

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

FORM 10-K/A

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

For the Fiscal Year Ended December 31, 2007

Commission File Number 814-00709

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)

The Rotunda, 4201 Congress Street, Suite 145, Charlotte, NC 28209

(Address of principal executive offices, including 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  No.

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

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

Indicate by check mark 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.

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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 accelerate filer  Accelerated filer   
Non-accelerated filer  Smaller reporting company

(Do not check if a smaller reporting company)

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

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter (\$0.80 per share) (2,106,943 of 8,046,604 shares): \$1,685,534 as of June 30, 2007.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date. There were 8,618,032 shares of common stock outstanding as of February 29, 2008.

DOCUMENTS INCORPORATED BY REFERENCE: No documents are incorporated by reference into this Report except those Exhibits so incorporated as set forth in the Exhibit index.

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## PART I

### FORWARD LOOKING STATEMENTS

This Annual Report contains forward-looking statements within the meaning of the federal securities laws that involve a number of risks and uncertainties. Our future results may differ materially from our historical results and actual results could differ materially from those projected in the forward-looking statements as a result of certain risk factors. These factors are described in the "Risk Factors" section below. Among the factors that could cause actual results to differ materially from those expected are the following: business conditions and general economic conditions; competitive factors, such as pricing and marketing efforts; and the pace and success of product research and development. These and other factors may cause expectations to differ.

### ITEM 1: BUSINESS

Chanticleer Holdings, Inc. (the "Company," "we," "us" or "Chanticleer") filed an election to be treated as a business development company under the Investment Company Act of 1940 (the "1940 Act") on May 23, 2005. In connection with this election, we have adopted corporate resolutions and are operating as a closed-end, non-diversified management investment company and as a business development company (a "BDC").

On April 18, 2006, we formed Chanticleer Investors LLC ("Investors LLC") and sold units for \$5,000,000, of which we own \$1,150,000 (23%) as of December 31, 2007. Investors LLC's principal asset is a 6%, convertible note in the amount of \$5,000,000 with Hooters of America, Inc. ("Hooters"), collateralized by and convertible into 2% of Hooters common stock. One-third of the interest is paid to us as a management fee and we share pro-rata with the other investors in the remaining 4% interest, which is distributed to the investors quarterly.

On July 31, 2006, we formed Chanticleer Investors II, LLC ("Investors II"). Investors II began raising funds in January 2007 for the purpose of investing in publicly traded value securities.

In January 2007, we formed Chanticleer Advisors, LLC ("Advisors"), as a wholly owned subsidiary to manage Investors II, as well as, other investments.

As a BDC, we are required to invest at least 70% of our total assets in qualifying assets, which, generally, will be privately held companies or companies with thinly traded public securities at the time we invest in them. Qualifying assets may also include cash, cash equivalents, U.S. Government securities or high-quality debt investments maturing in one year or less from the date of investment. We may invest a portion of the remaining 30% of our total assets in debt and/or equity securities of companies that may be larger or more stable than target portfolio companies.

## **The Characteristics of Desirable Investments**

When we begin to look at companies, we have the option of investing in public or private companies. We look to buy businesses with the best value proposition. We conduct what is typically referred to as fundamental analysis. We believe that while technical analysis, or the examination of historical trends and demand/supply complexes, may have some merit in the short-term, fundamental characteristics in the long-term make the difference.

We look for five core characteristics in our investments:

- Profitability
- Predictable and Sustainable Returns
- Margin of Safety
- Strong Future Prospects
- Reputable Management

We look at these characteristics in a historical context and then assess what those characteristics will look like in the future. We believe that the best indication of what a company will do in the future is its past behavior. The metrics that we examine are a blend of quantitative factors, like return on equity and profit margin, and qualitative factors, like management ownership and a company's competitive advantage. By remaining disciplined with respect to these metrics, we can be assured that we have attempted to minimize the potential for a loss.

## **Portfolio and Firm Management**

The investment portfolio of Chanticleer has several distinguishing characteristics. First and foremost is the portion of our assets that we are willing to commit to an idea. At the end of our search for outstanding companies we must be willing to commit a meaningful percentage of our assets to our best investment opportunities. Additionally, it is very likely that the number of our holdings will be relatively small. There are a limited number of companies that have stood the test of our scrutiny, so we must put a relatively significant amount of money in those few ideas. We attempt to select portfolio companies that are focused on the best possible ideas.

We also make decisions within the context of our portfolio in such a way as to minimize its turnover. When we find good companies we will not rush to make a change at the first indication of short-term weakness. In fact such a time might be cause for additional investment. Understanding that there will be occasions for change, buying and selling has the unintended consequence of interrupting the compounding effect and any resulting superior returns.

Chanticleer, though structured as a BDC, is managed much like a partnership. We manage the business to maximize the long-term return to our shareholders and make every effort to allow our shareholders to share that return. We are candid in our comments about the businesses in which we invest and treat our shareholders the way we would choose to be treated if the roles were reversed. As such, we report all the information we believe shareholders will need to make an assessment of our companies and our management capabilities. We will not, however, discuss matters which may compromise future investments.

Over the long-term it is our goal to provide a return superior to the return an investor could obtain by simply investing in low-cost index funds. We believe the philosophy presented here will, over the long-term, create wealth for our shareholders, without significant risk exposure.

### **Ongoing Relationships with Portfolio Companies**

#### *Monitoring*

We continuously monitor our portfolio companies in order to determine whether they are meeting our investment criteria and achieving our business expectations. We monitor the progress of each portfolio company to assess the appropriate course of action for each company and to evaluate overall portfolio quality.

#### *Managerial Assistance*

As a BDC, we are required to offer, and in some cases may provide, significant managerial assistance to portfolio companies. This assistance typically involves monitoring the operations of portfolio companies, participating in their board and management meetings, consulting with and advising their officers and providing other organizational and financial guidance.

### **Other Income**

In addition to our investment objectives, we seek to earn interest on our loans to portfolio companies and in some cases may have management fee agreements with the portfolio companies.

Frequently, to minimize the cash requirements of our portfolio companies, we may receive stock in payment of our management fees and the interest owed us on our loans to our portfolio companies. Our investment committee will value the stock, which will become the basis for a portion of our revenue.

### **Investment Personnel**

The investment personnel of Chanticleer Holdings, Inc. currently consists of its executive officer, Michael D. Pruitt, and two additional investment analysts that assist in researching and valuing potential and additional investments. The following information relates to the personnel involved in making investment and valuation decisions.

#### ***Michael D. Pruitt***

Michael Pruitt, a long-time entrepreneur with a proven track record, possesses the expertise to evaluate potential investments, form key relationships and recognize a strong management team. Mr. Pruitt founded Avenel Financial Group, a boutique financial services firm concentrating on emerging technology company investments. The business succeeded immediately, and in order to grow Avenel Financial Group to its full potential and better represent the company's ongoing business model, he formed Avenel Ventures, an innovative technology investment and business development company. In the late 1980s, Mr. Pruitt owned Southern Cartridge, Inc., which he eventually sold to MicroMagnetic, Inc., where he continued working as Executive Vice President and a Board member until Southern Cartridge was sold to Carolina Ribbon in 1992. From 1992 to 1996, Mr. Pruitt worked in a trucking firm where he was instrumental in increasing revenues from \$6 million to \$30 million. The firm was sold in 1996 to Priority Freight Systems. Between 1997 and 2000, Mr. Pruitt assisted several public and private companies in raising capital, recruiting management and preparing companies to go public or be sold. He was the CEO, President and Chairman of the Board of Onetravel Holdings, Inc. (formerly RCG Companies), a publicly traded holding company formerly listed on the AMEX. Mr. Pruitt received a Bachelor of Arts degree from Coastal Carolina University in Conway, South Carolina, where he sits on the Board of Visitors of the Wall School of Business. He is also Managing Director of Cain Capital Advisors; a Director of HealthSport, Inc. (HSPO); and CEO and a Director of Syzygy Entertainment, Ltd. (SYZG).

***Matthew S. Miller***

Matthew Miller joined Chanticleer Holdings in June of 2005. He graduated Summa Cum Laude from Coastal Carolina University earning a Bachelor degree in Business Administration with a concentration in Finance. At Coastal, he graduated from the honors program and was a member of the distinguished Wall Fellows Program. In 2004, Mr. Miller was named a Financial Executives International Scholar and has presented on several research topics, including capital structure, insider trading, and the Warren Buffett methodology. Most recently, he worked with Wachovia Securities, LLC in Myrtle Beach, South Carolina where he coordinated prospecting efforts for the Pyle/Cunningham Investment Consulting Group. Mr. Miller has also worked for Hennecke GmbH in Sankt Augustin, Germany. There he worked to develop a better means of recording synergies between the company and its parent, Bayer AG.

***Joseph T. Koster***

Joseph Koster joined Chanticleer Holdings in June of 2005. He is a Magna Cum Laude graduate of Coastal Carolina University. Mr. Koster graduated with a Bachelor degree in Business Administration with a concentration in Finance. He was a member of the Beta Gamma Sigma International Honor Society and the distinguished Wall Fellows Program at CCU. Mr. Koster worked part-time for a financial advisor in Myrtle Beach during his final academic year and also spent the previous summer working in the executive offices of Kemin Europa, a global chemical company with headquarters in Herentals, Belgium.

**Further Regulation as a Business Development Company**

We are a BDC under the 1940 Act. The 1940 Act contains prohibitions and restrictions relating to transactions between BDCs and their affiliates, including any investment advisers or sub-advisers, principal underwriters and affiliates of those affiliates or underwriters and requires that a majority of the directors be persons other than interested persons, as that term is defined in the 1940 Act. In addition, the 1940 Act provides that we may not change the nature of our business so as to cease to be, or to withdraw our election as, a BDC unless approved by a majority of our outstanding common shareholders.

We are permitted, under specified conditions, to issue multiple classes of indebtedness and one class of stock senior to our common stock if our asset coverage, as defined in the 1940 Act, is at least equal to 200% immediately after each such issuance. In addition, while any senior securities remain outstanding, we must make provisions to prohibit any distribution to our stockholders or the repurchase of such securities or shares unless we meet the applicable asset coverage ratios at the time of the distribution or repurchase. We may also borrow amounts up to 5% of the value of our total assets for temporary or emergency purposes. Regulations governing our operation as a BDC will affect our ability to, and the way in which we raise additional capital, which may expose us to risks, including the typical risks associated with leverage.

#### **Code of Ethics**

We have adopted a code of ethics pursuant to Rule 17j-1 under the 1940 Act that establishes procedures for personal investments and restricts certain personal securities transactions. Personnel subject to each code may invest in securities for their personal investment accounts, including securities that may be purchased or held by us, so long as such investments are made in accordance with the code's requirements.

#### **ITEM 1A: RISK FACTORS**

In the normal course of business, and in an effort to keep our shareholders and the public informed about our operations and portfolio of investments, we may from time-to-time issue certain statements, either in writing or orally, that contain or may contain forward-looking information. Generally, these statements relate to our business plans or strategies or portfolio companies, projected or anticipated benefits or consequences of such plans or strategies, projected or anticipated benefits of new or follow-on investments made by or to be made by us, or projections involving anticipated purchases or sales of securities or other aspects of our operating results. Forward-looking statements are not guarantees of future performance and are subject to risks and uncertainties that could cause actual results to differ materially. As noted elsewhere in this report, our operations and portfolio of investments are subject to a number of uncertainties, risks, and other influences, many of which are outside our control, and any one of which, or a combination of which, could materially affect the results of our operations, or our net asset value ("NAV"), the market price of our common stock, and whether any forward-looking statements made by us ultimately prove to be accurate.

Investing in Chanticleer involves a number of significant risks relating to our business and investment objective. As a result, there can be no assurance that we will achieve our investment objective. In addition, the following risk factors are applicable to an investment in our common stock.



## GENERAL RISK FACTORS

### **We are a recently organized company with limited resources and sources of revenues.**

We made our election to become a BDC in 2005 and have entered into a number of financing transactions with portfolio companies as described in the notes to the financial statements. We have limited experience relating to the identification, evaluation and acquisition of target businesses and, accordingly, there is only a limited basis upon which to evaluate our prospects for achieving our intended business objectives. To date, our efforts have been limited primarily to organizational activities and acquisition of the investments described in the notes to the financial statements. We have raised \$3,123,462 from sales of our common stock and have a cost basis in our investments of \$3,292,229 at December 31, 2007. We have realized only limited revenues to date. We are wholly dependent for the selection, structuring, closing and monitoring of all of our investments on the diligence and skill of its management, acting under the supervision of our Board of Directors. None of these individuals has substantial experience, within the BDC business format, in acquiring and investing in growth stage companies, the negotiation of the terms of such investments and the monitoring of such investments after they are made. We cannot assure you that we will attain our investment objective.

### **We filed our notice of intent to become a BDC which requires us to comply with significant regulatory requirements.**

On May 23, 2005, we filed a notice with the Securities and Exchange Commission of our intent to be regulated as a BDC under the 1940 Act and be subject to Sections 54 through 65 of said Act. Being subject to the BDC provisions requires us to meet significant numbers of regulatory and financial requirements. Compliance with these regulations is expensive and may create financial obstacles for us in the future. These laws and regulations, as well as their interpretation, may be changed from time to time. Accordingly, any change in these laws or regulations could have a material adverse effect on our business.

The increased costs associated with compliance with the 1940 Act as a result of our election to become a BDC include costs associated with the increased demand for compliance including oversight by our Chief Compliance Officer and counsel to the Company as well as increased costs due to accounting methodology and valuations which increase the time and work required of both our accounting service providers and independent auditors. These costs require us to expend capital and resources that might otherwise be used to meet the needs or opportunities relating to investments and/or our portfolio companies or other income-producing assets.

If we do not remain a BDC, we may continue to be regulated as a closed-end investment company under the 1940 Act, which would decrease our operating flexibility. We cannot assure you that we will successfully retain our BDC status.

**There are risks which result from the inherent concentration of investments prior to diversification.**

While we intend to allocate our investments among different portfolio companies, it is possible that, prior to our achieving diversification, a significant amount or all of our NAV at any one time could be invested in the securities of just a few portfolio companies. Thus, our success and its NAV would be dependent on the success of just a few portfolio companies. All of the risks associated with ownership of such portfolio companies including success dependent on management, market conditions within the industry or field of such portfolio companies, achieving the business objectives of such portfolio companies and economic conditions and other conditions relative to the operation of such portfolio companies, would become risks borne by us.

**Limitation of liability and indemnification of management.**

While limitations of liability and indemnification are themselves limited, we have instituted provisions in our by-laws indemnifying against and not making management liable for, any loss or liability incurred in connection with our affairs, so long as such loss or liability arose from acts performed in good faith and not involving any fraud, gross negligence or willful misconduct. Therefore, to the extent that these provisions provide any protection to management, that protection may limit the right of a shareholder to collect damages from members of management. Management is accountable to the shareholder as a fiduciary and, consequently, members of management are required to exercise good faith and integrity in handling our affairs.

**Our business may become subject to extensive regulation at the federal and state levels.**

Our operations are and will be affected by current and future legislation and by the policies established from time to time by various federal and state regulatory authorities. It is not possible to predict what changes, if any, will be made to existing federal and state legislation and regulations or the effect that such changes may have on our future business and earnings prospects.

**Our investments may require us to raise additional capital on different terms.**

In the future we may require additional capital. For additional requirements, we may raise capital by issuing equity or convertible debt securities, and if we do, the percentage ownership of our existing stockholders would be diluted. In addition, any new securities we issue could have rights, preferences and privileges senior to our existing equity.

Our ability to raise capital as a BDC is limited by the requirement that we not sell shares below the net asset value per share ("NAV/S") without approval of a majority of our shareholders. While we do not anticipate that the NAV/S calculation will ever result in a negative number or a nominally positive number, the Company would be severely limited in its ability to sell shares if such number was negative or nominally positive.

**We cannot guarantee paying dividends to our stockholders.**

We are allowed by our articles of incorporation and by-laws to pay dividends to our stockholders. However, there can be no guarantee we will have sufficient revenues to pay dividends. Consequently, there is no assurance that the Company will pay any dividends during any period. Investors in need of liquidity through the payment of dividends should refrain from investing in our common stock.

## GENERAL RISKS ASSOCIATED WITH BUSINESS DEVELOPMENT COMPANIES

### **BDCs generally require substantial amounts of time to realize the benefits from investments.**

We have obtained funding and completed the initial selection of portfolio companies for our first round of equity investments. Venture capital investments typically take from four to eight years from the date of initial investment to reach a state of maturity at which liquidation can be considered practical. In light of the foregoing, it is unlikely that any significant distributions of the proceeds from the liquidation of equity investments will be made for several years after inception, if at all.

### **We may change our investment policies without further shareholder approval.**

Although we are limited by the 1940 Act with respect to the percentage of our assets that must be invested in qualified portfolio companies, we are not limited with respect to the minimum standard that any investment company must meet, nor the industries in which those investment companies must operate. We may make investments without shareholder approval and such investments may deviate significantly from our historic operations. Any change in our investment policy or selection of investments could adversely affect our stock price, liquidity, and the ability of our shareholders to sell their stock.

### **Our investments may not generate sufficient income to cover our operations.**

We intend to make investments into qualified companies that will provide the greatest overall return on our investment. This is in conformity with the Small Business Investment Incentive Act of 1980 which amended the 1940 Act and created BDC's. However, certain of those investments may fail, in which case we will not receive any return on our investment. In addition, our investments may not generate income, either in the immediate future, or at all. As a result, we may have to sell additional stock, or borrow money, to cover our operating expenses. The effect of such actions could cause our stock price to decline or, if we are not successful in raising additional capital, we could cease to continue as a going concern. It should be noted that our operational costs are higher as a result of our having elected to be governed as a BDC.

