

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

FORM 10-Q

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

For the Quarterly Period Ended September 30, 2019

Commission File Number 001-35570

CHANTICLEER HOLDINGS, INC.

(Exact name of registrant as specified in the charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

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(g) 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, if any, every Interactive Data File required to be submitted 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 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]

Emerging growth company []

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

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

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

Title of each class

Common Stock

Trading Symbol(s)

BURG

Name of each exchange on which registered

The NASDAQ Stock Market LLC

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date. There were 10,073,545 shares of common stock issued and outstanding as of November 7, 2019.

FORWARD LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements. 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 Quarterly Report are based on various factors and were derived using numerous assumptions. In some cases, you can identify these forward-looking statements by the words “anticipate”, “estimate”, “plan”, “project”, “continuing”, “ongoing”, “target”, “aim”, “expect”, “believe”, “intend”, “may”, “will”, “should”, “could”, or the negative of those words and other comparable words. You should be aware that those statements reflect only the Company’s predictions. If known or unknown risks or uncertainties should materialize, or if underlying assumptions should prove inaccurate, actual results could differ materially from past results and those anticipated, estimated or projected. You should bear this in mind when reading this Quarterly Report and not place undue reliance on these forward-looking statements. Factors that might cause such differences include, but are not limited to:

- our ability to satisfy the required conditions and otherwise complete our planned Merger on a timely basis or at all;
- the expected benefits and potential value created by the proposed Merger for our stockholders, including the ownership percentage of our stockholders in the combined organization immediately following the consummation of the proposed Merger if it is completed;
- our ability to maintain our operations and obtain additional funding for our operations, if necessary, until the consummation of the proposed Merger;
- the accuracy of our estimates regarding expenses, capital requirements and need for additional financing;
- our estimates regarding the sufficiency of our cash resources, expenses, including those related to the consummation of the proposed Merger, capital requirements and needs for additional financing, and our ability to obtain additional financing and to continue as a going concern if the Merger is not completed.
- The quality of the Company and franchise store operations and changes in sales volume;
- Our ability to operate our business and generate profits. We have not been profitable to date;
- Inherent risks in expansion of operations, including our ability to acquire additional territories, generate profits from new restaurants, find suitable sites and develop and construct locations in a timely and cost-effective way;
- Inherent risks associated with acquiring and starting new restaurant concepts and store locations;
- General risk factors affecting the restaurant industry, including current economic climate, costs of labor and food prices;
- Intensive competition in our industry and competition with national, regional chains and independent restaurant operators;
- Our rights to operate and franchise the Hooters-branded restaurants are dependent on the Hooters’ franchise agreements;
- Our ability, and our dependence on the ability of our franchisees, to execute on 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 food-borne illnesses or other problems at our restaurants;
- Breaches of security of confidential consumer information related to our electronic processing of credit and debit card transactions;
- Unusual or significant litigation, governmental investigations or adverse publicity, or otherwise;
- We may be unable to reach agreements with various taxing authorities on payment plans to pay off back taxes;
- 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 claw back of government incentives related to investments; and
- Adverse effects on our operations resulting from certain geo-political or other events.

You should also consider carefully the Risk Factors contained in Part II, Item 1A of this Quarterly Report and Item 1A of Part I of our Annual Report filed on Form 10-K for the year ended December 31, 2018, which address additional factors that could cause actual results to differ from those set forth in the forward-looking statements and could materially and adversely affect the Company’s business, operating results and financial condition. The risks discussed in this Quarterly Report and the Annual Report are factors that, individually or in the aggregate, the Company believes could cause its actual results to differ materially from expected and historical results. You should understand that it is not possible to predict or identify all such factors. Consequently, you should not consider such disclosures to be a complete discussion of all potential risks or uncertainties.

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

Chanticleer Holdings, Inc. and Subsidiaries

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PART I

ITEM 1: FINANCIAL STATEMENTS

Chanticleer Holdings, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets

	(Unaudited)	
	September 30, 2019	December 31, 2018
ASSETS		
Current assets:		
Cash	\$ 637,291	\$ 629,871
Restricted cash	336	335
Accounts and other receivables, net	223,959	387,239
Inventories	354,339	478,314
Prepaid expenses and other current assets	342,960	179,377
Assets held for sale, net	1,901,376	-
TOTAL CURRENT ASSETS	3,460,261	1,675,136
Property and equipment, net	8,159,832	10,467,841
Operating lease assets	14,524,463	-
Goodwill	10,498,631	11,280,465
Intangible assets, net	4,479,905	5,123,159
Investments	373,198	800,000
Deposits and other assets	350,725	446,639
TOTAL ASSETS	\$ 41,847,015	\$ 29,793,240
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$ 7,431,723	\$ 7,386,506
Current maturities of long-term debt and notes payable	6,682,365	3,740,101
Current maturities of convertible notes payable	-	3,000,000
Current operating lease liabilities	3,240,833	-
Due to related parties	-	185,726
Liabilities held for sale, net	1,645,253	-
TOTAL CURRENT LIABILITIES	19,000,174	14,312,333
Long-term debt	-	3,000,000
Redeemable preferred stock: no par value, 62,876 shares issued and outstanding, net of discount of \$147,827 and \$173,914, respectively	700,999	674,912
Deferred rent	-	2,297,199
Long-term operating lease liabilities	15,909,551	-
Deferred revenue	983,488	1,174,506
Deferred tax liabilities	119,915	76,765
TOTAL LIABILITIES	36,714,127	21,535,715
Commitments and contingencies (see Note 13)		
Equity:		
Preferred stock: no par value; authorized 5,000,000 shares; 62,876 issued and outstanding	-	-
Common stock: \$0.0001 par value; authorized 45,000,000 shares; issued and outstanding 10,043,143 and 3,715,444 shares, respectively	1,005	373
Additional paid in capital	71,222,012	64,756,903
Accumulated other comprehensive loss	(391,869)	(202,115)
Accumulated deficit	(66,183,302)	(57,124,673)
Total Chanticleer Holdings, Inc. Stockholders' Equity	4,647,846	7,430,488
Non-Controlling Interests	485,042	827,037
TOTAL EQUITY	5,132,888	8,257,525
TOTAL LIABILITIES AND EQUITY	\$ 41,847,015	\$ 29,793,240

See accompanying notes to condensed consolidated financial statements

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

	Three Months Ended		Nine Months Ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Revenue:				
Restaurant sales, net	\$ 9,414,626	\$ 9,848,302	\$ 29,703,172	\$ 29,802,969
Gaming income, net	121,453	111,301	347,074	285,578
Management fee income	-	24,999	50,000	74,997
Franchise income	117,361	113,798	461,737	330,295
Total revenue	9,653,440	10,098,400	30,561,983	30,493,839
Expenses:				
Restaurant cost of sales	3,161,379	3,259,223	9,954,144	9,912,091
Restaurant operating expenses	5,858,495	5,781,284	18,846,454	17,008,047
Restaurant pre-opening and closing expenses	125,000	113,000	267,888	312,652
General and administrative expenses	1,572,774	1,092,529	4,784,791	3,407,612
Asset impairment charge	2,637,969	-	4,007,050	1,731,267
Depreciation and amortization	531,265	523,680	1,627,682	1,594,673
Total expenses	13,886,882	10,769,716	39,488,009	33,966,342
Operating loss	(4,233,442)	(671,316)	(8,926,026)	(3,472,503)
Other expense				
Interest expense	(162,845)	(630,223)	(542,135)	(1,895,162)
Other income (expense)	109,805	(223,439)	(86,240)	(217,949)
Total other expense	(53,040)	(853,662)	(628,375)	(2,113,111)
Loss before income taxes	(4,286,482)	(1,524,978)	(9,554,401)	(5,585,614)
Income tax benefit (expense)	(4,803)	206,366	(61,213)	779,361
Consolidated net loss	(4,291,285)	(1,318,612)	(9,615,614)	(4,806,253)
Less: Net loss attributable to non-controlling interests	406,544	80,737	641,002	210,484
Net loss attributable to Chanticleer Holdings, Inc.	\$ (3,884,741)	\$ (1,237,875)	\$ (8,974,612)	\$ (4,595,769)
Dividends on redeemable preferred stock	(28,219)	(28,219)	(84,019)	(84,020)
Net loss attributable to common shareholders of Chanticleer Holdings, Inc.	\$ (3,912,960)	\$ (1,266,094)	\$ (9,058,631)	\$ (4,679,789)
Net loss attributable to Chanticleer Holdings, Inc. per common share, basic and diluted:				
	\$ (0.39)	\$ (0.34)	\$ (1.54)	\$ (1.35)
Weighted average shares outstanding, basic and diluted	9,939,521	3,704,800	5,892,639	3,457,145

See accompanying notes to condensed consolidated financial statements

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

	Three Months Ended		Nine Months Ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Net loss attributable to Chanticleer Holdings, Inc.	\$ (3,884,741)	\$ (1,237,875)	\$ (8,974,612)	\$ (4,595,769)
Foreign currency translation gain (loss)	(159,759)	(30,718)	(189,754)	794,223
Comprehensive loss	\$ (4,044,500)	\$ (1,268,593)	\$ (9,164,366)	\$ (3,801,546)

See accompanying notes to condensed consolidated financial statements

Chanticleer Holdings, Inc. and Subsidiaries
Condensed Consolidated Statements of Equity (Unaudited)
Three and Nine Months Ended September 30, 2019 and 2018

	Common Stock		Additional Paid-in Capital	Common Stock Subscribed	Subscriptions Receivable	Accumulated Other Comprehensive Loss	Accumulated Deficit	Non- Controlling Interest	Total
	Shares	Amount							
Balance, December 31, 2017	3,045,809	\$ 305	\$ 60,750,330	\$ -	\$ -	\$ (934,901)	\$ (49,109,303)	\$ 782,453	\$ 11,488,884
Common stock and warrants issued for:									
Consulting services	1,231	-	3,767	-	-	-	-	-	3,767
Convertible debt	66,667	7	199,994	-	-	-	-	-	200,001
Preferred Unit dividend	8,502	1	19,525	-	-	-	(27,794)	-	(8,268)
Foreign currency translation	-	-	-	-	-	824,941	-	-	824,941
Shares issued on exercise of warrants	100,000	10	289,990	-	-	-	-	-	290,000
Net loss	-	-	-	-	-	-	(2,597,432)	(84,407)	(2,681,839)
Cumulative effect of change in accounting principle	-	-	-	-	-	-	(1,042,346)	-	(1,042,346)
Balance, March 31, 2018	<u>3,222,209</u>	<u>323</u>	<u>61,263,606</u>	<u>-</u>	<u>-</u>	<u>(109,960)</u>	<u>(52,776,875)</u>	<u>698,046</u>	<u>9,075,140</u>
Common stock and warrants issued for:									
Cash proceeds, net	403,214	41	1,372,142	-	-	-	-	-	1,372,183
Consulting services	55,257	5	150,996	-	-	-	-	-	151,001
Preferred Unit dividend	5,790	1	19,098	-	-	-	(28,007)	-	(8,908)
Accrued interest on note payable	12,800	1	43,343	-	-	-	-	-	43,344
Foreign currency translation	-	-	-	-	-	3,271	-	-	3,271
Non-controlling interest contributions	-	-	-	-	-	-	-	750,000	750,000
Non-controlling interest distributions	-	-	-	-	-	-	-	(42,603)	(42,603)
Reclassification of Minority Interest	-	-	353,699	-	-	-	-	(353,699)	-
Net loss	-	-	-	-	-	-	(760,462)	(45,343)	(805,805)
Balance, June 30, 2018	<u>3,699,270</u>	<u>371</u>	<u>63,202,884</u>	<u>-</u>	<u>-</u>	<u>(106,689)</u>	<u>(53,565,344)</u>	<u>1,006,401</u>	<u>10,537,623</u>
Common stock and warrants issued for:									
Preferred Unit dividend	7,293	1	19,310	-	-	-	(28,219)	-	(8,908)
Foreign currency translation	-	-	-	-	-	(33,989)	-	-	(33,989)
Non-controlling interest contributions	-	-	-	-	-	-	-	50,000	50,000
Non-controlling interest distributions	-	-	-	-	-	-	-	(58,557)	(58,557)
Reclassification of Minority Interest	-	-	(4,723)	-	-	-	-	4,723	-
Net loss	-	-	-	-	-	-	(1,237,875)	(80,737)	(1,318,612)
Balance, September 30, 2018	<u>3,706,563</u>	<u>372</u>	<u>63,217,471</u>	<u>-</u>	<u>-</u>	<u>(140,678)</u>	<u>(54,831,438)</u>	<u>921,830</u>	<u>9,167,557</u>
Balance, December 31, 2018	3,715,444	373	64,756,903	-	-	(202,115)	(57,124,673)	827,037	8,257,525
Common stock and warrants issued for:									
Preferred Unit dividend	16,342	1	19,521	-	-	-	(27,795)	-	(8,273)
Share-based compensation	-	-	100,707	-	-	-	-	-	100,707
Foreign currency translation	-	-	-	-	-	37,832	-	-	37,832
Non-controlling interest contributions	-	-	-	-	-	-	-	575,000	575,000
Non-controlling interest distributions	-	-	-	-	-	-	-	(10,804)	(10,804)
Reclassification of Minority Interest	-	-	249,104	-	-	-	-	(249,104)	-
Net loss	-	-	-	-	-	-	(1,873,072)	(115,591)	(1,988,663)
Balance, March 31, 2019	<u>3,731,786</u>	<u>374</u>	<u>65,126,235</u>	<u>-</u>	<u>-</u>	<u>(164,283)</u>	<u>(59,025,540)</u>	<u>1,026,538</u>	<u>6,963,324</u>
Common stock and warrants issued for:									
Director fees	104,828	10	252,949	-	-	-	-	-	252,959
Consulting services	36,765	4	117,087	-	-	-	-	-	117,091
Preferred Unit dividend	11,844	1	19,097	-	-	-	(28,003)	-	(8,905)
Accrued interest on note payable	8,800	1	13,839	-	-	-	-	-	13,840
Share-based compensation	45,000	5	8,704	-	-	-	-	-	8,709
Stock issued to settle convertible debt and note payable	3,075,000	308	3,074,692	-	-	-	-	-	3,075,000
Subscriptions pursuant to rights offering, net	-	-	2,614,623	300	(2,694,530)	-	-	-	(79,607)
Foreign currency translation	-	-	-	-	-	(67,827)	-	-	(67,827)
Shareholder payment for short swing	-	-	1,676	-	-	-	-	-	1,676
Non-controlling interest distributions	-	-	-	-	-	-	-	(16,777)	(16,777)
Reclassification of Minority Interest	-	-	(18,699)	-	-	-	-	18,699	-
Net loss	-	-	-	-	-	-	(3,216,799)	(118,867)	(3,335,666)
Balance, June 30, 2019	<u>7,014,023</u>	<u>\$ 703</u>	<u>\$ 71,210,203</u>	<u>\$ 300</u>	<u>\$ (2,694,530)</u>	<u>\$ (232,110)</u>	<u>\$ (62,270,342)</u>	<u>\$ 909,593</u>	<u>\$ 6,923,817</u>
Common stock and warrants issued for:									
Preferred Unit dividend	19,387	2	19,006	-	-	-	(28,219)	-	(9,211)
Subscriptions pursuant to rights offering, net	3,009,733	300	(308)	(300)	2,694,530	-	-	-	2,694,222
Share-based compensation	-	-	8,709	-	-	-	-	-	8,709
Foreign currency translation	-	-	-	-	-	(159,759)	-	-	(159,759)
Non-controlling interest distributions	-	-	-	-	-	-	-	(33,605)	(33,605)
Reclassification of Minority Interest	-	-	(15,598)	-	-	-	-	15,598	-
Net loss	-	-	-	-	-	-	(3,884,741)	(406,544)	(4,291,285)
Balance, September 30, 2019	<u>10,043,143</u>	<u>1,005</u>	<u>71,222,012</u>	<u>-</u>	<u>-</u>	<u>(391,869)</u>	<u>(66,183,302)</u>	<u>485,042</u>	<u>5,132,888</u>

See accompanying notes to condensed consolidated financial statements

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

	Nine Months Ended	
	September 30, 2019	September 30, 2018
Cash flows from operating activities:		
Net loss	\$ (9,615,614)	\$ (4,806,253)
Adjustments to reconcile net loss to net cash flows from operating activities:		
Depreciation and amortization	1,627,682	1,594,673
Amortization of operating lease assets	1,330,137	-
Asset impairment charges	4,007,050	1,731,267
Write-off investment in HOA	435,000	-
Common stock and warrants issued for services	24,507	129,767
Stock based compensation	118,120	-
(Gain) loss on investments	(11,142)	45,932
Gain on tax settlements	(265,996)	-
Amortization of debt discount and discount on preferred stock	26,087	893,873
Change in assets and liabilities:		
Accounts and other receivables	104,357	114,007
Prepaid and other assets	(177,591)	2,767
Inventory	17,389	72,802
Accounts payable and accrued liabilities	1,012,935	1,346,910
Change in amounts payable to related parties	(185,726)	(624)
Deferred income taxes	43,150	(779,359)
Operating lease liabilities	(1,348,376)	-
Deferred revenue	(191,018)	(22,130)
Deferred rent	-	(54,307)
Net cash flows from operating activities	<u>(3,049,049)</u>	<u>269,325</u>
Cash flows from investing activities:		
Purchase of property and equipment	(476,082)	(1,698,747)
Proceeds from tenant improvement allowances	335,075	-
Cash paid for acquisitions	-	(30,000)
Proceeds from rights offering, net	2,694,530	-
Proceeds from sale of assets	173,977	-
Net cash flows from investing activities	<u>2,727,500</u>	<u>(1,728,747)</u>
Cash flows from financing activities:		
Proceeds from sale of common stock and warrants	-	1,687,184
Loan proceeds	386,051	-
Loan repayments	(547,036)	(270,579)
Distributions to non-controlling interest	(61,186)	(101,163)
Contributions from non-controlling interest	575,000	800,000
Net cash flows from financing activities	<u>352,829</u>	<u>2,115,442</u>
Effect of exchange rate changes on cash	(2,666)	3,091
Net increase (decrease) in cash and restricted cash, including cash classified within assets held for sale	28,614	659,111
Less: Net increase in cash and restricted cash classified within assets held for sale	(21,193)	-
Net increase (decrease) in cash and restricted cash	7,421	659,111
Cash and restricted cash, beginning of period	630,206	438,493
Cash and restricted cash, end of period	\$ <u>637,627</u>	\$ <u>1,097,604</u>

See accompanying notes to condensed consolidated financial statements

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

	Nine Months Ended	
	September 30, 2019	September 30, 2018
Supplemental cash flow information:		
Cash paid for interest and income taxes:		
Interest	\$ 515,568	\$ 407,573
Income taxes	97,734	88,748
Non-cash investing and financing activities:		
Convertible debt settled through issuance of common stock	\$ -	\$ 200,000
Convertible debt and notes payable settled through subscriptions in the rights offering	3,075,000	-
Preferred stock dividends paid through issuance of common stock	57,624	57,933

See accompanying notes to condensed consolidated financial statements

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

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.

GENERAL

The accompanying condensed consolidated financial statements included in this report have been prepared by the Company pursuant to the rules and regulations of the U.S. Securities and Exchange Commission ("SEC") for interim reporting and include all adjustments (consisting only of normal recurring adjustments) that are, in the opinion of management, necessary for a fair presentation. These condensed consolidated financial statements have not been audited. The results of operations for the three-month and nine-month periods ended September 30, 2019 and 2018 are not necessarily indicative of the operating results for the full year.

Certain information and footnote disclosures normally included in consolidated financial statements prepared in accordance with generally accepted accounting principles of the United States ("U.S. GAAP") have been condensed or omitted pursuant to such rules and regulations for interim reporting. The Company believes that the disclosures contained herein are adequate to make the information presented not misleading. However, these financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2018 filed with the SEC on April 1, 2019. Certain amounts for the prior year have been reclassified to conform to the current year presentation.

LIQUIDITY, CAPITAL RESOURCES AND GOING CONCERN.

As of September 30, 2019, our cash balance was \$638,000, our working capital was negative \$15.5 million (which includes \$3.2 million of current operating lease liabilities recorded with the adoption of the new lease accounting standard discussed in Note 2), and we have significant near-term commitments and contractual obligations.

As of September 30, 2019, the Company and its subsidiaries have approximately \$2.9 million of accrued employee and employer taxes, including penalties and interest, which are due to certain taxing authorities. The Company is currently in discussions with various taxing authorities on settling these liabilities through payment plans that began in the third quarter. We also have \$3 million of principal due on the 8% non-convertible secured debentures by the end of December 2019 and the remaining \$3 million of principal due by the end of March 2020, plus interest. In addition, if we fail to meet various debt covenants going forward and are notified of the default by the noteholders of the 8% non-convertible secured debentures, we may be assessed additional default interest and penalties which would increase our obligations. In addition, we have approximately \$680,000 of other debt obligations coming due over the next twelve months.

Our existing cash and cash equivalents will not be sufficient to fund our projected cash needs through the end of the current calendar year or enable us to complete our planned merger with Sonnet discussed in Note 14. In addition, if we experience a delay in completing the Merger (Note 14), we will require even more capital to sustain our operations through such completion. We believe we need to raise approximately \$1.5 million through equity financing, asset sales or other strategic transactions in order to enable us to complete the planned merger with Sonnet. There can be no assurances that we will be able to complete any such transaction on acceptable terms or otherwise. The failure to obtain sufficient funds on commercially acceptable terms when needed could have a material adverse effect on our business, results of operations and financial condition and may prevent us from completing the Merger. Accordingly, these factors, among others, raise substantial doubt about our ability to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

Except for the accounting policies for leases discussed in Note 13 that were changed as a result of adopting Accounting Standards Update (“ASU”) 2016-02, Leases (Topic 842), there have been no changes to our significant accounting policies described in the Annual Report on Form 10-K for the year ended December 31, 2018, filed with the SEC on April 1, 2019, that have had a material impact on our consolidated financial statements and related notes.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Significant estimates include the valuation of the investments, deferred tax asset valuation allowances, valuing options and warrants using the Binomial Lattice and Black-Scholes models, intangible asset valuations and useful lives, depreciation and uncollectible accounts and reserves. Actual results could differ from those estimates.

REVENUE RECOGNITION

On January 1, 2018, the Company adopted ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The Company generates revenues from the following sources: (i) restaurant sales; (ii) management fee income; (iii) gaming income; and (iv) franchise revenues, consisting of royalties based on a percentage of sales reported by franchise restaurants and initial signing fees.

Restaurant Sales, Net

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 tax and value added tax (“VAT”) collected from customers is excluded from restaurant sales and the obligation is included in taxes payable until the taxes are remitted to the appropriate taxing authorities.

Management Fee Income

The Company receives management fee revenue from certain non-affiliated companies, including from managing its investment in Hooters of America which is earned and recognized over the performance period.

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 agreements.

Franchise Income

The Company grants franchises to operators in exchange for initial franchise license fees and continuing royalty payments. The license granted for each restaurant or area is considered a performance obligation. All other obligations (such as providing assistance during the opening of a restaurant) are combined with the license and were determined to be a single performance obligation. Accordingly, the total transaction price (comprised of the restaurant opening and territory fees) is allocated to each restaurant expected to be opened by the licensee under the contract. There are significant judgments regarding the estimated total transaction price, including the number of stores expected to be opened. We recognize the fee allocated to each restaurant as revenue on a straight-line basis over the restaurant's license term, which generally begins upon the signing of the contract for area development agreements and upon the signing of a store lease for franchise agreements. The payments for these upfront fees are generally received upon contract execution. Continuing fees, which are based upon a percentage of franchisee sales and are not subject to any constraints, are recognized on the accrual basis as those sales occur. The payments for these continuing fees are generally made on a weekly basis.

Deferred Revenue

Deferred revenue consists of contract liabilities resulting from initial and renewal franchise license fees paid by franchisees, which is recognized on a straight-line basis over the term of the underlying franchise agreement, as well as upfront development fees paid by franchisees, which is recognized on a straight-line basis over the term of the underlying franchise agreement once it is executed or if the development agreement is terminated.

Contract Balances

Opening and closing balances of contract liabilities and receivables from contracts with customers are as follows:

	<u>September 30, 2019</u>	<u>December 31, 2018</u>
Accounts Receivable	\$ 178,495	\$ 227,056
Royalty Receivables	-	5,307
Gift Card Liability	81,599	87,724
Deferred Revenue	983,488	1,174,506

The only revenue recognized over time versus point-in-time is the initial/up-front franchise fees and management fees.

LEASES

On January 1, 2019, the Company adopted ASU 2016-02, "Leases (Topic 842)," along with related clarifications and improvements. This pronouncement requires lessees to recognize a liability for lease obligations, which represents the discounted obligation to make future lease payments, and a corresponding right-of-use asset on the balance sheet. The guidance requires disclosure of key information about leasing arrangements that is intended to give financial statement users the ability to assess the amount, timing, and potential uncertainty of cash flows related to leases. The Company elected the optional transition method to apply the standard as of the effective date and therefore, the Company has not applied the standard to the comparative period presented in its condensed consolidated financial statements.

The practical expedients elected in connection with the adoption of Leases Topic 842 were as follows:

	Implications as of January 1, 2019
Practical expedient package	The Company has not reassessed whether any expired or existing contracts are, or contain, leases. The Company has not reassessed the lease classification for any expired or existing leases.
Hindsight practical expedient	The Company has not reassessed initial direct costs for any expired or existing leases. The Company has not elected the hindsight practical expedient, which permits the use of hindsight when determining lease term and impairment of operating lease assets.

Upon adoption of Leases (Topic 842), the Company recorded operating lease right-of-use assets and operating lease liabilities and derecognized deferred rent liabilities (including unamortized tenant improvement allowances) and favorable/unfavorable lease assets and liabilities upon transition. Upon adoption, the Company recorded operating lease liabilities of approximately \$22.1 million based on the present value of the remaining rental payments using discount rates as of the effective date. In addition, the Company recorded corresponding operating lease right-of-use assets of approximately \$19.8 million, calculated as the initial amount of the Company's operating lease liabilities adjusted for deferred rent (including unamortized tenant improvement allowances) and unamortized favorable/unfavorable lease assets and lease liabilities. See the table below for the impact of adoption of Topic 842 on the Company's balance sheet accounts as of the day of adoption, January 1, 2019:

	As Previously Reported	New Lease Standard Adjustment	As Adjusted
Operating lease assets	\$ -	\$ 19,823,202	\$ 19,823,202
Current operating lease liabilities	-	3,774,148	3,774,148
Long-term operating lease liabilities	-	18,346,253	18,346,253
Deferred rent	2,297,199	(2,297,199)	-

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 September 30, 2019 and 2018, which have been excluded from the calculation of diluted net loss per common share since the effect would be antidilutive.

