holdings, Inc., BGR Holdings, LLC and BGR Acquisition LLC, dated February 18, 2015 \(Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K, filed with the SEC on February 18, 2015\)](#)
- 10.11 [Membership Interest Purchase Agreement dated July 31, 2015 \(Incorporated by reference to exhibit 10.1 to our Current Report on Form 8-K, filed with the SEC on August 3, 2015\)](#)
- 10.12 [Form of Leak Out Agreement dated September 30, 2015 \(Incorporated by reference to exhibit 10.2 to our Current Report on Form 8-K, filed with the SEC on October 5, 2015\)](#)
- 10.13 [Form of Securities Account Control Agreement dated September 30, 2015 \(Incorporated by reference to exhibit 10.3 to our Current Report on Form 8-K, filed with the SEC on October 5, 2015\)](#)
- 10.14 [Stock Pledge and Security Agreement dated September 30, 2015 \(Incorporated by reference to exhibit 10.4 to our Current Report on Form 8-K, filed with the SEC on October 5, 2015\)](#)
- 10.15 [Asset Purchase Agreement by and between Chanticleer Holdings, Inc., BT's Burgerjoint Management, LLC and BT Burger Acquisition, LLC dated March 31, 2015 \(Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K, filed with the SEC on March 31, 2015\)](#)
- 10.16 [Amendment No. 1 to Asset Purchase Agreement by and between Chanticleer Holdings, Inc., BT's Burgerjoint Management, LLC and BT Burger Acquisition, LLC dated May 31, 2015 \(incorporated by reference to Exhibit 10.7 to Amendment No. 1 to Form S-3, Registration No. 333- 203679, as filed June 3, 2015\)](#)

- 10.17 [Form of Securities Purchase Agreement by and between the Company and Carl Caserta dated February 11, 2015 \(Incorporated by reference to Exhibit 10.1 to our Registration Statement on Form S-3 filed with the SEC on April 27, 2015\)](#)
- 10.18 [Agreement dated April 24, 2015 by and among the Company, AT Media Corp. and Aton Select Fund, Ltd. \(Incorporated by reference to Exhibit 10.2 to our Registration Statement on Form S-3 filed with the SEC on April 27, 2015\)](#)
- 10.19 [Registration Rights Agreement by and between the Company and Carl Caserta dated February 11, 2015 \(Incorporated by reference to Exhibit 10.3 to our Registration Statement on Form S-3 filed with the SEC on April 27, 2015\)](#)
- 10.20 [Membership Interest Purchase Agreement dated July 31, 2015 \(incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K as filed with the SEC on August 3, 2015\)](#)
- 10.21 [Form of Leak out Agreement \(incorporated by reference to Exhibit 10.2 to Current Report on Form 8-K as filed with the SEC on October 5, 2015\)](#)
- 10.22 [Form of Securities Account Control Agreement Form of Leak out Agreement \(incorporated by reference to Exhibit 10.3 to Current Report on Form 8-K as filed with the SEC on October 5, 2015\)](#)
- 10.23 [Stock Pledge and Security Agreement dated September 30, 2015 \(incorporated by reference to Exhibit 10.4 to Current Report on Form 8-K as filed with the SEC on October 5, 2015\)](#)
- 10.24 [Business sale agreement to purchase the assets of Hoot Campbelltown Pty Ltd and Hoot Penrith Pty Ltd for the purchase price of \\$390,000 AUD dated August 12, 2015 \(Incorporated by reference to Exhibit 10.24 to Annual Report on Form 10-K, as filed March 30, 2016\)](#)
- 10.25 [Business sale agreement to purchase the assets of Hoot Gold Coast Pty Ltd and Hoot Townsville Pty Limited dated August 12, 2015 \(Incorporated by reference to Exhibit 10.25 to Annual Report on Form 10-K, as filed March 30, 2016\)](#)
- 10.26 [Business sale agreement to purchase the assets of Hoot Parramatta Pty Ltd dated August 13, 2015 \(Incorporated by reference to Exhibit 10.26 to Annual Report on Form 10K for the period ending December 31, 2016, as filed March 30, 2016\)](#)
- 10.27 [Second Amendment to Assumption and Assignment Agreement dated October 22, 2016 by and between the Company and Florida Mezzanine Fund, LLLP \(Incorporated by reference to Exhibit 10.27 to Registration Statement on Form S-1 \(Registration No. 333-214319, as filed October 28, 2016\)](#)
- 10.28 [Form of Exchange Agreement dated March 10, 2017 by and between the Company and certain note holders \(Incorporated by reference to Exhibit 10.28 to Annual Report on Form 10-K as filed March 31, 2017\)](#)
- 10.29 [Form of 2% Convertible Promissory note issued March 10, 2017 \(Incorporated by reference to Exhibit 10.29 to Annual Report on Form 10-K as filed March 31, 2017\)](#)
- 10.30 [Amendment to 6% Secured Subordinated Convertible Note by and between the Company and certain note holder \(Incorporated by reference to Exhibit 10.30 to Annual Report on Form 10-K as filed March 31, 2017\)](#)

