**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, DC 20549

**FORM 10-Q**

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

For Quarter Ended: **June 30, 2008**

Commission File Number: **814-00709**

**CHANTICLEER HOLDINGS, INC.**
(Exact name of registrant as specified in its charter)

| | |
|---|---|
| **Delaware**<br>(State or Jurisdiction of<br>Incorporation or Organization) | **20-2932652**<br>(IRS Employer ID No) |

**4201 Congress Street, Suite 145, Charlotte, NC 28209**
(Address of principal executive office) (zip code)

**(704) 366-5122**
(Issuer's telephone number)

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

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

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒ Smaller reporting company ☐

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

The number of shares outstanding of registrant's common stock, par value $.0001 per share, as of July 21, 2008, was 945,226 shares.

**Chanticleer Holdings, Inc.**

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**PART 1: FINANCIAL INFORMATION**
**ITEM 1: CONDENSED FINANCIAL STATEMENTS**

**Chanticleer Holdings, Inc.**
**Statements of Net Assets**
**June 30, 2008 and December 31, 2007**

| | 2008 (Unaudited) | 2007 |
|---|---|---|
| **ASSETS** | | |
| Investments: | | |
| Non-affiliate (cost: 2008 - $872,565; 2007 - $942,565) | $ 706,407 | $ 992,345 |
| Affiliates: | | |
| Uncontrolled (cost: 2008 - $1,114,221; cost: 2007 - $1,114,221) | 514,251 | 964,221 |
| Controlled (cost: 2008 - $1,355,443; 2007 - $1,235,443) | 1,900,000 | 1,780,000 |
| Total investments | 3,120,658 | 3,736,566 |
| Cash and cash equivalents | 169,543 | - |
| Accounts receivable, controlled affiliate investment | 43,436 | 18,900 |
| Prepaid expenses and other assets | 10,061 | 19,560 |
| Fixed assets, net | 41,499 | 45,537 |
| Deferred acquisition costs | 233,050 | - |
| Deposits | 3,980 | 3,980 |
| **TOTAL ASSETS** | 3,622,227 | 3,824,543 |
| | | |
| **LIABILITIES** | | |
| Accounts payable | 134,873 | 25,554 |
| Accrued expenses | 2,265 | 4,150 |
| Notes payable | 388,500 | 165,272 |
| Deferred revenue | - | 128,555 |
| Bank overdraft | - | 25,736 |
| **TOTAL LIABILITIES** | 525,638 | 349,267 |
| **NET ASSETS** | $ 3,096,589 | $ 3,475,276 |
| | | |
| Commitments and contingencies | | |
| | | |
| **COMPOSITION OF NET ASSETS** | | |
| Common stock, $.0001 par value. Authorized 200,000,000 shares; issued and outstanding 941,726 shares at June 30, 2008 and 833,122 shares at December 31, 2007 | $ 94 | $ 83 |
| Additional paid in capital | 4,610,706 | 3,850,517 |
| Accumulated deficit: | | |
| Accumulated net operating loss | (1,299,866) | (826,887) |
| Net realized gain on investments | 7,226 | 7,226 |
| Net unrealized appreciation (depreciation) of investments | (221,571) | 444,337 |
| **NET ASSETS** | $ 3,096,589 | $ 3,475,276 |
| **NET ASSET VALUE PER SHARE** | $ 3.288 | $ 4.171 |

See accompanying notes to condensed financial statements.