## RISKS ASSOCIATED WITH INVESTMENTS AND PORTFOLIO COMPANIES

### **There are costs associated with the purchase and sale of securities.**

Some of our strategies may include purchases of different classes of securities or frequent trading to maximize profits and, as a consequence, risks related to turnover and costs such as brokerage commissions may be greater than an investment in a single entity for a single class of security held for a longer period of time. Our operating expenses, including, but not limited to, fees paid to accountants, attorneys, fees to execute trades and manage investments and fees paid to any investment advisor may, in the aggregate, constitute a high percentage relative to the expenses and fees than for an investment in a single entity for a single class of security held for a longer period of time.

### **There are numerous risks arising from investing in securities.**

The securities industry is generally competitive and methods of investment strategy each involve a degree of risk. We will compete with firms, including many of the larger securities and investment banking firms, which have substantially greater financial resources and research staffs. Where we purchase securities in portfolio companies for appreciation, our profitability substantially depends upon our ability to correctly assess the future price movements of stocks. There can be no assurance that we will be able to accurately predict price movements of securities purchased.

Security investments generally involve a high degree of risk. The performance of securities in which we may invest are subject to numerous factors which are neither within the control of nor predictable by us. Such factors can include a wide range of economic, political, competitive and other conditions which may affect investments in general or specific industries or companies. In recent years, the securities markets have become increasingly volatile and this volatility has increased the degree of risk.

### **Investing in small and growth stage companies is inherently risky.**

Investments in growth stage companies offer the opportunity for significant gains. However, each investment involves a high degree of business and financial risk that can result in substantial losses. Among these are the risks associated with:

- Investing in companies in an early-stage of development or with little or no operating history;
- Companies operating at a loss or with substantial variations in operating results from period to period; and
- Companies with the need for substantial additional capital to support expansion or to achieve or maintain a competitive position.

These companies may face intense competition, including competition from companies with:

- Greater financial resources;
- More extensive development, manufacturing, marketing, and service capabilities; and
- A larger number of qualified managerial and technical personnel.

Although we intend to mitigate our risk exposure by limiting our investments in early stage companies, we cannot assure you that the portfolio companies in which we choose to place a majority of our investment capital are not facing the same risks of companies that are inherent in start-up companies. In addition, growth stage companies are likely to have a very limited operating history and thus evaluating their worthiness for investment will be more subjective on their future potential for growth and cannot be predicated on operating successes. We are dependent on the quality and actions of management of portfolio companies.

**Our success will depend upon the success of the portfolio companies and, in great part, upon the abilities of their management.**

Although our management expects to provide portfolio companies with assistance (particularly with regard to capital formation, major personnel decisions, and strategic planning), the day-to-day operations will be controlled by the management of the portfolio companies. Investors must rely upon our management to select portfolio companies that have, or can obtain, the necessary management resources. Problems may arise at portfolio companies that local management does not recognize or cannot resolve. In addition, the management of portfolio companies may conceal the existence of problems from us.

**The value of securities we own may be adversely impacted by subsequent regulatory changes.**

Our current investment strategy includes purchase of unregistered securities in both private companies and private placements offered by public companies. We are able to purchase securities pursuant to exemptions to the registration requirements of United States Federal securities laws. Changes in such laws or their interpretation could adversely impact our ability to resell such securities which would have a negative effect on the value of such securities as well as impact our overall investment strategy and the liquidity of our investments. In such an event, we may need to reformulate our investment strategy or we may choose to liquidate.

**Limitations on availability of investment capital may adversely affect other investments.**

We may be reliant on the availability of capital to generate profits under its investment strategy and such availability will depend, in part, on our ability to timely liquidate existing positions in order to reinvest the proceeds thereof. To the extent that we own securities which are not subject to a valid registration statement or otherwise available for trading under applicable securities laws, our ability to liquidate our position in such securities may be limited. We intend to require some of our portfolio companies to use their best efforts to cause a registration statement covering the resale of the securities we purchase to be filed and declared effective by the SEC or become otherwise freely tradeable. However, there can be no guarantee that the SEC or other regulating body will declare such a registration statement effective or permit such security to become free of restrictions within such period and, until such securities become freely tradable, we will likely be unable to freely liquidate such interests in restricted securities in the manner and at the prices desired. This resulting lack of liquidity could impair our ability to generate the cash flow from these positions to timely pay our liabilities or obtain funds for the purpose of reinvestment. Although we intend to maintain adequate liquidity to achieve our future investment objectives, there can be no assurance this can be accomplished in all circumstances.

**Portfolio companies are likely to need additional funding.**

We expect that many portfolio companies will require additional financing to satisfy their working capital requirements. The amount of additional financing needed will depend upon the maturity and objectives of the particular company. Each round of venture financing, whether from us or other investors is typically intended to provide a portfolio company with enough capital to reach the next major valuation milestone. If the funds provided are not sufficient, a portfolio company may have to raise additional capital at a price unfavorable to the existing investors, including us. The availability of capital is generally a function of capital market conditions that are beyond our control or beyond any portfolio company's control. We cannot assure you that our management or the management of portfolio companies will be able to predict accurately the future capital requirements necessary for success or that additional funds will be available to portfolio companies from any source. If funding is not available, some portfolio companies may be forced to cease operations.

**BDC investments are generally illiquid.**

We anticipate that most of our holdings in portfolio companies will be securities that are subject to restrictions on resale. Generally, unless the securities are subsequently registered under the 1933 Act, we will not be able to sell these securities unless we meet all of the conditions of Rule 144 or another rule under the 1933 Act that permits limited sales under specified conditions. When restricted securities are sold to the public, we may be deemed an underwriter, or possibly a controlling person, with respect thereto for the purpose of the Securities Act and may be subject to liability as such under the 1933 Act. These restrictions could require us to hold securities or refrain from sale and be unable to liquidate a position even at a loss.

Even if we meet all of the conditions of the 1933 Act, there may be no market for the securities that we hold. These limitations on liquidity of a BDC's investments could prevent a successful sale thereof, result in delay of any sale, or substantially reduce the amount of proceeds that might otherwise be realized. It is possible that one or more of the portfolio companies may not be able to register its shares. In such event, we would own "restricted" securities subject to resale under Rule 144.

**Lack of diversity of investments by a BDC presents risks associated with specific industries.**

We anticipate that we will not be able to diversify our investments in the early years of our operation and, as a result, not gain the benefit of diversification which is the balancing of adverse economic conditions over our holdings in portfolio companies.

**There are risks associated with investments in companies with small capitalization.**

The portfolio companies that we expect to invest in are thinly capitalized and generally have a market capitalization below \$100 million (and frequently much smaller). These companies generally do not have experience, market awareness, tracking by analysts, institutional investors and other benefits of larger companies that result in more marketability and stability of their securities. This impacts the liquidity of securities issued by those portfolio companies. It is expected that the securities of a significant number of the portfolio companies will be thinly traded. This could present a problem when we determine to liquidate our position. We may not be able to sell the securities in the time frame and at the price we would prefer. Furthermore, in certain situations, as a result of a security being thinly traded, we could experience a significant loss in value should we be forced to liquidate our investment as a result of rapidly changing market conditions or other factors.

**There are risks associated with investments in companies with not readily marketable securities.**

We may invest in securities that are initially, or that later become, not readily marketable. For example, we may acquire restricted securities of an issuer in a private placement pursuant to an arrangement whereby the issuer agrees to register the resale of those securities, or, in the case of an investment in convertible or exchangeable securities, the securities underlying such securities, within a certain period of time. Such registration requires compliance with United States Federal and state securities laws and the approval of the SEC. Unless and until such registration or compliance with applicable regulation occurs, there is likely to be no market for the restricted securities. No assurance can be given that issuers will not breach their obligation to obtain or meet such registration or other compliance obligation. Similarly, securities that are at one time marketable may become unmarketable (or more difficult to market) for a number of reasons. For example, securities traded on a securities exchange or quotation system may become unmarketable if delisted from such exchange or quotation system for among other reasons, failing to satisfy the requirements for continued listing, which may include minimum price requirements. In addition, we may acquire restricted securities, for which no market exists, which are convertible or exchangeable into common stock of the issuer. No assurances can be given that a portfolio company which has sold a convertible security requiring exchange or conversion will not breach its obligation to convert or exchange such securities upon demand, in which case our liquidity may be adversely affected. In general, the stability and liquidity of the securities in which we invest will depend in large part on the creditworthiness of the issuers. Issuers' creditworthiness will be monitored on an ongoing basis by us. If there is a default by the issuer, we may have contractual remedies under the applicable transaction documents. However, exercising such contractual rights may involve delays in liquidating our position and the incurrence of additional costs.

Portfolio companies in which investments are made may have publicly-traded securities but those companies or their securities may become subject to restrictions due to non-compliance. Our ability to generate profits from our investment activities may be adversely affected by a failure of portfolio companies to comply with registration, conversion, exchange or other obligations under the agreements pursuant to which such securities have been sold to us. The failure of an issuer to register the resale of its securities sold to us may decrease the amount of available capital with which we may pursue other investment opportunities or meet current liabilities. We may invest in securities that are convertible into or exchangeable for common stock of the issuer, the resale of which by us is (or is to be) registered. If an issuer refuses, is unable to, or delays in timely honoring its obligation to issue registered securities, our ability to liquidate our position and our profits may be adversely affected.

## **RISKS OF THE COMPANY AT ITS PRESENT STAGE**

### **We have obtained only limited funding at this time.**

Through December 31, 2007, we raised \$3,123,462 from sales of our common stock. We intend to raise more capital through the sales of shares of our common stock. The offer and sale of the shares will not be registered under the 1933 Act since their issuance and sale is exempt from such registration requirements pursuant to Regulation E of the 1933 Act. Because the first \$5,000,000 raised, each year, will be from shares that will be acquired by investors in transactions involving an exempt private offering pursuant to Regulation E, they will be unrestricted or free-trading securities and may be freely traded, transferred, assigned, pledged or otherwise disposed of at the time of issuance.

### **We cannot assure you that we will be successful in selling the common shares or, if sold, at what price.**

We have identified and made investments in a limited number of portfolio companies. Investors will have a limited opportunity to evaluate the portfolio companies that we invested in. We cannot assure you that we will locate or successfully negotiate additional transactions with portfolio companies. We are likely to incur substantial losses in the first years of operations.

If additional funding is obtained, it is anticipated that most of such funding, except for operating cash reserves and funds set aside for follow-on investments in then-existing portfolio companies, will be expended or committed within two years, which is expected to be prior to us receiving any substantial realized gains. Our management anticipates that we and a number of the portfolio companies will sustain substantial losses in the initial years of operation. It is possible that these losses may never be recovered. We cannot assure you that we will ever be profitable.

### **We are totally reliant on management.**

We are wholly dependent for the selection, structuring, closing and monitoring of all of our investments on the diligence and skill of our management, acting under the supervision of our Board of Directors. None of these individuals (currently four people) has substantial experience in acquiring and investing in growth stage companies, the negotiation of the terms of such investments and the monitoring of such investments after they are made.



In addition, we will engage outside consultants and professionals known to management to assist in evaluating and monitoring portfolio companies and maintaining regulatory compliance.

**We cannot assure you that we will attain our investment objective.**

**We have broad discretionary use of the proceeds from any funding that we obtain.**

Our management has broad discretion with respect to the specific application of the net proceeds of any funding that we obtain, although substantially all of the net proceeds from any offering is intended to be applied for investments in eligible portfolio companies which satisfy our investment criteria. While our corporate governance resolutions require the Board of Directors and Investment Committee to adhere to certain standards, even acting in compliance with those guidelines, our Board of Directors and Investment Committee have discretion. We do not permit our Board of Directors and Investment Committee to use proceeds in a manner inconsistent with the operation of a BDC.

**We will be confronted by competition from entities having substantially greater resources and experience.**

Other entities and individuals compete for investments similar to those we propose to make, many of whom will have greater financial and management resources than we do. Furthermore, we must comply with provisions of the 1940 Act pertaining to BDCs and, if we qualify as a Registered Investment Company ("RIC"), provisions of the Internal Revenue Code pertaining to RICs might restrict our flexibility as compared with our competitors. The need to compete for investment opportunities may make it necessary for us to offer portfolio companies more attractive transaction terms than otherwise might be the case. These factors may prevent us from ever becoming profitable.

**We are unlikely to qualify for the income tax benefits offered to RICs.**

We will be classified as a non-diversified investment company under the 1940 Act. We are not subject to the diversification requirements applicable to RICs under the Internal Revenue Code. Therefore, we will not receive favorable pass through tax treatment on distributions to our shareholders. This means that we will be taxed as an ordinary corporation on our taxable income even if that income is distributed to shareholders, and all distributions out of our earnings and profits will be taxable to shareholders as dividends. Thus, this income will be subject to a double layer of tax.

**Distributions to shareholders may never equal the amount invested by the shareholders.**

We cannot assure you that we will make any distributions to shareholders or that aggregate distributions, if any, will equal or exceed the shareholders' investment. Sales of portfolio company securities will be the principal source of distributable cash to shareholders. The directors have absolute discretion in the timing of distributions to shareholders. Securities we acquire through equity investments will be held by us and will be sold or distributed at the sole discretion of the Board of Directors.

**We indemnify officers and directors to the maximum extent permitted by Delaware law.**

Our articles of incorporation provide for indemnification of directors, officers, employees and our agents to the full extent permitted by Delaware law and the 1940 Act.

**There are significant potential conflicts of interest, which could impact our investment returns**

Our executive officer(s) and director(s) serve or may serve as officers and directors of entities which operate in the same or related line of business as we do. Accordingly, they may have obligations to investors in those entities, the fulfillment of which might not be in the best interests of us or our stockholders. In addition, they may not be available to us if there are time conflicts involving other entities.

**Our common stock has a limited trading history, and we cannot assure you that any trading market will develop.**

Our common stock is currently listed on the electronic quotation and reporting service maintained by the National Association of Securities Dealers ("NASD") and known as the "OTC Bulletin Board" or "OTCBB" system and trades under the symbol "CEEH".

Our common stock is unlikely to be followed by any market analysts, and there may be few institutions acting as market makers for the common stock. Either of these factors could adversely affect the liquidity and trading price of our common stock. Also, the stock market in general has experienced extreme price and volume volatility that has affected the market prices of securities of many companies. At times, this volatility has been unrelated to the operating performance of particular companies. These broad market and industry fluctuations may adversely affect the trading price of our common stock, regardless of our actual operating performance.

**The market price of our common stock may fluctuate significantly.**

The market price and liquidity of the market for shares of our common stock may be significantly affected by numerous factors, which may adversely affect our ability to raise capital through future equity financings. These factors, many over which we have no control and that may not be directly related to us, include the following:

- Significant volatility in the market price and trading volume of securities of closed-end investment companies, business development companies or other companies in our sector, which are not necessarily related to the operating performance of these companies;
- Changes in regulatory policies or tax guidelines, particularly with respect to RICs or BDCs;
- A loss of BDC status;
- Changes in earnings or variations in operating results;

- Changes in the value of our portfolio of investments;
- Any shortfall in revenue or net income or any increase in losses from levels expected by investors or securities analysts;
- Departure of key personnel;
- Potential legal and regulatory matters;
- Operating performance of companies comparable to us; and
- General economic trends and other external factors.

**Sales of substantial amounts of our common stock in the public market may have an adverse effect on the market price of our common stock.**

If a market does develop for our shares of common stock, of which we can make no assurances, subsequent sales of substantial amounts of our common stock or the availability of such shares for sale, could adversely affect the prevailing market price for our common stock. If this occurs and continues, it could impair our ability to raise additional capital through the sale of equity securities should we desire to do so. We are authorized to issue up to 200,000,000 shares of common stock, par value \$.0001 per share. Our Board of Directors also has authority, without action or vote of the shareholders, to issue all or part of the authorized but unissued shares. Any such issuance will dilute the percentage ownership of shareholders and may further dilute the book value of our common stock. These issuances may also serve to enhance existing management's ability to maintain control of the Company.

**Our common stock is subject to the "Penny Stock" rules of the SEC and the trading market in our securities is limited, which makes transactions in our stock cumbersome and may reduce the value of an investment in our stock.**

The Securities and Exchange Commission has adopted Rule 15g-9 which establishes the definition of a "penny stock," for the purposes relevant to us, as any equity security that has a market price of less than \$5.00 per share or option to acquire any equity security with an exercise price of less than \$5.00 per share, subject to certain exceptions. For any transaction involving a penny stock, unless exempt, the rules require:

- That a broker or dealer approve a person's account for transactions in penny stocks; and
- The broker or dealer receives from the investor a written agreement to the transaction, setting forth the identity and quantity of the penny stock to be purchased.

In order to approve a person's account for transactions in penny stocks, the broker or dealer must:

- Obtain financial information and investment experience objectives of the person; and
- Make a reasonable determination that the transactions in penny stocks are suitable for that person and the person has sufficient knowledge and experience in financial matters to be capable of evaluating the risks of transactions in penny stocks.

The broker or dealer must also deliver, prior to any transaction in a penny stock, a disclosure schedule prescribed by the Commission relating to the penny stock market, which, in highlight form:

- Sets forth the basis on which the broker or dealer made the suitability determination; and
- Stipulates that the broker or dealer receives a signed, written agreement from the investor prior to the transaction.

Generally, brokers may be less willing to execute transactions in securities subject to the "penny stock" rules. This may make it more difficult for investors to dispose of our common stock and cause a decline in the market value of our stock.

Disclosure also has to be made about the risks of investing in penny stocks in both public offerings and in secondary trading and about the commissions payable to both the broker-dealer and the registered representative, current quotations for the securities and the rights and remedies available to an investor in cases of fraud in penny stock transactions. Finally, monthly statements have to be sent disclosing recent price information for the penny stock held in the account and information on the limited market in penny stocks.

**We have limited operating history upon which to base your investment decision.**

While we have commenced operations, we have a limited operating history available to evaluate the likelihood of the success of our business. Our prospects should be considered in light of the risks, expenses and uncertainties that may be encountered by development stage companies. Among other things, we must build our customer base, respond to competitive developments, attract, retain and motivate qualified employees and establish and maintain our technologies, products, and services on an ongoing basis. There can be no assurance that we will be successful in addressing such risks and implementing our business strategy.