	September 30, 2019	September 30, 2018
Warrants	3,586,894	2,571,829
Convertible notes	-	300,000
Stock options	32,800	-
Total	<u>3,619,694</u>	<u>2,871,829</u>

3. ASSETS HELD FOR SALE

In August 2019, the Board of Directors approved the sale of the South Africa Hooters locations to the local management group. The assets and liabilities of those operations were reclassified to Assets held for sale and Liabilities held for sale as of September 30, 2019. On October 31, 2019, the Company closed on the sale of three of its South Africa Hooters locations and anticipates closing on the remaining two by the end of November 2019.

The carrying amount of major class of assets and liabilities included as held for sale at September 30, 2019 are as follows:

	September 30, 2019
Cash	\$ 21,193
Accounts receivable	52,826
Inventory	90,522
Property, plant and equipment	384,192
Operating lease assets	956,605
Goodwill and intangible assets	342,668
Other assets	53,370
Total assets held for sale, net	<u>1,901,376</u>
Accounts payable and accrued liabilities	380,017
Operating lease liabilities	1,009,422
Debt	255,814
Total liabilities held for sale, net	<u>1,645,253</u>
Net Assets	<u>\$ 256,123</u>

4. INVESTMENTS

Investments at cost consist of the following:

	September 30, 2019	December 31, 2018
Chanticleer Investors, LLC	\$ 373,000	\$ 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 held a 3% interest in Hooters of America, the operator and franchisor of the Hooters Brand worldwide. As a result, the Company's effective economic interest in Hooters of America was approximately 0.6%. Effective June 28, 2019, Hooters of America closed on the sale of a controlling interest in the company. The consideration paid in the sale transaction was a combination of cash proceeds and equity in the newly formed company. The Company netted approximately \$48,000 in cash upon the transaction and retained a non-controlling interest in the equity of the newly formed company. Based on an analysis of the transaction and the value of the cash received and retained non-controlling interest, the Company concluded that its investment was impaired as of June 30, 2019 and recorded a \$435,000 write down of the investment.

5. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following:

	September 30, 2019	December 31, 2018
Leasehold improvements	\$ 10,899,144	\$ 12,030,450
Restaurant furniture and equipment	4,496,256	6,389,305
Construction in progress	650	1,015,853
Office and computer equipment	72,533	73,681
Office furniture and fixtures	164,001	76,486
	<u>15,632,584</u>	<u>19,585,775</u>
Accumulated depreciation and amortization	<u>(7,472,752)</u>	<u>(9,117,934)</u>
	<u>\$ 8,159,832</u>	<u>\$ 10,467,841</u>

Depreciation and amortization expense was approximately \$419,000 and \$437,000 for the three months ended September 30, 2019 and 2018, respectively, and \$1,274,000 and \$1,189,000 for the nine months ended September 30, 2019 and 2018, respectively.

6. INTANGIBLE ASSETS, NET

GOODWILL

Goodwill consist of the following:

	September 30, 2019	December 31, 2018
Hooters Full Service	\$ 3,049,783	\$ 3,335,862
Better Burgers Fast Casual	7,448,848	7,448,848
Just Fresh Fast Casual	-	495,755
	<u>\$ 10,498,631</u>	<u>\$ 11,280,465</u>

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

	September 30, 2019	December 31, 2018
Beginning Balance	\$ 11,280,465	\$ 12,647,806
Impairment	(495,755)	(1,191,111)
Reclassification to held for sale	(209,794)	-
Foreign currency translation gain (loss)	(76,285)	(176,230)
Ending Balance	<u>\$ 10,498,631</u>	<u>\$ 11,280,465</u>

During the third quarter of 2019, the Company recorded an impairment to the goodwill balance for Just Fresh based on the sale of 100% of the membership interest of JF Restaurants, LLC for \$500,000 in November 2019. See additional discussion in the Note 14.

OTHER INTANGIBLE ASSETS

Franchise and trademark/tradename intangible assets consist of the following:

		September 30, 2019	December 31, 2018
Trademark, Tradenames:			
Just Fresh	10 years	\$ 868,345	\$ 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>5,635,275</u>	<u>5,776,930</u>
Acquired Franchise Rights			
BGR: The Burger Joint	7 years	827,757	827,757
Franchise License Fees:			
Hooters South Africa*	20 years	-	234,242
Hooters Pacific NW	20 years	74,507	89,507
Hooters UK	5 years	11,976	12,422
		<u>86,483</u>	<u>336,171</u>
Total Intangible assets at cost		<u>6,549,515</u>	<u>6,940,858</u>
Accumulated amortization		<u>(2,069,610)</u>	<u>(1,817,699)</u>
Intangible assets, net		<u>\$ 4,479,905</u>	<u>\$ 5,123,159</u>
Nine Months Ended			
		September 30, 2019	September 30, 2018
Amortization expense		<u>\$ 353,974</u>	<u>\$ 404,054</u>

*Amounts are included in assets held for sale as of September 30, 2019.

7. DEBT AND NOTES PAYABLE

Debt and notes payable are summarized as follows:

	<u>September 30, 2019</u>	<u>December 31, 2018</u>
Notes Payable (a)	\$ 6,000,000	\$ 6,000,000
Notes Payable Paragon Bank (b)	166,068	319,983
Note Payable (c)	-	75,000
Receivables financing facilities (d)	106,671	124,205
Notes Payable (e)	33,730	144,004
Notes Payable (f)	45,125	-
Contractor note - LBB Green Lake (g)	330,771	-
Bank overdraft facilities and debt facilities, South Africa*	-	76,909
Total debt	6,682,365	6,740,101
Current portion of long-term debt	6,682,365	3,740,101
Long-term debt, less current portion	\$ -	\$ 3,000,000

*Amounts are included in liabilities held for sale as of September 30, 2019.

For the nine months ended September 30, 2019 and 2018, amortization of debt discount was \$0 and \$880,044, 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 were originally scheduled to 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. The warrants have an exercise price of \$3.50 (as adjusted for the reverse stock split) 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.

The \$6 million loan was accounted for as a new borrowing with consideration allocated between the loan and the warrants based upon the relative fair value of the loan and the warrants. The Company valued the warrants associated with the new debt obligation using the Black-Sholes model, which resulted in the allocation of \$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 was amortized to interest expense over the 20-month term of the notes (amount was fully amortized at December 31, 2018).

The Company entered into an amendment to the 8% non-convertible secured debentures in December 2018. The maturity date was extended to March 31, 2020; provided however, if 50% of the principal balance of the debentures is not paid on or prior to December 31, 2019, the holders of the debentures in the aggregate principal amount greater than \$3 million, acting together, may demand full and immediate payment to the Company upon 15 days' written notice. In addition, each holder received new warrants to purchase 1,200,000 shares of common stock. The warrants have an exercise price of \$2.25. This amendment was accounted for as a debt modification and the relative fair value of the warrants, determined using the Black-Scholes model, of \$1.5 million was recorded as additional paid-in-capital at December 31, 2018. In connection with the debt modification, \$1.5 million of accrued default interest on the 8% non-convertible secured debentures was written off as of December 31, 2018.

(b) The Company has one outstanding term loan with Paragon Bank, which is collateralized by all assets of the Company and personally guaranteed by our Chief Executive Officer. The interest rate on the loan is 6.5% and it matures on August 10, 2021.

(c) The Company had 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. Effective June 28, 2019, the noteholder converted the outstanding note into subscription rights as part of the Company's rights offering which expired on June 28, 2019 and closed on July 2, 2019. See additional discussion on the rights offering in Note 10.

(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. During October 2018, in consideration for proceeds of \$100,000, the Company agreed to make payments of \$585 per day for 220 days. During January 2019, in consideration for proceeds of \$194,800, the Company agreed to make payments of \$585 per day on two separate agreements for 220 days. Lastly, during May 2019, in consideration for proceeds of \$99,480, the Company agreed to make payments of \$585 per day for 220 days. The Company granted a security interest in the credit card receivables of the specified restaurants in connection with each of the Receivables Financing Agreements. Total outstanding on these advances is \$106,671 at September 30, 2019.

(e) In connection with the assets acquired from the two BGR franchisees, the Company entered into notes payable of \$9,600 and \$187,000 during 2018. The notes bear interest at 4% and are due within 12 months of each acquisition date. Principal and interest payments are due monthly. The total outstanding on these two notes is \$33,730 at September 30, 2019.

(f) During September 2019, the Company entered into two merchant capital advances in the amount of \$46,000. The Company agreed to repay these advances through daily payments until those amounts are repaid with the specified interest rate per those agreements.

(g) During August 2019, the Company entered into a promissory note to repay the contractor for the build-out of the new Little Big Burger – Green Lake store location. The terms of the promissory note are monthly payments of \$100,000 until the note is paid in full with a stated interest rate of 12% per year.

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 judgment.

As of September 30, 2019, management concluded that no conditions exist that represent events of technical default under the 8% non-convertible secured debentures. In accordance with the December 2018 amendment, the holders of the 8% non-convertible secured debentures must notify the Company if there is an event of default for the default provisions to be triggered. Conditions may exist whereby the Company has failed a covenant, but the default provisions have not yet been triggered as the Company has not received notice from the noteholders.

8. CONVERTIBLE NOTES PAYABLE

Convertible Notes payable are summarized as follows:

	<u>September 30, 2019</u>	<u>December 31, 2018</u>
6% Convertible notes payable due June 2018 (a)	\$ -	\$ 3,000,000
Total Convertible notes payable	-	3,000,000
Current portion of convertible notes payable	-	3,000,000
Convertible notes payable, less current portion	\$ -	\$ -

(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 a capital raise in 2016, the lenders agreed to waive existing defaults and extended the original note maturity by eighteen months from December 31, 2016 to June 30, 2018. Effective June 28, 2019, the noteholders converted the outstanding notes into subscription rights as part of the Company's rights offering which expired on June 28, 2019 and closed on July 2, 2019. See additional discussion on the rights offering in Note 10.

9. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses are summarized as follows:

	<u>September 30, 2019</u>	<u>December 31, 2018</u>
Accounts payable and accrued expenses	\$ 3,485,949	\$ 3,591,641
Accrued taxes (VAT, Sales, Payroll, etc.)	3,394,293	3,243,806
Accrued income taxes	54,948	61,790
Accrued interest	496,533	489,269
	<u>\$ 7,431,723</u>	<u>\$ 7,386,506</u>

As of September 30, 2019, approximately \$2.9 million of employee and employer taxes, including penalties and interest, have been accrued but not remitted to certain taxing authorities by the Company for cash compensation paid. As a result, the Company is liable for such payroll taxes and any related penalties and interest. A portion of the proceeds from the rights offering as discussed in Note 10 were used in July 2019 to pay down a portion of these accrued payroll taxes.

10. EQUITY

The Company had 45,000,000 shares of its \$0.0001 par value common stock authorized at both September 30, 2019 and December 31, 2018. The Company had 10,043,143 and 3,715,444 shares issued and outstanding at September 30, 2019 and December 31, 2018, respectively.

The Company has 5,000,000 shares of its no par value preferred stock authorized at both September 30, 2019 and December 31, 2018. 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. The Company 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 September 30, 2019 and December 31, 2018, 62,876 shares of preferred stock were issued pursuant to the Preferred Stock Units rights offering.

In 2019, the Company conducted a rights offering of units to its stockholders of record to purchase common stock at a subscription price of \$1.00 per share. The rights offering was made pursuant to the Company's effective registration statement on Form S-1 on file with the U.S. Securities and Exchange Commission (the "SEC") and accompanying prospectus filed with the SEC on June 12, 2019.

Upon closing of the rights offering in July, a total of 1,894,311 shares of common stock were issued pursuant to record holders' basic subscription privilege and a total of 4,190,542 shares of common stock were issued pursuant to record holders' over subscription. The Company accepted subscriptions to purchase 6,084,733 shares in the rights offering upon expiration of the rights offering on June 28, 2019. The Company received \$6,009,733 in gross proceeds from the rights offering. \$3,075,000 was subscribed by certain record holders' through the reduction in outstanding debt obligations of the Company. The shares associated with the reduction in outstanding debt obligations were deemed issued at June 30, 2019. The remaining proceeds of approximately \$2.7 million, which is net of fees owed to the dealer-managers and other offering costs, were received in early July after the closing of the rights offering.

Chardan Capital Markets, LLC and The Oak Ridge Financial Services Group Inc. were the co-dealer-managers on the transaction and the Company agreed to pay the dealer-managers a fee equal to 7% of the gross proceeds of the rights offering (excluding proceeds from the reduction of the debt obligations) and to reimburse the dealer-managers for their expenses up to \$75,000 for an aggregate commission of approximately \$286,000. Additional offering costs were incurred for legal, accounting and transfer agent services.

Restricted Stock Grants, Options and Warrants

The Company's shareholders have approved the Chanticleer Holdings, Inc. 2014 Stock Incentive Plan (the "2014 Plan"), authorizing the issuance of options, stock appreciation rights, restricted stock awards and units, performance shares and units, phantom stock and other stock-based and dividend equivalent awards. Pursuant to the approved 2014 Plan, 400,000 shares have been approved for grant.

As of September 30, 2019, the Company had 296,129 restricted and unrestricted stock outstanding on a cumulative basis under the plan pursuant to compensatory arrangements with employees, board members and outside consultants. Approximately 107,836 shares remained available for grant in the future. The Company issued 15,000 restricted stock units to an employee in 2016 and 30,000 restricted stock units to an employee in 2018. The fair value of the restricted stock was determined using the quoted market value of the Company's common stock on the date of grant. As of September 30, 2019, total unrecognized stock-based compensation expense related to non-vested restricted stock units was approximately \$24,375. That cost is expected to be recognized over a period of 1.25 years. The restricted stock units vest over the terms specified in each employees' agreement. The Company issued 32,800 of stock options to employees in 2019. The stock options were valued on the date of grant using the Black-Scholes model. The stock options vest over the terms specified in each employees' agreement. There was approximately \$18,250 of total unrecognized compensation costs related to options granted as of September 30, 2019. That cost is expected to be recognized over a period of 1.50 years.

Total stock-based compensation expense for the nine months ended September 30, 2019 and 2018 was \$118,120 and \$0, respectively.

A summary of the warrant activity for the nine months ended September 30, 2019 is below:

	<u>Number of Warrants</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Life</u>
Outstanding December 31, 2018	3,684,762	\$ 9.14	7.1
Granted	-	-	-
Exercised	-	-	-
Forfeited	(97,868)	55.94	-
Outstanding September 30, 2019	<u>3,586,894</u>	<u>7.86</u>	<u>6.6</u>
Exercisable September 30, 2019	<u>3,586,894</u>	<u>\$ 7.86</u>	<u>6.6</u>

<u>Exercise Price</u>	<u>Outstanding Number of Warrants</u>	<u>Weighted Average Remaining Life in Years</u>	<u>Exercisable Number of Warrants</u>
> \$40.00	235,224	1.0	235,224
\$30.00-\$39.99	20,350	0.4	20,350
\$20.00-\$29.99	77,950	0.3	77,950
\$10.00-\$19.99	50,300	1.7	50,300
\$0.00-\$9.99	3,203,070	7.3	3,203,070
	<u>3,586,894</u>	<u>6.6</u>	<u>3,586,894</u>

A summary of the stock option activity for the nine months ended September 30, 2019 is below:

	<u>Number of Options</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Life</u>
Outstanding December 31, 2018	-	\$ -	-
Granted	32,800	4.0	4.2
Exercised	-	-	-
Forfeited	-	-	-
Outstanding September 30, 2019	<u>32,800</u>	<u>\$ 4.0</u>	<u>4.2</u>
Exercisable September 30, 2019	<u>12,100</u>	<u>\$ 4.0</u>	<u>4.2</u>

11. 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 are as follows:

	<u>September 30, 2019</u>	<u>December 31, 2018</u>
Chanticleer Investors, LLC	\$ -	\$ 185,726
	<u>\$ -</u>	<u>\$ 185,726</u>

The amount from Chanticleer Investors LLC was related to cash distributions received from Chanticleer Investors LLC's interest Hooters of America which was payable to the Company's co-investors in that investment. The amount was repaid in the third quarter of 2019.

Transactions with Board Members

Larry Spitcaufsky, a significant shareholder and former member of the Company's Board of Directors, is also a lender to the Company for \$2 million of the Company's \$6 million in secured debentures. In connection with the secured debentures, the Company made payments of interest to the board member of \$127,890 and \$120,000 for the nine months ended September 30, 2019 and 2018, respectively, as required under the Notes.

Mr. Spitcaufsky also subscribed for 70,000 shares in connection with the May 3, 2018 Securities Purchase Agreement and received an equal number of warrants in the transaction. Michael D. Pruitt, the Company's chairman and Chief Executive Officer also participated in the offering.

The Company had previously entered into a franchise agreement with entities controlled by Mr. Spitcaufsky providing him with the franchise rights for Little Big Burger in the San Diego area and an option for southern California. In February 2019, Mr. Spitcaufsky closed both of his franchised Little Big Burger restaurants and all agreements were terminated in May 2019.

12. 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 for the three and nine months ended September 30, 2019 and 2018. The Company does not aggregate or review non-current assets at the segment level.

	Three Months Ended		Nine Months Ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Revenue:				
Hooters Full Service	\$ 2,886,269	\$ 3,392,300	\$ 9,576,854	\$ 10,436,597
Better Burgers Fast Casual	5,823,650	5,692,004	18,010,835	16,854,025
Just Fresh Fast Casual	943,521	989,097	2,924,294	3,128,220
Corporate and Other	-	24,999	50,000	74,997
	<u>\$ 9,653,440</u>	<u>\$ 10,098,400</u>	<u>\$ 30,561,983</u>	<u>\$ 30,493,839</u>
Operating Income (Loss):				
Hooters Full Service	\$ (1,270,738)	87,444	(1,860,995)	\$ (1,174,320)
Better Burgers Fast Casual	(1,082,494)	(133,466)	(3,056,296)	(253,997)
Just Fresh Fast Casual	(706,332)	(21,280)	(768,918)	(64,057)
Corporate and Other	(1,173,878)	(604,014)	(3,239,817)	(1,980,129)
	<u>\$ (4,233,442)</u>	<u>\$ (671,316)</u>	<u>\$ (8,926,026)</u>	<u>\$ (3,472,503)</u>
Depreciation and Amortization				
Hooters Full Service	\$ 76,189	95,509	\$ 259,624	\$ 303,682
Better Burgers Fast Casual	408,941	382,802	1,229,656	1,154,885
Just Fresh Fast Casual	45,148	44,525	135,442	133,575
Corporate and Other	987	844	2,960	2,531
	<u>\$ 531,265</u>	<u>\$ 523,680</u>	<u>\$ 1,627,682</u>	<u>\$ 1,594,673</u>

The following are revenues and operating income (loss) from continuing operations by geographic region for the three and nine months ended September 30, 2019 and 2018:

	Three Months Ended		Nine Months Ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Revenue:				
United States	\$ 7,635,120	\$ 8,038,545	\$ 24,441,959	\$ 23,984,963
South Africa	1,383,906	1,352,340	4,123,148	4,321,668
Europe	634,414	707,515	1,996,876	2,187,208
	<u>\$ 9,653,440</u>	<u>\$ 10,098,400</u>	<u>\$ 30,561,983</u>	<u>\$ 30,493,839</u>
Operating Income (Loss):				
United States	\$ (4,380,394)	\$ (711,846)	\$ (9,080,259)	\$ (2,179,967)
South Africa	110,956	29,485	77,682	50,680
Europe	35,996	11,045	76,551	(1,343,216)
	<u>\$ (4,233,442)</u>	<u>\$ (671,316)</u>	<u>\$ (8,926,026)</u>	<u>\$ (3,472,503)</u>

The following are non-current assets by geographic region as of September 30, 2019 and December 31, 2018:

	September 30, 2019	December 31, 2018
	(1)	
United States	\$ 35,825,711	\$ 24,795,368
South Africa*	-	909,514
Europe	2,561,043	2,413,222
	<u>\$ 38,386,754</u>	<u>\$ 28,118,104</u>

*Amounts are included in assets held for sale at September 30, 2019.

(1) Non-current assets increased due to the adoption of ASC 842 effective January 1, 2019.

13. COMMITMENTS AND CONTINGENCIES

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 September 30, 2019 and December 31, 2018 in the accompanying condensed consolidated balance sheets.

From time to time, the Company may be involved in legal proceedings and claims that have arisen in the ordinary course of business are generally covered by insurance. As of September 30, 2019, the Company does not expect the amount of ultimate liability with respect to these matters to be material to the Company’s financial condition, results of operations or cash flows.

Restaurant construction

We have contractual commitments related to store construction of approximately \$331,000, of which approximately \$125,000 is funded by private investors and approximately \$206,000 will be funded internally by the Company. Approximately \$126,000 is expected to be returned to the Company via tenant improvement refunds once all conditions are satisfied.

Leases

The Company determines if a contract contains a lease at inception. The Company's material operating leases consist of restaurant locations as well as office space. Our leases generally have remaining terms of 1-20 years, most of which include options to extend the leases for additional 5-year periods. Generally, the lease term is the minimum of the noncancelable period of the lease or the lease term inclusive of reasonably certain renewal periods up to a term of 20 years.

Operating lease assets and liabilities are recognized at the lease commencement date. Operating lease liabilities represent the present value of lease payments not yet paid. Operating lease assets represent our right to use an underlying asset and are based upon the operating lease liabilities adjusted for prepayments or accrued lease payments, initial direct costs, lease incentives, and impairment of operating lease assets. To determine the present value of lease payments not yet paid, the Company estimates incremental secured borrowing rates corresponding to the maturities of the leases. The Company estimates this rate based on rates of current debt outstanding, prevailing financial market conditions, comparable company and credit analysis, and management judgment.

The Company's leases typically contain rent escalations over the lease term. The Company recognizes expense for these leases on a straight-line basis over the lease term. Additionally, tenant incentives used to fund leasehold improvements are recognized when earned and reduce our right-of-use asset related to the lease. These are amortized through the right-of-use asset as reductions of expense over the lease term.

Some of the Company's leases include rent escalations based on inflation indexes and fair market value adjustments. Certain leases contain contingent rental provisions that include a fixed base rent plus an additional percentage of the restaurant's sales in excess of stipulated amounts. Operating lease liabilities are calculated using the prevailing index or rate at lease commencement. Subsequent escalations in the index or rate and contingent rental payments are recognized as variable lease expenses. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants. As part of the lease agreements, the Company is also responsible for payments regarding non-lease components (common area maintenance, operating expenses, etc.) and percentage rent payments based on monthly or annual restaurant sales amounts which are considered variable costs and are not included as part of the lease liabilities.

Related to the adoption of Leases Topic 842, our policy elections were as follows:

Separation of lease and non-lease components

The Company elected this expedient to account for lease and non-lease components as a single component for our entire population of operating lease assets.

Short-term policy

The Company has elected the short-term lease recognition exemption for all applicable classes of underlying assets. Leases with an initial term of 12 months or less, that do not include an option to purchase the underlying asset that we are reasonably certain to exercise, are not recorded on the balance sheet.

Supplemental balance sheet information related to leases was as follows:

Operating Leases	Classification	September 30, 2019
Right-of-use assets*	Operating lease assets	\$ 14,524,463
Current lease liabilities*	Current operating lease liabilities	3,240,833
Non-current lease liabilities*	Long-term operating lease liabilities	15,909,551
		<u>\$ 19,150,384</u>

*Excludes South Africa as those amounts are recorded as assets and liabilities held for sale at September 30, 2019.

Lease term and discount rate were as follows:

	September 30, 2019
Weighted average remaining lease term (years)	9.32
Weighted average discount rate	10%

The components of lease cost were as follows:

	Classification	Nine Months ended September 30, 2019
Operating lease cost	Restaurant operating expenses and Restaurant pre-opening and closing expenses	\$ 2,912,220
Variable lease cost	Restaurant operating expenses	616,298
		<u>\$ 3,528,518</u>

Supplemental disclosures of cash flow information related to leases were as follows:

	Nine Months ended September 30, 2019
Cash paid for operating leases	\$ 2,970,632
Operating lease assets obtained in exchange for operating lease liabilities (1)	19,822,753

(1) Amounts for the nine months ended September 30, 2019 include the transition adjustment for the adoption of Leases Topic 842 discussed in Note 2 to the condensed consolidated financial statements.

Maturities of lease liabilities were as follows as of September 30, 2019:

	Operating Leases
November 1, 2019 - October 31, 2020	\$ 3,454,966
November 1, 2020 - October 31, 2021	3,441,120
November 1, 2021 - October 31, 2022	3,380,104
November 1, 2022 - October 31, 2023	2,987,258
November 1, 2023 - October 31, 2024	2,372,377
Thereafter	13,592,954
Total lease payments	<u>29,228,779</u>
Less: imputed interest	10,078,395
Present value of lease liabilities	<u>\$ 19,150,384</u>

14. SUBSEQUENT EVENTS

On October 10, 2019, the Company entered into a definitive Agreement and Plan of Merger (the “Merger Agreement”) with Sonnet BioTherapeutics, Inc., a New Jersey corporation (“Sonnet”), and Biosub Inc., a Delaware corporation and wholly-owned subsidiary of Chanticleer (“Merger Sub”). Upon the terms and subject to the satisfaction of the conditions described in the Merger Agreement, including approval of the transaction by Chanticleer’s shareholders and Sonnet’s shareholders, Merger Sub will be merged with and into Sonnet (the “Merger”), with Sonnet surviving the Merger as a wholly-owned subsidiary of Chanticleer. The shareholders of Sonnet will become the majority owners of Chanticleer’s outstanding common stock upon the closing of the Merger. Additionally, as part of this transaction, Chanticleer will spin-off its current restaurant operations, including all assets and liabilities, into a newly created entity (the “Spin-Off Entity”), the equity of which will be distributed out to the current stockholders of Chanticleer. Terms of the Merger include a payment of \$6,000,000 to Chanticleer from Sonnet, a portion of which is intended to repay certain of Chanticleer’s outstanding indebtedness in conjunction with the spin-off of the existing Chanticleer assets and liabilities.