- 10.31 [Securities Purchase Agreement by and between the Company and certain accredited investors dated May 4, 2017 \(Incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K, filed with the SEC on May 5, 2017\)](#)
- 10.32 [Security Agreement by and between the Company and certain accredited investors dated May 4, 2017 \(Incorporated by reference to Exhibit 10.2 to Current Report on Form 8-K, filed with the SEC on May 5, 2017\)](#)
- 10.33 [Subsidiary Guarantee dated May 4, 2017 \(Incorporated by reference to Exhibit 10.2 to Current Report on Form 8-K, filed with the SEC on May 5, 2017\)](#)
- 10.34 [Satisfaction, Settlement and Release Agreement by and between the Company and Florida Mezzanine Fund, LLLP dated May 2, 2017 \(Incorporated by reference to Exhibit 10.3 to Current Report on Form 8-K, filed with the SEC on May 5, 2017\)](#)
- 10.35 [Amendment to Securities Purchase Agreement by and between Chanticleer Holdings, Inc. and purchasers executed August 7, 2017 \(Incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K, filed with the SEC on August 9, 2017\)](#)
- 10.36 [Form of Officer and Director Indemnification Agreement \(Incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K, filed with the SEC on August 30, 2017\)](#)
- 10.37 [Form of Securities Purchase Agreement by and between the Company and certain accredited investors dated August 12, 2017 \(Incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K, filed with the SEC on October 13, 2017\)](#)
- 21 [Subsidiaries of the Company+](#)
- 31.1 [Certification of Periodic Report by Michael D. Pruitt, as Chief Executive Officer, pursuant to Rule 13a-14\(a\) or 15d-14\(a\) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002+](#)
- 31.2 [Certification of Periodic Report by Eric S. Lederer, as Chief Financial Officer, pursuant to Rule 13a-14\(a\) or 15d-14\(a\) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002+](#)
- 32.1 [Certification of Periodic Report by Michael D. Pruitt, as Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002+](#)
- 32.2 [Certification of Periodic Report by Eric S. Lederer, as Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002+](#)
- 101 The following financial information from our Annual Report on Form 10-K for the year ended December 31, 2014, formatted in XBRL (eXtensible Business Reporting Language) includes: (i) the Consolidated Balance Sheets at December 31, 2016 and December 31, 2014, (ii) the Consolidated Statements of Operations for the years ended December 31, 2016 and December 31, 2014, (iii) the Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 2016 and December 31, 2014, (iv) the Consolidated Statements of Cash Flows for the years ended December 31, 2016 and December 31, 2014, and (v) the Notes to the Financial Statements.

\* Denotes an executive compensation plan or agreement

+ Filed herewith

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



Name	Jurisdiction of Incorporation	Percent Owned
<b>CHANTICLEER HOLDINGS, INC.</b>	<b>DE, USA</b>	
<i><b>Burger Business</b></i>		
American Roadside Burgers, Inc.	DE, USA	100%
<i>ARB Stores</i>		
American Burger Ally, LLC	NC, USA	100%
American Burger Morehead, LLC	NC, USA	100%
American Roadside McBee, LLC	NC, USA	100%
American Roadside Southpark LLC	NC, USA	100%
American Roadside Burgers Smithtown, Inc.	DE, USA	100%
American Burger Prosperity, LLC	NC, USA	100%
BGR Acquisition, LLC	NC, USA	100%
BGR Franchising, LLC	VA, USA	100%
BGR Operations, LLC	VA, USA	100%
BGR Arlington, LLC	VA, USA	100%
BGR Cascades, LLC	VA, USA	100%
BGR Dupont, LLC	DC, USA	100%
BGR Old Keene Mill, LLC	VA, USA	100%
BGR Old Town, LLC	VA, USA	100%
BGR Potomac, LLC	MD, USA	100%
BGR Springfield Mall, LLC	VA, USA	100%
BGR Tysons, LLC	VA, USA	100%
BGR Washingtonian, LLC	MD, USA	100%
Capitol Burger, LLC	MD, USA	100%
BGR Mosaic, LLC	VA, USA	100%
BGR Michigan Ave, LLC	DC, USA	100%
BGR Chevy Chase, LLC	MD, USA	100%
BGR Acquisition 1, LLC	NC, USA	100%
BT Burger Acquisition, LLC	NC, USA	100%
BT's Burgerjoint Biltmore, LLC	NC, USA	100%
BT's Burgerjoint Promenade, LLC	NC, USA	100%
BT's Burgerjoint Rivergate LLC	NC, USA	100%
BT's Burgerjoint Sun Valley, LLC	NC, USA	100%
LBB Acquisition, LLC	NC, USA	100%
Cuarto LLC	OR, USA	100%
LBB Acquisition 1 LLC	OR, USA	100%
LBB Capitol Hill LLC	WA, USA	50%
LBB Franchising LLC	NC, USA	100%
LBB Green Lake LLC	OR, USA	50%
LBB Hassalo LLC	OR, USA	80%