As a result of our lack of operating history, and the other risks described herein, we are unable to accurately forecast our revenues. Our future expense levels are based predominately on our operating plans and estimates of future revenues, and to a large extent are fixed. We may be unable to adjust spending in a timely manner to compensate for revenues that do not materialize. Accordingly, any significant shortfall in revenues or lack of revenue would likely have an immediate material adverse effect on our business, operating results and financial condition.

Our ability to generate revenues will depend upon many factors. We will be required to build our business by implementing operational systems, hiring additional employees, developing and implementing a marketing and sales strategy and implementing our technology applications. Our expenses will initially exceed our revenues and no assurances can be made that we will become profitable or provide positive cash flows.

**Our management has limited experience with BDC's.**

While we believe that our management possesses certain fundamental business skills that will increase our likelihood to succeed, our management team has never operated a BDC and must be considered as inexperienced when it comes to both the day to day operations of an investment company and the management of investments. We intend to rely on the general skills and business acumen of our management team as well as engaging other professionals and consultants from time to time to insure that our management gains the expertise to manage a BDC.

**The businesses in which we intend to invest are subject to macro, micro and global trends in business, finance, politics, and law.**

Our potential portfolio investments are located nationwide. Future unfavorable economic conditions, including those resulting from further or protracted economic instability or down turns cannot be estimated at this time due to the uncertainties associated with such economic conditions, and the extent to which the sale of portfolio company products will be affected thereby.

**The businesses in which we plan to invest are materially affected by competition.**

Our portfolio companies will face competition on a nationwide basis. Competition for their products will come from companies that may be larger, have more experienced management and be better financed than our portfolio companies.

**We may sustain substantial losses from fraud.**

The risk of fraud losses varies with, among other things, general economic conditions, and the effectiveness of security procedures utilized. However, although management believes that any loss due to fraud will be immaterial, there can be no assurance that fraud loss experience will not become material in amount. It must be noted that BDC's are required to have in place certain safeguards which may render these risks from fraud to be nominal but these risks do exist and even requirements such as holding physical certificates of shares in portfolio companies in a safe do not, in and of themselves, eliminate the possibility of fraud.

**Restrictions imposed upon the resale of our capital stock may require you to hold your common stock for an indefinite period of time.**

None of the securities we have issued or will issue in the future, based upon current plans, will be registered under the Securities Act. The common stock we have sold is intended to be exempt from registration pursuant to Regulation E, which permits in conformity therewith, issuance of shares without restriction on further transfer. While we do not anticipate such an adverse decision or determination on the part of the Securities and Exchange Commission, you might be required to hold your common stock, either until our stock is registered under the Securities Act, or an exemption from the registration requirements of the Securities Act, and an exemption from the registration requirements of the blue-sky laws of your state, is available to you. Unless the certificates are sold pursuant to exemption, they will bear legends restricting subsequent transfers pursuant to the restrictions listed above as well as additional restrictions contained in our by-laws. As a result, you may not be able to liquidate your investment readily.

**You will suffer immediate and substantial dilution in the value of your investment, and it may be further diluted in the future.**

**The purchasers of our common stock will suffer an immediate and substantial dilution in the book value of their investment. We may sell additional equity in the future that may further dilute the value of your investment.**

Senior management may be granted the right, and other employees and consultants may have the right, under certain circumstances, to acquire additional shares of our common stock. If such a grant of a right occurred at a time where the price of the stock had fallen relative to the current market value and fell below the price paid by you, management might be given the right to purchase stock at a price below your cost. Additionally, reductions in the price of our stock resulting from the performance of our portfolio or other market conditions might result in stock being sold to investors, including management, at prices below the price paid by you. In either of these cases, the value of your investment would be further diluted.

**Your influence in matters requiring shareholder action will be limited.**

The officers and directors own less than a majority of the issued and outstanding shares of our voting securities (20.19% at February 5, 2008). While the number of shares controlled by the officers and directors is less than a majority, their position of control is material and significant.

**Pursuant to the Company's Articles of Incorporation, the Company's Board of Directors has the authority to issue shares of stock without any further vote or action by the stockholders. The issuance of stock under certain circumstances could have the effect of delaying or preventing a change in control of the Company.**

**We will have broad discretion in using the proceeds from sales of our common stock.**

Although we have identified generally the manner in which we expect to utilize the proceeds from sales of our common stock, we will have broad discretion in determining the specific uses of the proceeds. You will not have an opportunity to evaluate the basis for our decisions on the use of the proceeds, and will not be able to participate in such decisions. As discussed above, the use of proceeds may not be inconsistent with our goals and objectives of our operation as a BDC. However, we have not yet signed any contracts with any professionals or consultants; including those whose help or assistance is contemplated. Therefore, we can not accurately predict costs associated with such professionals and consultants. For that reason, the use of proceeds can not be determined with absolute certainty.

**ITEM 2: PROPERTIES**

On February 22, 2007, we entered into a lease agreement jointly with Five Oaks Capital Partners, LLC to lease a total of 5,041 square feet, commencing March 26, 2007 through December 31, 2008. Our allocated share of the space is 2,000 square feet and our monthly base rent is \$3,980 in 2008.

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

**ITEM 3: LEGAL PROCEEDINGS**

We are not currently subject to any legal proceedings, nor, to our knowledge, is any legal proceeding threatened against us. From time to time, we may be a party to certain legal proceedings in the ordinary course of business, including proceedings relating to the enforcement of our rights under contracts with our portfolio companies.

**ITEM 4: SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

There were no matters submitted to a vote of security holders during the fourth quarter.

**Part II**

**ITEM 5: MARKET FOR REGISTRANT’S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS**

Our common stock is currently listed on the electronic quotation and reporting service maintained by the National Association of Securities Dealers (“NASD”) and known as the “OTC Bulletin Board” or “OTCBB” system and trades under the symbol "CEEH".

The market closing, high and low prices during each quarter for the two years ended December 31, 2007, are as follows:

QUARTER ENDED	CLOSING	HIGH	LOW
March 31, 2007	1.00	1.10	0.85
June 30, 2007	0.80	1.00	0.80
September 30, 2007	0.99	1.00	0.90
December 31, 2007	0.52	0.75	0.51
March 31, 2006	1.25	1.25	0.90
June 30, 2006	1.25	1.25	1.25
September 30, 2006	0.90	1.25	0.90
December 31, 2006	1.10	1.25	0.50

**Number of Shareholders and Total Outstanding Shares**

As of February 29, 2008, there were 8,618,032 shares of common stock issued and outstanding, held by approximately 49 shareholders of record.

**Dividends on Common Stock**

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

**Options**

None.

**Securities Authorized for Issuance under Equity Compensation Plans**

None.

**Recent Sales of Unregistered Securities**

Sales during the first three quarters of the fiscal year were reported in Item 2 of Part II of the Form 10-Q filed for each quarter. There were no sales during the fourth quarter of 2007.



## ITEM 6: SELECTED FINANCIAL DATA

The following table represents our selected financial and other data and has been derived from our audited financial statements for the years ended December 31, 2007, 2006, 2005 and 2004. The information below should be read in conjunction with Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and the notes thereto included in Item 8 herein.

	2007	2006	2005	2004
<b>Statements of Operations Data:</b>				
Income from operations	\$ 574,675	\$ 127,243	\$ 4,798	\$ -
Expenses	823,440	532,186	158,658	18,818
Net loss from operations before taxes	(248,765)	(404,943)	(153,860)	(18,818)
Income tax benefit	-	-	-	-
Net loss from operations	(248,765)	(404,943)	(153,860)	(18,818)
Net realized and unrealized gains (losses)	260,652	205,730	(18,319)	3,500
Net increase (decrease) in net assets				
from operations	\$ 11,887	\$ (199,213)	\$ (172,179)	\$ (15,318)
Net increase (decrease) in net assets from				
operations per share, basic and diluted	\$ 0.0015	\$ (0.0259)	\$ (0.0328)	\$ (0.0049)
Weighted average shares, basic and diluted	7,995,528	7,686,657	5,245,319	3,109,290
<b>Statements of Net Assets Data:</b>				
Investments at fair value	\$ 3,736,566	\$ 2,345,470	\$ 257,000	\$ 128,500
Investments at cost	3,292,229	2,137,089	222,819	125,000
Cash and cash equivalents	-	124,311	2,217,525	500
Total assets	3,824,543	2,577,048	2,537,036	129,000
Total liabilities	349,267	163,659	7,684	15,698
Net assets	\$ 3,475,276	\$ 2,413,389	\$ 2,529,352	\$ 113,302
Net asset value per share	\$ 0.4171	\$ 0.3139	\$ 0.2939	\$ 0.0283
Common stock outstanding at year end	8,332,318	7,689,461	8,606,211	4,000,000

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

### FORWARD-LOOKING STATEMENTS

Certain statements contained in this report that are not historical fact are "forward-looking statements" as that term is defined in the Private Securities Litigation Reform Act of 1995. The words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "believes," "estimates," "projects" or similar expressions are intended to identify these forward-looking statements. These statements are subject to risks and uncertainties beyond our reasonable control that could cause our actual business and results of operations to differ materially from those reflected in our forward-looking statements. The safe harbor provisions provided in the Securities Litigation Reform Act do not apply to forward-looking statements we make in this report. Forward-looking statements are not guarantees of future performance. Our forward-looking statements are based on trends which we anticipate in our industry and our good faith estimate of the effect on these trends of such factors as industry capacity, product demand and product pricing. The inclusion of projections and other forward-looking statements should not be regarded a representation by us or any other person that we will realize our projections or that any of the forward-looking statements contained in this prospectus will prove to be accurate.

**The Company**

Chanticleer filed an election to be treated as a BDC under the 1940 Act on May 23, 2005. In connection with this election, we have adopted corporate resolutions and are operating as a closed-end, non-diversified management investment company and as a BDC.

On April 18, 2006, we formed Investors LLC and sold units for \$5,000,000, of which we own \$1,150,000 (23%) as of December 31, 2007. Investors LLC's principal asset is a 6%, convertible note in the amount of \$5,000,000 with Hooters collateralized by and convertible into 2% of Hooters common stock. One-third of the interest is paid to us as a management fee and we share pro-rata with the other investors in the remaining 4% interest, which is distributed to the investors quarterly.

On July 31, 2006, we formed Investors II. Investors II began raising funds in January 2007 for the purpose of investing in publicly traded value securities.

In January 2007, we formed Advisors, as a wholly owned subsidiary to manage Investors II, as well as, other investments.

**Management's Analysis of Business**

We have significant relative flexibility in selecting and structuring our investments. We are not subject to many of the regulatory limitations that govern traditional lending institutions such as banks. We seek to structure our investments so as to take into account the uncertain and potentially variable financial performance of our portfolio companies. This should enable our portfolio companies to retain access to committed capital at different stages in their development and eliminate some of the uncertainty surrounding their capital allocation decisions. We calculate rates of return on invested capital based on a combination of up-front commitment fees, current and deferred interest rates and residual values, which may take the form of common stock, warrants, equity appreciation rights or future contract payments. We believe that this flexible approach to structuring investments will facilitate positive, long-term relationships with our portfolio companies and enable us to become a preferred source of capital to them. We also believe our approach should enable debt financing to develop into a viable alternative capital source for funding the growth of target companies that wish to avoid the dilutive effects of equity financings for existing equity holders.

Longer Investment Horizon - We are not subject to periodic capital return requirements. These requirements, which are standard for most private equity and venture capital funds, typically require that these funds return to investors the initial capital investment after a pre-agreed time, together with any capital gains on such capital investment. These provisions often force such funds to seek the return of their investments in portfolio companies through mergers, public equity offerings or other liquidity events more quickly than they otherwise might, which can result in a lower overall return to investors and adversely affect the ultimate viability of the affected portfolio companies. Because we may invest in the same portfolio companies as these funds, we are subject to these risks if these funds demand a return on their investments in the portfolio companies. We believe that our flexibility to take a longer-term view should help us to maximize returns on our invested capital while still meeting the needs of our portfolio companies.

Established Deal Sourcing Network - We believe that, through our management and directors, we have solid contacts and sources from which to generate investment opportunities. These contacts and sources include:

- public and private companies,
- investment bankers,
- attorneys,
- accountants,
- consultants, and
- commercial bankers.

However, we cannot assure you that such relationships will lead to the origination of debt or other investments.

#### **Investment Criteria**

As a matter of policy, we will not purchase or sell real estate or interests in real estate or real estate investment trusts except that we may:

- purchase and sell real estate or interests in real estate in connection with the orderly liquidation of investments, or in connection with foreclosure on collateral;
- own the securities of companies that are in the business of buying, selling or developing real estate; or
- finance the purchase of real estate by our portfolio companies.

We limit our investments in more traditional securities (stock and debt instruments) and will not, as a matter of policy:

- sell securities short except with regard to managing the risks associated with publicly-traded securities issued by our portfolio companies;
- purchase securities on margin (except to the extent that we may purchase securities with borrowed money); or
- engage in the purchase or sale of commodities or commodity contracts, including futures contracts except where necessary in working out distressed loans.

Prospective Portfolio Company Characteristics - We have identified several criteria that we believe prove important in seeking our investment objective with respect to target companies. These criteria provide general guidelines for our investment decisions; however, we caution readers that not all of these criteria are satisfied by each prospective portfolio company in which we choose to invest.

Experienced Management - We generally require that our portfolio companies have an experienced president or management team. We also require the portfolio companies to have in place proper incentives to induce management to succeed and to act in concert with our interests as investors, including having significant equity interests. We provide assistance in this area by either consulting with management or by providing management for our portfolio companies.

Products or Services - We seek companies that are involved in products or services that do not require significant additional capital or research expenditures. In general, we seek target companies that make innovative use of proven technologies or methods.

Proprietary Advantage - We favor companies that can demonstrate some kind of proprietary sustainable advantage with respect to their competition. Proprietary advantages include, but are not limited to:

- patents or trade secrets with respect to owning or manufacturing its products, and
- a demonstrable and sustainable marketing advantage over its competition.

Marketing strategies impose unusual burdens on management to be continuously ahead of its competition, either through some kind of technological advantage or by being continuously more creative than its competition.

Profitable or Nearly Profitable Operations Based on Cash Flow from Operations - We focus on target companies that are profitable or nearly profitable on an operating cash flow basis. Typically, we would not expect to invest in start-up companies unless there is a clear exit strategy in place.

Potential for Future Growth - We generally require that a prospective target company, in addition to generating sufficient cash flow to cover its operating costs and service its debt, demonstrate an ability to increase its revenues and operating cash flow over time. The anticipated growth rate of a prospective target company will be a key factor in determining the value that we ascribe to any warrants or other equity securities that we may acquire in connection with an investment in debt securities.

Exit Strategy - Prior to making an investment in a portfolio company, we analyze the potential for that company to increase the liquidity of its common equity through a future event that would enable us to realize appreciation, if any, in the value of our equity interest. Liquidity events may include:

- an initial public offering,
- a private sale of our equity interest to a third party,
- a merger or an acquisition of the portfolio company, or
- a purchase of our equity position by the portfolio company or one of its stockholders.

We may acquire warrants to purchase equity securities and/or convertible preferred stock of the eligible portfolio companies in connection with providing financing. The terms of the warrants, including the expiration date, exercise price and terms of the equity security for which the warrant may be exercised, will be negotiated individually with each eligible portfolio company, and will likely be affected by the price and terms of securities issued by the eligible portfolio company to other venture capitalists and other holders. We anticipate that most warrants will be for a term of five to ten years, and will have an exercise price based upon the price at which the eligible portfolio company most recently issued equity securities or, if a new equity offering is imminent, equity securities. The equity securities for which the warrant will be exercised generally will be common stock of which there may be one or more classes of convertible preferred stock. Substantially all the warrants and underlying equity securities will be restricted securities under the 1933 Act at the time of the issuance. We will generally negotiate for registration rights with the issuer that may provide:

- “piggyback” registration rights, which will permit us under certain circumstances, to include some or all of the securities owned by us in a registration statement filed by the eligible portfolio company, or
- in some circumstances, “demand” registration rights permitting us under certain circumstances, to require the eligible portfolio company to register the securities under the 1933 Act, in some cases at our expense. We will generally negotiate net issuance provisions in the warrants, which will allow us to receive upon exercise of the warrants without payment of any cash a net amount of shares determined by the increase in the value of the issuer’s stock above the exercise price stated in the warrant.

Liquidation Value of Assets - Although we do not intend to operate as an asset-based lender, the prospective liquidation value of the assets, if any, collateralizing any debt securities that we hold will be an important factor in our credit analysis. We will emphasize both tangible assets, such as:

- accounts receivable,
- inventory, and
- equipment,

and intangible assets, such as:

- intellectual property,
- customer lists,
- networks, and
- databases.

## Investment Process

Due Diligence - If a target company generally meets the characteristics described above, we will perform initial due diligence, including:

- company and technology assessments,
- existing management team,
- market analysis,
- competitive analysis,
- evaluation of management, risk analysis and transaction size,
- pricing, and
- structure analysis.

Much of this work will be done by management and professionals who are well known by management. The criteria delineated above provide general parameters for our investment decisions. We intend to pursue an investment strategy by further imposing such criteria and reviews that best insures the value of our investments. As unique circumstances may arise or be uncovered, not all of such criteria will be satisfied in each instance but the process provides a guideline by which investments can be prudently made and managed. Upon successful completion of the preliminary evaluation, we will decide whether to deliver a non-binding letter of intent and move forward towards the completion of a transaction.

In our review of the management team, we look at the following:

- Interviews with management and significant shareholders, including any financial or strategic sponsor;
- Review of financing history;
- Review of management's track record with respect to:
  - o product development and marketing,
  - o mergers and acquisitions,
  - o alliances,
  - o collaborations, and
  - o research and development outsourcing and other strategic activities;
- Assessment of competition; and
- Review of exit strategies.