Pursuant to the Merger Agreement, each share of common stock of Sonnet, no par value per share (other than Cancelled Shares (as defined in the Merger Agreement) and Dissenting Shares (as defined in the Merger Agreement)), issued and outstanding immediately prior to the effective time of the Merger (the “Effective Time”) shall be automatically converted into the right to receive an amount of shares of common stock, par value \$0.0001 per share, of Chanticleer (“Chanticleer Common Stock”) equal to the Common Stock Exchange Ratio (as defined in the Merger Agreement) (the “Merger Consideration”). As a result, immediately following the Effective Time, the former Sonnet shareholders will hold approximately 94% of the outstanding shares of Chanticleer Common Stock and the shareholders of Chanticleer will retain ownership of approximately 6% of the outstanding shares of Chanticleer Common Stock. In addition, at the closing of the Merger, Chanticleer will issue to the Spin-Off Entity a warrant to purchase that number of shares of Chanticleer Common Stock equal two percent (2%) of the number of shares of issued and outstanding Chanticleer Common Stock of Chanticleer at Closing. The Warrant will be a five-year warrant, will have an exercise price of \$0.01 per share and will not be exercisable for 180 days following the Closing. Upon completion of the Merger, Chanticleer will change its name to Sonnet BioTherapeutics Holdings, Inc.

On October 31, 2019, the Company entered into a sale of business agreement for three of its South Africa Hooters locations. The total purchase price was R5,700,000 (approximately \$385,000). The net proceeds received by the Company was approximately \$170,000. The Company anticipates closing on the sale of the remaining two South Africa Hooters locations by the end of November 2019.

On November 6, 2019, the Company sold Just Fresh through the sale of 100% of the membership interest of JF Restaurants, LLC. The purchase price was \$500,000 with \$125,000 due at closing and the remaining \$375,000 in the form of a promissory note to be paid in full by December 31, 2019. The sale agreement included the assumption of trade payables at the closing date. The Company also entered into a Management Services Agreement whereby the Company will continue to act as the manager of JF Restaurants, LLC until the note is repaid in full. As manager, the Company will be entitled to a management fee of 5% of the monthly net cash flow from the operation of the restaurants.

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

Overview

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 45 fast casual restaurants specializing the "Better Burger" category of which 34 are company-owned and 11 are operated by franchisees under franchise agreements. American Burger Company ("ABC") is a fast-casual dining chain consisting of 6 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 9 company-owned locations in the United States and 11 franchisee-operated locations in the United States and the Middle East. Little Big Burger ("LBB") consists of 19 company-owned locations in Oregon, Washington and North Carolina.

We also own and operate Just Fresh, our healthier eating fast casual concept with 5 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 7 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 September 30, 2019, our system-wide store count totaled 57 locations, consisting of 46 company-owned locations and 11 franchisee-operated locations.

On October 10, 2019, the Company entered into a definitive Agreement and Plan of Merger (the "Merger Agreement") with Sonnet BioTherapeutics, Inc., a New Jersey corporation ("Sonnet"), and Biosub Inc., a Delaware corporation and wholly-owned subsidiary of Chanticleer ("Merger Sub"). Upon the terms and subject to the satisfaction of the conditions described in the Merger Agreement, including approval of the transaction by Chanticleer's shareholders and Sonnet's shareholders, Merger Sub will be merged with and into Sonnet (the "Merger"), with Sonnet surviving the Merger as a wholly-owned subsidiary of Chanticleer. The shareholders of Sonnet will become the majority owners of Chanticleer's outstanding common stock upon the closing of the Merger. Additionally, as part of this transaction, Chanticleer will spin-off its current restaurant operations, including all assets and liabilities, into a newly created entity (the "Spin-Off Entity"), the equity of which will be distributed out to the current stockholders of Chanticleer. Terms of the Merger include a payment of \$6,000,000 to Chanticleer from Sonnet, a portion of which is intended to repay certain of Chanticleer's outstanding indebtedness in conjunction with the spin-off of the existing Chanticleer assets and liabilities.

Pursuant to the Merger Agreement, each share of common stock of Sonnet, no par value per share (other than Cancelled Shares (as defined in the Merger Agreement) and Dissenting Shares (as defined in the Merger Agreement)), issued and outstanding immediately prior to the effective time of the Merger (the "Effective Time") shall be automatically converted into the right to receive an amount of shares of common stock, par value \$0.0001 per share, of Chanticleer ("Chanticleer Common Stock") equal to the Common Stock Exchange Ratio (as defined in the Merger Agreement) (the "Merger Consideration"). As a result, immediately following the Effective Time, the former Sonnet shareholders will hold approximately 94% of the outstanding shares of Chanticleer Common Stock and the shareholders of Chanticleer will retain ownership of approximately 6% of the outstanding shares of Chanticleer Common Stock. In addition, at the closing of the Merger, Chanticleer will issue to the Spin-Off Entity a warrant to purchase that number of shares of Chanticleer Common Stock equal two percent (2%) of the number of shares of issued and outstanding Chanticleer Common Stock of Chanticleer at Closing. The Warrant will be a five-year warrant, will have an exercise price of \$0.01 per share and will not be exercisable for 180 days following the Closing. Upon completion of the Merger, Chanticleer will change its name to Sonnet BioTherapeutics Holdings, Inc.

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On November 6, 2019, we sold Just Fresh through the sale of 100% of the membership interest of JF Restaurants, LLC. The purchase price was \$500,000 with \$125,000 due at closing and the remaining \$375,000 in the form of a promissory note to be paid in full by December 31, 2019. The sale agreement included the assumption of trade payables at the closing date. The Company also entered into a Management Services Agreement whereby the Company will continue to act as the manager of JF Restaurants, LLC until the note is repaid in full. As manager, the Company will be entitled to a management fee of 5% of the monthly net cash flow from the operation of the restaurants.

We do not expect that our existing cash and cash equivalents will be sufficient to fund our operations to a potential closing of the Merger. We believe we need to raise approximately \$1.5 million in additional cash resources in order to enable us to complete the planned merger with Sonnet and intend to raise such funds through private equity financing or other sources. However, we may be unable to raise additional funds or enter into such other arrangements when needed on favorable terms or at all. In addition, our expenses may be greater than forecasted and the closing of the Merger could be delayed. Our failure to raise capital or enter into such other arrangements when needed would have a negative impact on our financial condition.

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2019 COMPARED TO THE THREE MONTHS ENDED SEPTEMBER 30, 2018

Our results of operations are summarized below:

	Three Months Ended				% Change
	September 30, 2019		September 30, 2018		
	Amount	% of Revenue*	Amount	% of Revenue*	
Restaurant sales, net	\$ 9,414,626		\$ 9,848,302		-4.4%
Gaming income, net	121,453		111,301		9.1%
Management fees	-		24,999		-100.0%
Franchise income	117,361		113,798		3.1%
Total revenue	9,653,440		10,098,400		-4.4%
Expenses:					
Restaurant cost of sales	3,161,379	33.6%	3,259,223	33.1%	-3.0%
Restaurant operating expenses	5,858,495	62.2%	5,781,284	58.7%	1.3%
Restaurant pre-opening and closing expenses	125,000	1.3%	113,000	1.1%	10.6%
General and administrative	1,572,774	16.3%	1,092,529	10.8%	44.0%
Asset impairment charge	2,637,969	27.3%	-	0.0%	100.0%
Depreciation and amortization	531,265	5.5%	523,680	5.2%	1.4%
Total expenses	13,886,882	143.9%	10,769,716	106.6%	28.9%
Operating loss	\$ (4,233,442)		\$ (671,316)		

* 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 4.4% to \$9.7 million for three months ended September 30, 2019 from \$10.1 million for the three months ended September 30, 2018. Revenues by concept are summarized below for each period:

Revenue	Three Months Ended September 30, 2019					% of Total
	Better Burgers	Just Fresh	Hooters	Corp	Total	
Restaurant sales, net	\$ 5,706,289	\$ 943,521	\$ 2,764,816	\$ -	\$ 9,414,626	97.5%
Gaming income, net	-	-	121,453	-	121,453	1.3%
Management fees	-	-	-	-	-	0.0%
Franchise income	117,361	-	-	-	117,361	1.2%
Total revenue	<u>\$ 5,823,650</u>	<u>\$ 943,521</u>	<u>\$ 2,886,269</u>	<u>\$ -</u>	<u>\$ 9,653,440</u>	<u>100.0%</u>

Revenue	Three Months Ended September 30, 2018					% of Total
	Better Burgers	Just Fresh	Hooters	Corp	Total	
Restaurant sales, net	\$ 5,578,206	\$ 989,097	\$ 3,280,999	\$ -	\$ 9,848,302	97.5%
Gaming income, net	-	-	111,301	-	111,301	1.1%
Management fees	-	-	-	24,999	24,999	0.2%
Franchise income	113,798	-	-	-	113,798	1.1%
Total revenue	<u>\$ 5,692,004</u>	<u>\$ 989,097</u>	<u>\$ 3,392,300</u>	<u>\$ 24,999</u>	<u>\$10,098,400</u>	<u>100.0%</u>

Revenue	% Change in Revenues Compared to Prior Year				
	Better Burgers	Just Fresh	Hooters	Corp	Total
Restaurant sales, net	2.3%	-4.6%	-15.7%	-	-4.4%
Gaming income, net	-	-	9.1%	-	9.1%
Management fees	-	-	-	-100.0%	-100.0%
Franchise income	3.1%	-	-	-	3.1%
Total revenue	<u>2.3%</u>	<u>-4.6%</u>	<u>-14.9%</u>	<u>-100.0%</u>	<u>-4.4%</u>

- Restaurant revenue from the Company's Better Burger Group increased 2.3% to \$5.7 million for the three months ended September 30, 2019 from \$5.6 million for the three months ended September 30, 2018.
- Restaurant revenue increased approximately \$767,000 for the three months ended September 30, 2019 from the opening of 7 Little Big Burger restaurants during the third and fourth quarters of 2018 and the first three quarters of 2019. In addition, the Company acquired BGR Columbia in October of 2018 which also contributed to the increase in revenue in the third quarter of 2019 (approximately \$158,000). This increase in revenue was offset by loss revenue from the store closures (BGR Dupont and BGR Tysons) in the second and third quarters of 2019 and by a decline in same store sales across all brands.
- Restaurant revenue from the Company's Just Fresh Group decreased 4.6% to \$900,000 for the three months ended September 30, 2019 from \$1.0 million for the three months ended September 30, 2018. The decline in revenues was primarily from a decline in same store sales for the three months ended September 30, 2019.
- Restaurant revenue from the Company's Hooter's restaurants decreased 15.7% to \$2.8 million for the three months ended September 30, 2019 from \$3.3 million for the three months ended September 30, 2018. The decrease in Hooters revenue was largely driven by the closure of the Hooters Tacoma store in July 2019.
- Gaming revenue increased by 9.1% to \$121,000 for the three months ended September 30, 2019 from \$111,000 for the three months ended September 30, 2018. The increase in gaming revenue is primarily attributable to normal deviations in levels of play and payouts on the terminals.
- Management fee income decreased to \$0 for the three months ended September 30, 2019 from \$25,000 for the three months ended September 30, 2018. The Company previously derived management fee income from the Company's CEO serving on the board of Hooters of America. This compensation ended with the sale of Hooters of America in June 2019.
- Franchise income increased 3.1% to \$117,000 for the three months ended September 30, 2019 from \$114,000 for the three months ended September 30, 2018.

Restaurant cost of sales

Restaurant cost of sales decreased by 3.0% in total for the three months ended September 30, 2019 compared to the three months ended September 30, 2018 but increased as a percentage of revenue. Cost of sales by concept are summarized below for each period:

Cost of Restaurant Sales	Three Months Ended				
	September 30, 2019		September 30, 2018		% Change
	Amount	% of Restaurant Net Sales	Amount	% of Restaurant Net Sales	
Better Burgers Fast Casual	\$ 1,829,890	32.1%	\$ 1,773,294	31.8%	3.2%
Just Fresh Fast Casual	333,260	35.3%	343,355	34.7%	-2.9%
Hooters Full Service	998,229	36.1%	1,142,574	34.8%	-12.6%
	<u>\$ 3,161,379</u>	<u>33.6%</u>	<u>\$ 3,259,223</u>	<u>33.1%</u>	<u>-3.0%</u>

As a percentage of restaurant sales, net, restaurant cost of sales increased to 33.6% for the three months ended September 30, 2019 from 33.1% for the three months ended September 30, 2018.

Cost of sales in the Better Burger Group increased slightly to 32.1% from 31.8%, Just Fresh increased to 35.3% from 34.7%, while cost of sales for the Hooters locations increased to 36.1% from 34.8%. Cost of sales as a percentage of revenue increased in all segments due to unfavorable movements in food costs.

Restaurant operating expenses

Restaurant operating expenses increased 1.3% to \$5.9 million for the three months ended September 30, 2019 from \$5.8 million for the three months ended September 30, 2018. Restaurant operating expenses by concept are summarized below for each period:

Operating Expenses	Three Months Ended				
	September 30, 2019		September 30, 2018		% Change
	Amount	% of Restaurant Net Sales	Amount	% of Restaurant Net Sales	
Better Burgers Fast Casual	\$ 3,686,444	64.6%	\$ 3,286,899	58.9%	12.2%
Just Fresh Fast Casual	572,509	60.7%	537,968	54.4%	6.4%
Hooters Full Service	1,599,542	57.9%	1,956,417	59.6%	-18.2%
	<u>\$ 5,858,495</u>	<u>62.2%</u>	<u>\$ 5,781,284</u>	<u>58.7%</u>	<u>1.3%</u>

As a percent of restaurant revenues, operating expenses increased to 62.2% for the three months ended September 30, 2019 from 58.7% for the three months ended September 30, 2018. Operating expenses in total and as a percentage of restaurant revenue increased due to the opening of new stores in the Better Burger group, increases in wage rates and penalties and interest charges associated with delinquent payroll taxes across all concepts. Operating expenses as a percentage of revenue decreased in the Hooters group due to the closing of Hooters Tacoma in July 2019.

Restaurant pre-opening and closing expenses

Restaurant pre-opening and closing expenses increased to \$125,000 for the three months ended September 30, 2019 compared with \$113,000 for the three months ended September 30, 2018. The Company records rent and other costs to pre-opening expenses while the restaurants are under construction, so these expenses fluctuate depending on the numbers of restaurants under construction. Restaurant closing expenses are included here as well.

General and administrative expense (“G&A”)

G&A increased 44.0% to \$1.6 million for the three months ended September 30, 2019 from \$1.1 million for the three months ended September 30, 2018. Significant components of G&A are summarized as follows:

	Three Months Ended		% Change
	September 30, 2019	September 30, 2018	
Audit, legal and other professional services	\$ 514,587	\$ 265,624	93.7%
Salary and benefits	678,186	505,663	34.1%
Travel and entertainment	63,529	53,315	19.2%
Shareholder services and fees	21,742	32,674	-33.5%
Advertising, Insurance and other	294,730	235,253	25.3%
Total G&A Expenses	\$ 1,572,774	\$ 1,092,529	44.0%

As a percentage of total revenue, G&A increased to 16.3% for the three months ended September 30, 2019 from 10.8% for the three months ended September 30, 2018.

For the three months ended September 30, 2019, approximately \$1.1 million is attributable to the cost of operating our Corporate office, including salaries, share-based compensation, travel, audit, legal and other public company related costs. Approximately \$500,000 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 increases in G&A during the three months ended September 30, 2019 are primarily related to an increase in Corporate payroll and other one-time costs incurred during the three months ended September 30, 2019. For additional details on these one-time costs, refer to the G&A analysis below of the results of operations for the nine months ended September 30, 2019 compared to the nine months ended September 30, 2018.

Asset impairment charges

Asset impairment charges totaled \$2.8 million for the three months ended September 30, 2019 as compared with \$0 for the three months ended September 30, 2018. In the third quarter of 2019, the Company recognized impairment charges related to the closure of one of its BGR restaurants which occurred in November as it was determined that the carrying amount of certain assets related to those restaurants were not recoverable as of September 30, 2019. The Company also recognized impairment charges related to its operating lease asset in connection with the Hooters Tacoma location as it was determined that the Company would not be able to sub-lease that space. Lastly, the Company recognized impairment charges in connection with its Just Fresh operations based on the sale of 100% of the membership interest of JF Restaurants, LLC for \$500,000 in November 2019.

Depreciation and amortization

Depreciation and amortization expense increased to \$531,000 from \$524,000 for the three months ended September 30, 2019 compared to the three months ended September 30, 2018 due to the opening of additional Little Big Burger restaurants in 2018 and 2019.

Other expense

Other expense consisted of the following:

Other Income (Expense)	Three Months Ended		
	September 30, 2019	September 30, 2018	% Change
Interest expense	\$ (162,845)	\$ (630,223)	-74.2%
Other income (expense)	109,805	(223,439)	-149.1%
Total other income (expense)	<u>\$ (53,040)</u>	<u>\$ (853,662)</u>	-93.8%

Other expense, net decreased to \$53,000 for the three months ended September 30, 2019 from an expense of \$854,000 for the three months ended September 30, 2018. Interest expense decreased significantly from \$630,000 for the three months ended September 30, 2018 to \$163,000 for the three months ended September 30, 2019 due to the Company no longer accruing default interest on the \$6 million debentures due to the December 2018 amendment along with no further debt discount amortization. The Company recorded a gain of \$61,000 from tax settlements related to its South Africa operations.

RESULTS OF OPERATIONS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 COMPARED TO THE NINE MONTHS ENDED SEPTEMBER 30, 2018

Our results of operations are summarized below:

	Nine Months Ended				
	September 30, 2019		September 30, 2018		% Change
	Amount	% of Revenue*	Amount	% of Revenue*	
Restaurant sales, net	\$ 29,703,172		\$ 29,802,969		-0.3%
Gaming income, net	347,074		285,578		21.5%
Management fee income	50,000		74,997		-33.3%
Franchise income	461,737		330,295		39.8%
Total revenue	<u>30,561,983</u>		<u>30,493,839</u>		0.2%
Expenses:					
Restaurant cost of sales	9,954,144	33.5%	9,912,091	33.3%	0.4%
Restaurant operating expenses	18,846,454	63.4%	17,008,047	57.1%	10.8%
Restaurant pre-opening and closing expenses	267,888	0.9%	312,652	1.0%	-14.3%
General and administrative	4,784,791	15.7%	3,407,612	11.2%	40.4%
Asset impairment charge	4,007,050	13.1%	1,731,267	5.7%	131.5%
Depreciation and amortization	1,627,682	5.3%	1,594,673	5.2%	2.1%
Total expenses	<u>39,488,009</u>	129.2%	<u>33,966,342</u>	111.4%	16.3%
Operating loss from continuing operations	<u>\$ (8,926,026)</u>		<u>\$ (3,472,503)</u>		

* 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 increased 0.2% to \$30.6 million for the nine months ended September 30, 2019 from \$30.5 million for the nine months ended September 30, 2018. Revenues by concept are summarized below for each period:

Revenue	Nine Months Ended September 30, 2019					% of Total
	Better Burgers	Just Fresh	Hooters	Corp	Total	
Restaurant sales, net	\$ 17,549,098	\$ 2,924,294	\$ 9,229,780	\$ -	\$ 29,703,172	97.2%
Gaming income, net	-	-	347,074	-	347,074	1.1%
Management fees	-	-	-	50,000	50,000	0.2%
Franchise income	461,737	-	-	-	461,737	1.5%
Total revenue	<u>\$ 18,010,835</u>	<u>\$ 2,924,294</u>	<u>\$ 9,576,854</u>	<u>\$ 50,000</u>	<u>\$ 30,561,983</u>	<u>100.0%</u>

Revenue	Nine Months Ended September 30, 2018					% of Total
	Better Burgers	Just Fresh	Hooters	Corp	Total	
Restaurant sales, net	\$ 16,523,730	\$ 3,128,220	\$ 10,151,019	\$ -	\$ 29,802,969	97.7%
Gaming income, net	-	-	285,578	-	285,578	0.9%
Management fees	-	-	-	74,997	74,997	0.2%
Franchise income	330,295	-	-	-	330,295	1.1%
Total revenue	<u>\$ 16,854,025</u>	<u>\$ 3,128,220</u>	<u>\$ 10,436,597</u>	<u>\$ 74,997</u>	<u>\$ 30,493,839</u>	<u>100.0%</u>

Revenue	% Change in Revenues Compared to Prior Year				
	Better Burgers	Just Fresh	Hooters	Corp	Total
Restaurant sales, net	6.2%	-6.5%	-9.1%	-	-0.3%
Gaming income, net	-	-	21.5%	-	21.5%
Management fees	-	-	-	-	-33.3%
Franchise income	39.8%	-	-	-	39.8%
Total revenue	<u>6.9%</u>	<u>-6.5%</u>	<u>-8.2%</u>	<u>-33.3%</u>	<u>0.2%</u>

- Restaurant revenue from the Company's Better Burger Group increased 6.2% to \$17.6 million for the nine months ended September 30, 2019 from \$16.5 million for the nine months ended September 30, 2018.

Restaurant revenue increased approximately \$2.0 million for the nine months ended September 30, 2019 from the opening of 7 Little Big Burger restaurants during the third and fourth quarters of 2018 and 2019. In addition, the Company acquired BGR Columbia in October of 2018 which also contributed to the increase in revenue for the nine months ended September 30, 2019 (approximately \$496,000). This increase in revenue was offset by loss revenue from the store closures (American Roadside McBee, BGR Dupont and BGR Tysons) in 2019 and by a decline in same store sales across all brands.

- Restaurant revenue from the Company's Just Fresh Group decreased 6.5% to \$2.9 million for the nine months ended September 30, 2019 from \$3.1 million for the nine months ended September 30, 2018. The decline in revenues was primarily from a decline in same store sales for the nine months ended September 30, 2019.
- Restaurant revenue from the Company's Hooter's restaurants decreased 9.1% to \$9.2 million for the nine months ended September 30, 2019 from \$10.2 million for the nine months ended September 30, 2018. The decrease in Hooters revenue was largely driven by the closing of Hooters Tacoma in the third quarter of 2019.
- Gaming revenue increased by 21.5% to \$347,000 for the nine months ended September 30, 2019 from \$286,000 for the nine months ended September 30, 2018. The increase in gaming revenue is primarily attributable to normal deviations in levels of play and payouts on the terminals.
- Management fee income decreased to \$50,000 from \$75,000 the nine months ended September 30, 2019 compared to September 30, 2018. The Company previously derived management fee income from the Company's CEO serving on the board of Hooters of America. This compensation ended with the sale of Hooters of America in June 2019.
- Franchise income increased 39.8% to \$462,000 for the nine months ended September 30, 2019 from \$330,000 for the nine months ended September 30, 2018. The increase is attributable to the Company recognizing revenue from the Little Big Burger franchisees that was previously deferred due to the termination of agreements.

Restaurant cost of sales

Restaurant cost of sales in total and as a percentage of revenue remained consistent for the nine months ended September 30, 2019 compared to the nine months ended September 30, 2018. Cost of sales by concept are summarized below for each period:

Cost of Restaurant Sales	Nine Months Ended				
	September 30, 2019		September 30, 2018		% Change
	Amount	% of Restaurant Net Sales	Amount	% of Restaurant Net Sales	
Better Burgers Fast Casual	\$ 5,638,267	32.1%	\$ 5,308,625	32.1%	6.2%
Just Fresh Fast Casual	1,012,500	34.6%	1,072,989	34.3%	-5.6%
Hooters Full Service	3,303,377	35.8%	3,530,477	34.8%	-6.4%
	<u>\$ 9,954,144</u>	<u>33.5%</u>	<u>\$ 9,912,091</u>	<u>33.3%</u>	<u>0.4%</u>

As a percentage of restaurant sales, net, restaurant cost of sales increased to 33.5% for the nine months ended September 30, 2019 from 33.3% for the nine months ended September 30, 2018.

Cost of sales in the Better Burger Group as a percentage of revenue remained consistent at 32.1%. Just Fresh increased slightly from 34.3% to 34.6%, while cost of sales for the Hooters locations increased from 34.8% to 35%. Cost of sales in the Just Fresh and Hooters group increased slightly due to unfavorable movements in food costs.

Restaurant operating expenses

Restaurant operating expenses increased 10.8% to \$18.8 million for the nine months ended September 30, 2019 from \$17.0 million for the nine months ended September 30, 2018. Restaurant operating expenses by concept are summarized below for each period:

Operating Expenses	Nine Months Ended				
	September 30, 2019		September 30, 2018		% Change
	Amount	% of Restaurant Net Sales	Amount	% of Restaurant Net Sales	
Better Burgers Fast Casual	\$ 11,566,242	65.9%	\$ 9,425,510	57.0%	22.7%
Just Fresh Fast Casual	1,691,691	57.8%	1,669,438	53.4%	1.3%
Hooters Full Service	5,588,521	60.5%	5,913,099	58.3%	-5.5%
	<u>\$ 18,846,454</u>	<u>63.4%</u>	<u>\$ 17,008,047</u>	<u>57.1%</u>	<u>10.8%</u>

As a percent of restaurant revenues, operating expenses increased to 63.4% for the nine months ended September 30, 2019 from 57.1% for the nine months ended September 30, 2018. Operating expenses increased due to the opening of new stores in the Better Burger group, increases in wage rates and penalties and interest charges associated with delinquent payroll taxes across all concepts.

Restaurant pre-opening and closing expenses

Restaurant pre-opening and closing expenses decreased to \$268,000 for the nine months ended September 30, 2019 compared with \$313,000 for the nine months ended September 30, 2018. The Company records rent and other costs to pre-opening expenses while the restaurants are under construction, so these expenses fluctuate depending on the numbers of restaurants under construction. Restaurant closing expenses are recorded here as well.