LBB Lake Oswego LLC	OR, USA	100%
LBB Magnolia Plaza LLC	NC, USA	100%
LBB Multnomah Village LLC	OR, USA	50%
LBB Platform LLC	OR, USA	80%
LBB Progress Ridge LLC	OR, USA	50%
LBB Rea Farms LLC	NC, USA	50%
LBB Wallingford LLC	WA, 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%
<b>Just Fresh</b>		
JF Franchising Systems, LLC	NC, USA	56%
JF Restaurants, LLC	NC, USA	56%
<b>West Coast Hooters</b>		
Jantzen Beach Wings, LLC	OR, USA	100%
Oregon Owl's Nest, LLC	OR, USA	100%
Tacoma Wings, LLC	WA, USA	100%
<b>South African Entities</b>		
Chanticleer South Africa (Pty) Ltd.	South Africa	100%
Hooters Emperors Palace (Pty.) Ltd.	South Africa	88%
Hooters On The Buzz (Pty) Ltd	South Africa	95%
Hooters PE (Pty) Ltd	South Africa	100%
Hooters Ruimsig (Pty) Ltd.	South Africa	100%
Hooters SA (Pty) Ltd	South Africa	78%
Hooters Umhlanga (Pty.) Ltd.	South Africa	90%
Hooters Willows Crossing (Pty) Ltd	South Africa	100%
<b>European Entities</b>		
Chanticleer Holdings Limited	Jersey	100%
West End Wings LTD	United Kingdom	100%
<b>Inactive Entities</b>		
Hooters Brazil	Brazil	100%
DineOut SA Ltd.	England	89%
Avenel Financial Services, LLC	NV, USA	100%
Avenel Ventures, LLC	NV, USA	100%
Chanticleer Advisors, LLC	NV, USA	100%
Chanticleer Investment Partners, LLC	NC, USA	100%
Dallas Spoon Beverage, LLC	TX, USA	100%
Dallas Spoon, LLC	TX, USA	100%
American Roadside Cross Hill, LLC	NC, USA	100%
Chanticleer Finance UK (No. 1) Plc	United Kingdom	100%



**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 302 OF  
THE SARBANES-OXLEY ACT OF 2002**

I, Michael D. Pruitt, certify that:

1. I have reviewed this annual report on Form 10-K of Chanticleer Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 30, 2018

/s/ Michael D. Pruitt

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

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**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 302 OF  
THE SARBANES-OXLEY ACT OF 2002**

I, Eric S. Lederer, certify that:

1. I have reviewed this annual report on Form 10-K of Chanticleer Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 30, 2018

/s/ Eric S. Lederer

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

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**CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Michael D. Pruitt, certify that:

1. I am the Chief Executive Officer of Chanticleer Holdings, Inc. (the "Issuer").
2. Attached to this certification is the Annual Report on Form 10-K for the fiscal year ended December 31, 2017 (the "Report") filed by the Issuer with the Securities Exchange Commission pursuant to Section 13(a) or 15(d) of the Securities and Exchange Act of 1934, as amended (the "Exchange Act"), which contains financial statements.
3. I hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:
  - The Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and
  - The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Issuer.

March 30, 2018

*/s/ Michael D. Pruitt*

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

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**CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS  
ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Eric S. Lederer, certify that:

1. I am the Chief Financial Officer of Chanticleer Holdings, Inc. (the "Issuer").
2. Attached to this certification is the Annual Report on Form 10-K for the fiscal year ended December 31, 2017 (the "Report") filed by the Issuer with the Securities Exchange Commission pursuant to Section 13(a) or 15(d) of the Securities and Exchange Act of 1934, as amended (the "Exchange Act"), which contains financial statements.
3. I hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:
  - The Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and
  - The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Issuer.

March 30, 2018

*/s/ Eric S. Lederer*

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

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