In our review of the financial conditions, we look at the following:

- Evaluation of future financing needs and plans;
- Detailed analysis of financial performance;
- Development of pro forma financial projections; and
- Review of assets and liabilities, including contingent liabilities, if any, and legal and regulatory risks.

In our review of the products and services of the portfolio company, we look at the following:

- Evaluation of intellectual property position;
- Review of existing customer or similar agreements and arrangements;
- Analysis of core technology;
- Assessment of collaborations;

- Review of sales and marketing procedures; and
- Assessment of market and growth potential.

Upon completion of these analyses, we will conduct on-site visits with the target company's management team. Also, in cases in which a target company is at a mature stage of development and if other matters warrant such an evaluation, we will obtain an independent appraisal of the target company.

### **Ongoing Relationships with Portfolio Companies**

**Monitoring** - We continuously monitor our portfolio companies in order to determine whether they are meeting our financing criteria and their respective business plans. We may decline to make additional investments in portfolio companies that do not continue to meet our financing criteria. However, we may choose to make additional investments in portfolio companies that do not do so, if we believe they will perform well in the future.

We monitor the financial trends of each portfolio company to assess the appropriate course of action for each company and to evaluate overall portfolio quality. Our management team and consulting professionals closely monitor the status and performance of each individual company on at least a quarterly and, in some cases, a monthly basis.

We use several methods of evaluating and monitoring the performance and fair value of our debt and equity positions, including but not limited to the following:

- Assessment of business development success, including product development, financings, profitability and the portfolio company's overall adherence to its business plan;
- Periodic and regular contact with portfolio company management to discuss financial position, requirements and accomplishments;
- Periodic and regular formal update interviews with portfolio company management and, if appropriate, the financial or strategic sponsor;
- Attendance at and participation in board meetings; and
- Review of monthly and quarterly financial statements and financial projections for portfolio companies.

**Managerial Assistance** - As a business development company, we offer, and in many cases provide, significant managerial assistance to our portfolio companies. This assistance will typically involve:

- monitoring the operations of our portfolio companies,
- participating in their board and management meetings,
- consulting with and advising their officers, and
- providing other organizational and financial guidance.

## **Investment Amounts**

The amount of funds committed to a portfolio company and the ownership percentage received will vary depending on the maturity of the portfolio company, the quality and completeness of the portfolio company's management team, the perceived business opportunity, the capital required compared to existing capital, and the potential return. Although investment amounts will vary considerably, we expect that the average investment, including follow-on investments, will be between \$25,000 and \$1,000,000.

## **Competition**

Our primary competitors that provide financing to target companies include private equity and venture capital funds, other equity and non-equity based investment funds and investment banks and other sources of financing, including traditional financial services companies such as commercial banks and specialty finance companies. Many of these entities have substantially greater financial and managerial resources than we have. We believe that our competitive advantage with regard to quality target companies relates to our ability to negotiate flexible terms and to complete our review process on a timely basis. We cannot assure you that we will be successful in implementing our strategies.

## **LIQUIDITY AND CAPITAL RESOURCES**

At December 31, 2007, we had a bank overdraft of \$25,736, notes payable of \$165,272, accounts payable and accrued expenses of \$29,704 and accounts receivable of \$18,900 for a net short-term liability of \$201,812. In January 2008, we sold 285,714 shares of our common stock pursuant to our 1-E for \$200,000.

Our expenses have averaged approximately \$200,000 per quarter, excluding depreciation. They were \$284,000 during the fourth quarter. Accordingly, our projected expenses should be between \$800,000 and \$1,100,000 for 2008. Our cash revenue from existing investments is projected to be \$150,000 and we sold \$200,000 in common stock pursuant to our 1-E in January 2008, which leaves a shortage of \$450,000 to \$750,000.

We expect to need \$325,000 for additional investments with HOA, which would increase our remaining requirement to from \$775,000 to \$1,075,000. We are completing a new 1-E which should be filed before the end of March 2008. We expect to raise approximately \$1,000,000 from the 1-E, which, together with our line-of-credit should provide sufficient capital to meet 2008 requirements.

Most of our investments are long-term and are not liquid. In order to meet our projected cash requirements we will need to obtain other income sources, continue to make sales of our common stock pursuant to a 1-E, use our \$250,000 line of credit to meet short-term requirements and possibly liquidate some investments. There can be no assurance that our efforts will be adequate to meet projected requirements.



## SUBSEQUENT EVENT

On March 11, 2008, the Company announced it has entered into a Stock Purchase Agreement for the purchase of Hooters, Inc., Hooters Management Corporation and their related restaurants (collectively "HI") from the nine current individual HI shareholders, many of whom will continue to stay involved in the ongoing operation as shareholders of Chanticleer. The transaction is valued at approximately \$55.1 million and is anticipated to close on or before July 31, 2008. The final purchase price will be determined after the completion of the 2007 fiscal year audit.

The closing of the transaction is subject to Chanticleer raising the necessary debt and equity financing to complete the acquisition. In addition, Chanticleer will have to convert from its current SEC status as a BDC to an operating company prior to closing the transaction. Chanticleer has retained an investment banking firm to assist in securing the equity capital necessary to close the proposed transaction.

HI was founded in 1983 and was the creator of the Hooters brand and concept. In 1984, HI licensed Neighborhood Restaurants of America, n/k/a Hooters of America, Inc. ("HOA"), owned by a separate group of shareholders, to be its exclusive licensee in the development and expansion of its restaurant business. In 2001 HI went on to sell the Hooters trademarks and other related proprietary rights to HOA. HI retained and continues to own certain rights including a perpetual irrevocable license agreement with greatly reduced royalties, to operate its restaurants in its retained territories and, most importantly, to acquire franchisees within the Hooters system. These rights will be acquired by Chanticleer as a part of the transaction.

Chanticleer has an existing relationship with HOA through its position as the lead investor in a \$5 million, 6% convertible three-year promissory note from Robert Brooks, the former Chairman of HOA. This note is secured by and contains conversion options into 2% of Hooters of America outstanding stock. Chanticleer was also granted a right of first refusal and a right to match any equity financing proposed to, or sought by, HOA. Additionally, Chanticleer currently holds an Option Agreement with HOA to open Hooters franchises in the Republic of South Africa which is under development. The entire Hooters system, consisting of 433 restaurants in 28 countries, is currently celebrating its 25<sup>th</sup> anniversary with events on the 25<sup>th</sup> of each month and a grand pageant in Miami on July 23, 2008.

HI was the creator of the Hooters brand and concept and currently owns and operates 22 restaurants, which comprise the highest average unit gross sales within the Hooters system, and includes locations in and around Tampa, Florida, Chicago, Illinois and the Manhattan regions, including the original Hooters restaurant located in Clearwater, Florida. These are the operations of HI being acquired by Chanticleer.

## RESULTS OF OPERATIONS

### Income from operations

Our income from operations was \$574,675 in 2007, \$127,243 in 2006 and \$4,798 in 2005. We only had nominal revenue in 2005 since the funding from our initial 1-E offering did not commence until late in 2005. In 2006, we made our investment in Chanticleer Investors, LLC which earned \$99,400 (78% of total revenue) during the approximately 8 months the investment was held. In 2007, this investment generated \$146,000 in cash revenues. We had non-cash revenues of \$425,046, which included 196,900 shares of Special Projects for management services performed which were valued at \$39,380 based upon the value established by the Investment Committee and 342,814 shares of Syzygy Entertainment, Ltd. for management services to be performed between April 1, 2007 and March 31, 2008 by our CEO. The shares were valued at \$514,221 by our Investment Committee and the related revenue has been deferred and is being amortized to income over the period earned. As of December 31, 2007, \$385,666 has been included in income and \$128,555 is in deferred revenue.

### Expenses

Expenses amounted to \$823,440 in 2007, \$532,186 in 2006 and \$158,658 in 2005. The 2005 period only represented approximately one-half of a year with costs associated with the initial 1-E filing and raising money at the end of the period. During 2006, we increased staff by March 2006 and began focusing our efforts on our business operation as a BDC. Professional fees and travel costs increased as we monitored our investments and continued to seek additional opportunities. In 2007, our professional fees increased \$203,426. This includes an increase of \$165,411 in consulting and legal fees and \$43,950 in accounting and auditing fees. The consulting and legal fees increase is primarily related to deal analysis and structure, a good portion of which should be returned in the form of management fees in 2008. The increase in accounting and auditing includes an increase of \$12,000 related to accounting and other BDC related issues and the remainder is related to increases in audit costs.

## NET REALIZED AND UNREALIZED GAINS (LOSSES) IN NON-CONTROLLED, NON-AFFILIATED INVESTMENTS

As an investment company under the Investment Company Act of 1940, all of our investments must be carried at market value or fair value as determined by management for investments which do not have readily determinable market values. Prior to this conversion, only marketable debt and equity securities and certain derivative securities were required to be carried at market value.

Beginning May 23, 2005, portfolio assets for which market prices are available are valued at those prices. Securities that are traded in the over-the-counter market or on a stock exchange generally will be valued at the prevailing bid price on the valuation date. However, some of our current investments were acquired in privately negotiated transactions and may have no readily determinable market values. These securities are carried at fair value as determined by management and outside professionals as necessary under our valuation policy. Currently, the valuation policy provides for management's review of the management team, financial conditions, and products and services of the portfolio company. In situations that warrant such an evaluation, an independent business valuation may be obtained.

Value, as defined in Section 2(a)(41) of the 1940 Act, is (i) the market price for those securities for which a market quotation is readily available and (ii) for all other securities and assets, fair value as determined in good faith by management. There is no single standard for determining fair value in good faith. As a result, determining fair value requires that judgment be applied to the specific facts and circumstances of each portfolio investment. We must determine the fair value of each individual investment on a quarterly basis. We will record unrealized depreciation on investments when we believe that an investment has become impaired, including where realization of an equity security is doubtful. Conversely, we will record unrealized appreciation if we believe that the underlying portfolio company has appreciated in value and, therefore, its investment has also appreciated in value, where appropriate.

As an investment company, we invest primarily in illiquid securities including equity securities of private companies. The structure of each equity security is specifically negotiated to enable us to protect our investment and maximize our returns. We generally include many terms governing ownership parameters, dilution parameters, liquidation preferences, voting rights, and put or call rights. Our investments are generally subject to some restrictions on resale and generally have no established trading market. Because of the type of investments that we make and the nature of our business, our valuation process requires an analysis of various factors. Our fair value methodology includes the examination of, among other things, the underlying investment performance, financial condition and market changing events that impact valuation.

Investment activity during the past two years may be summarized as follows:

	2007	2006
Balance at cost, beginning of year	\$ 2,137,089	\$ 222,819
Acquisition of investments:		
For cash	68,010	2,327,732
For a note	70,000	-
Contributed by the CEO	600,000	-
Form consulting and other services rendered	553,600	-
Deposit reclassified as an investment	20,000	-
Cost of investments sold:		
For cash	(156,470)	(413,462)
Balance at cost, end of year	3,292,229	2,137,089
Unrealized appreciation	444,337	208,381
Market value, end of year	<u>\$ 3,736,566</u>	<u>\$ 2,345,470</u>

Our valuation process and the results of our individual investments are included in note 3 to the financial statements. In addition to the unrealized gain from our investments at the end of 2007 and 2006, we had a realized gain on sale of investments of \$24,696 in 2007 and a realized gain on sale of investments of \$31,530 in 2006.

## NET ASSET VALUE

As a BDC, certain of our activities and disclosures are made in reference to NAV which is the value of our portfolio assets less debt and preferred stock. This may be viewed, simply and generalized, as the value of our assets to our common shareholders. As of the date of the financial information in this report, the value of our portfolio of assets including investments in equity securities and cash is \$3,824,543 and from this, are subtracted liabilities and debts of \$349,267. There are no shares of preferred stock outstanding but the rights of preferred stockholders would be included as a deduction if there were. The NAV is therefore \$3,475,276. The NAV/S is \$0.4171.

## RECENT ACCOUNTING PRONOUNCEMENTS

There are several new accounting pronouncements issued by the Financial Accounting Standards Board ("FASB") which are not yet effective. Each of these pronouncements, as applicable, has been or will be adopted by the Company. Management does not believe any of these accounting pronouncements has had or will have a material impact on the Company's financial position or operating results.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measures". This Statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, expands disclosures about fair value measurements, and applies under other accounting pronouncements that require or permit fair value measurements. SFAS No. 157 does not require any new fair value measurements. However, the FASB anticipates that for some entities, the application of SFAS No. 157 will change current practice. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007, which for the Company would be its fiscal year beginning January 1, 2008. The Company is currently evaluating the impact of SFAS No. 157 but does not expect that it will have a material impact on its financial statements.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities." This statement permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007, which for the Company would be its fiscal year beginning January 1, 2008. The Company is currently evaluating the impact of SFAS No. 159, but does not expect that it will have a material impact on its financial statements.

## CRITICAL ACCOUNTING POLICIES

The SEC issued Financial Reporting Release No. 60, "Cautionary Advice Regarding Disclosure about Critical Accounting Policies" ("FRR 60"), suggesting companies provide additional disclosure and commentary on their most critical accounting policies. In FRR 60, the SEC defined the most critical accounting policies as the ones that are most important to the portrayal of a company's financial condition and operating results, and require management to make its most difficult and subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain. Based on this definition our most critical accounting policy is the valuation of our investments. The methods, estimates and judgments we use in applying this accounting policy has a significant impact on the results we report in our financial statements.

Pursuant to the requirements of the 1940 Act, our Board of Directors is responsible for determining in good faith the fair value of our investments for which market quotations are not readily available.

We determine fair value to be the amount for which an investment could be exchanged in an orderly disposition over a reasonable period of time between willing parties other than in a forced or liquidation sale. Our valuation process is intended to provide a consistent basis for determining the fair value of the portfolio. We will record unrealized depreciation on investments when we believe that an investment has become impaired, including where realization of an equity security is doubtful. We will record unrealized appreciation if we believe that the underlying portfolio company has appreciated in value and, therefore, our equity security has also appreciated in value.

Our equity interest in portfolio companies for which there is no liquid public market are valued using industry valuation benchmarks, and then the value is assigned a discount reflecting the illiquid nature of the investment as well as our minority, non-control position. When an external event such as a purchase transaction, public offering, or subsequent equity sale occurs, the pricing indicated by the external event is used to corroborate our valuation. The determined values are generally discounted to account for restrictions on resale and minority ownership positions, if applicable.

#### OFF-BALANCE SHEET ARRANGEMENTS

Our only off-balance sheet arrangement is the operating lease for our office. On February 22, 2007, we entered into a lease agreement jointly with Five Oaks Capital Partners, LLC to lease a total of 5,041 square feet, commencing March 26, 2007 through December 31, 2008. Our allocated share of the space is 2,000 square feet and our monthly base rent is \$3,980 in 2008.

#### TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

	Payments due by period				
	Total	Year 1	Years 2-3	Years 4-5	Over 5
Operating lease for corporate office	\$ 47,760	\$ 47,760	\$ -	\$ -	\$ -

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

Market risk is the risk of loss arising from adverse changes in market rates and prices. We are primarily exposed to equity price risk. The following is a discussion of our equity price risk.

Equity price risk arises from exposure to securities that represent an ownership interest in our portfolio companies. The value of our equity securities and our other investments are based on quoted market prices or our Board of Directors' good faith determination of their fair value (which may be based, in part, on quoted market prices). Market prices of common equity securities, in general, are subject to fluctuations, which could cause the amount to be realized upon sale or exercise of the instruments to differ significantly from the current reported value. The fluctuations may result from perceived changes in the underlying economic characteristics of our portfolio companies, the relative price of alternative investments, general market conditions and supply and demand imbalances for a particular security.

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

CHANTICLEER HOLDINGS, INC.  
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**CREASON & ASSOCIATES, P.L.L.C.**  
**7170 S. Braden Ave., Suite 100**  
**Tulsa, Oklahoma 74136**

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Stockholders  
Chanticleer Holdings, Inc.:

We have audited the accompanying statements of net assets, of Chanticleer Holdings, Inc. (the "Company"), including the schedules of investments, as of December 31, 2007 and 2006, and the related statements of operations, cash flows and changes in net assets, and the financial highlights for the years ended December 31, 2007, 2006 and 2005. These financial statements and financial highlights are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

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

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Chanticleer Holdings, Inc. as of December 31, 2007 and 2006, and the results of its operations, its cash flows, changes in its net assets, and its financial highlights for the years ended December 31, 2007, 2006 and 2005, in conformity with accounting principles generally accepted in the United States of America.

/s/Creason & Associates, P.L.L.C.

Tulsa, Oklahoma  
March 27, 2008



**Chanticleer Holdings, Inc.**  
**Statements of Net Assets**  
**As of December 31, 2007 and 2006**

	<b>2007</b>	<b>2006</b>
<b>ASSETS</b>		
Investments:		
Non-affiliates (cost: 2007 - \$942,565; 2006 - \$987,089)	\$ 992,345	\$ 1,195,470
Affiliates:		
Uncontrolled (cost: 2007 - \$1,114,221)	964,221	-
Controlled (cost: 2007 - \$1,235,443; 2006 - \$1,150,000)	1,780,000	1,150,000
Total investments	3,736,566	2,345,470
Cash and cash equivalents	-	124,311
Accounts receivable, controlled affiliate investment	18,900	31,481
Prepaid expenses and other assets	19,560	19,996
Fixed assets, net	45,537	33,290
Deposits	3,980	22,500
<b>TOTAL ASSETS</b>	<b>3,824,543</b>	<b>2,577,048</b>
<b>LIABILITIES</b>		
Notes payable	165,272	150,704
Accounts payable	25,554	12,614
Accrued expenses	4,150	341
Deferred revenue	128,555	-
Bank overdraft	25,736	-
<b>TOTAL LIABILITIES</b>	<b>349,267</b>	<b>163,659</b>
<b>NET ASSETS</b>	<b>\$ 3,475,276</b>	<b>\$ 2,413,389</b>
Commitments and contingencies		
<b>COMPOSITION OF NET ASSETS</b>		
Common stock: \$0.0001 par value; authorized 200,000,000 shares; issued and outstanding 8,332,318 shares and 7,689,461 shares at December 31, 2007 and 2006, respectively	\$ 833	\$ 769
Additional paid in capital	3,849,767	2,799,831
Retained earnings (deficit):		
Accumulated net operating loss	(826,887)	(578,122)
Net realized gain (loss) on investments	7,226	(17,470)
Net unrealized appreciation of investments	444,337	208,381
<b>NET ASSETS</b>	<b>\$ 3,475,276</b>	<b>\$ 2,413,389</b>
<b>NET ASSET VALUE PER SHARE</b>	<b>\$ 0.4171</b>	<b>\$ 0.3139</b>

See accompanying notes to financial statements.