General and administrative expense (“G&A”)

G&A increased 40.4% to \$4.8 million for the nine months ended September 30, 2019 from \$3.4 million for the nine months ended September 30, 2018. Significant components of G&A are summarized as follows:

	Nine Months Ended		% Change
	September 30, 2019	September 30, 2018	
Audit, legal and other professional services	\$ 1,495,892	\$ 976,258	53.2%
Salary and benefits	2,056,829	1,522,738	35.1%
Travel and entertainment	201,506	144,214	39.7%
Shareholder services and fees	69,144	52,068	32.8%
Advertising, Insurance and other	961,420	712,334	35.0%
Total G&A Expenses	<u>\$ 4,784,791</u>	<u>\$ 3,407,612</u>	40.4%

As a percentage of total revenue, G&A increased to 15.7% for the nine months ended September 30, 2019 from 11.2% for the nine months ended September 30, 2018.

For the nine months ended September 30, 2019, approximately \$3.3 million is attributable to the cost of operating our Corporate office, including salaries, travel, audit, legal and other public company related costs. Approximately \$1.5 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 increases in G&A during 2019 are primarily related to an increase in Corporate payroll and other one-time costs incurred during the nine months ended September 30, 2019. These one-time costs include, \$303,000 in consulting/legal fees associated with the union labor issue in Portland, \$199,000 in marketing/consulting fees associated with brand segmentation studies, strategies and various other Corporate initiatives, \$118,000 in share-based compensation related to restricted stock units and stock options awarded to employees, and \$104,000 in additional other consulting/marketing fees. The majority of these costs are non-recurring, and the Company expects its investment in the initiatives highlighted above to drive an increase in revenue across all segments in the fourth quarter of 2019.

Asset impairment charges

Asset impairment charges totaled \$4.1 million for the nine months ended September 30, 2019 as compared with \$1.7 million for the nine months ended September 30, 2018. For the nine months ended September 30, 2019, the Company recognized impairment charges related to the closure of three of its stores in the Better Burger Group, one of its domestic Hooters stores and impairment charges related to the sale of America Burge McBee. Also, the Company recognized impairment charges in connection with its Just Fresh operations based on a signed letter of intent from a third-party investor group to purchase those assets. For the nine months ended September 30, 2018, the Company recognized impairment charges related to the closure of one Just Fresh location and one American Burger location in Charlotte.

Depreciation and amortization

Depreciation and amortization expense remained consistent at \$1.6 million for the nine months ended September 30, 2019 compared to the nine months ended September 30, 2018.

Other expense

Other expense consisted of the following:

Other Income (Expense)	Nine Months Ended		
	September 30, 2019	September 30, 2018	% Change
Interest expense	\$ (542,135)	\$ (1,895,162)	-71.4%
Other income (expense)	(86,240)	(217,949)	-60.4%
Total other expense	\$ (628,375)	\$ (2,113,111)	-70.3%

Other expense, net decreased to \$628,000 for the nine months ended September 30, 2019 from \$2.1 million for the nine months ended September 30, 2018. Interest expense decreased significantly from \$1.9 million for the nine months ended September 30, 2018 to \$542,000 for the nine months ended September 30, 2019 due to the Company no longer accruing default interest on the \$6 million debentures due to the December 2018 amendment along with no further debt discount amortization. The Company recorded a gain of \$265,000 from tax settlements related to its South Africa operations. Lastly, the Company recorded a loss of \$435,000 in connection with the write down of its investment in HOA in the second quarter of 2019.

STATEMENT OF CASH FLOWS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 COMPARED TO THE NINE MONTHS ENDED SEPTEMBER 30, 2018

	Period Ended	
	September 30, 2019	September 30, 2018
Net cash flows from operating activities	\$ (3,049,049)	\$ 269,325
Net cash flows from investing activities	2,727,500	(1,728,747)
Net cash flows from financing activities	352,829	2,115,442
Effect of foreign currency exchange rates on cash	(2,666)	3,091
	\$ 28,614	\$ 659,111

Net cash flows from operating activities was (\$3,050,000) for the nine months ended September 30, 2019 compared to 269,000 in the prior year comparable period. The primary drivers of the decrease in net cash flows from operating activities was the operational losses from the nine months ending September 30, 2019.

Net cash flows from investing activities for the nine months ended September 30, 2019 was \$2,728,000 compared to (\$1,729,000) in the prior year comparable period. The primary drivers of the net cash flows from investing activities was the proceeds received from the rights offering completed in July 2019.

Net cash flows from financing activities for the nine months ended September 30, 2019 was \$353,000 compared to \$2.1 million in the prior year comparable period. The primary drivers of the net cash flows from financing activities for the nine months ended September 30, 2019 was the contributions from non-controlling interests partially offset by the net loan repayments.

LIQUIDITY, CAPITAL RESOURCES AND GOING CONCERN

As of September 30, 2019, our cash balance was \$638,000, our working capital was negative \$15.5 million (which includes \$3.2 million of current operating lease liabilities recorded with the adoption of the new lease accounting standard discussed in Note 2), 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:

As of September 30, 2019, the Company and its subsidiaries have approximately \$2.9 million of accrued employee and employer taxes, including penalties and interest, which are due to certain taxing authorities. The Company is currently in discussions with various taxing authorities on settling these liabilities through payment plans that began in the third quarter. We also have \$3 million of principal due on the 8% non-convertible secured debentures by the end of December 2019 and the remaining \$3 million of principal due by the end of March 2020, plus interest. In addition, if we fail to meet various debt covenants going forward and are notified of the default by the noteholders of the 8% non-convertible secured debentures, we may be assessed additional default interest and penalties which would increase our obligations. In addition, we have approximately \$680,000 of other debt obligations coming due over the next twelve months.

Our existing cash and cash equivalents will not be sufficient to fund our projected cash needs through the end of the current calendar year or enable us to complete our planned merger with Sonnet. In addition, if we experience a delay in completing the Merger, we will require even more capital to sustain our operations through such completion. We believe we need to raise approximately \$1.5 million through equity financing, asset sales or other strategic transactions in order to enable us to complete the planned merger with Sonnet. There can be no assurances that we will be able to complete any such transaction on acceptable terms or otherwise. The failure to obtain sufficient funds on commercially acceptable terms when needed could have a material adverse effect on our business, results of operations and financial condition and may prevent us from completing the Merger. Accordingly, these factors, among others, raise substantial doubt about our ability to continue as a going concern.

ITEM 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 4: CONTROLS AND PROCEDURES

Under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of such date. Our disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

During the quarter ended September 30, 2019, there have been no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II – OTHER INFORMATION**ITEM 1: LEGAL PROCEEDINGS**

We are subject to various legal proceedings from time to time in the ordinary course of business, which may not be required to be disclosed under this Item 1. For the three-month period ending September 30, 2019 covered by this Quarterly Report, there have been no reportable legal proceedings or material developments to previously reported legal proceedings.

ITEM 1A: RISK FACTORS

Risk Factors previously disclosed in “Risk Factors” in Item 1A of Part I of our Annual Report on Form 10-K for the year ended December 31, 2018 and additional risk factors set forth below related to the proposed Merger are collectively referred to herein as the “Risk Factors”. These Risk Factors may be important to understanding any statement in this Quarterly Report on Form 10-Q or elsewhere. The following information should be read in conjunction with the consolidated financial statements and related notes in Part I, Item 1, “Financial Statements” and Part I, Item 2, “Management’s, Discussion and Analysis of Financial Condition and Results of Operations.” Readers should carefully consider these Risk Factors, which could materially affect our business, financial condition or future results. These Risk Factors are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or future results. The following discussion of risk factors contains forward-looking statements.

The exchange ratio set forth in the Merger Agreement is not adjustable based on the market price of our common stock, so the merger consideration at the closing of the Merger may have a greater or lesser value than at the time the Merger Agreement was signed.

Any changes in the market price of our common stock before the completion of the Merger will not affect the number of shares of our common stock issuable to Sonnet’s stockholders pursuant to the Merger Agreement. Therefore, if before the completion of the Merger the market price of our common stock increases from the market price of our common stock on the date of the Merger Agreement, then Sonnet’s stockholders could receive merger consideration with substantially greater value than the value of such merger consideration on the date of the Merger Agreement. Similarly, if before the completion of the Merger the market price of our common stock declines from the market price on the date of the Merger Agreement, then Sonnet’s stockholders could receive merger consideration with substantially lower value than the value of such merger consideration on the date of the Merger Agreement. The Merger Agreement does not include a price-based termination right. Because the exchange ratio does not adjust as a result of changes in the market price of our common stock, for each one percentage point change in the market price of our common stock, there is a corresponding one percentage point rise or decline, respectively, in the value of the total merger consideration payable to Sonnet’s stockholders pursuant to the Merger Agreement.

The proposed Merger is subject to approval of the Merger Agreement by our stockholders and the Sonnet stockholders. Failure to obtain these approvals would prevent the closing of the Merger.

Before the proposed Merger can be completed, the stockholders of each of Chanticleer and Sonnet must approve the Merger Agreement. Failure to obtain the required stockholder approvals may result in a material delay in, or the abandonment of, the Merger. Any delay in completing the proposed Merger may materially adversely affect the timing and benefits that are expected to be achieved from the proposed Merger.

Certain provisions of the Merger Agreement may discourage third parties from submitting alternative takeover proposals, including proposals that may be superior to the arrangements contemplated by the Merger Agreement.

The terms of the Merger Agreement prohibit each of Chanticleer and Sonnet from soliciting alternative takeover proposals or cooperating with persons making unsolicited takeover proposals, except in limited circumstances when such party’s board of directors determines in good faith that an unsolicited alternative takeover proposal is or is reasonably likely to lead to a superior takeover proposal and that failure to cooperate with the proponent of the proposal would be reasonably likely to be inconsistent with the applicable board’s fiduciary duties.

Because the lack of a public market for Sonnet’s capital stock makes it difficult to evaluate the value of Sonnet’s capital stock, the stockholders of Sonnet may receive shares of our common stock in the Merger that have a value that is less than, or greater than, the fair market value of Sonnet’s capital stock.

The outstanding capital stock of Sonnet is privately held and is not traded in any public market. The lack of a public market makes it extremely difficult to determine the fair market value of Sonnet. Because the percentage of our common stock to be issued to Sonnet’s stockholders was determined based on negotiations between the parties, it is possible that the value of our common stock to be received by Sonnet’s stockholders will be less than the fair market value of Sonnet, or Chanticleer may pay more than the aggregate fair market value for Sonnet.

If the conditions to the Merger are not met, the Merger will not occur.

Even if the Merger is approved by the stockholders of Chanticleer and Sonnet, specified conditions must be satisfied or waived to complete the Merger. We cannot assure you that all of the conditions will be satisfied or waived. If the conditions are not satisfied or waived, the Merger will not occur or will be delayed, and Chanticleer and Sonnet each may lose some or all of the intended benefits of the proposed Merger. Additionally, if the Merger does not occur, we may not have sufficient cash to continue operations.

Litigation relating to the proposed Merger could require Chanticleer or Sonnet to incur significant costs and suffer management distraction, and could delay or enjoin the proposed Merger.

Chanticleer and Sonnet could be subject to demands or litigation related to the proposed Merger, whether or not the Merger is consummated. Such actions may create uncertainty relating to the Merger, or delay or enjoin the Merger, and responding to such demands. In addition, such demands or litigation could lead to a dissolution or bankruptcy if the costs associated with such demands or litigation are significant enough.

During the pendency of the proposed Merger, Chanticleer and Sonnet may not be able to enter into a business combination with another party at a favorable price because of restrictions in the Merger Agreement, which could adversely affect their respective businesses.

Covenants in the Merger Agreement impede the ability of Chanticleer and Sonnet to make acquisitions, subject to certain exceptions relating to fiduciary duties or to complete other transactions that are not in the ordinary course of business pending completion of the proposed Merger. As a result, if the Merger is not completed, the parties may be at a disadvantage to their competitors during such period. In addition, while the Merger Agreement is in effect, each party is generally prohibited from soliciting, initiating, encouraging or entering into certain extraordinary transactions, such as a merger, sale of assets, or other business combination outside the ordinary course of business with any third party, subject to certain exceptions relating to fiduciary duties. Any such transactions could be favorable to such party's stockholders

We received a deficiency letter in December 2018 from the (the Staff of Nasdaq notifying the Company that it was not in compliance with Nasdaq Listing Rule 5550(b)(2). If we were to fail to regain compliance, our shares could be delisted from the Nasdaq Capital Market, which could materially reduce the liquidity of our common stock and have an adverse effect on our market price. A delisting could limit our ability to consummate the proposed Merger.

On August 14, 2019, we received notification from the Listing Qualifications Department of The Nasdaq Stock Market ("Nasdaq") indicating that, for the 30 consecutive business days ending August 13, 2019, the bid price for the Company's common stock had closed below the \$1.00 per share minimum bid price requirement for continued listing on The Nasdaq Capital Market under Nasdaq Listing Rule 5550(a)(2). (the "Bid Price Rule"). The Nasdaq notice indicated that, in accordance with Nasdaq Marketplace Rule 5810(c)(3)(A), the Company will be provided 180 calendar days through February 10, 2020 to regain compliance. If, at any time before February 10, 2020 the bid price of the Company's common stock closes at \$1.00 per share or more for a minimum of 10 consecutive business days, Nasdaq staff will provide written notification that it has achieved compliance with the Bid Price Rule. If the Company fails to regain compliance with the Bid Price Rule before February 10, 2020 but meets all of the other applicable standards for initial listing on the Nasdaq Capital Market with the exception of the minimum bid price, then the Company may be eligible to have an additional 180 calendar days to regain compliance with the Bid Price Rule. To regain compliance with Rule 5550(b)(2), the market value of our listed securities must meet or exceed \$35 million for a minimum of ten consecutive business days during the 180-day grace period ending on or before February 10, 2020 (Nasdaq has the discretion to monitor compliance for as long as 20 consecutive business days before deeming us in compliance). We could also regain compliance with Nasdaq's alternative continued listing requirements by having stockholders' equity of \$2.5 million or more, or net income from continuing operations of \$500,000 in the most recently completed fiscal year.

A delisting would also likely make it more difficult for us to obtain financing through the sale of our equity. Any such sale of equity would likely be more dilutive to our current stockholders than would be the case if our shares were listed.

We may not satisfy The Nasdaq Capital Market's other requirements for continued listing. If we cannot satisfy these requirements, Nasdaq could delist our common stock and could impact our ability to consummate the proposed Merger.

Our common stock is listed on The Nasdaq Capital Market under the symbol "BURG". To continue to be listed on Nasdaq, we are required to satisfy a number of conditions. We cannot assure you that we will be able to satisfy the Nasdaq listing requirements in the future. If we are delisted from Nasdaq, trading in our shares of common stock may be conducted, if available, on the "OTC Bulletin Board Service" or, if available, via another market. In the event of such delisting, an investor would likely find it significantly more difficult to dispose of, or to obtain accurate quotations as to the value of the shares of our common stock, and our ability to raise future capital through the sale of the shares of our common stock or other securities convertible into or exercisable for our common stock could be severely limited. This could have a long-term impact on our ability to raise future capital through the sale of our common stock.

Failure to complete the merger may result in Chanticleer or Sonnet paying a termination fee to the other party and could harm the common stock price of Chanticleer and future business and operations of each company.

If the merger is not completed, Chanticleer and Sonnet are subject to the following risks:

- if the Merger Agreement is terminated under certain circumstances and certain events occur, Chanticleer or Sonnet will be required to pay the other party a termination fee of \$500,000;
- the price of Chanticleer stock may decline; and
- costs related to the merger, such as legal, accounting and investment banking fees must be paid even if the merger is not completed.

In addition, if the Merger Agreement is terminated and the Chanticleer or Sonnet board of directors determines to seek another business combination, there can be no assurance that Chanticleer or Sonnet will be able to find a partner willing to provide equivalent or more attractive consideration than the consideration to be provided by each party in the merger.

Chanticleer may be unable to identify and complete an alternative strategic transaction or continue to operate the business due to its limited cash availability, and it may be required to dissolve and liquidate its assets. In such case, Chanticleer would be required to pay all of its debts and contractual obligations, and to set aside certain reserves for potential future claims, and there can be no assurances as to the amount or timing of available cash, if any, left to distribute to stockholders after paying the debts and other obligations of Chanticleer and setting aside funds for reserves.

As of September 30, 2019, Chanticleer's cash balance was \$638,000, its working capital was negative \$15.5 million, and it had significant near-term commitments and contractual obligations. Chanticleer has typically funded its operating costs, acquisition activities, working capital requirements and capital expenditures with proceeds from the issuances of its common stock and other financing arrangements, including convertible debt, lines of credit, notes payable, capital leases, and other forms of external financing. Chanticleer has \$6.7 million of principal due on its debt obligations in December 2019, plus interest. In addition, if Chanticleer fails to meet various debt covenants going forward and is notified of the default by the noteholders of the 8% non-convertible secured debentures, Chanticleer may be assessed additional default interest and penalties which would increase its obligations. Chanticleer cannot provide assurance that it will be able to refinance its long-term debt or sell assets or raise additional capital.

In the event that capital is not available, or Chanticleer is unable to refinance its debt obligations or obtain waivers, it may then have to scale back or freeze its organic growth plans, sell assets on less than favorable terms, reduce expenses, and/or curtail future acquisition plans to manage its liquidity and capital resources. Chanticleer may also incur financial penalties or other negative actions from its lenders if it is not able to refinance or otherwise extend or repay its current obligations or obtain waivers. As of September 30, 2019, Chanticleer and its subsidiaries had approximately \$2.9 million of accrued employee and employer taxes, including penalties and interest, which are due to certain taxing authorities. Chanticleer is currently in discussions with various taxing authorities on settling these liabilities through payment plans.

The consummation of the transactions contemplated by the Merger Agreement is dependent upon Chanticleer and Sonnet obtaining all relevant and necessary consents and approvals.

A condition to consummation of the merger is that Chanticleer and Sonnet obtain certain consents or approvals from third parties, including consents from parties to certain commercial agreements, leases and debt agreements in connection with the merger and the Spin-Off and approval from NASDAQ to maintain the listing of the Chanticleer Common Stock on the Nasdaq Capital Market following the merger and to list the shares of Chanticleer Common Stock being issued in the merger. In addition, the stockholders of Chanticleer must approve the issuance of Chanticleer Common Stock pursuant to the Merger Agreement. The Sonnet shareholders must adopt the Merger Agreement and approve the merger to be consummated pursuant thereto. There can be no assurance that Chanticleer or Sonnet will be able to obtain all such relevant consents and approvals on a timely basis or at all. Each of Chanticleer and Sonnet has incurred, and expects to continue to incur, significant costs and expenses in connection with the proposed merger. Any failure to obtain, or delay in obtaining, the necessary consents or approvals would prevent Chanticleer and Sonnet from being able to consummate, or delay the consummation of, the transactions contemplated by the Merger Agreement, which could materially adversely affect the business, financial condition and results of operations of Chanticleer and Sonnet, and, correspondingly, the combined company if the merger is consummated. There is no guarantee that such approvals will be obtained or that such conditions will be satisfied.

The \$6 Million Payment Condition may not be satisfied.

One of the conditions to the obligations of Chanticleer under the Merger Agreement is that on or prior to the closing of the merger, Sonnet shall satisfy the \$6 Million Payment Condition. No assurance can be given that Sonnet will be able to raise the remaining funds necessary to satisfy the \$6 Million Payment Condition. If Sonnet cannot raise additional funds on acceptable terms and if Chanticleer is not otherwise willing to waive the \$6 Million Payment Condition, the parties will not be able to consummate the merger.

The merger may be completed even though material adverse changes may result from the announcement of the merger, industry-wide changes and other causes.

In general, either Chanticleer or Sonnet can refuse to complete the merger if there is a material adverse change affecting the other party between October 10, 2019, the date of the Merger Agreement, and the closing. However, certain types of changes do not permit either party to refuse to complete the merger, even if such change could be said to have a material adverse effect on Chanticleer or Sonnet, including:

- general business or economic conditions affecting the industries in which Sonnet or Chanticleer operate (except to the extent any changes in such conditions have a disproportionate effect on Sonnet or Chanticleer relative to other participants in such industries);
- natural disasters, acts of war, armed hostilities or terrorism;
- changes in financial, banking or securities markets;
- the taking of any action required to be taken by the Merger Agreement; or
- with respect to Chanticleer, any change in the stock price or trading volume of Chanticleer common stock.

If adverse changes occur and Chanticleer and Sonnet still complete the merger, the combined company stock price may suffer. This in turn may reduce the value of the merger to the stockholders of Chanticleer and Sonnet.

The combined company will need to raise additional capital by issuing securities or debt or through licensing arrangements, which may cause dilution to the combined company's stockholders or restrict the combined company's operations or proprietary rights.

The combined company will be required to raise additional capital and may be required to raise funds sooner than currently planned. Additional financing may not be available to the combined company when it needs it or may not be available on favorable terms. To the extent that the combined company raises additional capital by issuing equity securities, such an issuance may cause significant dilution to the combined company's stockholders' ownership and the terms of any new equity securities may have preferences over the combined company's common stock. Any debt financing the combined company enters into may involve covenants that restrict its operations. These restrictive covenants may include limitations on additional borrowing and specific restrictions on the use of the combined company's assets, as well as prohibitions on its ability to create liens, pay dividends, redeem its stock or make investments. In addition, if the combined company raises additional funds through licensing arrangements, it may be necessary to grant licenses on terms that are not favorable to the combined company.

Certain Chanticleer and Sonnet executive officers and directors have interests in the merger that are different from yours and that may influence them to support or approve the merger without regard to your interests.

Certain officers and directors of Chanticleer and Sonnet participate in arrangements that provide them with interests in the merger that are different from yours, including, among others, the continued service as directors and officers of the combined company, in the case of Sonnet, severance benefits and continued indemnification.

For example, all of the current officers and directors of Sonnet will continue as the officers and directors of the combined company upon the closing of the merger.

Chanticleer and Sonnet stockholders may not realize a benefit from the merger commensurate with the ownership dilution they will experience in connection with the merger.

If the combined company is unable to realize the full strategic and financial benefits currently anticipated from the merger, Chanticleer and Sonnet securityholders will have experienced substantial dilution of their ownership interests in their respective companies without receiving any commensurate benefit, or only receiving part of the commensurate benefit to the extent the combined company is able to realize only part of the strategic and financial benefits currently anticipated from the merger.

The issuance of shares of Chanticleer Common Stock to Sonnet shareholders in the merger will dilute substantially the voting power of Chanticleer's current stockholders.

If the merger is completed, the former Sonnet shareholders will hold approximately 94% of the outstanding shares of Chanticleer Common Stock, the stockholders of Chanticleer will retain ownership of only approximately 6% of the outstanding shares of Chanticleer Common Stock and the Spin-Off Entity will hold the Spin-Off Entity Warrant, exercisable for 2% of the outstanding shares of Chanticleer Common Stock. Accordingly, the issuance of shares of Chanticleer Common Stock to Sonnet shareholders in the merger will reduce substantially the voting power of each share of Chanticleer Common Stock held by Chanticleer's current security holders. Consequently, Chanticleer security holders as a group will have substantially less influence over the management and policies of the combined company after the merger, than prior thereto.

The pendency of the merger could have an adverse effect on the trading price of Chanticleer Common Stock and Chanticleer's business, financial condition, results of operations or business prospects.

While there have been no significant adverse effects to date, the pendency of the merger could disrupt Chanticleer's businesses in the following ways, including:

- the attention of Chanticleer's management may be directed toward the closing of the merger and related matters and may be diverted from the day-to-day business operations; and
- third parties may seek to terminate or renegotiate their relationships with Chanticleer as a result of the merger, whether pursuant to the terms of their existing agreements with Chanticleer or otherwise.

Should they occur, any of these matters could adversely affect the trading price of Chanticleer Common Stock or harm Chanticleer's and/or the Spin-Off Entity's financial condition, results of operations or business prospects.

Chanticleer and Sonnet do not anticipate that the combined company will pay any cash dividends in the foreseeable future.

The current expectation is that the combined company will retain its future earnings, if any, to fund the development and growth of the combined company's business. As a result, capital appreciation, if any, of the common stock of the combined company will be your sole source of gain, if any, for the foreseeable future.

The ownership of the combined company common stock is expected to be highly concentrated, which may prevent you and other stockholders from influencing significant corporate decisions and may result in conflicts of interest that could cause the combined company stock price to decline.

Executive officers and directors of the combined company and their affiliates are expected to beneficially own or control significant number of the outstanding shares of the combined company common stock following the closing of the merger. Accordingly, these executive officers, directors and their affiliates, acting as a group, will have substantial influence over the outcome of corporate actions requiring stockholder approval, including the election of directors, any merger, consolidation or sale of all or substantially all of the combined company assets or any other significant corporate transactions. These stockholders may also delay or prevent a change of control of the combined company, even if such a change of control would benefit the other stockholders of the combined company. The significant concentration of stock ownership may adversely affect the trading price of the combined company's common stock due to investors' perception that conflicts of interest may exist or arise.

Anti-takeover provisions under Delaware law could make an acquisition of the combined company more difficult and may prevent attempts by the combined company stockholders to replace or remove the combined company management.

Because the combined company will be incorporated in Delaware, it is governed by the provisions of Section 203 of the Delaware General Corporation Law, or the DGCL, which prohibits stockholders owning in excess of 15% of the outstanding combined company voting stock from merging or combining with the combined company. Although Chanticleer and Sonnet believe these provisions collectively will provide for an opportunity to receive higher bids by requiring potential acquirers to negotiate with the combined company's board of directors, they would apply even if the offer may be considered beneficial by some stockholders. In addition, these provisions may frustrate or prevent any attempts by the combined company's stockholders to replace or remove then current management by making it more difficult for stockholders to replace members of the board of directors, which is responsible for appointing the members of management.

The rights of holders of Sonnet securities will change as a result of the merger.

After the merger, the rights of those shareholders of Sonnet who will become Chanticleer stockholders will be governed by Chanticleer's certificate of incorporation and Chanticleer's bylaws, which are governed by the laws of the State of Delaware, which may be different from the laws of the State of New Jersey.

The historical audited and unaudited pro forma condensed combined financial information may not be representative of our results after the merger.

The historical audited and unaudited pro forma condensed combined financial information included elsewhere in this prospectus has been presented for informational purposes only and is not necessarily indicative of the financial position or results of operations that actually would have occurred had the merger been completed as of the date indicated, nor is it indicative of future operating results or financial position.