**Chanticleer Holdings, Inc.**  
**Statements of Operations**  
**For the Years Ended December 31, 2007, 2006 and 2005**

	<u>2007</u>	<u>2006</u>	<u>2005</u>
<b>Income from operations:</b>			
Interest and dividend income			
Non-affiliates	\$ 3,629	\$ 27,843	\$ 4,798
Affiliates	46,000	35,233	-
Management fee income			
Non-affiliates	39,380	-	-
Affiliates	485,666	64,167	-
	<u>574,675</u>	<u>127,243</u>	<u>4,798</u>
<b>Expenses:</b>			
Salaries and wages	238,877	200,942	72,842
Professional fees	268,199	64,773	34,858
Insurance	23,245	32,285	7,861
Rent	46,083	31,198	6,449
Travel and entertainment	112,911	60,858	4,112
Interest expense	10,757	8,132	810
Loss on sale of assets	713	-	-
Other selling, general and administrative expense	122,655	133,998	31,726
	<u>823,440</u>	<u>532,186</u>	<u>158,658</u>
<b>Loss before income taxes</b>	<b>(248,765)</b>	<b>(404,943)</b>	<b>(153,860)</b>
<b>Income tax benefit</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net loss from operations</b>	<b>(248,765)</b>	<b>(404,943)</b>	<b>(153,860)</b>
<b>Net realized and unrealized gains (losses) in investments:</b>			
Net realized gain (loss) on investment, net of provision for income tax of \$0 in 2007, 2006 and 2005	24,696	31,530	(49,000)
Change in unrealized appreciation of investments, net of deferred tax expense of \$0 in 2007, 2006 and 2005	235,956	174,200	30,681
<b>Net increase (decrease) in net assets from operations</b>	<b>\$ 11,887</b>	<b>\$ (199,213)</b>	<b>\$ (172,179)</b>
<b>Net increase (decrease) in net assets from operations per share, basic and diluted</b>			
	<u>\$ 0.0015</u>	<u>\$ (0.0259)</u>	<u>\$ (0.0328)</u>
<b>Weighted average shares outstanding</b>	<u>7,995,528</u>	<u>7,686,657</u>	<u>5,245,319</u>

See accompanying notes to financial statements.

**Chanticleer Holdings, Inc.**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2007, 2006 and 2005**

	<u>2007</u>	<u>2006</u>	<u>2005</u>
<b>Cash flows from operating activities:</b>			
Net increase (decrease) in net assets from operations	\$ 11,887	\$ (199,213)	\$ (172,179)
Adjustments to reconcile net increase (decrease) in net assets from operations to net cash used in operating activities:			
Change in unrealized appreciation of investments	(235,956)	(174,200)	(30,681)
Consulting and other services rendered in exchange for investment securities	(553,600)	-	-
Depreciation	8,860	7,973	1,394
(Gain) loss on sale of investments	(24,696)	(31,530)	49,000
Loss on sale of fixed assets	713	-	-
(Increase) decrease in accounts receivable	12,581	(30,433)	-
Increase in prepaid expenses and other assets	(1,043)	(16,097)	(27,446)
Increase in accounts payable and accrued expenses	16,749	5,270	40,003
Increase in deferred revenue	128,555	-	-
Net cash used in operating activities	<u>(635,950)</u>	<u>(438,230)</u>	<u>(139,909)</u>
<b>Cash flows from investing activities:</b>			
Purchase of investments	(68,010)	(2,327,732)	(196,819)
Proceeds from sale of investments	181,166	444,992	-
Proceeds from sale of fixed assets	270	-	-
Purchase of fixed assets	(22,091)	(6,198)	(36,459)
Net cash provided (used) by investing activities	<u>91,335</u>	<u>(1,888,938)</u>	<u>(233,278)</u>
<b>Cash flows from financing activities:</b>			
Proceeds from sale of common stock	450,000	83,250	2,535,212
Loan proceeds	95,272	150,704	-
Loan repayment	(150,704)	-	-
Bank overdraft	25,736	-	-
Loan from shareholder	-	-	55,000
Net cash provided by financing activities	<u>420,304</u>	<u>233,954</u>	<u>2,590,212</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(124,311)</b>	<b>(2,093,214)</b>	<b>2,217,025</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>124,311</b>	<b>2,217,525</b>	<b>500</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ -</b>	<b>\$ 124,311</b>	<b>\$ 2,217,525</b>

(Continued)

See accompanying notes to financial statements.

**Chanticleer Holdings, Inc.**  
**Statements of Cash Flows, continued**  
**For the Years Ended December 31, 2007, 2006 and 2005**

	2007	2006	2005
<b>Supplemental cash flow information:</b>			
Cash paid for interest and income taxes:			
Interest	\$ 10,233	\$ 7,791	\$ 810
Income taxes	-	-	-
<b>Non-cash investing and financing activities:</b>			
Investment contributed by shareholder	600,000	-	-
Exchange of note payable for investment	70,000	-	-
Reclassification of deposit as investment	20,000	-	-
Exchange of investment for common stock which was retired	-	-	56,000
Issued common stock in exchange for:			
Assumption of accounts payable	-	-	48,017
Acquisition of investments	-	-	6,000
Repayment of loan from shareholder	-	-	55,000
Stock subscription receivable	-	-	1,000,000
Cancel stock subscription receivable and retire common stock	-	1,000,000	-

See accompanying notes to financial statements.

**Chanticleer Holdings, Inc.**  
**Statements of Changes in Net Assets**  
**For the Years Ended December 31, 2007, 2006 and 2005**

	2007	2006	2005
<b>Changes in net assets from operations:</b>			
Net loss from operations	\$ (248,765)	\$ (404,943)	\$ (153,860)
Net realized gain (loss) on sale of investments, net	24,696	31,530	(49,000)
Change in net unrealized appreciation of investments, net	235,956	174,200	30,681
Net increase (decrease) in net assets from operations	11,887	(199,213)	(172,179)
<b>Capital stock transactions</b>			
Common stock issued for cash	450,000	83,250	2,535,212
Investment contributed by shareholder	600,000	-	-
Common stock issued for loan from stockholder	-	-	55,000
Common stock issued for accounts payable	-	-	48,017
Common stock issued in acquisition of investments	-	-	6,000
Common stock retired in disposition of investment	-	-	(56,000)
Net increase in net assets from stock transactions	1,050,000	83,250	2,588,229
<b>Net increase (decrease) in net assets</b>	1,061,887	(115,963)	2,416,050
<b>Net assets at beginning of year</b>	2,413,389	2,529,352	113,302
<b>Net assets at end of year</b>	\$ 3,475,276	\$ 2,413,389	\$ 2,529,352

See accompanying notes to financial statements.

**Chanticleer Holdings, Inc.**  
**Schedule of Investments**  
**As of December 31, 2007**

<u>Shares/ Interest</u>	<u>Quarter Acquired</u>		<u>Original Cost</u>	<u>Fair Value</u>	<u>Percent Net Assets</u>
<b>NON-AFFILIATE INVESTMENTS</b>					
<b>NON-INCOME PRODUCING INVESTMENTS</b>					
1,046,900	Sep-05	Special Projects Group (Pink Sheets:SPLJ)	144,349	52,345	2%
	Sep-07	distributor and marketer of security and			
	Dec-07	defense products and training manuals			
33.3%	Mar-06	LFM Management, LLC, dba 1st Choice Mortgage	250,000	250,000	7%
		(Privately held); Direct to consumer brokerage			
		company			
5%	Mar-06	EE Investors, LLC, whose sole asset is a 33.3% interest	250,000	350,000	10%
		in Bouncing Brain Productions, LLC (Privately held);			
		Inventor promotion company			
125,000	Sep-07	HealthSport, Inc. (OTCBB:HSPO); fully integrated	70,000	65,000	2%
		developer, manufacturer and marketer of unique and			
		proprietary branded and private label edible film strip			
		nutritional supplements and over-the-counter drugs			
			<u>714,349</u>	<u>717,345</u>	<u>21%</u>
<b>LOAN INVESTMENT</b>					
Loan	Jun-06	Lifestyle Innovations, Inc. (OTCBB:LFSI); note and	100,000	125,000	4%
		accounts receivable investment of approximately			
		\$1,200,000, non-interest bearing			
<b>OIL AND GAS PROPERTY INVESTMENTS</b>					
37.5%	Mar-06	Signature Energy, Inc; working interest in two	128,216	150,000	4%
		oil and gas properties in Washington County, OK			
		Total non-affiliate investments	<u>942,565</u>	<u>992,345</u>	<u>29%</u>

(Continued)

See accompanying notes to financial statements.

**Chanticleer Holdings, Inc.**  
**Schedule of Investments, continued**  
**As of December 31, 2007**

<u>Shares/ Interest</u>	<u>Quarter Acquired</u>		<u>Original Cost</u>	<u>Fair Value</u>	<u>Percent Net Assets</u>
<b>AFFILIATE INVESTMENTS</b>					
<b>UNCONTROLLED AFFILIATES</b>					
642,814	Jun-07	SYZGY Entertainment, Ltd. (SYZG); owner/operator	\$ 1,114,221	\$ 964,221	28%
	Sep-07	of casino in Turks and Caicos Islands			
	Dec-07				
<b>CONTROLLED AFFILIATES</b>					
23%	Mar-06	Chanticleer Investors LLC (Privately held);	1,150,000	1,610,000	46%
	Jun-06	Investment LLC with note receivable from Hooters			
	Dec-06	of America, Inc. in the amount of \$5,000,000			
50%	Dec-07	Confluence Partners, LLC, whose sole asset is an	50,000	50,000	1%
		investment in Lank Acquisition, LLC which was formed			
		to facilitate the creation of Lank Acquisition Corp-			
		oration which is formed to raise equity capital through			
		an IPO to acquire or merge with an operating business			
100%	Mar-07	Chanticleer Advisors LLC; wholly owned subsidiary;	15,443	100,000	3%
		provides management services for Chanticleer			
		Investors II, LLC			
100%	Dec-06	Option agreement with Hooters of America, Inc. to			
		purchase the right to open and operate Hooters			
		restaurants in the Republic of South Africa	20,000	20,000	1%
		Total controlled affiliate investments	1,235,443	1,780,000	51%
		Total affiliate investments	2,349,664	2,744,221	79%
		Total investments at December 31, 2007	\$ 3,292,229	3,736,566	108%
		Cash and other assets, less liabilities		(261,290)	-8%
		Net assets at December 31, 2007		\$ 3,475,276	100%

See accompanying notes to financial statements.

**Chanticleer Holdings, Inc.**  
**Schedule of Investments**  
**As of December 31, 2006**

Shares/ Interest	Quarter Acquired		Original Cost	Fair Value	Percent Net Assets
<b>NON-AFFILIATE INVESTMENTS</b>					
<b>NON-INCOME PRODUCING INVESTMENTS</b>					
11,000	Sep-05	Tandy Leather Factory, Inc. (AMEX:TLF); specialty	\$ 52,011	\$ 88,770	4%
	Dec-05	retailer and wholesale distributor of leather products, tools and leather finishes and kits			
800,000	Sep-05	Special Projects Group (Pink Sheets:SPLJ) distributor and marketer of security and defense products and training manuals	102,403	176,000	8%
6,000	Jun-06	SM&A (NASDAQ:WINS); A leading provider of business strategy, proposal development and program services for winning and delivering competitive procurements.	35,669	34,800	1%
800	Jun-06	Professionals Direct, Inc. (OTCBB:PFLD); provides lawyer liability insurance and underwriting and other services to insurance companies	18,790	20,900	1%
33.3%	Mar-06	LFM Management, LLC, dba 1st Choice Mortgage (Privately held); Direct to consumer brokerage company	250,000	250,000	10%
10.27%	Mar-06	EE Investors, LLC, whose sole asset is a 16.2% interest in Bouncing Brain Productions, LLC (Privately held); Inventor promotion company	250,000	250,000	10%
			<u>708,873</u>	<u>820,470</u>	<u>34%</u>
<b>LOAN INVESTMENTS</b>					
Loan	Jun-06	Lifestyle Innovations, Inc. (OTCBB:LFSI); note and accounts receivable investment of approximately \$1,200,000, non-interest bearing	100,000	100,000	4%
Loan	Sep-06	Special Projects Group (Pink Sheets:SPLJ) distributor and marketer of security and defense products and training manuals; 12% note due 7/07	50,000	50,000	2%
			<u>150,000</u>	<u>150,000</u>	<u>6%</u>
<b>OIL AND GAS PROPERTY INVESTMENTS</b>					
37.5%	Mar-06	Signature Energy, Inc; working interest in two oil and gas properties in Washington County, OK	128,216	225,000	9%
		Total non-affiliate investments	<u>987,089</u>	<u>1,195,470</u>	<u>49%</u>
<b>AFFILIATE INVESTMENT</b>					
23%	Mar-06	Chanticleer Investors LLC (Privately held);	1,150,000	1,150,000	48%
	Jun-06	Investment LLC with note receivable from Hooters			
	Dec-06	of America, Inc. in the amount of \$5,000,000			
		Total investments at December 31, 2006	<u>\$ 2,137,089</u>	<u>2,345,470</u>	<u>97%</u>
		Cash and other assets, less liabilities		<u>67,919</u>	<u>3%</u>
		Net assets at December 31, 2006		<u>\$ 2,413,389</u>	<u>100%</u>

See accompanying notes to financial statements.



# Chanticleer Holdings, Inc.

## Notes to Financial Statements

### 1. NATURE OF BUSINESS

#### ORGANIZATION

Chanticleer Holdings, Inc. (the "Company") was organized October 21, 1999, under its original name, Tulvine Systems, Inc., under the laws of the State of Delaware. The Company previously had limited operations and in accordance with Statement of Financial Accounting Standards ("SFAS") No. 7, "Accounting and Reporting by Development Stage Enterprises" was considered a development stage company until July 2005. The Company was formed to serve as a vehicle to effect a merger, exchange of capital stock, asset acquisition or other business combination with a domestic or foreign private business. On April 25, 2005, the Company formed a wholly owned subsidiary, Chanticleer Holdings, Inc. On May 2, 2005, Tulvine Systems, Inc. merged with and changed its name to Chanticleer Holdings, Inc.

On April 18, 2006, the Company formed Chanticleer Investors LLC ("Investors LLC") and sold units for \$5,000,000, of which the Company owns \$1,150,000 (23%) as of December 31, 2007. Investors LLC's principal asset is a 6%, convertible note in the amount of \$5,000,000 with Hooters of America, Inc. ("Hooters"), collateralized by and convertible into 2% of Hooters common stock. One-third of the interest is paid to the Company as a management fee and the Company shares pro-rata with the other investors in the remaining 4% interest, which is distributed to the investors quarterly.

On July 31, 2006, the Company formed Chanticleer Investors II, LLC ("Investors II"). Investors II began raising funds in January 2007 for the purpose of investing in publicly traded value securities.

In January 2007, the Company formed Chanticleer Advisors, LLC ("Advisors"), as a wholly owned subsidiary to manage Investors II, as well as, the Company's other investments.

#### INVESTMENT COMPANY

On May 23, 2005, the Company filed a notification on Form N54a with the U.S. Securities and Exchange Commission (the "SEC") indicating its election to be regulated as a business development company under the Investment Company Act of 1940 (the "1940 Act"). In connection with this election, the Company has adopted corporate resolutions and currently operates as a closed-end management investment company as a business development company (a "BDC"). Under this recent election, the Company has been organized to provide investors with an opportunity to participate, with a modest amount in venture capital, in investments that are generally not available to the public and that typically require substantially larger financial commitments. In addition, the Company will provide professional management and administration that might otherwise be unavailable to investors if they were to engage directly in venture capital investing. The Company has decided to be regulated as a business development company under the 1940 Act, and currently operates as a non-diversified company as that term is defined in Section 5(b)(2) of the 1940 Act. The Company will at all times conduct its business so as to retain its status as a BDC. The Company may not change the nature of its business so as to cease to be, or withdraw its election as, a BDC without the approval of the holders of a majority of its outstanding voting stock as defined under the 1940 Act.

As a BDC, the Company is required to invest at least 70% of its total assets in qualifying assets, which generally, are securities of private companies or securities of public companies whose securities are not eligible for purchase on margin (which includes many companies with thinly traded securities that are quoted in the pink sheets or the NASD Electronic Quotation Service.) The Company must also offer to provide significant managerial assistance to these portfolio companies. Qualifying assets may also include:

- Cash;
- Cash equivalents;
- U.S. Government securities; or
- High-quality debt investments maturing in one year or less from the date of investment.

An eligible portfolio company generally is a United States company that is not an investment company and that:

- Does not have a class of securities registered on an exchange or included in the Federal Reserve Board's over-the-counter margin list;
- Is actively controlled by a BDC and has an affiliate of a BDC on its board of directors; or
- Meets such other criteria as may be established by the SEC.