The market price of the combined company's common stock following the merger and the Spin-Off may decline as a result of the merger.

The market price of the combined company's common stock may decline as a result of the merger and the Spin-Off for a number of reasons including if:

- investors react negatively to the prospects of the combined company's business and prospects from the merger and the Spin-Off;
- the effect of the merger and Spin-Off on the combined company's business and prospects is not consistent with the expectations of financial or industry analysts; or
- the combined company does not achieve the perceived benefits of the merger and the Spin-Off as rapidly or to the extent anticipated by financial or industry analysts.

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

Not applicable

ITEM 3: DEFAULTS UPON SENIOR SECURITIES

None noted.

ITEM 4: MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5: OTHER INFORMATION

None.

ITEM 6: EXHIBITS

<u>Exhibit No.</u>	<u>Description</u>
10.1	<u>Lease Agreement between Redus NC Commercial, LLC and Chanticleer Holdings, Inc. dated June 1, 2014, as amended</u>
31.1	<u>Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
31.2	<u>Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
32.1	<u>Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
32.2	<u>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.</u>
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

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

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

SIGNATURES

Pursuant to the requirements of 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 November 14, 2019.

Date: November 14, 2019

CHANTICLEER HOLDINGS, INC.

By: /s/ Michael D. Pruitt

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

/s/ Patrick Harkleroad

Patrick Harkleroad
Chief Financial Officer
(Principal Financial Officer)

LEASE AGREEMENT

Between

REDUS NC COMMERCIAL, LLC,
a Delaware limited liability company,
as Landlord

And

CHANTICLEER HOLDINGS, INC.,
a Delaware corporation,
as Tenant

Dated: June 11, 2014

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BASIC LEASE PROVISIONS

The following is a summary of some of the Basic Provisions of the Lease. In the event of any conflict between the terms of these Basic Lease Provisions and the referenced Sections of the Lease, the referenced Sections of the Lease shall control.

- 1. Building (See Section 1): Quail Plaza
7621 Little Avenue
Charlotte, North Carolina 28226

- 2. Premises (See Section 1):

Suite: 414
Floor: Fourth (4th)
Rentable Square Feet: ± 1,855 RSF

- 3. Term (See Section 2): Fifty (50) months

- 4. Base Rent (See Sections 2 and 3):

Period	Annual Base Rent	Monthly Installment
Month 1 - Month 2	\$0.00	\$0.00
Month 3 - Month 12	\$34,317.50	\$2,859.79
Month 13 - Month 24	\$34,832.28	\$2,902.69
Month 25 - Month 36	\$35,964.36	\$2,997.03
Month 37 - Month 48	\$37,133.16	\$3,094.43
Month 49 - Month 50	\$38,340.00	\$3,195.00

- 5. Security Deposit (See Section 44): None

- 6. Landlord's Broker (See Section 53): CK Charlotte Suburban Brokerage, LLC

Tenant's Broker (See Section 53): none

- 7. Notice Address: See Section 54

LEASE AGREEMENT

THIS LEASE AGREEMENT (hereinafter called the "Lease") is made and entered into this ___ day of June, 2014, by and between **REDUS NC COMMERCIAL, LLC**, a Delaware limited liability company (hereinafter called "Landlord"); and **CHANTICLEER HOLDINGS, INC.**, a Delaware corporation (hereinafter called "Tenant").

1. Premises. Landlord does hereby rent and lease to Tenant and Tenant does hereby rent and lease from Landlord, for general office purposes of a type customary for first-class office buildings, the following described space (hereinafter called the "Premises"):

Approximately 1,855 rentable square feet of space located on the fourth (4th) floor of a five-story building (the "Building") located on the real property described in Exhibit "A" attached hereto (the "Property"), said Premises to be located as shown by diagonal lines on the drawing attached hereto as Exhibit "A-1" and made a part hereof by reference. Notwithstanding anything provided in this Lease to the contrary, no easement for light, air or view is granted to Tenant hereunder. The Building may now or hereafter be located within a larger office park or project (the "Project"), together with any and all improvements now or hereafter located thereon and together with any additional land and/or buildings which are hereinafter made a part of the Project. The Premises shall be prepared for Tenant's occupancy in the manner and subject to the provisions of Exhibit "B" attached hereto and made a part of hereof. Landlord and Tenant agree that the number of rentable square feet described above has been confirmed and is not subject to contest by Tenant.

2. Lease Term. Tenant shall have and hold the Premises for a term ("Term") commencing on the date (the "Commencement Date") that Landlord delivers possession of the Premises to Tenant, and terminating at midnight on the last day (the "Expiration Date") of the fiftieth (50th) full calendar month following the Commencement Date, unless sooner terminated or extended as hereinafter provided. Promptly following the Commencement Date, Landlord and Tenant shall enter into a letter agreement in the form attached hereto as Exhibit "C", specifying the Commencement Date and the Expiration Date. The Commencement Date is estimated to be June 20, 2014, but may be earlier to accommodate Tenant's desire to occupy the Premises as soon as possible.

3. Base Rent. Tenant shall pay to Landlord, at REDUS NC Commercial, LLC/Quail Plaza, P.O. Box 602771, Charlotte, NC 28260-2771 (or, for overnight mailing, at REDUS NC Commercial, LLC/Quail Plaza, Lockbox Services 602771, 1525 West W.T. Harris Blvd., 2C2, Charlotte, NC 28262), or at such other place as Landlord shall designate in writing to Tenant, annual base rent ("Base Rent") in the amounts set forth in the Basic Lease Provisions. The term "Lease Year", as used in the Basic Lease Provisions and throughout this Lease, shall mean each and every consecutive twelve (12) month period during the Term of this Lease, with the first such twelve (12) month period commencing on the Commencement Date.

4. Rent Payment. The Base Rent for each Lease Year shall be payable in equal monthly installments, due on the first day of each calendar month, in advance, in legal tender of the United States of America, without abatement, demand, deduction or offset whatsoever, except as may be expressly provided in this Lease. One full monthly installment of Base Rent

shall be due and payable on the date of execution of this Lease by Tenant for the third month's Base Rent and a like monthly installment of Base Rent shall be due and payable on or before the first day of each calendar month following such third month during the Term hereof; provided, that if the Commencement Date should be a date other than the first day of a calendar month, the monthly Base Rent installment paid on the date of execution of this Lease by Tenant shall be prorated to reflect the applicable partial calendar month, and the excess shall be applied as a credit against the next monthly Base Rent installment. Tenant shall pay, as Additional Rent, all other sums due from Tenant under this Lease (the term "Rent", as used herein, means all Base Rent, Additional Rent and all other amounts payable hereunder from Tenant to Landlord).

5. **Late Charge.** Other remedies for non-payment of Rent notwithstanding: (i) if any monthly installment of Base Rent or Additional Rent is not received by Landlord on or before the date due, and/or (ii) if any payment due Landlord by Tenant which does not have a scheduled due date is not received by Landlord on or before the tenth (10th) business day following the date Tenant was invoiced, then a late charge of five percent (5%) percent of such past due amounts shall be immediately due and payable as Additional Rent and interest shall accrue from the date past due until paid at the lower of twelve percent (12%) per annum or the highest rate permitted by applicable law.

6. **Partial Payment.** No payment by Tenant or acceptance by Landlord of an amount less than the Rent herein stipulated shall be deemed a waiver of any other Rent due. No partial payment or endorsement on any check or any letter accompanying such payment of Rent shall be deemed an accord and satisfaction, but Landlord may accept such payment without prejudice to Landlord's right to collect the balance of any Rent due under the terms of this Lease or any late charge assessed against Tenant hereunder.

7. **Construction of this Agreement.** No failure of Landlord to exercise any power given Landlord hereunder, or to insist upon strict compliance by Tenant of its obligations hereunder, and no custom or practice of the parties at variance with the terms hereof shall constitute a waiver of Landlord's right to demand exact compliance with the terms hereof. Time is of the essence of this Lease.

8. **Use of Premises.**

(a) Tenant shall use and occupy the Premises for general office purposes of a type customary for first-class office buildings and for no other purpose. The Premises shall not be used for any illegal purpose, nor in violation of any valid regulation of any governmental body, nor in any manner to create any nuisance or trespass, nor in any manner to vitiate the insurance or increase the rate of insurance on the Premises or the Building, nor in any manner inconsistent with the first-class nature of the Building.

(b) Tenant shall not cause or permit the receipt, storage, use, location or handling on the Property (including the Building and Premises) of any product, material or merchandise which is explosive, highly inflammable, or a "hazardous or toxic material," as that term is hereafter defined. "Hazardous or toxic material" shall include all materials or substances which have been determined to be hazardous to health or the environment, including, without limitation hazardous waste (as defined in the Resource Conservation and Recovery Act);

hazardous substances (as defined in the Comprehensive Emergency Response, Compensation and Liability Act, as amended by the Superfund Amendments and Reauthorization Act); gasoline or any other petroleum product or by-product or other hydrocarbon derivative; toxic substances, (as defined by the Toxic Substances Control Act); insecticides, fungicides or rodenticide, (as defined in the Federal Insecticide, Fungicide, and Rodenticide Act); asbestos and radon and substances determined to be hazardous under the Occupational Safety and Health Act or regulations promulgated thereunder. Notwithstanding the foregoing, Tenant shall not be in breach of this provision as a result of the presence in the Premises of de minimis amounts of hazardous or toxic materials which are in compliance with all applicable laws, ordinances and regulations and are customarily present in a general office use (e.g., copying machine chemicals and kitchen cleansers).

9. Definitions. "Landlord," as used in this Lease, shall include the party named in the first paragraph hereof, its representatives, assigns and successors in title to the Premises. "Tenant" shall include the party named in the first paragraph hereof, its heirs and representatives, and, if this Lease shall be validly assigned or sublet, shall also include Tenant's assignees or subtenants, as to the Premises, or portion thereof, covered by such assignment or sublease. "Landlord" and "Tenant" include male and female, singular and plural, corporation, partnership, limited liability company (and the officers, members, partners, employees or agents of any such entities) or individual, as may fit the particular parties. The term "Agent" as used herein shall mean Childress Klein Properties, Inc., a North Carolina corporation, and its successors and assigns.

10. Repairs By Landlord. Tenant, by taking possession of the Premises, shall accept and shall be held to have accepted the Premises as suitable for the use intended by this Lease. Landlord shall not be required, after possession of the Premises has been delivered to Tenant, to make any repairs or improvements to the Premises, except as set forth in this Lease. Except for damage caused by casualty and condemnation (which shall be governed by Section 28 and 29 below), and subject to normal wear and tear, Landlord shall maintain in good repair the exterior walls, roof, common areas, foundation, structural portions and the Buildings mechanical, electrical, plumbing and HVAC systems (but not any systems installed specially for Tenant such as supplemental HVAC units), provided such repairs are not occasioned by Tenant; Tenant's invitees or anyone in the employ or control of Tenant.

11. Repairs By Tenant. Except as described in Section 10 above, Tenant shall, at its own cost and expense, maintain the Premises in good repair and in a neat and clean, first-class condition, including making all necessary repairs and replacements. Tenant shall further, at its own cost and expense, repair or restore any damage or injury to all or any part of the Building caused by Tenant or Tenant's agents, employees, invitees, licensees, visitors or contractors, including but not limited to any repairs or replacements necessitated by (i) the construction or installation of improvements to the Premises by or on behalf of Tenant, (ii) the moving of any Property into or out of the Premises. If Tenant fails to make such repairs or replacements promptly, Landlord may, at its option, make the repairs and replacements and the costs of such repair or replacements shall be charged to Tenant as Additional Rent and shall become due and payable by Tenant with the monthly installment of Base Rent next due hereunder.

12. Alterations and Improvements. Except for minor, decorative alterations which do not affect the Building structure or systems, are not visible from outside the Premises and do not cost in excess of \$10,000.00 in the aggregate, Tenant shall not make or allow to be made any alterations, physical additions or improvements in or to the Premises without first obtaining in writing Landlord's written consent for such alterations or additions, which consent may be granted or withheld in the sole, unfettered discretion of Landlord (if the alterations will affect the Building structure or systems or will be visible from outside the Premises), but which consent shall not be unreasonably withheld (if the alterations will not affect the Building structure or systems and will not be visible from outside the Premises). Upon Landlord's request, Tenant will furnish Landlord plans and specifications for any proposed alterations, additions or improvements and shall reimburse Landlord for its reasonable cost to review such plans. Any approval by Landlord of or consent by Landlord to, any plans, specifications or other items to be submitted to and/or reviewed by Landlord pursuant to this Lease shall be deemed to be strictly limited to an acknowledgment of approval or consent by Landlord thereto, and such approval or consent shall not constitute the assumption by Landlord of any responsibility for the accuracy, sufficiency or feasibility of any plans, specifications or other such items and shall not imply any acknowledgment, representation or warranty by Landlord that the design is safe, feasible, structurally sound or will comply with any legal or governmental requirements, with Tenant being responsible for all of the same. Any alterations, physical additions or improvements shall at once become the property of Landlord; provided, however, Landlord, at its option, may require Tenant to remove any alterations, additions or improvements in order to restore the Premises to the condition existing on the Commencement Date. All costs of any such alterations, additions or improvements shall be borne by Tenant. All alterations, additions or improvements must be made in a good, first-class, workmanlike manner and in a manner that does not disturb other tenants (i.e., any loud work must be performed during non-business hours) and Tenant must maintain appropriate liability and builder's risk insurance throughout the construction. Tenant does hereby indemnify and hold Landlord harmless from and against all claims for damages or death of persons or damage or destruction of property arising out of the performance of any such alterations, additions or improvements made by or on behalf of Tenant. Under no circumstances shall Landlord be required to pay, during the Term of this Lease and any extensions or renewals thereof, any ad valorem or Property tax on such alterations, additions or improvements, Tenant hereby covenanting to pay all such taxes when they become due. In the event any alterations, additions, improvements or repairs are to be performed by contractors or workmen other than Landlord's contractors or workmen, any such contractors or workmen must first be approved, in writing, by Landlord. Landlord agrees to assign to Tenant any rights it may have against the contractor of the Premises with respect to any work performed by said contractor in connection with improvements made by Landlord at the request of Tenant.

13. Operating Expenses.

(a) Tenant agrees to reimburse Landlord throughout the Term, as Additional Rent hereunder for Tenant's Share (as defined below) of the annual Operating Expenses (as defined below) in excess of the Operating Expenses for calendar year 2014 (hereinafter called the "Base Year Amount"). The term "Tenant's Share" shall mean the percentage determined by dividing the rentable square footage of the Premises by the rentable square footage of the Building. If Tenant does not lease the Premises during the entire full calendar year in which the Term of this Lease commences or ends, Tenant's Share of excess Operating Expenses for the

applicable calendar year shall be appropriately prorated for the partial year, based on the number of days Tenant has leased the Premises during that year.

(b) Operating Expenses shall be all those expenses of operating, servicing, managing, maintaining and repairing the Property, Building, all parking areas and related common areas (as well as an allocation of certain Project expenses, as reasonably allocated by Landlord to the Building and the other buildings in the Project) in a manner deemed by Landlord reasonable and appropriate and in the best interest of the tenants of the Building and in a manner consistent with first-class office buildings in Charlotte, North Carolina. Operating Expenses shall include, without limitation, the following:

(1) All taxes and assessments, whether general or special, applicable to the Property and the Building, which shall include real and personal property ad valorem taxes, and any and all reasonable costs and expenses incurred by Landlord in seeking a reduction of any such taxes and assessments. However, Tenant shall not be obligated for taxes on the net income from the operation of the Building, unless there is imposed in the future a tax on rental income on the Building in lieu of the real property ad valorem taxes, in which event such tax shall be deemed an Operating Expense of the Building.

(2) Insurance premiums and deductible amounts, including, without limitation, for commercial general liability, "all risks" property, rent loss and other coverages carried by Landlord on the Building and Property.

(3) All utilities, including, without limitation, water, power, heating, lighting, ventilation, sanitary sewer and air conditioning of the Building, but not including those utility charges actually paid by Tenant or other tenants of the Building.

(4) Janitorial and maintenance expenses, including:

(i) Janitorial services and janitorial supplies and other materials used in the operation and maintenance of the Building;

(ii) The cost of maintenance and service agreements on equipment, window cleaning, grounds maintenance, pest control, security, trash and snow removal, and other similar services or agreements;

(5) Management fees (or a charge equal to fair market management fees if Landlord provides its own management services) and the market rental value of a management office;

(6) The costs, including interest, amortized over its useful life, of any capital improvement made to the Building by or on behalf of Landlord after the date of this Lease which is required under any governmental law or regulation (or any judicial interpretation thereof) that was not applicable to the Building as of the date of this Lease, and of the acquisition and installation of any device or equipment designed to improve the operating efficiency of any system within the Building or which is acquired to improve the safety of the Building or Project.

(7) All services, supplies, repairs, replacements or other expenses directly and reasonably associated with servicing, maintaining, managing and operating the Building, including, but not limited to the lobby, vehicular and pedestrian traffic areas and other common use areas.

(8) Wages and salaries of Landlord's employees (not above the level of Building Manager) engaged in the maintenance, operation, repair and services of the Building, including taxes, insurance and customary fringe benefits.

(9) Legal and accounting costs.

(10) Costs to maintain and repair the Building and Property.

(11) Landscaping and security costs unless Landlord hires a third party to provide such services pursuant to a service contract and the cost of that service contract is already included in Operating Expenses as described above,

(12) The Building's allocated share (as reasonably determined by Landlord) of certain expenses which are incurred on a Project-wide basis including, without limitation, costs in connection with (i) landscaping, (ii) utility and road repairs, (iii) security, (iv) signage installation, replacement and repair and (v) taxes or assessments which are not assessed against a particular building or the parcel on which it is located.

(c) Landlord shall, on or before the Commencement Date and on or before December 20 of each calendar year, provide Tenant a statement of the estimated monthly installments of Tenant's Share of excess Operating Expenses increases which will be due for the remainder of the calendar year in which the Commencement Date occurs or for the upcoming calendar year, as the case may be. As soon as practicable after December 31 of each calendar year during the Term of this Lease, Landlord shall furnish to Tenant an itemized statement of the Operating Expenses within the Building for the calendar year then ended. Upon reasonable prior written request given not later than thirty (30) days following the date Landlord's statement is delivered to Tenant, Landlord will provide Tenant detailed documentation to support the itemized statement. If Tenant does not notify Landlord of any objection to Landlord's itemized statement within thirty (30) days of Landlord's delivery thereof, Tenant shall be deemed to have accepted such statement as true and correct and shall be deemed to have waived any right to dispute the excess Operating Expenses due pursuant to that statement.

(i) Tenant shall pay to Landlord, together with its monthly payment of Base Rent as provided in Sections 3 and 4 hereinabove, as Additional Rent hereunder, the estimated monthly installment of Tenant's Share of the excess Operating Expenses for the calendar year in question. At the end of any calendar year if Tenant has paid to Landlord an amount in excess of Tenant's Share of excess Operating Expenses for such calendar year, Landlord shall reimburse to Tenant any such excess amount (or shall apply any such excess amount to any amount then owing to Landlord hereunder, and if none, to the next due installment or installments of Additional Rent due hereunder, at the option of Landlord). At the end of any calendar year if Tenant has paid to Landlord less than Tenant's Share of excess Operating

Expenses for such calendar year, Tenant shall pay to Landlord any such deficiency within thirty (30) days after Tenant receives the annual statement.

(ii) For the calendar year in which this Lease terminates, and is not extended or renewed, the provisions of this Section shall apply, but Tenant's Share for such calendar year shall be subject to a pro rata adjustment based upon the number of days prior to the expiration of the Term of this Lease. Tenant shall make monthly estimated payments of the prorata portion of Tenant's Share for such calendar year (in the manner provided above) and when the actual prorated Tenant's Share for such calendar year is determined Landlord shall send a statement to Tenant and if such statements reveals that Tenant's estimated payments for the prorated Tenant's Share for such calendar year exceeded the actual prorated Tenant's Share for such calendar year, Landlord shall include a check for that amount along with the statement. If the statement reveals that Tenant's estimated payments for the prorated Tenant's Share for such calendar year were less than the actual prorated Tenant's Share for such calendar year, Tenant shall pay the shortfall to Landlord within thirty (30) days of the date Tenant receives Landlord's statement.

(iii) If the Building is less than ninety-five percent (95%) occupied throughout any calendar year of the Term, then the actual Operating Expenses for the calendar year in question shall be increased to the amount of Operating Expenses which Landlord reasonably determines would have been incurred during that calendar year if the Building had been fully occupied throughout such calendar year. If the provisions of this subsection are applied in any calendar year the Base Year Amount shall likewise be adjusted for the calendar year on which it is based.

14. Landlord's Failure to Give Possession. Landlord shall not be liable for damages to Tenant for failure to deliver possession of the Premises to Tenant if such failure is due to no fault of Landlord, to the failure of any construction or remodeling of the Premises by Tenant to be completed or to the failure of any previous tenant to vacate the Premises. Landlord will use commercially reasonable efforts to give possession to Tenant by the scheduled Commencement Date of the Term. If Landlord's failure to do so is caused by the act of any previous tenant holding over, Landlord agrees to transfer to Tenant the right to prosecute in its own name any cause of action which Landlord may have against such tenant holding over, Tenant to hold for itself any recovery in such action, except for any amounts due Landlord as Rent hereunder.

15. Acceptance and Waiver. Landlord shall not be liable to Tenant, its agents, employees, guests or invitees (and, if Tenant is an entity, its officers, members, partners, managers, agents, employees, guests or invitees) for any damage caused to any of them due to the Building or any part or appurtenances thereof being improperly constructed or being or becoming out of repair, or arising from the leaking of gas, water, sewer or steam pipes, or from electricity, but Tenant, by moving into the Premises and taking possession thereof, shall accept, and shall be held to have accepted the Premises as suitable for the purposes for which the same are leased, and shall accept and shall be held to have accepted the Building and every appurtenances thereof, and Tenant by said act waives any and all defects therein; provided, however, that this Section shall not apply to any damages or injury caused by or resulting from the negligence or willful misconduct of Landlord.

16. **Signs.** A listing in the Building directory and a Building standard suite entry shall be installed on the door to the Premises or adjacent to the entry to the Premises as part of the Work and the cost thereof shall be at Landlord's expense. Otherwise, Tenant shall not paint or place signs, placards, or other advertisement of any character upon the windows or inside walls of the Premises except with the consent of Landlord which consent may be withheld by Landlord in its absolute discretion, and Tenant shall place no signs upon the outside walls, common areas or the roof of the Building.

17. **Advertising.** Landlord may advertise the Premises as being "For Rent" at any time following a default by Tenant which remains uncured and at any time within one hundred eighty (180) days prior to the expiration, cancellation or termination of this Lease for any reason and during any such periods may exhibit the Premises to prospective tenants.

18. **Removal of Fixtures.** If Tenant is not in default hereunder, Tenant may, prior to the expiration of the Term of this Lease, or any extension thereof, remove any fixtures and equipment which it has placed in the Premises which can be removed without significant damage to the Premises, provided Tenant repairs all damages to the Premises caused by such removal.

19. **Entering Premises.** Landlord or Agent may enter the Premises at reasonable hours provided that Landlord's and Agent's entry shall not unreasonably interrupt Tenant's business operations and that prior notice is given when reasonably possible (and, if in the opinion of Landlord or Agent any emergency exists, at any time and without notice): (a) to make repairs, perform maintenance and provide other services described in Section 20 below (no prior notice is required to provide routine services) which Landlord is obligated to make to the Premises or the Building pursuant to the terms of this Lease or to the other premises within the Building pursuant to the leases of other tenants; (b) to inspect the Premises to see that Tenant is complying with all of the terms and conditions of this Lease and with the rules and regulations hereof; (c) to remove from the Premises any articles or signs kept or exhibited therein in violation of the terms hereof; (d) to run pipes, conduits, ducts, wiring, cabling or any other mechanical, electrical, plumbing or HVAC equipment through the areas behind the walls, below the floors or above the drop ceilings; and (e) to exercise any other right or perform any other obligation that Landlord has under this Lease. Landlord and Agent shall be allowed to take all material into and upon the Premises that may be required to make any repairs, improvements and additions, or any alterations, without in any way being deemed or held guilty of trespass and without constituting a constructive eviction of Tenant. The Rent reserved herein shall not abate while said repairs, alterations or additions are being made and Tenant shall not be entitled to maintain a setoff or counterclaim for damages against Landlord or Agent by reason of loss from interruption to the business of Tenant because of the prosecution of any such work. All such repairs, decorations, additions and improvements shall be done during ordinary business hours, or, if any such work is at the request of Tenant to be done during any other hours, Tenant shall pay all overtime and other extra costs.

20. **Services.**

(a) The normal business hours of the Building shall be from 8:00 A.M. to 6:00 P.M. on Monday through Friday, and 8:00 A.M. to Noon on Saturday, exclusive of holidays reasonably designated by Landlord ("Building Holidays"). Initially and until further notice by

Landlord to Tenant, the Building Holidays shall be: New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving (and the day after Thanksgiving) and Christmas. Landlord shall furnish the following services during the normal business hours of the Building except as noted:

- (1) Elevator service for passenger and delivery needs;
 - (2) Air conditioning sufficient to cool the Premises and heat sufficient to warm the Premises to maintain, in Landlord's reasonable judgment, comfortable temperatures in the Premises, subject to governmental regulations and then existing Building capacities;
 - (3) Hot and cold running water for all restrooms and lavatories;
 - (4) Soap, paper towels, and toilet tissue for public restrooms;
 - (5) Janitorial service Monday through Friday, in keeping with the standards generally maintained in similar office buildings in the Charlotte, North Carolina area;
 - (6) Custodial, electrical and mechanical maintenance services are provided Monday through Friday;
 - (7) Electric power for lighting and for small business machinery only (e.g., typewriters, work processing equipment, small personal computers and other small office equipment) not in excess of a total of 3 watts per rentable square foot of the Premises at 100% connected load, subject to governmental regulations and then existing Building capacities;
 - (8) Repairs and maintenance as described in Section 10 of this Lease;
- and
- (9) General management, including supervision, inspections, recordkeeping, accounting, leasing and related management functions.