The Company may invest a portion of the remaining 30% of its total assets in debt and/or equity securities of companies that may be larger or more stable than our targeted portfolio companies.

BDC's are required to implement certain accounting provisions that are different from those to which other reporting companies are required to comply. These requirements may result in presentation of financial information in a manner that is more or less favorable than the manner permitted by other reporting companies. In connection with the implementation of accounting changes to comply with the required reporting of financial information, we must also comply with SFAS No. 154, "Accounting Changes and Error Corrections" ("SFAS 154").

Prior to May 23, 2005, the date the Company began operating as a BDC, the Company's only operations included ownership of marketable investment securities. The Company followed Financial Accounting Standard No. 115, "Accounting for Certain Investments in Debt and Equity Securities" ("FAS 115") for its marketable investment securities. The Company classified its marketable investment securities as trading securities, for which FAS 115 provides that unrealized holding gains and losses for trading securities shall be included in earnings. Since this method of accounting for investments is the same as the valuation method required when operating as a BDC, there is no cumulative effect recognition in the accompanying financial statements upon becoming an investment company. The Company has prepared its financial statements as if it had been a BDC from inception.

BDC's, as governed under the 1940 Act may not avail themselves of any of the provisions of Regulation S-B, including any of the streamlined reporting permitted thereunder.

## **2. SIGNIFICANT ACCOUNTING POLICIES**

### **USE OF ESTIMATES**

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

### **VALUATION OF INVESTMENTS (AS AN INVESTMENT COMPANY)**

As an investment company under the Investment Company Act of 1940, all of the Company's investments must be carried at market value or fair value as determined by management for investments which do not have readily determinable market values. Prior to this conversion, only marketable debt and equity securities and certain derivative securities were required to be carried at market value.

Beginning May 23, 2005, portfolio assets for which market prices are available are valued at those prices. Securities that are traded in the over-the-counter market or on a stock exchange generally will be valued at the prevailing bid price on the valuation date. However, some of the Company's current investments were acquired in privately negotiated transactions and have no readily determinable market values. These securities are carried at fair value as determined by management and outside professionals as necessary under the Company's valuation policy. Currently, the valuation policy provides for management's review of the management team, financial conditions, and products and services of the portfolio company. In situations that warrant such an evaluation, an independent business valuation may be obtained.

Value, as defined in Section 2(a)(41) of 1940 Act, is (i) the market price for those securities for which a market quotation is readily available and (ii) for all other securities and assets, fair value is as determined in good faith by management. There is no single standard for determining fair value in good faith. As a result, determining fair value requires that judgment be applied to the specific facts and circumstances of each portfolio investment. The Company must determine the fair value of each individual investment on a quarterly basis. The Company records unrealized depreciation on investments when it believes that an investment has become impaired, including where realization of an equity security is doubtful. Conversely, the Company records unrealized appreciation if the Company believes that the underlying portfolio company has appreciated in value and, therefore, its investment has also appreciated in value, where appropriate.

As an investment company, the Company invests primarily in illiquid securities including equity securities of private companies. The structure of each equity security is specifically negotiated to enable the Company to protect its investment and maximize its returns. The Company generally includes many terms governing ownership parameters, dilution parameters, liquidation preferences, voting rights, and put or call rights. The Company's investments are generally subject to some restrictions on resale and generally have no established trading market. Because of the type of investments that the Company makes and the nature of its business, the Company's valuation process requires an analysis of various factors. The Company's fair value methodology includes the examination of, among other things, the underlying investment performance, financial condition and market changing events that impact valuation.

#### **CASH AND CASH EQUIVALENTS**

For purposes of the statements of cash flows, the Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

#### **REVENUE RECOGNITION**

The Company's current sources of revenue include management fees and interest and dividend income earned from investments and loans, payment of which is made in cash. The Company also earns additional revenue for management and other technical services provided to its portfolio investment companies. Payment for these services may be in the form of unregistered shares of common stock of the portfolio company, which are recorded based on the fair value determination of our Board of Directors.

#### **FAIR VALUE OF FINANCIAL INSTRUMENTS**

SFAS 107, "Disclosures About Fair Value of Financial Instruments," requires disclosure of fair value information about financial instruments when it is practicable to estimate that value. The carrying amounts of the Company's cash, accounts receivable, accounts payable and notes payable approximate their estimated fair value due to the short-term maturities of these financial instruments and because related interest rates offered to the Company approximate current rates.

## **FIXED ASSETS**

Fixed assets are stated at cost, less accumulated depreciation. Depreciation is recorded using the straight-line method over the estimated useful lives of the respective assets (generally five and seven years). The carrying amount of all long-lived assets is evaluated periodically to determine if adjustment to the depreciation and amortization period or the unamortized balance is warranted. Based upon its most recent analysis, the Company believes that no impairment of property and equipment exists at December 31, 2007. Maintenance and repairs are charged to operations when incurred. Betterments and renewals are capitalized. When property and equipment are sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations.

## **INCOME TAXES**

The Company has not elected to be a regulated investment company under Subchapter M of the Internal Revenue Code of 1986, as amended. Accordingly, the Company will be subject to U.S. federal income taxes on sales of investments for which the sales proceeds exceed their tax basis.

The Company accounts for income taxes under SFAS 109, "Accounting for Income Taxes." Under the asset and liability method of SFAS 109, deferred income taxes are provided on the liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carryforwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax basis. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment. Due to its limited operations, the Company has provided a valuation allowance for the full amount of the deferred tax assets.

## **STOCK-BASED COMPENSATION**

Until December 31, 2005, the Company accounted for stock-based employee compensation arrangements in accordance with the provisions of Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees" and complied with the disclosure provisions of SFAS No.123, "Accounting for Stock-Based Compensation." Under APB No. 25, employee compensation cost is recognized over the vesting period based on the excess, if any, on the date of grant of the fair value of the Company's shares over the employee's exercise price. When the exercise price of the employee share options is less than the fair value price of the underlying shares on the grant date, deferred stock compensation is recognized and amortized to expense in accordance with Financial Accounting Standards Board ("FASB") Interpretation No. 44 over the vesting period of the individual options. Accordingly, if the exercise price of the Company's employee options equals or exceeds the market price of the underlying shares on the date of grant, no compensation expense is recognized. Options or shares awards issued to non-employees are valued using the fair value method and expensed over the period services are provided.

In December 2004, the FASB issued SFAS 123-R, "Share-Based Payment," which requires that the compensation cost relating to share-based payment transactions (including the cost of all employee stock options) be recognized in the financial statements. That cost will be measured based on the estimated fair value of the equity or liability instruments issued. SFAS 123-R covers a wide range of share-based compensation arrangements including share options, restricted share plans, performance-based awards, share appreciation rights and employee share purchase plans. SFAS 123-R replaces SFAS 123, "Accounting for Stock-Based Compensation," and supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees." As originally issued, SFAS 123 established as preferable a fair-value-based method of accounting for share-based payment transactions with employees. However, that pronouncement permitted entities to continue applying the intrinsic-value model of APB Opinion 25, provided that the financial statements disclosed the pro forma net income or loss based on the preferable fair-value method. The Company adopted SFAS 123-R in the 1st quarter of 2006. Thus, the Company's financial statements would reflect an expense for (a) all share-based compensation arrangements granted on or after January 1, 2006 and for any such arrangements that are modified, cancelled or repurchased after that date, and (b) the portion of previous share-based awards for which the requisite service has not been rendered as of that date, based on the grant-date estimated fair value. The Company may have stock-based payment transactions in the future which would require accounting as discussed above.

As of December 31, 2007 and 2006, there were no options outstanding.

#### **NET INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS PER SHARE**

Basic net increase (decrease) in net assets from operations per share is computed by dividing the net income (loss) amount adjusted for cumulative dividends on preferred stock (numerator) by the weighted average number of common shares outstanding during the period (denominator). Diluted net increase (decrease) in net assets from operations per share amounts reflect the maximum dilution that would have resulted from the assumed exercise of stock options, if any, and from the assumed conversion of convertible securities, if any. Diluted net increase (decrease) in net assets from operations per share is computed by dividing the net income (loss) amount adjusted for cumulative dividends on preferred stock by the weighted average number of common and potentially dilutive securities outstanding during the period. For all periods presented there are no potentially dilutive securities so basic and diluted net increase (decrease) in net asset from operation per share is the same.

## **COMPREHENSIVE INCOME**

SFAS No. 130, *Reporting Comprehensive Income*, establishes standards for reporting and displaying comprehensive income and its components (revenues, expenses, gains and losses) in a full set of general-purpose financial statements. It requires that all items that are required to be recognized under accounting standards as components of comprehensive income be reported in a financial statement that is displayed with the same prominence as other financial statements. SFAS No. 130 requires that an enterprise (a) classify items of other comprehensive income by their nature in financial statements, and (b) display the accumulated balance of other comprehensive income separately in the equity section of the balance sheet for all periods presented. The Company's comprehensive income (loss) does not differ from its reported net income (loss).

As an investment company, the Company must report changes in the fair value of its investments outside of its operating income on its statement of operations and reflect the accumulated appreciation or depreciation in the fair value of its investments as a separate component of its stockholders' deficit. This treatment is similar to the treatment required by SFAS No. 130.

## **CONCENTRATION OF CREDIT RISK**

Cash is maintained at financial institutions. The Federal Deposit Insurance Corporation ("FDIC") insures accounts at each institution for up to \$100,000. At times, cash balances may exceed the FDIC insurance limit of \$100,000.

## **RECENT ACCOUNTING PRONOUNCEMENTS**

There are several new accounting pronouncements issued by the Financial Accounting Standards Board ("FASB") which are not yet effective. Each of these pronouncements, as applicable, has been or will be adopted by the Company. Management does not believe any of these accounting pronouncements has had or will have a material impact on the Company's financial position or operating results.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measures". This Statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, expands disclosures about fair value measurements, and applies under other accounting pronouncements that require or permit fair value measurements. SFAS No. 157 does not require any new fair value measurements. However, the FASB anticipates that for some entities, the application of SFAS No. 157 will change current practice. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007, which for the Company would be its fiscal year beginning January 1, 2008. The Company is currently evaluating the impact of SFAS No. 157 but does not expect that it will have a material impact on its financial statements.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities." This statement permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007, which for the Company would be its fiscal year beginning January 1, 2008. The Company is currently evaluating the impact of SFAS No. 159, but does not expect that it will have a material impact on its financial statements.

### 3. INVESTMENTS

#### VALUATION OF INVESTMENTS

As required by the SEC's Accounting Series Release ("ASR") 118, the investment committee of the Company is required to assign a fair value to all investments. To comply with Section 2(a) (41) and Rule 2a-4 under the Investment Company Act of 1940 (the "1940 Act"), it is incumbent upon the Board of Directors to satisfy themselves that all appropriate factors relevant to the value of securities for which market quotations are not readily available have been considered and to determine the method of arriving at the fair value of each such security. To the extent considered necessary, the Board of Directors may appoint persons to assist them in the determination of such value and to make the actual calculations pursuant to the Board of Directors' direction. The Board of Directors must also, consistent with this responsibility, continuously review the appropriateness of the method used in valuing each issue of security in the Company's portfolio. The Directors must recognize their responsibilities in this matter and whenever technical assistance is requested from individuals who are not Directors, the findings of such individuals must be carefully reviewed by the Directors in order to satisfy themselves that the resulting valuations are fair.

No single standard for determining "fair value in good faith" can be established, since fair value depends upon the circumstances of each individual case. As a general principle, the current "fair value" of an issue of securities being valued by the Board of Directors would appear to be the amount that the owner might reasonably expect to receive for them upon their current sale. Methods that use this principle may, for example, be based on a multiple of earnings, or a discount from market of a similar freely traded security, or yield to maturity with respect to debt issues, or a combination of these and other methods. Some of the general factors that the Board of Directors should consider in determining a valuation method for an individual issue of securities include: 1) the fundamental analytical data relating to the investment, 2) the nature and duration of restrictions on disposition of the securities, and 3) an evaluation of the forces which influence the market in which these securities are purchased and sold. Among the more specific factors which are to be considered are: type of security, financial statements, cost at date of purchase, size of holding, discount from market value of unrestricted securities of the same class at time of purchase, special reports prepared by analysts, information as to any transactions or offers with respect to the security, existence of merger proposals or tender offers affecting the securities, price and extent of public trading in similar securities of the issuer or comparable companies and other relevant matters.



Certain of the portfolio companies are listed with listing services such as Pink Sheets, LLC and the Over-the-Counter Bulletin Board maintained by FINRA but, the Board of Directors, in conformity with the provisos under Section 2(41) of the Investment Company Act of 1940, has undertaken to determine the fair market value which may not, in accordance with Section 2(41) be in excess of the listed stock prices. Rather, the Board of Directors may depart downward from the listed price of the shares to determine what it believes, acting in good faith, to be the true value where the market is somewhat illiquid or other factors which would tend to show that the amount of proceeds which may be realized from an immediate sale would not equal the listed price multiplied by the number of shares. Where the Company has determined that the value of the portfolio companies is not equal to the listed price per share, it has notated such determination on its valuation and the reason for such departure from the listed price per share.

The Board of Directors has arrived at the following valuation method for its investments. Where there is not a readily available source for determining the market value of any investment, either because the investment is not publicly traded or is thinly traded and in absence of a recent appraisal, the value of the investment shall be based on the following criteria:

- Total amount of the Company's actual investment. This amount shall include all loans, purchase price of securities and fair value of securities given at the time of exchange;
- Total revenues for the preceding twelve months;
- Earnings before interest, taxes and depreciation, as adjusted for non-recurring items;
- Estimate of likely sale price of investment;
- Net assets of investment; and
- Likelihood of investment generating positive returns (going concern).

The estimated value of each investment shall be determined as follows:

- Where no or limited revenues or earnings are present, then the value shall be the greater of net assets, estimated sales price, or total cost for each investment;
- Where revenues and/or earnings are present, then the value shall be the greater of one-times (1x) revenues or three-times (3x) earnings, plus the greater of the net assets of the investment or the total amount of the actual investment; or
- Under both scenarios, the value of the investment shall be adjusted down if there is a reasonable expectation that the Company will not be able to recoup the investment or if there is reasonable doubt about the investment's ability to continue as a going concern.

Utilizing the foregoing method, the Company has valued its investments as follows:

#### **NON-AFFILIATE INVESTMENTS**

##### **NON-INCOME PRODUCING INVESTMENTS**

Special Projects Group (Pink Sheets:SPLJ) is a distributor and marketer of security and defense products and training manuals. As of December 31, 2007, the Company has an investment of 1,046,900 shares with a total cost of \$144,349. The company received 196,900 shares of Special Projects for management consulting services previously provided and purchased 50,000 shares in December 2007 for cash. Based on the closing price on December 31, 2007, the Investment Committee of the Board of Directors has valued the investment at \$52,345. In addition, the Company made a loan to Special Projects in the amount of \$50,000 in July 2006, which was repaid with interest in July 2007.

LFM Management, LLC, dba 1<sup>st</sup> Choice Mortgage (Privately held); direct to consumer brokerage company. The Company owns 33.3% of 1<sup>st</sup> Choice with an investment of \$250,000 made in March 2006. Based on the current performance of LFM and its prospects, the Investment Committee of the Board of Directors has valued the investment at the original cost of \$250,000.

EE Investors, LLC - Bouncing Brain Productions, LLC (Privately held): Bouncing Brain is an inventor promotion company. At December 31, 2007, the Company owns 5% of EE Investors, LLC, which owns 33.3% of Bouncing Brain. The cost of \$250,000 is from an investment made in March 2006. Based on the current performance of Bouncing Brain and its prospects, the Investment Committee of the Board of Directors has valued the investment at \$350,000.

HealthSport, Inc. (OTCBB:HSPO): is a fully integrated developer, manufacturer and marketer of unique and proprietary branded and private label edible film strip nutritional supplements and over-the-counter drugs. The Company's CEO is a director of HealthSport. The Company acquired 125,000 shares of HealthSport in September 2007 for a note in the amount of \$70,000. Based on the closing price on December 31, 2007, the Investment Committee of the Board of Directors has valued the investment at \$65,000.

#### **LOAN INVESTMENT**

Lifestyle Innovations, Inc. (OTCBB:LFSI): non-interest bearing note and accounts receivable investment of approximately \$1,200,000 face value with a cost of \$100,000 in June 2006. This is a speculative investment in a public company with plans to acquire another operating business. The Investment Committee of the Board of Directors has valued the investment at \$125,000, based on an estimated value for the public shell.

#### **OIL AND GAS INVESTMENT**

Signature Energy, Inc. is the operator of the Company's 37.5% working interest in 2 oil and gas properties in Washington County, Oklahoma. The Company's original cost was \$128,216 and the valuation of \$150,000 is based on the sale of similar properties in the area.

### **AFFILIATE INVESTMENTS**

#### **UNCONTROLLED**

SYZYGY Entertainment, Ltd. (SYZG): is the owner/operator of casino operations in the Turk and Caicos Islands. The Company's CEO also serves as SYZG's CEO and is its sole director. The Company received 342,814 shares of SYZG which were valued at \$514,221 by the Investment Committee of the Board of Directors in exchange for our CEO's services for the period from April 1, 2007 through March 31, 2008. The Company deferred the income and is amortizing it to income over the one year period. \$128,555 remains deferred at December 31, 2007. In September 2007 our CEO contributed an additional 200,000 shares of SYZG to the Company and in December 2007, our CEO contributed his remaining 100,000 shares of SYZG to the Company. At December 31, 2007, SYZG had experienced very limited trading; therefore, the board of directors discounted the \$3.00 closing price to \$1.50 per share to determine the value of \$964,221. The stock of this portfolio company is presently listed on a national listing service (but not a national exchange) with limited liquidity. The Board of Directors has determined, in consultation with its investment committee and its audit committee, that the investment would not likely realize the value on a per share basis as a result of this lack of liquidity and therefore, in the interest of determining the true value of its investment, has chosen a value below that which might be suggested by the most recent trading price.