(b) Tenant shall have no right to any services in excess of those provided herein. If Tenant uses services in an amount or for a period in excess of that provided for herein, then Landlord reserves the right to: charge Tenant as Additional, Rent hereunder a reasonable sum as reimbursement for the direct cost of such added services; charge Tenant for the cost of any additional equipment or facilities or modifications thereto, necessary to provide the additional services; and/or to discontinue providing such excess services to Tenant.

(c) Tenant shall not, without Landlord's prior written consent, (i) use any equipment or machinery in the Premises which, in Landlord's opinion, will overload the wiring installations or the electrical distribution system for the Premises or the Building or interfere with the reasonable use thereof by other tenants of the Building or (ii) connect any additional items to the electrical distribution system for the Premises or the Building or make any alteration or addition to such system. Any such consent granted by Landlord may be conditioned upon (1) Landlord's approval of all plans and specifications for such use and Landlord's determination that such proposed use will not materially or adversely affect the operation or use of the Building, (2) separate meters being installed at Tenant's expense (or Tenant paying the excess

costs for such electrical usage as may be established by an engineer hired by Landlord at Tenant's expense), and (3) Tenant reimbursing Landlord for all costs incurred by Landlord in connection therewith.

(d) Landlord shall not be liable for any damages directly or indirectly resulting from the interruption in any of the services described above, nor shall any such interruption entitle Tenant to any abatement of Rent or any right to terminate this Lease. Landlord shall use all reasonable efforts to furnish uninterrupted services as required above.

21. Indemnities. Tenant does hereby indemnify and save harmless Landlord and Agent against all claims for damages to persons or property which are caused anywhere in the Building or on the Property by the negligence or willful misconduct of Tenant, its agents or employees or which occur in the Premises (or arise out of actions taking place in the Premises) unless such damage is caused by the negligence or willful misconduct of Landlord, its agents (including, Agent), or employees. Landlord does hereby indemnify and hold Tenant harmless against all claims for damaged persons or property if caused by the negligence or willful misconduct of Landlord, its agents (including, Agent) or employees. The indemnities set forth hereinabove shall include the obligation to pay reasonable expenses incurred by the indemnified party, including, without limitation, reasonable, actually incurred attorneys' fees. The indemnities contained herein do not override the waivers contained in Section 22(d) below.

22. Tenant's Insurance; Waivers.

(a) Tenant further covenants and agrees that from and after the date of delivery of the Premises from Landlord to Tenant, Tenant will carry and maintain, at its sole cost and expense, the following types of insurance, in the amounts specified and in the form hereinafter provided for:

(1) Liability Insurance in the Commercial General Liability form (or reasonable equivalent thereto) covering the Premises and Tenant's use thereof against claims for personal injury or death, property damage and product liability occurring upon, in or about the Premises, such insurance to be written on an occurrence basis (not a claims made basis), to be in combined single limits amounts not less than \$3,000,000.00 and to have general aggregate limits of not less than \$5,000,000.00 for each policy year. The insurance coverage required under this Section 22(a)(i) shall, in addition, extend to any liability of Tenant arising out of the indemnities provided for in Section 21 and, if necessary, the policy shall contain a contractual endorsement to that effect. The general aggregate limits under the Commercial General Liability insurance policy or policies must apply separately to the Premises and to Tenant's use thereof (and not to any other location or use of Tenant) and such policy shall contain an endorsement to that effect. The certificate of insurance evidencing the Commercial General Liability form of policy shall specify all endorsements required herein and shall specify on the face thereof that the limits of such policy applies separately to the Premises.

(2) Boiler and machinery insurance in adequate amounts on all fired objects and other fired pressure vessels and systems serving the Premises (if any); and if the said objects and the damage that may be caused by them or result from them are not covered by

Tenant's extended coverage insurance, then such insurance shall be in an amount not less than \$250,000.00 and be issued on a replacement cost basis.

(3) Insurance covering all of the items included in Tenant's leasehold improvements, heating, ventilating and air conditioning and other equipment maintained by Tenant, trade fixtures, merchandise and personal property from time to time in, on or upon the Premises, and alterations, additions or changes made by Tenant pursuant to Section 12, in an amount not less than one hundred percent (100%) of their full replacement value from time to time during the Term, providing protection against perils included within the standard form of "all-risks" fire and casualty insurance policy, together with insurance against sprinkler damage, vandalism and malicious mischief. Any policy proceeds from such insurance shall be held in trust by Tenant's insurance company for the repair, construction and restoration or replacement of the property damaged or destroyed unless this Lease shall cease and terminate under the provisions of Section 28 of this Lease.

(4) Workers' Compensation and Employer's Liability insurance affording statutory coverage and containing statutory limits with the Employer's Liability portion thereof to have minimum limits of \$500,000.00.

(5) Business Interruption Insurance equal to not less than fifty percent (50%) of the estimated gross earnings (as defined in the standard form of business interruption insurance policy) of Tenant at the Premises which insurance shall be issued on the ISO Causes of Loss - Special Form basis (or its equivalent).

(b) All policies of the insurance provided for in Section 22(a) shall be issued in form acceptable to Landlord by insurance companies with a rating and financial size of not less than A-X in the most current available "Best's Insurance Reports", and licensed to do business in the state in which Landlord's Building is located. Each and every such policy:

(1) shall name Landlord as an additional insured (as well as any mortgagee of Landlord and any other party reasonably designated by Landlord) and the coverage in (ii) and (iii) shall also name Landlord as loss payee.

(2) shall (and a certificate thereof shall be delivered to Landlord at or prior to the execution of the Lease) be delivered to each of Landlord and any such other parties in interest within thirty (30) days after delivery of possession of the Premises to Tenant and thereafter within thirty (30) days prior to the expiration of each such policy, and, as often as any such policy shall expire or terminate. Renewal or additional policies shall be procured and maintained by Tenant in like manner and to like extent;

(3) shall contain a provision that the insurer will give to Landlord and such other parties in interest at least thirty (30) days notice in writing in advance of any material change, cancellation, termination or lapse, or the effective date of any reduction in the amounts of insurance; and

(4) shall be written as a primary policy which does not contribute to and is not in excess of coverage which Landlord may carry.

(c) Any insurance provided for in Section 22(a) may be maintained by means of a policy or policies of blanket insurance, covering additional items or locations or insureds, provided, however, that:

(1) Landlord and any other parties in interest from time to time designated by Landlord to Tenant shall be named as an additional insured thereunder as its interest may appear;

(2) the coverage afforded Landlord and any such other parties in interest will not be reduced or diminished by reason of the use of such blanket policy of insurance;

(3) such blanket policy shall (i) specify the amount of the total insurance allocated to the Premises, which amount shall not be less than the amount required for the applicable insurance, and evidence of this shall be specified on the certificate of insurance, (ii) specify that all applicable coverages will be available for claims arising from a single location, including, without limitation, the Premises, and (iii) be in an amount sufficient to prevent any one of the assureds from becoming a co-insurer within the terms of the applicable policy;

(4) and the requirements set forth in this Section 22 are otherwise satisfied.

(d) Notwithstanding anything to the contrary set forth hereinabove, Landlord and Tenant do hereby waive any and all claims against one another for damage to or destruction of real or personal property to the extent such damage or destruction can be covered by ISO Causes of Loss - Special Form property insurance of the type described in Section 22(a)(iii) above. Tenant's waiver in favor of Landlord in the foregoing sentence is deemed to also favor Agent. Each party shall also be responsible for the payment of any deductible amounts required to be paid under the applicable ISO Causes of Loss - Special Form fire and casualty insurance carried by the party whose property is damaged. These waivers shall apply if the damage would have been covered by a customary ISO Causes of Loss - Special Form insurance policy, even if the party fails to obtain such coverage. The intent of this provision is that each party shall look solely to its insurance with respect to property damage or destruction which can be covered by ISO Causes of Loss - Special Form insurance of the type described in Section 22(a)(iii). To further effectuate the provisions of this Section 22(d), Landlord and Tenant both agree to provide copies of this Lease (and in particular, these waivers) to their respective insurance carriers and to require such insurance carriers to waive all rights of subrogation against the other party with respect to property damage covered by the applicable ISO Causes of Loss - Special Form fire and casualty insurance policy.

23. Governmental Requirements. Tenant shall, at its own expense, promptly comply with all requirements of any legally constituted governmental or public authority made necessary by reason of Tenant's occupancy of the Premises, including, without limitation, the Americans with Disabilities Act.

24. Abandonment of Premises. Tenant agrees not to abandon or vacate the Premises during the Term of this Lease. If Tenant does abandon or vacate the Premises for more than ninety (90) days, Landlord may terminate this Lease, by written notice to Tenant at any time prior to Tenant reoccupying the Premises, but such termination shall not entitle Landlord to pursue any other remedies unless an uncured event of default then exists, in which case Landlord may pursue any and all remedies provided by this Lease, at law or in equity.

25. Assignment and Subletting. Tenant may not, without the prior written consent of Landlord, which consent may be withheld by Landlord in its sole, unfettered discretion, assign this Lease or any interest hereunder, or sublet the Premises or any part thereof, or permit the use of the Premises by any party other than Tenant. In the event that Tenant is a corporation or entity other than an individual, any transfer of a majority or controlling interest in Tenant (whether by stock transfer, merger, operation of law or otherwise) shall be considered an assignment for purposes of this paragraph and shall require Landlord's prior written consent. Consent to one assignment or sublease shall not destroy or waive this provision, and all later assignments and subleases shall likewise be made only upon the prior written consent of Landlord. Tenant shall reimburse Landlord for its legal and administrative costs in reviewing any such proposed assignment or sublease. Subtenants or assignees shall become liable to Landlord for all obligations of Tenant hereunder, without relieving Tenant's liability hereunder and, in the event of any default by Tenant under this Lease, Landlord may, at its option, but without any obligation to do so, elect to treat such sublease or assignment as a direct Lease with Landlord and collect rent directly from the subtenant. In addition, upon any request by Tenant for Landlord's consent to an assignment or sublease, Landlord may elect to terminate this Lease and recapture all of the Premises (in the event of an assignment request) or the applicable portion of the Premises (in the event of a subleasing request); provided, however, if Landlord notifies Tenant that Landlord elects to exercise this recapture right, Tenant may, within five (5) business days of its receipt of Landlord's notice, notify Landlord that Tenant withdraws its request to sublease or assign, in which case Tenant shall continue to lease all of the Premises, subject to the terms of this Lease and Landlord's recapture notice shall be null and void. If Tenant desires to assign or sublease, Tenant must provide written notice to Landlord describing the proposed transaction in detail and providing all documentation (including detailed financial information for the proposed assignee or subtenant) reasonably necessary to let Landlord evaluate the proposed transaction. Landlord shall notify Tenant within twenty (20) days of its receipt of such notice whether Landlord elects to exercise its recapture right and, if not, whether Landlord consents to the requested assignment or sublease. If Landlord fails to respond within such twenty (20) day period, Landlord will be deemed not to have elected to recapture and not to have consented to the assignment or sublease. If Landlord does consent to any assignment or sublease request and the assignee or subtenant pays to Tenant an amount in excess of the Rent due under this Lease (after deducting Tenant's reasonable, actual expenses in obtaining such assignment or sublease, amortized in equal monthly installments over the then remainder of the Term), Tenant shall pay 75% of such excess to Landlord as and when the monthly payments are received by Tenant.

26. Default. If Tenant shall default in the payment of Rent herein reserved when due and fails to cure such default within five (5) business days after written notice of such default is given to Tenant by Landlord; or if Tenant shall be in default in performing any of the terms or provisions of this Lease other than the provisions requiring the payment of Rent, and fails to cure

such default within thirty (30) days after written notice of such default is given to Tenant by Landlord or, if such default cannot be cured within thirty (30) days, Tenant shall not be in default if Tenant promptly commences and diligently proceeds the cure to completion as soon as possible and in all events within ninety (90) days; or if Tenant is adjudicated a bankrupt; or if a permanent receiver is appointed for Tenant's Property and such receiver is not removed within sixty (60) days after written notice from Landlord to Tenant to obtain such removal; or if whether voluntarily or involuntarily, Tenant takes advantage of any debtor relief proceedings under any present or future law, whereby the Rent or any part thereof, is, or is proposed to be, reduced or payment thereof deferred; or if Tenant's effects should be levied upon or attached and such levy or attachment is not satisfied or dissolved within thirty (30) days after written notice from Landlord to Tenant to obtain satisfaction thereof; or, if Tenant is an individual, in the event of the death of the individual and the failure of the executor, administrator or personal representative of the estate of the deceased individual to have assigned the Lease within three (3) months after the death to an assignee approved by Landlord; then, and in any of said events, Landlord, at its option, may exercise any or all of the remedies set forth in Section 27 below.

27. Remedies. Upon the occurrence of any default set forth in Section 26 above which is not cured by Tenant within the applicable cure period provided therein, if any, Landlord may exercise all or any of the following remedies:

(a) terminate this Lease by giving Tenant written notice of termination, in which event this Lease shall terminate on the date specified in such notice and all rights of Tenant under this Lease shall expire and terminate as of such date, Tenant shall remain liable for all obligations under this Lease up to the date of such termination and Tenant shall surrender the Premises to Landlord on the date specified in such notice, and if Tenant fails to so surrender, Landlord shall have the right, without notice, to enter upon and take possession of the Premises and to expel and remove Tenant and its effects without being liable for prosecution or any claim of damages therefor;

(b) terminate this Lease as provided in the immediately preceding subsection and recover from Tenant all damages Landlord may incur by reason of Tenant's default, including without limitation, the then present value of (i) the total Rent which would have been payable hereunder by Tenant for the period beginning with the day following the date of such termination and ending with the Expiration Date of the term as originally scheduled hereunder, minus (ii) the aggregate reasonable rental value of the Premises for the same period (as determined by a real estate broker licensed in the State of North Carolina, who has at least ten (10) years experience, immediately prior to the date in question evaluating commercial office space, taking into account all relevant factors including, without limitation, the length of the remaining Term, the then current market conditions in the general area, the likelihood of reletting for a period equal to the remainder of the Term, net effective rates then being obtained by landlords for similar type space in similar buildings in the general area, vacancy levels in the general area, current levels of new construction in the general area and how that would affect vacancy and rental rates during the period equal to the remainder of the Term and inflation), plus (iii) the costs of recovering the Premises, and all other expenses incurred by Landlord due to Tenant's default, including, without limitation, reasonable attorneys' fees, plus (iv) the unpaid Rent earned as of the date of termination, plus interest, all of which sum shall be immediately due and payable by Tenant to Landlord;

(c) without terminating this Lease, and without notice to Tenant, Landlord may in its own name, but as agent for Tenant enter into and take possession of the Premises and re-let the Premises, or a portion thereof, as agent of Tenant, upon any terms and conditions as Landlord may deem necessary or desirable. Landlord shall have no obligation to attempt to re-let the Premises or any part thereof. Upon any such re-letting, all rentals received by Landlord from such re-letting shall be applied first to the costs incurred by Landlord in accomplishing any such re-letting, and thereafter shall be applied to the Rent owed by Tenant to Landlord during the remainder of the term of this Lease and Tenant shall pay any deficiency between the remaining Rent due hereunder and the amount received by such re-letting as and when due hereunder;

(d) allow the Premises to remain unoccupied and collect Rent from Tenant as it becomes due; or

(e) pursue such other remedies as are available at law or in equity.

28. Destruction or Damage.

(a) If the Building or the Premises are totally destroyed by storm, fire, earthquake, or other casualty, or damaged to the extent that, in Landlord's reasonable opinion the damage cannot be restored within one hundred eighty (180) days of the date Landlord provides Tenant written notice of Landlord's reasonable estimate of the time necessary to restore the damage, or if the damage is not fully covered by standard ISO Causes of Loss - Special Form property insurance, or if Landlord's lender requires that the insurance proceeds be applied to its loan, Landlord shall have the right to terminate this Lease effective as of the date of such destruction or damage by written notice to Tenant on or before thirty (30) days following Landlord's notice described in the next sentence and Rent shall be accounted for as between Landlord and Tenant as of that date. Landlord shall provide Tenant with notice within sixty (60) days following the date of the damage of the estimated time needed to restore, whether the loss is covered by Landlord's insurance coverage and whether or not Landlord's lender requires the insurance proceeds be applied to its loan.

(b) If the Premises are damaged by any such casualty or casualties but Landlord is not entitled to or does not terminate this Lease as provided in subsection (a) above, this Lease shall remain in full force and effect, Landlord shall notify Tenant in writing within sixty (60) days of the date of the damage that the damage will be restored (and will include Landlord's good faith estimate of the date the restoration will be complete), in which case Rent shall abate as to any portion of the Premises which is not usable, and Landlord shall restore the Premises to substantially the same condition as before the damage occurred as soon as practicable, whereupon full Rent shall recommence. Tenant shall be responsible to restore any items it is required to insure under this Lease.

29. Eminent Domain. If the whole of the Building or Premises, or such portion thereof as will make the Building or Premises unusable in the reasonable judgment of Landlord for their intended purposes, is condemned or taken by any legally constituted authority for any public use or purpose, then in either of said events, Landlord may terminate this Lease by written notice to Tenant and the Term hereby granted shall cease from that time when possession thereof is taken by the condemning authorities, and Rent shall be accounted for as between Landlord and

Tenant as of that date. If a portion of the Building or Premises is so taken, but not such amount as will make the Premises unusable in the reasonable judgment of Landlord for the purposes herein leased, or if Landlord elects not to terminate this Lease, this Lease shall continue in full force and effect and the Rent shall be reduced prorata in proportion to the amount of the Premises so taken. Tenant shall have no right or claim to any part of any award made to or received by Landlord for such condemnation or taking, and all awards for such condemnation or taking shall be made solely to Landlord. Tenant shall, however, have the right to pursue any separate award that does not reduce the award to which Landlord is entitled.

30. Service of Notice. Except as otherwise provided by law, Tenant hereby appoints as its agent to receive the service of all dispossessory or distraint proceedings and notices thereunder, the person in charge of or occupying the Premises at the time of such proceeding or notice; and if no person be in charge or occupying the Premises, then such service may be made by attaching the same to the front entrance of the Premises.

31. Mortgagee's Rights.

(a) Tenant agrees that this Lease shall be subject and subordinate (i) to any mortgage, deed to secure debt or other security interest now encumbering the Property and to all advances which may be hereafter made, to the full extent of all debts and charges secured thereby and to all renewals or extensions of any part thereof, and to any mortgage, deed to secure debt or other security interest which any owner of the Property may hereafter, at any time, elect to place on the Property; (ii) to any assignment of Landlord's interest in the leases and rents from the Building or Property which includes the Lease which now exists or which any owner of the Property may hereafter, at any time, elect to place on the Property; and (iii) to any Uniform Commercial Code Financing Statement covering the personal property rights of Landlord or any owner of the Property which now exists or any owner of the Property may hereafter, at any time, elect to place on the foregoing personal property (all of the foregoing instruments set forth in (i), (ii) and (iii) above being hereafter collectively referred to as "Security Documents"). Tenant agrees upon request of the holder of any Security Documents ("Holder") to hereafter execute any documents which the counsel for Landlord or Holder may deem necessary to evidence the subordination of the Lease to the Security Documents. If Tenant fails to execute any such requested documents, Landlord or Holder is hereby empowered to execute such documents in the name of Tenant evidencing such subordination, as the act and deed of Tenant, and this authority is hereby declared to be coupled with an interest and not revocable.

(b) In the event of a foreclosure pursuant to any Security Documents, Tenant shall at the election of Landlord, thereafter remain bound pursuant to the terms of this Lease as if a new and identical Lease between the purchaser at such foreclosure ("Purchaser"), as landlord, and Tenant, as tenant, had been entered into for the remainder of the Term hereof and Tenant shall attorn to the Purchaser upon such foreclosure sale and shall recognize such Purchaser as Landlord under the Lease. Such attornment shall be effective and self-operative without the execution of any further instrument on the part of any of the parties hereto. Tenant agrees, however, to execute and deliver at any time and from time to time, upon the request of Landlord or of Holder, any instrument or certificate that may be necessary or appropriate in any such foreclosure proceeding or otherwise to evidence such attornment.

(c) If the Holder of any Security Document or the Purchaser upon the foreclosure of any of the Security Documents shall succeed to the interest of Landlord under the Lease, such Holder or Purchaser shall have the same remedies, by entry, action or otherwise for the non-performance of any agreement contained in the Lease, for the recovery of Rent or for any other default or event of default hereunder that Landlord had or would have had if any such Holder or Purchaser had not succeeded to the interest of Landlord. Any such Holder or Purchaser which succeeds to the interest of Landlord hereunder, shall not be (a) liable for any act or omission of any prior Landlord (including Landlord); or (b) subject to any offsets or defenses which Tenant might have against any prior Landlord (including Landlord); or (c) bound by any Rent which Tenant might have paid for more than the current month to any prior Landlord (including Landlord); or (d) bound by any amendment or modification of the Lease made without its consent.

(d) Tenant hereby acknowledges that if the interest of Landlord hereunder is covered by an assignment of Landlord's interest in Lease, Tenant shall pay all Rent due and payable under the Lease directly to the Holder of the assignment of Landlord's interest in Lease upon notification of the exercise of the rights thereunder by the Holder thereof.

(e) Notwithstanding anything to the contrary set forth in this Section 31, the Holder of any Security Documents shall have the right, at any time, to elect to make this Lease superior and prior to its Security Document. No documentation, other than written notice to Tenant, shall be required to evidence that the Lease has been made superior and prior to such Security Documents, but Tenant hereby agrees to execute any documents reasonably requested by Landlord or Holder to acknowledge that the Lease has been made superior and prior to the Security Documents.

32. Tenant's Estoppel. Tenant shall, from time to time, upon not less than ten (10) days prior written request by Landlord, execute, acknowledge and deliver to Landlord a written statement certifying that this Lease is unmodified and in full force and effect (or, if there have been modifications, that the same is in full force and effect as modified and stating the modifications), the dates to which the Rent has been paid, that Tenant is not in default hereunder and has no offsets or defenses against Landlord under this Lease, whether or not to the best of Tenant's knowledge Landlord is in default hereunder (and if so, specifying the nature of the default) and such other statements as Landlord shall reasonably request, it being intended that any such statement delivered pursuant to this paragraph may be relied upon by a prospective purchaser of Landlord's interest or by a mortgagee of Landlord's interest or assignee of any security deed upon Landlord's interest in the Premises.

33. Attorneys' Fees and Homestead. If Tenant fails to pay any Rent or other sum due and owing under this Lease, and such sum is thereafter collected by or through an attorney at law, then, in addition to such sums, Tenant shall also pay Landlord's reasonable attorneys' fees incurred in such collection. Further, if Landlord exercises any of the remedies provided to Landlord under this Lease as a result of Tenant's failure to comply with its obligations, or if Landlord brings any action to enforce its rights under this Lease, Tenant shall be obligated to reimburse Landlord, on demand, for all costs and expenses, including reasonable attorneys' fees and court costs, incurred in connection therewith; provided, however that a recovery of attorneys' fees by Landlord against Tenant under this sentence shall include, but shall not

duplicate, the recovery by Landlord against Tenant of its reasonable attorneys' fees and other reasonable costs of collection permitted under the first sentence of this Paragraph. Tenant waives all homestead rights and exemptions which he may have under any law against any obligations owing under this Lease and Tenant hereby assigns to Landlord his homestead and exemption.

34. Parking. No rights to specific parking spaces are granted under this Lease; however, subject to Landlord's rights pursuant to the remainder of this Section 34, Tenant shall be entitled to use on a non-exclusive basis up to three and three-tenths (3.3) spaces per each 1,000 rentable square feet of space in the initial Premises in the parking facilities located on the Property, and Tenant shall have the right to use one (1) parking space in the executive parking lot serving the Building. All parking spaces provided to Tenant shall be unreserved and are to be used by Tenant, its employees and invitees in common with the other tenants of the Building and their employees and invitees. Landlord reserves the right to build improvements upon, reduce the size of, relocate, reconfigure, eliminate, and/or make alterations or additions to such parking facilities at any time. The use of the parking spaces is provided by Landlord to Tenant without additional charge.

35. Storage. If Landlord makes available to Tenant any storage space outside the Premises, anything stored therein shall be wholly at the risk of Tenant, and Landlord shall have no responsibility or liability for the items stored therein.

36. Waste Disposal.

(a) All normal trash and waste (i.e., waste that does not require special handling pursuant to subsection (b) below) shall be disposed of through the janitorial service.

(b) Tenant shall be responsible for the removal and disposal of any waste deemed by any governmental authority having jurisdiction over the matter to be hazardous or infectious waste or waste requiring special handling, such removal and disposal to be in accordance with any and all applicable governmental rules, regulations, codes, orders or requirements. Tenant agrees to separate and mark appropriately all waste to be removed and disposed of through the janitorial service pursuant to subsection (a) above and hazardous, infectious or special waste to be removed and disposed of by Tenant pursuant to this subsection (b). Tenant hereby indemnifies and holds harmless Landlord from and against any loss, claims, demands, damage or injury Landlord may suffer or sustain as a result of Tenant's failure to comply with the provisions of this subsection (b).

37. Surrender of Premises. Whenever under the terms hereof Landlord is entitled to possession of the Premises, Tenant at once shall surrender the Premises and the keys thereto to Landlord in the same condition as on the Commencement Date hereof, natural wear and tear only excepted, and Tenant shall remove all of its personality therefrom and shall, if directed to do so by Landlord, remove all improvements and restore the Premises to its original condition prior to the construction of any improvements which have been made therein by or on behalf of Tenant, including any improvements made prior to the Commencement Date. Landlord may forthwith re-enter the Premises and repossess itself thereof and remove all persons and effects therefrom, using such force as may be necessary without being guilty of forcible entry, detainer, trespass or

other tort. Tenant's obligation to observe or perform these covenants shall survive the expiration or other termination of the Term of this Lease. If the last day of the Term of this Lease or any renewal falls on Sunday or a legal holiday, this Lease shall expire on the business day immediately preceding.

38. Clean in Premises. Upon vacating the Premises, Tenant agrees to return the Premises to Landlord broom clean and in the same condition when Tenant's possession commenced, natural wear and tear excepted, regardless of whether any Security Deposit (as defined in Section 44 below) has been forfeited.

39. No Estate In Land. This contract shall create the relationship of landlord and tenant between Landlord and Tenant; no estate shall pass out of Landlord; Tenant has only a usufruct, not subject to levy or sale, and not assignable by Tenant except with Landlord's consent.

40. Cumulative Rights. All rights, powers and privileges conferred hereunder upon the parties hereto shall be cumulative but not restrictive to those given by law.

41. Paragraph Titles; Severability. The paragraph titles used herein are not to be considered a substantive part of this Lease, but merely descriptive aids to identify the paragraph to which they refer. Use of the masculine gender includes the feminine and neuter, and vice versa, where necessary to impart contextual continuity. If any paragraph or provision herein is held invalid by a court of competent jurisdiction, all other paragraphs or severable provisions of this Lease shall not be affected thereby, but shall remain in full force and effect.

42. Damage or Theft of Personal Property. All personal property brought into the Premises shall be at the risk of Tenant only and Landlord shall not be liable for theft thereof or any damage thereto occasioned by any acts of co-tenants, or other occupants of the Building, or any other person, except, with respect to damage to the Premises, as may be occasioned by the negligent or willful act of Landlord, its employees and agents.

43. Holding Over. In the event Tenant remains in possession of the Premises after the expiration of the Term hereof, or of any renewal term, with Landlord's written consent, Tenant shall be a tenant at will and such tenancy shall be subject to all the provisions hereof, except that the monthly rental shall be at the higher of one hundred fifty percent (150%) of the monthly Base Rent payable hereunder upon such expiration of the Term hereof, or of any renewal term, or one hundred fifty percent (150%) of the then current fair market rental value of the Premises as the same would be adjusted pursuant to the provisions of Section 3 hereof. In the event Tenant remains in possession of the Premises after the expiration of the Term hereof, or any renewal term, without Landlord's written consent, Tenant shall be a tenant at sufferance and may be evicted by Landlord without any notice, but Tenant shall be obligated to pay rent for such period that Tenant holds over without written consent at the same rate provided in the previous sentence and shall also be liable for any and all other damages Landlord suffers as a result of such holdover including, without limitation, the loss of a prospective tenant for such space. There shall be no renewal of this Lease by operation of law or otherwise. Nothing in this Section shall be construed as a consent by Landlord for any holding over by Tenant after the expiration of the Term hereof, or any renewal term.

44. **Security Deposit.** [Intentionally deleted.]

45. **Tenant Finishes.**

(a) Tenant hereby agrees to accept the Premises "AS IS, WHERE IS AND WITH ALL FAULTS", and acknowledges that, except as set forth on the Work Letter attached hereto as Exhibit B, if any, Landlord is not obligated to construct any tenant improvements or to provide any buildout allowances. The Work Letter if attached hereto as Exhibit "B" is hereby made a part of this Lease, and its provisions shall control in the event of a conflict with the provisions contained in this Lease.

(b) Tenant and Tenant's agents shall be permitted to enter the Premises prior to the Commencement Date of the Term of the Lease in order that Tenant may install furniture and telecommunications/data wiring to ready the Premises for Tenant's use and occupancy. Such entry is conditioned upon Tenant and its agents, contractors, employees and invitees working in harmony and not interfering with Landlord and its agents, contractors and employees in doing the Landlord's Work (as defined on Exhibit B). If at any time such entry shall cause or threaten to cause disharmony or interference, Landlord shall have the right to withdraw such permission upon 24 hours notice to Tenant. Tenant agrees that any such entry into and occupation of the Premises shall be deemed to be under all of the terms, covenants, conditions and provisions of the Lease except as to the covenant to pay Base Rent and Operating Expenses, and further agrees Landlord shall not be liable in any way for any injury, loss or damage which may occur to any of Tenant's work and installations made in the Premises or to properties placed therein prior to the Commencement Date of the term of the Lease, the same being at Tenant's sole risk.

46. **Rules and Regulations.** The rules and regulations in regard to the Building, annexed hereto, and all reasonable rules and regulations which Landlord may hereafter, from time to time, adopt and promulgate for the government and management of said Building, are hereby made a part of this Lease and shall, during the said term, be observed and performed by Tenant, its agents, employees and invitees.

47. **Quiet Enjoyment.** Tenant, upon payment in full of the required Rent and full performance of the terms, conditions, covenants and agreements contained in this Lease, shall peaceably and quietly have, hold and enjoy the Premises during the term hereof. Landlord shall not be responsible for the acts or omissions of any other tenant, Tenant or third party that may interfere with Tenant's use and enjoyment of the Premises.

48. **Entire Agreement.** This Lease contains the entire agreement of the parties and no representations, inducements, promises or agreements, oral or otherwise, between Landlord, Tenant and/or Agent not embodied herein shall be of any force or effect.

49. **Limitation of Liability.** Landlord's and Agent's obligations and liability with respect to this Lease shall be limited solely to Landlord's interest in the Building, as such interest is constituted from time to time, and neither Landlord nor Agent nor any officer, director, shareholder, member, manager, agent, employee or partner of Landlord or Agent, or any officer, director, shareholder, member, manager, agent, employee or partner of any partner or member

of Landlord or Agent, shall have any personal liability whatsoever with respect to this Lease. No owner of the Property, whether or not named herein, shall have liability hereunder after it ceases to hold title to the Property. Tenant shall have no right, and hereby expressly waives any right to, perform any work on behalf of Landlord or otherwise exercise "self help" and any right to deduct or withhold any amounts from any rentals due hereunder.

50. Submission of Agreement. Submission of this Lease to Tenant for signature does not constitute a reservation of space or an option to acquire a right of entry. This Lease is not binding or effective until execution by and delivery to both Landlord and Tenant.

51. Authority. If Tenant executes this Lease as a corporation, limited partnership, limited liability company or any other type of entity, each of the persons executing this Lease on behalf of Tenant does hereby personally represent and warrant that Tenant is a duly organized and validly existing corporation, limited partnership, limited liability company or other type of entity, that Tenant is qualified to do business in the State of North Carolina, that Tenant has full right, power and authority to enter into this Lease, and that each person signing on behalf of Tenant is authorized to do so. In the event any such representation and warranty is false, all persons who execute this Lease shall be individually, jointly and severally, liable as Tenant. Upon Landlord's request, Tenant shall provide Landlord with evidence reasonably satisfactory to Landlord confirming the foregoing representations and warranties.

52. Relocation. At any time or from time to time during the Term or any renewal thereof, Landlord shall have the unrestricted right to relocate Tenant from the Premises to any other office space in the Project. Landlord shall provide Tenant at least ninety (90) days prior written notice of any such relocation and Landlord shall reimburse Tenant for all reasonable expenses incurred by Tenant in connection with such relocation including moving expenses, telecommunications and data cabling and hookup and the cost of a reasonable supply of replacement stationery. Landlord shall, at its sole expense, renovate or construct improvements in the relocation space that are substantially similar to those in the Premises. Following any such relocation, Landlord and Tenant shall enter into an amendment to this Lease to reflect that the Premises consists of the relocation space. All other terms and conditions of the Lease shall remain unchanged following such relocation.

53. Broker Disclosure. CK Charlotte Suburban Brokerage, LLC, a real estate broker licensed in the State of North Carolina, has acted as agent for Landlord in this transaction and is to be paid a commission by Landlord pursuant to a separate agreement. Landlord represents that it has dealt with no other broker other than the broker identified herein. Landlord agrees that, if any other broker makes a claim for a commission based upon the actions of Landlord, Landlord shall indemnify, defend and hold Tenant harmless from any such claim. Tenant represents that it has dealt with no broker other than the broker identified herein. Tenant agrees that, if any other broker makes a claim for a commission based upon the actions of Tenant, Tenant shall indemnify, defend and hold Landlord harmless from any such claim.

54. Notices. Any notice which is required or permitted to be given by either party under this Lease shall be in writing and must be given only by certified mail, return receipt requested, by hand delivery or by nationally recognized overnight courier service at the addresses set forth below. Any such notice shall be deemed given on the date sent or deposited

for delivery in accordance with one of the permitted methods described above. The time period for responding to any such notice shall begin on the date the notice is actually received, but refusal to accept delivery or inability to accomplish delivery because the party can no longer be found at the then current notice address, shall be deemed receipt. Either party may change its notice address by notice to the other party in accordance with the terms of this Section 54. The following are the initial notice addresses for each party:

Landlord's Notice Address: c/o Wells Fargo Bank, N.A.
301 South College Street
Mail Code: MAC D1053-04B
Charlotte, NC 28202
Attn: Michael Wilson
Phone: (704) 715-3096

with a copy to:

Wells Fargo Bank, N.A.
301 South College Street
Mail Code: MAC D1053-300
Charlotte, NC 28202
Attn: Deborah Snyder, Esq.
Phone: (803) 514-2327

and with a copy to:

K&L Gates LLP
214 North Tryon Street, 47th Floor
Charlotte, NC 28202
Attn: Peter McLean III
Phone: (704) 331-7421

Tenant's Notice Address: _____

Attention: _____

55. Force Majeure. In the event of a strike, lockout, labor trouble, civil commotion, an act of God, or any other event beyond Landlord's control (a "force majeure event") which results in Landlord being unable to timely perform its obligations hereunder to repair the Premises, provide services, or complete the Landlord's Work (as provided in Exhibit "B"), so long as Landlord diligently proceeds to perform such obligations after the end of the force majeure event, Landlord shall not be in breach hereunder, this Lease shall not terminate, and Tenant's obligation to pay any Base Rent, Additional Rent, or any other charges and sums due and payable shall not be excused.

56. Financial Statements. On or before the Commencement Date and thereafter, upon Landlord's written request, but not more often than once per year, Tenant shall promptly

furnish to Landlord a financial statement with respect to Tenant (and any guarantor of this Lease) for its most recent fiscal year prepared in accordance with generally accepted accounting principles and certified to be true and correct by Tenant, together with such other financial information as Landlord may reasonably request.

57. Governing Law. This Lease shall be governed by and construed in accordance with the laws of the State in which the Premises are located.

58. Recording. Tenant shall not record this Lease or any memorandum of this Lease without the prior written consent of Landlord, which consent may be withheld or deemed in its sole discretion.

59. Anti-Terrorism Representation.

(a) Tenant is not, and shall not during the Term of the Lease become, a person or entity with whom Landlord is restricted from doing business with under the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, H. r. 3162, Public Law 107-56 (commonly known as the "USA Patriot Act") and Executive Order Number 13224 on Terrorism Financing, effective September 24, 2001 and regulations promulgated pursuant thereto (collectively, "Anti-Terrorism Laws"), including without limitation persons and entities named on the Office of Foreign Asset Control Specially Designated Nationals and Blocked Persons List (collectively, "Prohibited Persons").

(b) To the best of its knowledge, Tenant is not currently engaged in any transactions or dealings, or otherwise associated with, any Prohibited Persons in connection with the use or occupancy of the Premises, the Building or the Property. Tenant will not in the future during the Term of this Lease engage in any transactions or dealings, or be otherwise associated with, any Prohibited Persons in connection with the use or occupancy of the Premises, the Building or the Property.

(c) Tenant's breach of any representation or covenant set forth in this Section 59 shall constitute a breach of this Lease on behalf of Tenant, entitling Landlord to any and all remedies hereunder, or at law or in equity.


60. Special Stipulations. None.

[SIGNATURES APPEAR ON NEXT PAGE]

IN WITNESS WHEREOF, Landlord and Tenant have hereunto set their hands and seals,
this 11 day of June, 2014.


TENANT:

CHANTICLEER HOLDINGS, INC., a
Delaware corporation

By: 
Name: Eric S. Lederer
Title: CFO

LANDLORD:

REDUS NC COMMERCIAL, LLC, a Delaware
limited liability company

By: REDUS Properties, Inc., its Sole Member
By: 
Name: Michael L. Wilson
Title: VP

RULES AND REGULATIONS

1. Tenant shall keep the Premises and all common areas utilized by Tenant, its agents, employees, independent contractors, licensees and invitees, clean and shall not allow debris from the Premises to collect in any of the corridors, halls, stairs, ventilators, elevators, lobbies or other areas of the Building. All trash, refuse and debris shall be placed in appropriate containers designated for trash collection by Landlord from time to time. Tenant shall not place in any trash receptacle any material which cannot be disposed of in the ordinary and customary manner of trash and garbage disposal. Tenant shall use its best efforts to require its agents, employees, independent contractors, invitees and licensees to deposit cigarettes and all tobacco products only in ash trays within the Building or Premises and to refrain from littering any portion of the Building or the Property with trash or other debris. Tenant shall comply with and enforce all smoking policies adopted from time to time by Landlord for the Building and common areas. Smoking shall not be permitted in any of the common areas or in the Premises. Notwithstanding the foregoing, Landlord may designate a specific area within the common areas as a permitted or designated smoking area and Tenant shall cause its employees and invitees to utilize only the permitted or designated smoking areas within the common areas for smoking areas.

2. Hallway doors to the Premises opening into common areas or public corridors shall have no signs, door hardware, kickplates or other fixtures attached thereto unless approved in writing by Landlord and shall be kept closed at all times except for those limited periods when actually used for entry to and exit from the Premises. No signs (including name plates or signage identifying Tenant as the tenant of the Premises), banners, flags, placards, pictures, advertisements or notices shall be installed or displayed upon the interior or exterior portions of the Building or within those portions of the Premises which are visible from the exterior of the Building or any of the common areas without Landlord's prior written approval. Informational signage identifying Tenant's office space and lobby area building directories shall be of a standard and uniform size and of color and style approved by Landlord.

3. No birds, pets or animals of any kind shall be permitted in the Premises, the Building or on the Property.

4. Toilets, sinks, urinals, or other apparatus in the Building shall not be used for any purposes other than those for which they were constructed, and no sweepings, rubbish, rags, or other foreign substance of any kind shall be deposited therein. Any damage resulting from misuse of any toilets, sinks, urinals or other apparatus in the Building shall be repaired and paid for by the tenant whose employees, subtenants, assignees or any of their servants, employees, agents, visitors, licensees, or invitees may have caused such damage.

5. Tenant shall furnish Landlord or its agent with keys to all locked offices, washrooms, and other rooms within the Premises and shall promptly furnish Landlord with new keys if those locks are supplemented or changed. In the event Landlord elects to provide a card access entry system for the Building and Premises, Tenant shall be furnished with a reasonable allotment of access cards at Tenant's cost. Tenant shall assume full responsibility for protecting the Premises and the contents thereof from theft, robbery, pilferage, vandalism, and other loss. Tenant shall, upon the termination of the Lease, return to Landlord all keys (or access cards) to

the Premises and the Building and all offices, washrooms, storage rooms and other locked areas within the Premises. Tenant shall pay to Landlord the cost of replacing any lost keys or access cards or of changing the lock or locks as a result of the loss of such keys or access cards.

6. The parking lots, driveways, roadways, elevators, lobbies, restrooms, courtyards, vestibules, paths, walkways, sidewalks, entrances, stairways, landings, corridors, and halls of the Premises, the Building and the Property (a) shall not be obstructed or used for any purpose other than ingress and egress and (b) are not for the use of the general public. Landlord shall in all cases retain the right to control and prevent access to the Premises, the Building and the Property by all persons whose presence, in the judgment of Landlord, shall be prejudicial to the safety, character, reputation and interests of the Building; provided, however, that nothing herein contained shall be construed to prevent such access to persons with whom Tenant normally deals in the conduct of its business within the Premises (such as clients, customers, office suppliers and equipment vendors, and the like) unless such persons are engaged in illegal activities or fail to abide by or comply with all parking, loading, unloading, delivery and access rules and regulations of the Building. Neither Tenant nor any employee of Tenant shall go upon the roof of the Building without the prior written consent of Landlord.

7. Tenant assumes the risk and responsibility of moving its property in and out of the Building and the Premises. Landlord shall not be responsible for loss or damage of any nature or from whatever cause to any of Tenant's personal property.

8. Supplies, goods and packages of any kind shall be delivered only through designated service areas or through the loading dock areas of the Building. All deliveries (including the moving of Tenant's personal property in and out of the Building and the Premises) shall be made through freight elevators designated by Landlord and only during such hours as designated from time to time by Landlord. No deliveries shall be made through the main lobbies of the Building or which impede or interfere with the use of the Building by other tenants, the operation of the Building or which may in any way damage any of the common areas.

9. Landlord may take all reasonable measures it deems necessary for the safety and security of the Building or Property, including, without limitation, evacuation for cause, suspected cause, or temporary denial of Building access. There shall be no abatement of Rent and Landlord shall not be responsible for any damages resulting to Tenant from such action. Landlord reserves the right to exclude or expel from the Building any person who, in Landlord's judgment, is intoxicated, under the influence of alcohol or drugs, commits any act in violation of these Rules and Regulations or constitutes a security risk to the Premises, the Building or the Property.

10. Except with the prior written approval of Landlord, Tenant's employees and invitees shall not gather in any of the common areas of the Building or Property.

11. No cooking shall be permitted within the Building, except that the preparation of coffee, tea, hot chocolate, and similar items for Tenant and its employees and the use of microwave ovens by Tenant or its employees within the Premises shall be permitted provided that electric current for such use shall not exceed that amount which can be provided by a 30 amp circuit. The Premises shall not be used for manufacturing or for the storage of

merchandise except as such storage may be incidental to the permitted use of the Premises. Tenant shall not occupy or permit any portion of the Premises to be occupied or used in violation of any applicable governmental law or the restrictions set forth in the Lease, for the manufacture, sale, storage or use of alcohol, narcotics or tobacco or as a medical office, barber or manicure shop or as an employment bureau without the express written consent of Landlord. Tenant shall not engage or pay any employees on the Premises except those actually working for Tenant on the Premises nor advertise for laborers giving an address at the Premises. The Premises shall not be used for lodging or sleeping or for any improper, objectionable, immoral or illegal purposes, as determined in Landlord's sole discretion.

12. Tenant shall not permit or keep in the Premises any flammable, combustible, or explosive material, chemical or substance nor shall Tenant allow any smoke, dust, fumes, odors, gases, vapors or heat to be emitted from the Premises.

13. No vehicle (including bicycles and motorcycles) belonging to Tenant or to Tenant's agents, employees, or invitees shall be parked so as to impede or prevent ready access to any loading dock or any entrance to or exit from the Building, the Property or the parking lots for the Building. Except as otherwise specifically provided in the Lease Agreement, all parking for the Building is provided on a non-exclusive basis. All vehicles of any nature (including bicycles and motorcycles) shall be parked only in areas within the parking lots designated by Landlord. No vehicles of any nature shall be parked or left unattended for more than seven (7) consecutive days, unless in the ordinary course of Tenant's business and approved in writing by Landlord. The parking of motor homes, trailers, boats or delivery trucks in the garage (or parking lots) for the Building is prohibited. No bicycles or motorcycles shall be permitted inside the Building or the Premises nor shall bicycles or motorcycles be parked in a manner which would interfere with access to the Building or obstruct sidewalks or walkways on the Property.

14. No vending machine or machines of any kind shall be installed, maintained, or operated upon the Premises or common areas without Landlord's prior written consent, which may be given or withheld in Landlord's reasonable discretion. Tenant shall not purchase or contract to be furnished to the Premises spring water, ice, towels, janitorial, security, maintenance or other services without Landlord's prior written consent.

15. Canvassing, soliciting, peddling and distribution of handbills or any other written material in the Building or on the Property are prohibited.

16. Tenant shall not place anything or allow anything to be placed near the glass of any window, door, partition, or wall of the Premises which may, in Landlord's opinion, appear unsightly from outside the Building. All drywall and wall partitions abutting the exterior portions of the Building shall be installed in such a manner that said drywall and wall partitions shall abut the mullions of the Building and not the glass windows of the Building. No electric or other outlets or switches shall be installed on any of the window walls of the Building or on any of the vertical penetrations of the Building. Tenant shall not mark, drive nails, screw or drill into the partitions, doors, woodwork or plaster or in any way deface the Premises of the Building, or any part thereof, except in accordance with the provisions of the Lease pertaining to alterations and except for usual and customary interior decorating and the installation of furniture, fixtures and telephones and electrical equipment. Landlord reserves the right to direct electricians as to

where and how telephone and telegraph wires are to be introduced to the Premises. Tenant shall not cut or bore holes in the floors, ceilings or walls for wiring. Tenant shall not affix any floor covering to the floor of the Premises in any manner except as approved by Landlord.

17. Tenant shall not install any sunscreening, curtains, blinds, shades, screens, or other objects on any window or door of the Premises without Landlord's prior written consent, which may be given or withheld in Landlord's reasonable discretion. All electric ceiling fixtures hung in offices or spaces along the perimeter of the Building must be fluorescent and of a quality, type, design, and bulb color approved by Landlord.

18. Tenant shall (i) not waste electricity, water, or air conditioning and agrees to cooperate fully with Landlord to assure the most effective operation of heating and air conditioning services for the Building, (ii) comply with any governmental energy saving rules, laws or regulations, (iii) refrain from tampering with or changing the setting of any thermostats, temperature control valves, or other controls affecting the heating and air conditioning system for the Building, (iv) not permit anything to be done or brought onto the Premises which would impair or interfere with the utility or other services to be provided by Landlord, (v) not utilize any other form or type of heating or cooling source within the Premises (e.g., space heaters, fans, window air conditioners) other than that provided by Landlord and (vi) promptly notify Landlord of any accidents, defects or malfunction in any of the utility services provided to the Premises. All lights and all of Tenant's office equipment in the Premises shall be turned off at night when such areas are not in use.

19. Tenant shall not install or attach any radio or television antenna, loudspeaker, or other devices or projections on the roof or exterior walls of the Building or to any part of the Premises which would, in Landlord's opinion, interfere with the communication facilities utilized by other tenants of the Building or be unsightly.

20. Landlord shall have the right to prohibit advertising by Tenant which, in Landlord's discretion, tends to impair the reputation of the Building or its desirability as an office location.

21. Landlord reserves the right to exclude from the Building between the hours of 6:00 p.m. and 7:30 a.m. and at all hours on Saturday, Sunday, and legal holidays all persons who are not known to the Building watchman, if any, and who do not present a pass to the Building approved by Landlord. In the event a card access system is installed for the Building, only authorized employees of Tenant shall be provided with access cards. Tenant shall be solely responsible for the acts and omissions of all persons for whom it requests passes and all persons utilizing access cards provided by Landlord to Tenant. Landlord shall in no case be liable for damages for any error with regard to the admission to or the exclusion from the Building or the Premises of any person, including any malfunction or defect in any card access system for the Building. Landlord reserves the right to charge for replacement access cards.

22. Only hand trucks equipped with rubber tires and rubber side guards shall be used by Tenant in the Building.

23. If Tenant requires telegraphic, telephonic, burglar alarm or similar services, Tenant shall first obtain, and comply with, Landlord's instructions regarding their installation.

24. Tenant's use and occupancy of the Premises are subject and subordinate to all applicable governmental laws and regulations.

25. Should Tenant desire to place any unusually heavy equipment, including, but not limited to, large files, safes and electronic data processing equipment on the Premises, it shall first obtain written approval of Landlord to place such items within the Premises, for the use of elevators within the Building, and for the proposed location for the installation of the same. Landlord shall have the right to prescribe the weight and position of any equipment that may exceed the weight load limits for the Building, and may further require, at Tenant's expense, the reinforcement of any flooring on which such equipment may be placed, and/or to have an engineering study performed to determine such weight and position of equipment, to determine added reinforcement required and/or determine whether or not such equipment can be safely placed within the Building.

26. Tenant shall cooperate fully with the life safety plans for the Building as established and administered by Landlord, including participation by Tenant and employees of Tenant in exit drills, fire inspections, life safety orientations and other programs relating to fire safety required or directed by Landlord.

27. These Rules and Regulations are in addition to, and shall not be construed in any way to modify or amend, in whole or in part, the terms, covenants, agreements and conditions of the Lease.

28. Landlord reserves the right to rescind, alter or waive any of the provisions of these Rules and Regulations or add thereto when, in its judgment, the same is necessary or desirable for the reputation, safety, care or appearance of the Building, the operation and maintenance of the Building or the comfort of tenants of the Building.

EXHIBIT "A"

PROPERTY

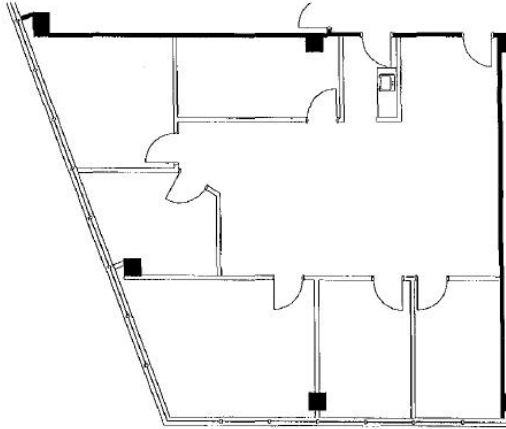
(Legal Description – Quail Plaza)

Beginning at an existing iron pin in the northerly margin of the 100 foot wide right-of-way of Pineville-Matthews Road (N.C. Highway #51). Said point being located in two (2) courses and distances along the northerly margin of said road from the point of curve into McMahan Drive as follows: 1) S 89-52-58 E 164.24 feet to an existing iron pin; 2) S 89-53-06 E 105.79 feet to the beginning and thence from said beginning point along the margin of the right-of-way of Pineville-Matthews Road N 89-53-06 W 105.79 feet to an existing iron pin, said point being the southeast corner of Lot 2, a portion of Quail Hollow Center as shown in Map Book 24, Page 121 of the Mecklenburg County Public Registry; thence with the easterly and northerly lines of said Lot 2 in two (2) courses and distances as follows: 1) N 00-01-25 E 204.68 feet to an existing iron pin; 2) S 89-58-37 W 183.96 feet to an existing iron pin in the easterly margin of McMahan Drive (60 foot public right-of-way); thence with the easterly margin of McMahan Drive N 00-05-58 E 310.21 feet to a new iron pin; thence continuing with the right-of-way of McMahan Drive at its intersection with Little Avenue (60 foot right-of-way) with an arc of a circular curve to the right having a radius of 20 feet, an arc distance of 29.37 feet (Chord: N 42-10-08 E 26.80 feet) to a new iron pin; thence with the southerly margin of the right-of-way of Little Avenue with the arc of a circular curve to the right having a radius of 848.51 feet an arc distance of 16.79 feet (Chord: N 83-40-17 E 16.79 feet) to a new iron pin; thence continuing with the right-of-way of Little Avenue N 83-05-25 E 100.00 feet to a new nail; thence continuing with said right-of-way with the arc of a circular curve to the right having a radius of 1083.40 feet, an arc distance of 454.24 feet (Chord: S 84-56-48 E 450.93 feet) to an existing iron pin; said point being the northwesterly corner of the Quail Phoenix Ltd. Partnership property as described in Deed Book 7937, Page 363 of said Registry; thence with its line in five (5) courses and distances as follows: 1) S 2019-55 W 312.25 feet to an existing nail; 2) N 89-49-53 W 83.47 feet to an existing nail; 3) S 20-19-46 W 139.69 feet to an existing nail; 4) N 89-54-29 W 53.29 feet to an existing nail; and 5) S 00-08-35 W 85.60 feet to the point and place of beginning containing 4.828 acres or 210,287.66 square feet of land as shown on a survey prepared by R. B. Pharr & Associates, P.A., dated July 11, 1996 last revised on September 25, 1996. Furthermore being known as Lot 1, a portion of Quail Hollow Center as shown in Map Book 24, Page 121 of the Mecklenburg Public Registry.