#### CONTROLLED

Chanticleer Investors LLC (Privately held): only asset is a 6%, convertible, \$5,000,000 loan to Hooters of America, Inc. Interest only is payable quarterly and accrued interest and principal is due May 24, 2009. The Company owns 23% of Chanticleer Investors and receives a management fee equal to 2% of the interest being paid on the loan. The remaining 4% of the interest is distributed to the investors quarterly. The Investment Committee of the Board of Directors has valued the interest in Chanticleer Investors at \$1,610,000 based on a valuation of Hooters of America, Inc.

Confluence Partners, LLC (Privately held): the Company formed and currently owns 50% of Confluence Partners, LLC, whose sole asset is an investment in Lank Acquisition, LLC. Lank Acquisition, LLC was formed to facilitate the formation of Lank Acquisition Corporation as a Special Purpose Acquisition Corporation ("SPAC"), with plans to raise \$125,000,000 through an IPO and invest in an as yet undetermined business. Confluence ultimately plans to invest a total of \$1,250,000 and the Company plans to sell off all of its remaining commitment of \$575,000. For its investment, Confluence would receive 1,250,000 warrants to acquire common stock with an exercise price of \$7.50 and 200,000 shares of common stock, which will be priced at \$10 per share in the IPO. The Company's funding began in December 2007. Accordingly, the Investment Committee of the Board of Directors has valued this investment at its current cost of \$50,000.

Chanticleer Advisors, LLC is a wholly owned subsidiary of the Company which provides management services for Chanticleer Investors II, LLC. The Investment Committee of the Board of Directors has valued this investment at \$100,000 based on the value of the management contract.

Hooters of America, Inc. Option Agreement: the Company has an option agreement with Hooters of America, Inc. to open and operate Hooters restaurants in the Republic of South Africa. The Investment Committee of the Board of Directors valued this option at the amount of the Company's deposit of \$20,000.

#### 4. NOTES PAYABLE

The Company has a one-year line-of-credit with a bank in the amount of \$250,000 which matures on December 3, 2008. The loan is guaranteed by the Chief Executive Officer of the Company and is collateralized by all inventory, chattel paper, accounts, equipment and general intangibles of the Company. The loan bears interest at 7.5% per annum.	\$ 95,272
The Company has a one-year note with a company in the amount of \$70,000 which will mature on September 15, 2008, and bears interest at 4%. The loan was used to acquire an investment in 125,000 shares of HealthSport, Inc. common stock.	70,000
Total notes payable	<u>\$ 165,272</u>

**5. INCOME TAXES**

During the years ended December 31, 2007, 2006 and 2005, the provision for income taxes (all deferred) differs from the amounts computed by applying the U.S. Federal income tax rate of 34% to income before provision for income taxes as a result of the following:

	2007	2006	2005
Computed "expected" income tax expense			
(benefit)	\$ 4,000	\$ (67,700)	\$ (58,500)
State income taxes, net of federal benefit	500	(8,000)	(6,900)
Travel, entertainment and other	9,900	4,200	200
Valuation allowance	(14,400)	71,500	65,200
Income tax expense (benefit)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Significant components of net deferred income tax assets are as follows:

	2007	2006	2005
Investments	\$ 266,200	\$ 79,200	\$ 13,000
Net operating loss carryforwards	(375,700)	(203,100)	(65,400)
Capital loss carryforwards	(18,600)	(18,600)	(18,600)
Total deferred tax assets	(128,100)	(142,500)	(71,000)
Valuation allowance	128,100	142,500	71,000
Net deferred tax assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The Company has a net operating loss carryforward of approximately \$989,000, which will expire at various dates beginning in 2024 through 2027, if not utilized. The Company has a capital loss carryforward of \$49,000 which expires in 2010 if not utilized. The book cost of investments exceeds their tax basis by approximately \$256,000.

**6. COMPOSITION OF NET ASSETS (STOCKHOLDERS' EQUITY)**

The Company has 200,000,000 shares of its \$0.0001 par value common stock authorized and 8,332,318 shares issued and outstanding at December 31, 2007. There are no warrants or options outstanding.

**2007 Transactions**

During the year ended December 31, 2007, the Company sold 642,857 shares of its common stock pursuant to its Offering Circular under Regulation E promulgated under the Securities Act of 1933 for proceeds in the amount of \$450,000.

**2006 Transactions**

During the year ended December 31, 2006, the Company sold 83,250 shares of its common stock pursuant to its Offering Circular under Regulation E promulgated under the Securities Act of 1933 for proceeds of \$83,250. In addition, during the first quarter of 2006, the Company determined they were not going to be paid on the stock subscription receivable of \$1,000,000 and the related 1,000,000 shares have been returned to counsel to be cancelled.

**7. RELATED PARTY TRANSACTIONS**

Michael D. Pruitt, the Company's Chief Executive Officer, is also CEO and a Director of Syzygy Entertainment, Ltd. (SYZG) and a Director of HealthSport, Inc. (HSPO).

During 2007, Mr. Pruitt contributed 300,000 shares of Syzygy Entertainment, Ltd. to the Company, which was valued by the investment committee at \$600,000 on the dates contributed. Mr. Pruitt will not receive additional compensation as a result of the transfers.

On July 31, 2006, the Company formed Chanticleer Investors II, LLC ("Investors II"). Investors II began raising funds in January 2007 for the purpose of investing in publicly traded value securities.

In January 2007, the Company formed Advisors as a wholly-owned subsidiary to manage Investors II, as well as other designated projects. Pursuant to Regulation S-X Rule 6, Advisors will not be consolidated with the Company. The Company has advanced \$15,443 to Advisors for legal expenses and has included this amount as the investment cost of this entity.

During the three months ended March 31, 2007, the Company sold its investment in two securities to Investors II for \$21,775, which approximated market value on the transaction dates. The Company realized a profit of \$127 on the transactions.

On December 13, 2006, the Company completed the acquisition of a \$50,000 investment in Chanticleer Investors LLC from Michael D. Pruitt, CEO, at its original cost and at the estimated market value at the time. This increased the Company's interest in Chanticleer Investors LLC from \$1,100,000 (22%) to \$1,150,000 (23%) at December 31, 2007 and 2006.

## **8. COMMITMENTS AND CONTINGENCIES**

On February 22, 2007, the Company entered into a lease agreement jointly with Five Oaks Capital Partners, LLC to lease a total of 5,041 square feet, commencing March 26, 2007 through December 31, 2008. The Company's allocated share of the space is 2,000 square feet and its monthly base rent is \$3,980 in 2008. Five Oaks Capital Partners, LLC is the managing member of EE Investors, LLC, in which the Company is currently a 5% investor.

On November 21, 2006, the Company entered into a 120 day option agreement with Hooters of America, Inc. to purchase the right to open and operate Hooters restaurants in the Republic of South Africa. Negotiations are underway regarding a proposed development plan.

## **9. SUBSEQUENT EVENT**

On March 11, 2008, the Company announced it has entered into a Stock Purchase Agreement for the purchase of Hooters, Inc., Hooters Management Corporation and their related restaurants (collectively "HI") from the nine current individual HI shareholders, many of whom will continue to stay involved in the ongoing operation as shareholders of Chanticleer. The transaction is valued at approximately \$55.1 million and is anticipated to close on or before July 31, 2008. The final purchase price will be determined after the completion of the 2007 fiscal year audit.

The closing of the transaction is subject to Chanticleer raising the necessary debt and equity financing to complete the acquisition. In addition, Chanticleer will have to convert from its current SEC status as a BDC to an operating company prior to closing the transaction. Chanticleer has retained an investment banking firm to assist in securing the equity capital necessary to close the proposed transaction.

HI was founded in 1983 and was the creator of the Hooters brand and concept. In 1984, HI licensed Neighborhood Restaurants of America, n/k/a Hooters of America, Inc. ("HOA"), owned by a separate group of shareholders, to be its exclusive licensee in the development and expansion of its restaurant business. In 2001 HI went on to sell the Hooters trademarks and other related proprietary rights to HOA. HI retained and continues to own certain rights including a perpetual irrevocable license agreement with greatly reduced royalties, to operate its restaurants in its retained territories and, most importantly, to acquire franchisees within the Hooters system. These rights will be acquired by Chanticleer as a part of the transaction.

Chanticleer has an existing relationship with HOA through its position as the lead investor in a \$5 million, 6% convertible three-year promissory note from Robert Brooks, the former Chairman of HOA. This note is secured by and contains conversion options into 2% of Hooters of America outstanding stock. Chanticleer was also granted a right of first refusal and a right to match any equity financing proposed to, or sought by, HOA. Additionally, Chanticleer currently holds an Option Agreement with HOA to open Hooters franchises in the Republic of South Africa which is under development. The entire Hooters system, consisting of 433 restaurants in 28 countries, is currently celebrating its 25<sup>th</sup> anniversary with events on the 25<sup>th</sup> of each month and a grand pageant in Miami on July 23, 2008.

HI was the creator of the Hooters brand and concept and currently owns and operates 22 restaurants, which comprise the highest average unit gross sales within the Hooters system, and includes locations in and around Tampa, Florida, Chicago, Illinois and the Manhattan regions, including the original Hooters restaurant located in Clearwater, Florida. These are the operations of HI being acquired by Chanticleer.

#### **10. ADJUSTMENT AFFECTING QUARTER ENDED SEPTEMBER 30, 2007**

At September 30, 2007, the Company had calculated unrealized appreciation of \$1,880,259 on its investments, had a net operating loss carryforward of \$785,424, a current year loss from operations of \$94,969 and book basis in excess of tax basis in investments of \$256,258. The Company obtained tax advice which indicated it could elect to be treated as a regulated investment company under Subchapter M of the Internal Revenue Code of 1986, as amended, in the event the unrealized appreciation should be realized.

Accordingly, the Company did not provide deferred taxes on the unrealized appreciation as it had been advised the gain could be distributed to its shareholders and taxed at that level if the unrealized appreciation should ever be realized.

The Company has since determined it could not automatically elect to be treated as a regulated investment company under Subchapter M and should have accrued a deferred income tax liability pursuant to its method of accounting for income taxes at September 30, 2007 of approximately \$480,000.

The unrealized appreciation at December 31, 2007 had been reduced to \$444,337. Accordingly, there was no deferred tax liability at December 31, 2007.

If the deferred taxes were recorded at September 30, 2007, the results of operations for the three and nine months ended September 30, 2007 would have been \$480,000 lower. However, as a result of the decrease in unrealized appreciation at December 31, 2007, the results of operations for the three months ended December 31, 2007 would have been \$480,000 higher.

In summary, the tax expense of \$480,000 in the third quarter would have been offset by a tax benefit of \$480,000 in the fourth quarter with no net tax expense for the year ended December 31, 2007.

#### **11. AMENDED REPORT**

The Company amended its annual report as of December 31, 2007 to make the following changes:

- The Company changed its cash flow statements to include the purchase of investments and the proceeds from sale of investments as operating activities rather than investing activities, which had the effect of decreasing the cash used in operating activities in 2007 by \$113,156 and increasing the cash used in operating activities in 2006 by \$1,882,740 and in 2005 by \$196,819, with an equal by opposite effect on cash flow provided (used) in investing activities;
- The Company also expanded its disclosure regarding an investment which was valued at an amount below the most recent trading price, based on limited trading activity.

**Chanticleer Holdings, Inc.**  
**Financial Highlights**  
**For the Years Ended December 31, 2007, 2006 and 2005**

	<u>2007</u>	<u>2006</u>	<u>2005</u>
<b>PER SHARE INFORMATION</b>			
Net asset value, beginning of year	\$ 0.3139	\$ 0.2939	\$ 0.0283
Net decrease from operations	(0.0311)	(0.0527)	(0.0293)
Net change in realized gain (loss) and unrealized appreciation (depreciation) of investments, net	0.0326	0.0268	(0.0035)
Net increase from stock transactions	0.1017	0.0459	0.2984
Net asset value, end of year	<u>\$ 0.4171</u>	<u>\$ 0.3139</u>	<u>\$ 0.2939</u>
<b>Per share market value:</b>			
Beginning of period	\$ 1.1000	\$ 1.3000	\$ 0.0001
End of period	0.5200	1.1000	1.3000
Investment return, based on market prices at end of period	-53%	-15%	(a)
<b>RATIOS/SUPPLEMENTAL DATA</b>			
Net assets, end of year	3,475,276	2,413,389	2,529,352
Average net assets	3,073,782	2,533,311	358,949
Annualized ratio of expenses to average net assets	27.0%	21.0%	44.0%
Annualized ratio of net increase (decrease) in net assets from operations to average net assets	0.4%	-7.9%	-48.0%
Common stock outstanding at end of year	8,332,318	7,689,461	8,606,211
Weighted average shares outstanding during year	7,995,528	7,686,657	5,245,319

(a) The Company began trading on July 27, 2005. Prior to that time, the Company's stock did not trade accordingly, the market value was assumed to be \$.0001, the par value of the common stock at the beginning of 2005.



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

None.

**ITEM 9A(T): CONTROLS AND PROCEDURES**

Management's Annual Report on Internal Control Over Financial Reporting

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting and for the assessment of the effectiveness of internal control over financial reporting. As defined by the SEC, internal control over financial reporting is defined in Rule 13a-15(f) or 15d-15(f) promulgated under the Exchange Act as a process designed by, or under the supervision of, the Company's principal executive and principal financial officers and effected by the Company's board of directors, management and other personnel, 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. The Company's internal control over financial reporting is supported by written policies and procedures that: (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the Company's assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and that receipts and expenditures of the Company are being made only in accordance with authorizations of the Company's management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

The Company's internal control system was designed to provide reasonable assurance to the Company's management and board of directors regarding the preparation and fair presentation of published financial statements. All internal control systems, no matter how well designed, have inherent limitations which may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management conducted an evaluation of the effectiveness of the Company's internal control over financial reporting as of December 31, 2007. In making this assessment, management used the framework set forth in the report entitled "Internal Control-Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission, or COSO. The COSO framework summarizes each of the components of a company's internal control system, including (i) the control environment, (ii) risk assessment, (iii) control activities, (iv) information and communication, and (v) monitoring. Based on this evaluation, management concluded that the Company's internal control over financial reporting was not effective as of December 31, 2007, due to a lack of segregation of duties.

This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permits us to provide only management's report in this annual report.

**ITEM 9B: OTHER INFORMATION**

Not applicable.

PART III

ITEM 10: DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The following section sets forth the names, ages and current positions with the Company held by the Directors, Executive Officers and Significant Employees as of December 31, 2007; together with the year such positions were assumed. There is no immediate family relationship between or among any of the Directors, Executive Officers or Significant Employees, and the Company is not aware of any arrangement or understanding between any Director or Executive Officer and any other person pursuant to which he was elected to his current position. Each Executive Officer will serve until he or she resigns or is removed or otherwise disqualified to serve, or until his or her successor is elected and qualified.

Each Director will serve until he or she resigns or is removed or otherwise disqualified to serve or until his or her successor is elected. The Company currently has four Directors. The Board of Directors does not expect to appoint additional Directors until a potential acquisition is identified.

NAME	AGE	POSITION
Michael D. Pruitt	47	President, CEO and Director since June 2005
Michael Carroll	59	Independent Director since June 2005
Brian Corbman	32	Independent Director since August 2005
Paul I. Moskowitz	51	Independent Director since April 2007

Michael D. Pruitt

Michael Pruitt, a long-time entrepreneur with a proven track record, possesses the expertise to evaluate potential investments, form key relationships and recognize a strong management team. Mr. Pruitt founded Avenel Financial Group, a boutique financial services firm concentrating on emerging technology company investments. The business succeeded immediately, and in order to grow Avenel Financial Group to its full potential and better represent the company's ongoing business model, he formed Avenel Ventures, an innovative technology investment and business development company. In the late 1980s, Mr. Pruitt owned Southern Cartridge, Inc., which he eventually sold to MicroMagnetic, Inc., where he continued working as Executive Vice President and a Board member until Southern Cartridge was sold to Carolina Ribbon in 1992. From 1992 to 1996, Mr. Pruitt worked in a trucking firm where he was instrumental in increasing revenues from \$6 million to \$30 million. The firm was sold in 1996 to Priority Freight Systems. Between 1997 and 2000, Mr. Pruitt assisted several public and private companies in raising capital, recruiting management and preparing companies to go public or be sold. He was the CEO, President and Chairman of the Board of Onetravel Holdings, Inc. (formerly RCG Companies), a publicly traded holding company formerly listed on the AMEX. Mr. Pruitt received a Bachelor of Arts degree from Coastal Carolina University in Conway, South Carolina, where he sits on the Board of Visitors of the Wall School of Business. He is also Managing Director of Cain Capital Advisors. Mr. Pruitt is currently CEO and director of Syzygy Entertainment, Ltd, (SYZG.OB) and a director of HealthSport, Inc. (HSPO.OB).

Michael Carroll

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

Brian Corbman

Brian Corbman is the managing director of Ardent Advisors, a consulting company he co-founded in 2003, that specializes in business strategy and corporate advisory services for emerging growth companies. Mr. Corbman is in the process of becoming an Officer of Supervisory Jurisdiction under the Westor Capital broker dealer umbrella and services buy-side institutional investors via equity research, institutional trading execution and investment banking activities. Previously, he was an institutional salesman at Fulcrum Global Partners and Banc of America Securities. Prior to that, he gained valuable corporate experience working for GSI Commerce, a publicly traded company, where he was the sole corporate development analyst. A Magna Cum Laude graduate of George Washington University in Washington, DC, he holds a Bachelor's degree in Business Administration. Mr. Corbman has also attained the NASD general securities principal Series 24, Series 7 and Series 63 licenses.

Paul I. Moskowitz

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

**AUDIT COMMITTEE**

The Board of Directors has determined that Michael Carroll meets the requirements of a financial expert and serves as Chairman of the Audit Committee. Mr. Carroll is independent as specified in Item 7 (d)(3)(iv) of Schedule 14A under the Exchange Act.

We have a separately designated standing audit committee established in accordance with Section 3 (a)(58)(A) of the Exchange Act, which is currently made up of Mr. Carroll and Mr. Corbman.

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

#### **COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT**

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our executive officers, directors and persons who own more than ten percent of our common stock to file initial reports of ownership and changes in ownership with the SEC. Additionally, SEC regulations require that we identify any individuals for whom one of the referenced reports was not filed on a timely basis during the most recent fiscal year or prior fiscal years. To the best of our knowledge, based solely on a review of reports furnished to us, each of the Directors timely filed any required Form 4's during fiscal 2007.

#### **CODE OF ETHICS**

The Board of Directors of the Company adopted a Code of Ethics which was effective May 23, 2005 and is attached hereto as Exhibit 14.

The Code of Ethics in general prohibits any officer, director or advisory person (collectively, "Access Person") of the Company from acquiring any interest in any security which we (i) are considering a purchase or sale thereof, (ii) are being purchased or sold by us, or (iii) are being sold short by us. The Access Person is required to advise us in writing of his or her acquisition or sale of any such security.

#### **INVESTMENT COMMITTEE**

The Board of Directors of the Company adopted an Investment Committee Charter which was effective May 23, 2005.

The Investment Committee shall have oversight responsibility with respect to reviewing and overseeing our contemplated investments and portfolio companies and investments on behalf of the Board and shall report the results of their activities to the Board. Such Investment Committee shall (i) have the ultimate authority for and responsibility to evaluate and recommend investments, and (ii) review and discuss with management (a) the performance of portfolio companies, (b) the diversity and risk of our investment portfolio, and, where appropriate, make recommendations respecting the role or addition of portfolio investments and (c) all solicited and unsolicited offers to purchase portfolio companies.

## NOMINATING COMMITTEE

We do not currently have a standing nominating committee, or a committee performing similar functions. The full Board of Directors currently serves this function.

## ITEM 11: EXECUTIVE COMPENSATION

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

### a. Summary Compensation Table

The following table shows the compensation of the Company's Chief Executive Officer and each executive officer whose total cash compensation exceeded \$100,000 for the three years ended December 31, 2007.

#### ANNUAL COMPENSATION

<u>Name and Principal Position</u>	<u>Year</u>	<u>Salary</u>	<u>Bonus</u>	<u>Total</u>
Michael D. Pruitt (CEO since June 2005) (1)	2007	\$ 41,917	\$ -	\$ 41,917
	2006	-	-	-
	2005	-	-	-
Ross Silvey (CEO until June 2005) (2)	2007	N/A	N/A	N/A
	2006	N/A	N/A	N/A
	2005	-	-	-

(1) Mr. Pruitt did not receive any compensation during 2005 and 2006.

(2) Mr. Silvey did not receive any compensation during his term in office as CEO.

Required columns for stock awards, option awards, non-entity incentive plan compensation, change in pension value and nonqualified deferred compensation earnings and all other compensation are omitted from the table above as the amounts are all zero.

Mr. Pruitt did not receive compensation during our initial start-up phase as a BDC. His compensation commenced in February 2007. Our compensation for Directors is based on comparative compensation levels for similar positions and time requirements.

## EMPLOYMENT AGREEMENTS

The Company does not have any current employment agreements with its officers and directors. The company intends to pay its Executives and Directors salaries, wages, or fees commensurate with experience and industry standards in relationship to the success of the company.

**b. Grants of plan-based awards table**

There were no grants of plan-based awards during the year for the named individuals.

**c. Outstanding equity awards at fiscal year-end table**

There were no outstanding equity awards at fiscal year-end for the named individuals.

**d. Option exercises and stock vested table**

There were no option exercises during the year and no stock vested at fiscal year-end for the named individuals.

**e. Pension benefits**

There are no pension plans.

**f. Nonqualified defined contribution and other nonqualified deferred compensation plans**

There are no nonqualified defined contribution or other nonqualified deferred compensation plans.

**g. Potential payments upon termination or changes-in-control**

There are no potential payments upon termination or changes-in-control for the named individuals.

**h. Compensation of directors**

<u>Name</u>	<u>Directors Fee Earned or Paid In Cash (\$)</u>
Michael Carroll	\$ 1,500
William Block	-
Paul I. Moskowitz	1,500

Directors are generally compensated \$1,500 for each meeting during the year. Although there were no formal meetings during the year, Mr. Carroll and Mr. Moskowitz were paid \$1,500 each. Mr. Pruitt and Mr. Corbman do not currently receive director fees.

The columns for stock awards, option awards, non-equity incentive plan compensation, change in pension value and nonqualified deferred compensation earnings and all other compensation are omitted as there was no other form of compensation for the directors.

**i. Compensation committee interlocks and insider participation**

The outside Directors serve on the compensation committee.

**j. Compensation committee report**

Based on the Compensation Discussion and Analysis required by Item 402(b) between the compensation committee and management, the compensation committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in the 10-K.

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

**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS**

The following table indicates all persons who, as of February 5, 2008, the most recent practicable date, are known by us to own beneficially more than 5% of any class of our outstanding voting securities. As of February 5, 2008, there were 8,618,032 shares of our common stock outstanding. Except as otherwise indicated below, to the best of our knowledge, each person named in the table has sole voting and investment power with respect to the securities beneficially owned by them as set forth opposite their name.

<b>Title of Class</b>	<b>Name and Address of Beneficial Owner</b>	<b>Amount and Nature of Beneficial Owner</b>	<b>% of Class</b>
Common	Palisades Master Fund, LP 4500 Cameron Valley Parkway, # 270 Charlotte, NC 28211	3,548,072	41.17%



## SECURITY OWNERSHIP OF MANAGEMENT

The following table indicates the beneficial ownership of our voting securities of all Directors of the Company and all Executive Officers who are not Directors of the Company, and all officers and directors as a group, as of February 5, 2008, the most recent practicable date. As of February 5, 2008, there were 8,618,032 shares of our common stock outstanding. Except as otherwise indicated below, to the best of our knowledge, each person named in the table has sole voting and investment power with respect to the securities beneficially owned by them as set forth opposite their name. All options are currently exercisable, unless otherwise indicated.

<b>Title of Class</b>	<b>Name and Address of Beneficial Owner</b>	<b>Amount and Nature of Beneficial Owner</b>	<b>% of Class</b>
Common	Michael D. Pruitt 4500 Cameron Valley Parkway, # 270 Charlotte, NC 28211	1,688,511	19.59%
Common	Michael Carroll 4500 Cameron Valley Parkway, # 270 Charlotte, NC 28211	25,000	*
Common	Paul I. Moskowitz 4500 Cameron Valley Parkway, # 270 Charlotte, NC 28211	1,000	*
Common	Brian Corbman 4500 Cameron Valley Parkway, # 270 Charlotte, NC 28211	25,500	*
Common	All officers and directors as a Group (4 persons)	1,740,011	20.19%

\* Less than 1%.

## EQUITY COMPENSATION PLAN INFORMATION

We do not currently have an equity compensation plan.

**ITEM 13: CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

Michael D. Pruitt, the Company's Chief Executive Officer, is also CEO and a Director of Syzygy Entertainment, Ltd. (SYZG) and a Director of HealthSport, Inc. (HSPO).

During 2007, Mr. Pruitt contributed 300,000 shares of Syzygy Entertainment, Ltd. to the Company, which was valued by the investment committee at \$600,000 on the dates contributed. Mr. Pruitt will not receive additional compensation as a result of the transfers.

On July 31, 2006, the Company formed Chanticleer Investors II, LLC ("Investors II"). Investors II began raising funds in January 2007 for the purpose of investing in publicly traded value securities.

In January 2007, the Company formed Advisors as a wholly-owned subsidiary to manage Investors II, as well as other designated projects. Pursuant to Regulation S-X Rule 6, Advisors will not be consolidated with the Company. The Company has advanced \$15,443 to Advisors for legal expenses and has included this amount as the investment cost of this entity.

During the three months ended March 31, 2007, the Company sold its investment in two securities to Investors II for \$21,775, which approximated market value on the transaction dates. The Company realized a profit of \$127 on the transactions.

On December 13, 2006, we completed acquisition of a \$50,000 investment in Chanticleer Investors LLC from Mr. Pruitt, at its original cost and at the estimated market value at the time. This increased our interest in Chanticleer Investors LLC from \$1,100,000 (22%) to \$1,150,000 (23%) at December 31, 2007 and 2006.

**ITEM 14: PRINCIPAL ACCOUNTANT FEES AND SERVICES**

AUDIT FEES: For the fiscal years ended December 31, 2007 and 2006, Creason & Associates, P.L.L.C. ("Creason") billed the Company \$33,950 and \$35,700, respectively, for services rendered through February 29, 2008, for the audit of the Company's financial statements included in its report on Form 10-K and the reviews of the financial statements included in its reports on Form 10-Q filed with the SEC.

AUDIT RELATED FEES: None.

TAX FEES: Not applicable.

OTHER FEES: None.

PART IV

TEM 15: EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as part of this report:

1. Financial Statements - The following financial statements of Chanticleer Holdings, Inc. are contained in Item 8 of this Form 10-K:
  - Report of Independent Registered Public Accountant
  - Statements of Net Assets at December 31, 2007 and 2006
  - Statements of Operations - For the years ended December 31, 2007, 2006 and 2005
  - Statements of Cash Flows - For the years ended December 31, 2007, 2006 and 2005
  - Statements of Changes in Net Assets - For the years ended December 31, 2007, 2006 and 2005
  - Schedule of Investments - At December 31, 2007 and 2006
  - Notes to the Financial Statements
  - Financial Highlights - For the years ended December 31, 2007, 2006 and 2005
2. Financial Statement Schedules were omitted, as they are not required or are not applicable, or the required information is included in the Financial Statements.
3. Exhibits - The following exhibits are filed with this report or are incorporated herein by reference to a prior filing, in accordance with Rule 12b-32 under the Securities Exchange Act of 1934.

<u>Exhibit</u>	<u>Description</u>
14	Code of Ethics
31.1	Certification of the Chief Executive Officer and Chief Financial Officer pursuant to Rule 13a-14 of the Securities Exchange Act of 1934
32.1	Certification of the Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350

**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 July 1, 2008.

**CHANTICLEER HOLDINGS, INC.**

Date:

By: /s/ Michael D. Pruitt

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Michael D. Pruitt, Chairman,  
Chief Executive Officer and  
Chief Financial Officer

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

Date	Title (Capacity)	Signature
July 1, 2008	Chairman, Chief Executive Officer and Chief Financial Officer	<u>/s/ Michael D. Pruitt</u> Michael D. Pruitt
July 1, 2008	Director	<u>/s/ Michael Carroll</u> Michael Carroll
July 1, 2008	Director	<u>/s/ Brian Corbman</u> Brian Corbman
July 1, 2008	Director	<u>/s/ Paul I. Moskowitz</u> Paul I. Moskowitz

CODE OF ETHICS  
RELATING TO INVESTMENTS, CONFLICTS  
AND  
APPEARANCES OF IMPROPRIETY REGARDING INVESTMENTS

WHEREAS, investment companies are required to adopt a code of ethics and reporting requirements to prevent fraudulent, deceptive and manipulative practices, the following code of ethics relating to investments by the Corporation is adopted by the Corporation's Board of Directors.

I. DEFINITIONS

- A. "Corporation" shall mean Chanticleer Holdings, Inc.
- B. "Access Person" means any director, officer, general partner, or Advisory Person of the Corporation.
- C. "Advisory Person" means any employee of the Corporation, who, in connection with his or her regular functions or duties, makes, participates in, or obtains information regarding the purchase or sales of a security by the Corporation, or whose functions relate to the making of any recommendations with respect to such purchases or sales; and any natural person in a control relationship to the Corporation who obtains information concerning recommendations made to the Corporation with regard to the purchase or sale of a security.
- D. "Purchase or sale of a security" includes, inter alia, the writing of an option to purchase or sell a security.
- E. "Control" shall have the same meaning as that set forth in Section 2(a)(9) of the Investment Company Act of 1940.
- F. "Security" shall have the meaning set forth in 2(a)(36) of the Investment Company Act of 1940, except that it shall not include shares of registered open-end investment companies, securities issued by the Government of the United States, short term debt securities which are "government securities" within the meaning of Section 2(a)(16) of the Investment Company Act of 1940, bankers' acceptances, bank certificates of deposit, commercial paper, and such other money market instruments as designated by the board.
- G. "Beneficial ownership" shall be interpreted in the same manner as it would be in determining whether a person is subject to the provisions of Section 16 of the Securities Exchange Act of 1934 and the rules and regulations there under, except that the determination of direct or indirect beneficial ownership shall apply to all securities which an Access Person has or acquires.
- H. "Investment company" means a company registered as such under the Investment Company Act of 1940, as amended.
- I. "Manipulation" means to alter by artful, insidious, or unfair means to serve one's purpose.

II. PROHIBITIONS

- A. No Access Person of The Corporation, or any of it's subsidiaries, shall purchase or sell, directly or indirectly, any security in which he or she has, or by reason of such transaction acquires, any direct or indirect beneficial ownership and which he or she knows or should have known at the time of such purchase or sale:
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1. is being considered for purchase or sale by the Corporation; or
2. is being purchased or sold by the Corporation; or
3. is being sold short by the Corporation.

### III. EXEMPTED TRANSACTIONS

- A. The prohibitions of Section 2 of this Code shall not apply to:
1. Purchases or sales affected in any account over which the Access Person has no direct or indirect influence or control.
  2. Purchases or sales of securities that are not eligible for purchase or sale by the Corporation.
  3. Purchases or sales that are not voluntary or purposefully made on the part of either the Access Person or the Corporation.
  4. Purchases, which are part of an automatic dividend reinvestment plan.
  5. Purchases effected upon the exercise of rights issued by an issuer pro-rata to all holders of a class of securities, to the extent such rights were acquired from the issuer, and sales of such rights so acquired.
  6. Purchases or sales that receive the prior approval of the Corporation's Board because they are only remotely potentially harmful to the Corporation, because they would be very unlikely to affect a highly institutional market, or because they clearly are not related economically to the securities to be purchased, sold or held by the Corporation.

### IV. REPORTING

- A. Every Access Person shall voluntarily report to the Corporation, on a timely basis, the information described in Section 4(c) of this Code with respect to transactions in any security in which such Access Person has, or by reason of such transaction acquires, any direct or indirect beneficial ownership in the security; provided, however, that an Access Person shall not be required to make a report with respect to transactions effected for any account over which such person does not have any direct or indirect influence.
- B. An employee of the Corporation who is not an Access Person need only report a transaction in a security if such director, at the time of that transaction, knew or, in the ordinary course of fulfilling his or her official duties as a director of the Corporation, should have known that, during the 15-day period immediately preceding the date of the transaction by the director, such security was purchased or sold by the Corporation or was being considered by the Corporation or its investment advisor for the purchase or sale by the Corporation.
- C. Every report shall be made not later than 10 days after the end of the calendar quarter in which the transaction to which the report relates was effected, and shall contain the following information:
1. The date of the transaction, the title and number of shares, and the principal amount of each security involved.
  2. The nature of the transaction (i.e., purchase, sale or any other type of acquisition or disposition).
  3. The price at which the transaction was effected.
  4. The name of the broker, dealer or bank with or through whom the transaction was effected.
- D. It is the intent of the Corporation to abide by Rule 17j-1, dictating the reporting requirement, and as the Rule is amended, from time to time, to review the Rule to insure that the Corporation diligently abides by all aspects of the reporting requirements under said Rule.
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V. SANCTIONS

- A. Section (b)(1) of Rule 17j-1 requires Corporations to “use reasonable diligence, and institute procedures reasonably necessary, to prevent violations” of its codes of ethics.
  - B. Upon discovering a violation of this Code of Ethics, the board of directors of the Corporation may impose such sanctions as it deems appropriate, including, inter alia, a letter of censure or suspension or termination of the employment of the violator. Such a violation might include, but are not limited to, filing incomplete, untimely, or false reports and engaging in any manipulative practice or course of business that operates as a fraud upon such registered investment company.
  - C. Rule 17j-1 does not supplant any obligation or prohibition to which an Access Person may be subject under the Investment Advisors Act of 1940 or any other federal securities laws.
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**CHANTICLEER HOLDINGS, INC.**  
**FORM 10-K FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007**  
**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER AND 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, Michael D. Pruitt, certify that:

1. I have reviewed this Annual Report on Form 10-K of Chanticleer Holdings, Inc;
2. Based on my knowledge, this annual report does not contain any untrue statements 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 annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, is made known to me by others, particularly during the period in which this report is being prepared;
  - b. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report my 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
  - c. disclosed in this report any change in the registrant's internal controls over financial reporting that occurred during the registrant's current fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. I have disclosed, based on my most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditor any material weaknesses in internal controls; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls.

Date: July 1, 2008

/s/ Michael D. Pruitt

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President, Chief Executive Officer  
and Chief Financial Officer

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**CHANTICLEER HOLDINGS, INC.**  
**FORM 10-K FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007**  
**CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED**  
**PURSUANT TO**  
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Michael D. Pruitt, certify that:

1. I am the Chief Executive Officer and Chief Financial Officer of Chanticleer Holdings, Inc.
2. Attached to this certification is Form 10-K for the fiscal year ended December 31, 2007, a periodic report (the "periodic report") filed by the issuer with the Securities Exchange Commission pursuant to Section 13(a) or 15(d) of the Securities and Exchange Act of 1934 (the "Exchange Act"), which contains financial statements.
3. I hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:
  - The periodic report containing the financial statements fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and
  - The information in the periodic report fairly presents, in all material respects, the financial condition and results of operations of the issuer for the periods presented.

July 1, 2008

/s/ Michael D. Pruitt

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Michael D. Pruitt  
President, Chief Executive Officer  
and Chief Financial Officer

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