EXHIBIT "A-1"

PREMISES

SUITE 414
AS-BUILT - 1 OF 1
QUINN PLAZA
1,856 RSF
SCALE: 1/8" = 1'-0"
DATE: JULY 2, 2012



Childress Klein
PROPERTIES



EXHIBIT "B"

(WORK LETTER)

Tenant hereby agrees to accept the Premises "AS IS, WHERE IS AND WITH ALL FAULTS", and, except as specifically set forth below, Landlord is not obligated to construct any tenant improvements nor to provide Tenant any improvement allowance.

Subject to compliance with all applicable laws, covenants, and restrictions and using Building standard materials and construction methods, Landlord, at Landlord's sole expense, shall use reasonable speed and diligence to substantially complete the work (the "Landlord's Work") described on the plans and/or working description attached hereto as Exhibit "B-1" and by this reference made a part hereof. Landlord and Tenant shall work together in good faith to jointly plan the construction schedule for Landlord's Work, with which construction schedule Tenant shall cooperate and provide access to the Premises, as applicable and appropriate. Landlord shall not be obligated to substantially complete the Landlord's Work by any particular date, and the Commencement Date shall occur as scheduled, regardless of the status of such completion. No liability whatsoever shall arise or accrue against Landlord by reason of its failure to substantially complete the Landlord's Work by any particular date. Any changes or upgrades to Landlord's Work shall be mutually agreed upon in writing by both Landlord and Tenant, and any additional costs associated therewith shall be borne by Tenant. Upon substantial completion of the Landlord's Work, Tenant hereby expressly acknowledges and agrees that it shall accept, and shall be deemed to have accepted, the Premises and the Landlord's Work AS IS, WHERE IS, and as suitable for the purposes for which the same are leased hereby.

EXHIBIT "B-1"

1. Provide Building standard carpet and base.
2. One coat of Building standard paint to match existing paint.

IN WITNESS WHEREOF, Landlord and Tenant have hereunto set their hands and seals, this 24
day of June, 2014.

LANDLORD:

REDUS NC COMMERCIAL, LLC, a
Delaware limited liability company

By: REDUS Properties, Inc., its sole
member and manager

By: Michael J. Wilson
Name: Michael J. Wilson
Title: VP

TENANT:

CHANTICLEER HOLDINGS, INC., a
Delaware corporation

By: Eric S. Lederer
Name: Eric S. Lederer
Title: CFO

IN WITNESS WHEREOF, Landlord and Tenant have hereunto set their hands and seals,
this ___ day of _____, 2014.

**TEMPLATE FOR COMMENCEMENT DATE LETTER; TO BE EXECUTED AT
COMMENCEMENT DATE NOT AT LEASE EXECUTION.**

TENANT:

CHANTICLEER HOLDING, INC., a
Delaware corporation

By: _____
Name: _____
Title: _____

LANDLORD:

REDUS NC COMMERCIAL, LLC, a Delaware
limited liability company

By: REDUS Properties, Inc., its Manager

By: _____
Name: _____
Title: _____

North Carolina)
)
Mecklenburg County)

EXECUTION VERSION
FIRST AMENDMENT TO LEASE

THIS FIRST AMENDMENT TO LEASE (this "**First Amendment**") is made and entered into this 21st day of January, 2016 (the "**Effective Date**"), by and between **TPP 218 QUAIL PLAZA, LLC**, a Delaware limited liability company, hereinafter referred to as "**Landlord**," and **CHANTICLEER HOLDINGS, INC.**, a Delaware corporation, hereinafter referred to as "**Tenant**". Tenant leases from Landlord space in the amount of approximately 1,855 rentable square feet (the "**Existing Premises**"), located on the fourth (4th) floor of the Building commonly known as Quail Plaza, located at 7621 Little Avenue, Charlotte, North Carolina 28226 (the "**Building**").

WITNESSETH:

WHEREAS, Landlord's predecessor and Tenant entered into an Office Lease dated June 11, 2014 (the "**Lease**"); and

WHEREAS, Landlord and Tenant desire to amend the Lease to provide for, among other things, an expansion of the size of the Existing Premises to approximately 2,634 rentable square feet, by adding approximately 779 rentable square feet of space on the fourth (4th) floor of the Building to the Existing Premises, establishing the Base Rent due for the Expansion Space; providing for an abatement of Base Rent for the Expansion Space, and amending the Lease in certain other respects to reflect the addition of the Expansion Space to the Premises, all on the terms and conditions contained herein.

NOW THEREFORE, based on the mutual promises and covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which is acknowledged, the parties hereto agree to amend the Lease as follows:

1. **Recitals.** The foregoing recitals are true and incorporated in this First Amendment.
2. **Definitions.** Unless otherwise expressly defined or modified in this First Amendment, all capitalized terms used in this First Amendment shall have the respective meanings ascribed to them in the Lease.
3. **Amendment.** The Lease is hereby amended as follows:
 - 3.1 **Expansion of Premises.** Effective on and after February 1, 2016 (the "**Expansion Space Commencement Date**"):
 - a. The Premises under the Lease is hereby amended to include the approximately 779 rentable square feet of space on the fourth (4th) floor of the Building, known as Suite 415, as more particularly shown on **Exhibit A** attached hereto and incorporated herein by reference (the "**Expansion Space**"), and, as such: (i) the Premises under the Lease shall be hereby amended to consist of approximately 2,634 rentable square feet (which figure combines the Existing Premises under the Lease containing approximately

1,855 rentable square feet on the fourth (4th) floor of the Building and the Expansion Space containing approximately 779 rentable square feet of space on the fourth (4th) floor of the Building) and (ii) any and all references or calculations in the Lease involving the number of rentable square feet in the Premises, including, without limitation, Tenant's Proportionate Share, are hereby adjusted to reflect that the Premises consists of approximately 2,634 rentable square feet.; and

- b. Except as otherwise provided in this First Amendment, all terms and conditions of the Lease (including, without limitation, the Expiration Date of August 31, 2018) shall apply to the Expansion Space as part of the Premises.

3.2 Rent.

- a. Expansion Space. Effective for the period of the Term on and after the Expansion Space Commencement Date, the Base Rent for the Expansion Space shall be paid in equal monthly installments on or before the first day of each calendar month, without offset, notice or deduction in accordance with the other terms of the Lease and the following Base Rent Schedule¹:

FROM	THROUGH	RATE PER RSF	MONTHLY INSTALLMENT	CUMULATIVE AMOUNT FOR THE PERIOD
2/1/16	3/31/16	\$22.00 (Abated)	\$0.00 (Abated)	\$0.00 (Abated)
4/1/16	1/31/17	\$22.00	\$1,428.17	\$14,281.70
2/1/17	1/31/18	\$22.66	\$1,471.01	\$17,652.14
2/1/18	8/31/18	\$23.34	\$1,515.16	\$10,606.12

- b. Existing Premises. Tenant shall continue to pay Base Rent for the Existing Premises to and through the Expiration Date at the rates per square foot of Rentable Area set forth in and in accordance with the terms of the Lease.

3.3 Abatement of Base Rent. As provided in the Base Rent Schedule in Section 3.2 above, Tenant is granted an abatement of two (2) months of Rent for the Expansion Space following the Expansion Space Commencement Date (the "Expansion Space Abatement Period").

¹ Notwithstanding the fact that there are separate Base Rent Schedules for the Existing Premises and the Expansion Space, the Base Rent due for the Premises as a whole shall be deemed to be a single cumulative amount and payment, which is the total of the Base Rent due for the Existing Premises, as set forth in the Lease, as amended, and the Base Rent due for the Expansion Space, as set forth in Section 3.2(a). Any failure to pay the cumulative Base Rent amount shall be a default for the entire Lease and the entire Premises, not just for a portion of the Premises.

3.4 **Operating Expenses.** Tenant shall be responsible for Operating Expenses and all other charges due under the Lease for the Expansion Space in the same manner and on the same terms as for the Existing Premises; provided, however, that as of the Expansion Space Commencement Date, Tenant's Share shall increase to three and four hundredths percent (3.04%).

3.5 **Landlord's Work.** Prior to the Expansion Space Commencement Date, Landlord, at Landlord's expense, shall cause the following items to be performed in and to the Expansion Space ("**Landlord's Work**"):

- (a) Apply one coat of paint in the Expansion Space to match the Existing Premises;
- (b) Steam clean the carpet in the Expansion Space; and
- (c) Construct a framed door opening in the location shown on **Exhibit A**.

Except for Landlord's Work, Tenant agrees to accept possession of the Expansion Space in "as is, where is" condition with no other upfit or improvement obligation on the part of Landlord.

3.6 **Landlord's Rent Payment Address.** Section 3 of the Lease is hereby amended by deleting the first sentence thereof in its entirety and replacing it with the following:

"Tenant shall pay to Landlord, at TPP 218 Quail Plaza, LLC, P.O. Box 205618, Dallas, TX 75320-5618, or at such other place as Landlord shall designate in writing to Tenant, annual base rent ("**Base Rent**") in the amounts set forth in the Basic Lease Provisions.

3.7 **Landlord's Notice Address.** Section 54 of the Lease is hereby amended by deleting Landlord's Notice Address in its entirety and replacing it with the following:

Landlord's Notice Address: TPP 218 Quail Plaza, LLC
Attn: John Mearns
750 N. Saint Paul Street, Suite 900
Dallas, Texas 75201

with a copy to: Allman Spry Davis Leggett & Crumpler, P.A.
Attn: M. Joseph Allman
380 Knollwood Street, Suite 700
Winston-Salem, NC 27103
Telephone: (336) 631-1447
Facsimile: (336) 722-8720
Email: mjallman@allmanspry.com

3.8 **Brokers and Commissions.**

- a. **Broker.** Landlord and Tenant each represent and warrant to the other that it has not consulted, negotiated, or dealt with any real estate broker, finder, or other person with respect to this First Amendment except CCRE Commercial Real Estate, LLC (Mark Holoman) ("Landlord's Broker").
 - b. **Landlord's Obligation.** Landlord shall pay any commissions or fees that are payable to Landlord's Broker with respect to this First Amendment pursuant to Landlord's separate agreement with Landlord's Broker.
 - c. **Indemnity.** Each party shall indemnify and hold the other party harmless from any and all damages resulting from claims that may be asserted against the other party by any other broker, finder or other person (including, without limitation, any substitute or replacement broker claiming to have been engaged by indemnifying party in the future), claiming to have dealt with the indemnifying party in connection with the First Amendment to Lease or any amendment or extension thereto. The provisions of this Section 3.8 shall survive the termination of this Lease.
4. **Counterparts.** This First Amendment may be executed in multiple counterparts (with separate counterpart signature pages), each of which, when taken together, shall constitute a single instrument, and this First Amendment may be delivered from one party to the other by exchange of electronic "pdf" signatures or by facsimile signatures, which shall have the same legal effect as original signatures; provided, however, that within two (2) business days following any execution and delivery by Tenant of an electronic or facsimile signature, Tenant shall deliver the original executed First Amendment to Landlord (however, the failure to so deliver the original executed First Amendment shall not affect the validity of the executed First Amendment).
5. **Amendment to Lease.** The foregoing amends the Lease. Except as specifically modified and amended by this First Amendment, all other terms and conditions of the Lease shall remain in full force and effect.
6. **Exhibits and Addenda.** If any exhibits or addenda are noted below, such exhibits and/or addenda are incorporated herein and made a part of this First Amendment to Lease.
- a. **Exhibit A – Expansion Space Premises**

THE NEXT PAGE IS THE SIGNATURE PAGE.

IN WITNESS WHEREOF, the parties hereto have executed this First Amendment to Lease or have caused their duly authorized representatives to execute the same in four (4) original counterparts, as of the day and year first above written.

Witness:
Adam Aultz
Adam Aultz
Print Name

LANDLORD:

TPP 218 QUAIL PLAZA, LLC, a
Delaware limited liability company
By: John Maoras
Name: John Maoras
Title: Vice President
Dated: 1/21/2016

Witness:
Michelle Arcidiacono
Michelle Arcidiacono
Print Name

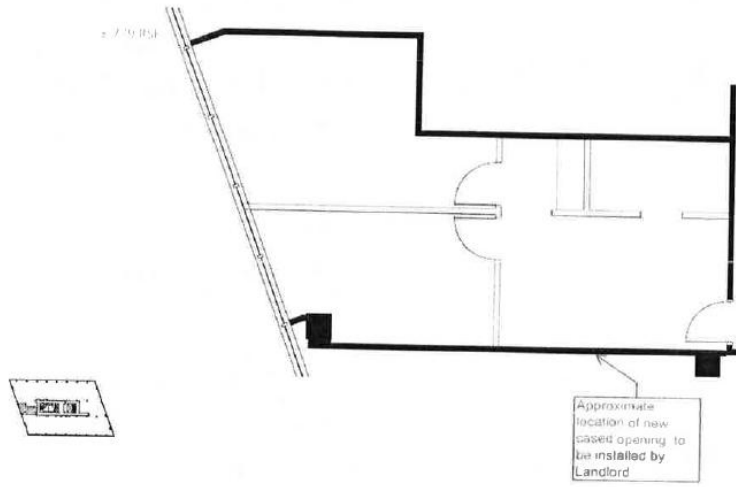
TENANT:

CHANTICLEER HOLDINGS, INC., a
Delaware corporation
By: Michael D. Pruitt
Name: Michael D. Pruitt
Title: President
Dated: 1/21/16

**EXHIBIT A
EXPANSION SPACE PREMISES**

7621 Little Avenue | 4th Floor - Suite 415

 CNL Commercial Real Estate



North Carolina)
)
Mecklenburg County)

SECOND AMENDMENT TO LEASE

THIS SECOND AMENDMENT TO LEASE ("Second Amendment") is made and entered into as of the ~~8th~~ ^{11th} day of ~~July~~ ^{August}, 2018 (the "Effective Date"), by and between TPP 218 QUAIL PLAZA, LLC, a Delaware limited liability company, hereinafter referred to as "Landlord", and CHANTICLEER HOLDINGS, INC., a Delaware corporation, hereinafter referred to as "Tenant."

WITNESSETH:

WHEREAS, Landlord's predecessor and Tenant entered into that certain Lease Agreement dated June 11, 2014 (the "Original Lease"), as modified by that certain First Amendment to Lease dated January 21, 2016 (the "First Amendment" and collectively with the Original Lease, the "Lease");

WHEREAS, Tenant leases from Landlord office space in the amount of approximately 2,634 rentable square feet in Suites 414 and 415 (the "Existing Premises"), on the fourth floor of the Building commonly known as Quail Plaza, located at 7621 Little Avenue, Charlotte, North Carolina 28226 (the "Building");

WHEREAS, Landlord and Tenant desire to amend the Lease to provide for, among other things, an extension of the Lease Term, the surrender to Landlord of a portion of the Existing Premises, and such other modifications and amendments to the Lease as provided herein.

NOW THEREFORE, based on the mutual promises and covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which is acknowledged, the parties hereto agree to amend the Lease as follows:

1. Recitals. The foregoing recitals are true and incorporated in this Second Amendment.
2. Definitions. Unless otherwise expressly defined or modified in this Second Amendment, all capitalized terms used in this Second Amendment shall have the respective meanings ascribed to them in the Lease.
3. Amendments. The Lease is hereby amended as follows:
 - 3.1 Extension of Lease Term. The Term of the Lease is hereby extended by twenty-four (24) months (sometimes referred to herein as the "Extended Term"), from September 1, 2018 through and including August 31, 2020 (the "Expiration Date"), and as such, the Term of the Lease shall expire on the Expiration Date, unless extended or earlier terminated in accordance with the terms of the Lease. All references in the Lease and this Second Amendment to the Term shall include the Extended Term.

3.2 **Surrender of Space to Landlord.**

- a. **Surrender Space.** Effective as of August 31, 2018 (the "**Reduction Date**"), the Existing Premises shall be reduced by Tenant's surrender of space to Landlord consisting of the entirety of Suite 415 (approximately 779 rentable square feet) (collectively, the "**Surrender Space**") as shown on **Exhibit A** attached hereto. Landlord and Tenant agree that the Surrender Space shall be surrendered and returned to Landlord in accordance with the provisions of Section 3.2(b) below on or before August 31, 2018. As of the Reduction Date, the Premises shall be reduced by the 779 rentable square feet comprising the Surrender Space.
- b. **Surrender Condition.** Effective on August 31, 2018, the Lease shall be deemed terminated as to the Surrender Space, but the Surrender Space only, in the same manner and effect and on the same terms as if the Reduction Date was the otherwise naturally scheduled expiration date under the Lease for the Surrender Space. The Lease shall remain in full force and effect as to the Remaining Premises (defined in Section 3.2(c) below). On or before the Reduction Date, Tenant shall deliver and surrender possession of the Surrender Space to Landlord in the condition required under Section 37 of the Original Lease for the surrender of the Premises at the end of the Term, and on the Reduction Date, Landlord shall have the right to re-take possession of the Surrender Space free from any claim by Tenant. The failure to surrender possession of the Surrender Space to Landlord on or before August 31, 2018 shall be deemed and treated as a holdover by Tenant for the Surrender Space under Section 43 of the Original Lease.
- c. **Remaining Premises.** Effective on and after the Reduction Date, the Premises shall contain approximately 1,855 rentable square feet located in Suite 414 of the Building (sometimes referred to in this Second Amendment as the "**Remaining Premises**"). The Remaining Premises is also identified on **Exhibit A** attached hereto and incorporated herein by reference. Effective on and after the Reduction Date, any and all references and calculations in the Lease, including the number of rentable square feet in the Premises, shall automatically be adjusted to reflect that the Premises contains approximately 1,855 rentable square feet.

- 3.3 **Base Rent for the Remaining Premises.** Effective for the period of the Term beginning on September 1, 2018, Tenant shall pay Base Rent on the Remaining Premises in equal monthly installments on or before the first day of each calendar month, without offset, notice, or deduction, and in accordance with the other terms of the Lease, in the amounts set forth in the following Base Rent schedule:

FROM	THROUGH	RATE PER RSF	SQUARE FOOTAGE	MONTHLY INSTALLMENT	CUMULATIVE AMOUNT FOR THE PERIOD
9/1/2018	8/31/2019	\$24.50	1,855	\$3,787.29	\$45,447.50
9/1/2019	8/31/2020	\$25.24	1,855	\$3,901.68	\$46,820.20

- 3.4 **Operating Expenses.** Tenant shall be responsible for Operating Expenses and all other charges due under the Lease for the Remaining Premises in the same manner and on the same terms as provided in the Lease; provided, however, as of September 1, 2018, Tenant's Share shall decrease to two and eight hundredths percent (2.08%). Tenant shall remain liable for all charges arising and accruing for the Surrender Space through and including the Reduction Date.
- 3.5 **Demising Wall.** Following the Effective Date of this Second Amendment, Landlord, at Landlord's sole cost and expense, shall remove the framed opening between Suites 414 and 415 on the fourth floor of the Building and shall construct a demising wall in the same location to separate the Surrender Space from the Remaining Premises.
- 3.6 **Delivery Condition.** Tenant acknowledges that it is in possession of the Remaining Premises and is leasing the Remaining Premises in "AS IS, WHERE IS" condition, with no improvement or upfit obligation on the part of Landlord.
- 3.7 **Brokers and Commissions.**
- a. **Broker.** Landlord and Tenant each represent and warrant to the other that it has not consulted, negotiated, or dealt with any real estate broker, finder, or other person with respect to this Second Amendment except Cushman & Wakefield (Jessica Brown and Kris Westmoreland) ("**Landlord's Broker**").
 - b. **Landlord's Obligation.** Landlord shall pay any commissions or fees that are payable to Landlord's Broker with respect to this Second Amendment pursuant to Landlord's separate agreement with Landlord's Broker.
 - c. **Indemnity.** Each party shall indemnify and hold the other party harmless from any and all damages resulting from claims that may be asserted against the other party by any other broker, finder or other person (including, without limitation, any substitute or replacement broker claiming to have been engaged by indemnifying party in the future), claiming to have dealt with the indemnifying party in connection with the Second Amendment to Lease or any amendment or extension thereto. The provisions of this Section 3.7 shall survive the termination of this Lease.
4. **Counterparts.** This Second Amendment may be executed in multiple

counterparts (with separate counterpart signature pages), each of which, when taken together, shall constitute a single instrument, and this Second Amendment may be delivered from one party to the other by exchange of electronic "pdf" signatures or by facsimile signatures, which shall have the same legal effect as original signatures; provided, however, that within two (2) business days following any execution and delivery by Tenant of an electronic or facsimile signature, Tenant shall deliver the original executed Second Amendment to Landlord (however, the failure to so deliver the original executed Second Amendment shall not affect the validity of the executed Second Amendment).

5. Amendment to Lease. The foregoing amends the Lease. Except as specifically modified and amended by this Second Amendment, all other terms and conditions of the Lease shall remain in full force and effect.
6. Exhibits and Addenda. If any exhibits or addenda are noted below, such exhibits and/or addenda are incorporated herein and made a part of this Second Amendment to Lease.
 - a. **Exhibit A – Surrender Space and Remaining Premises**

THE NEXT PAGE IS THE SIGNATURE PAGE

IN WITNESS WHEREOF, the parties hereto have executed this Fifth Amendment to Lease as of the day and year first above written.

Witness:

Adam Aultz

Adam Aultz

Print Name

LANDLORD:
TPP 218 QUAIL PLAZA, LLC,
a Delaware limited liability company

By: John Mearns

Name: John Mearns
Vice President

Title: _____

Dated: 8/8/2018

Witness:

Michelle Arcidiacono

Michelle Arcidiacono

Print Name

TENANT:
CHANTICLEER HOLDINGS INC.,
a Delaware corporation

By: Michael D. Pruitt

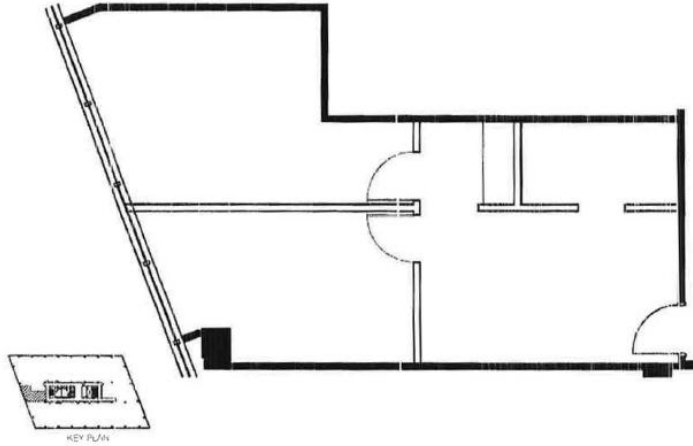
Name: Michael D. Pruitt

Title: President

Dated: August 8, 2018

EXHIBIT A
SURRENDER SPACE AND REMAINING PREMISES

Surrender Space

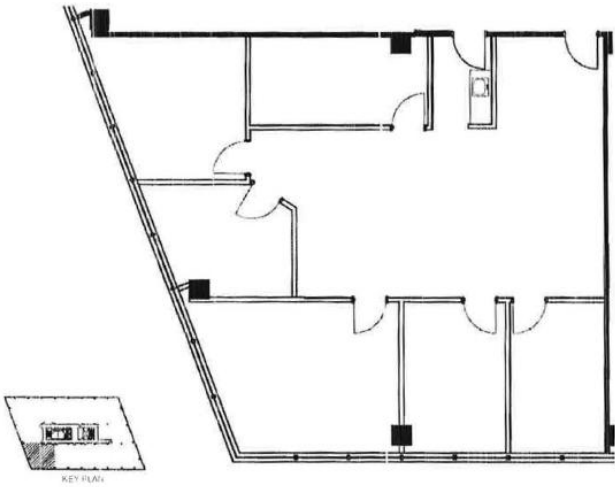


IF THE SURRENDER SPACE IS TO BE
REMOVED, THE SURRENDER SPACE
SHOULD BE RE-DESIGNED TO
MATCH THE REMAINING PREMISES.

QUAIL PLAZA
7621 LITTLE AVENUE
FOURTH FLOOR - SUITE 415
779 RSF

CUSHMAN &
WAKEFIELD

Remaining Premises



DATE: 08/19/2010
DRAWN BY: J. W. WILSON
CHECKED BY: J. W. WILSON

QUAIL PLAZA
7821 LITTLE A/VENUE
FOURTH FLOOR - SUITE 414
1,855 RSF

CUSHMAN &
WAKEFIELD

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

Date: November 14, 2019

/s/ Michael D. Pruitt

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

**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, Patrick Harkleroad, certify that:

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

Date: November 14, 2019

/s/ Patrick Harkleroad
Patrick Harkleroad
Chief Financial Officer
(Principal Financial Officer)

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

In connection with this Quarterly Report of Chanticleer Holdings, Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael D. Pruitt, Chief Executive Officer of the Company, do hereby certify, pursuant to § 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1350), that to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 14, 2019

/s/ Michael D. Pruitt

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

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

In connection with this Quarterly Report of Chanticleer Holdings, Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Patrick Harkleroad, Chief Financial Officer of the Company, do hereby certify, pursuant to § 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1350), that to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 14, 2019

/s/ Patrick Harkleroad

Patrick Harkleroad
Chief Financial Officer
(Principal Financial Officer)