**Chanticleer Holdings, Inc.**
**Statements of Operations**
**For the Three Months Ended June 30, 2008 and 2007**
**(Unaudited)**

| | 2008 | 2007 |
|---|---|---|
| **Income from operations:** | | |
| Interest and dividend income: | | |
| Non-affiliates | $ - | $ 1,514 |
| Affiliate | 11,500 | 11,500 |
| Management fee income - affiliates | 25,000 | 153,555 |
| | 36,500 | 166,569 |
| **Expenses:** | | |
| Salaries and wages | 111,273 | 66,460 |
| Professional fees | 132,679 | 37,214 |
| Shareholder services | 1,790 | 1,479 |
| Interest expense | 5,947 | 3,315 |
| Insurance expense | 11,573 | 10,296 |
| Dues and subscriptions | 7,933 | 3,801 |
| Franchise taxes | 26,735 | 15,775 |
| Rent expense | 12,426 | 13,217 |
| Travel and entertainment expense | 48,767 | 29,427 |
| Other general and administrative expense | 20,618 | 24,886 |
| | 379,741 | 205,870 |
| **Loss before income taxes** | (343,241) | (39,301) |
| **Income taxes** | - | - |
| **Loss from operations** | (343,241) | (39,301) |
| **Net realized and unrealized gains (losses):** | | |
| Net realized gain on investments, with no income tax provision | - | 9,193 |
| Change in unrealized depreciation of investments, net of deferred tax benefit of $0 | (627,470) | (9,821) |
| **Net decrease in net assets from operations** | $ (970,711) | $ (39,929) |
| **Net decrease in net assets from operations per share, basic and diluted** | $ (1.087) | $ (0.051) |
| **Weighted average shares outstanding** | 893,312 | 789,355 |

See accompanying notes to condensed financial statements.

**Chanticleer Holdings, Inc.**
**Statements of Operations**
**For the Six Months Ended June 30, 2008 and 2007**
**(Unaudited)**

| | 2008 | 2007 |
|---|---|---|
| **Income from operations:** | | |
| Interest and dividend income: | | |
| Non-affiliates | $ - | $ 3,166 |
| Affiliate | 23,000 | 23,000 |
| Management fee income - affiliates | 178,555 | 178,555 |
| | 201,555 | 204,721 |
| **Expenses:** | | |
| Salaries and wages | 188,926 | 122,977 |
| Professional fees | 254,108 | 79,834 |
| Shareholder services | 4,437 | 2,413 |
| Interest expense | 7,994 | 6,423 |
| Insurance expense | 22,137 | 20,089 |
| Dues and subscriptions | 14,122 | 4,010 |
| Rent expense | 24,585 | 20,902 |
| Travel and entertainment expense | 76,575 | 48,921 |
| Other general and administrative expense | 81,650 | 58,887 |
| | 674,534 | 364,456 |
| **Loss before income taxes** | (472,979) | (159,735) |
| **Income taxes** | - | - |
| **Loss from operations** | (472,979) | (159,735) |
| | | |
| **Net realized and unrealized gains (losses):** | | |
| Net realized gain on investments, with no income tax provision | - | 19,105 |
| Change in unrealized depreciation of investments, net of deferred tax benefit of $0 | (665,908) | (122,750) |
| **Net decrease in net assets from operations** | $ (1,138,887) | $ (263,380) |
| | | |
| **Net decrease in net assets from operations per share, basic and diluted** | $ (1.300) | $ (0.338) |
| **Weighted average shares outstanding** | 876,247 | 779,207 |

See accompanying notes to condensed financial statements.

**Chanticleer Holdings, Inc.**
**Statements of Cash Flows**
**For the Six Months Ended June 30, 2008 and 2007**
**(Unaudited)**

| | 2008 | 2007 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Net decrease in net assets from operations | $ (1,138,887) | $ (263,380) |
| Adjustments to reconcile net decrease in net assets from operation to net cash used in operating activities: | | |
| Purchase of investments | (120,000) | - |
| Proceeds from sale of investments | - | 107,225 |
| Change in unrealized depreciation of investments | 665,908 | 122,750 |
| Gain on sale of investments | - | (19,105) |
| Depreciation | 5,859 | 4,067 |
| Consulting and other services rendered in exchange for investment securities | - | (514,221) |
| Deferred acquisition costs | (233,050) | - |
| Change in other assets and liabilities: | | |
| (Increase) decrease in accounts receivable | - | (27,479) |
| (Increase) decrease amounts due from subsidiary | (24,535) | - |
| (Increase) decrease in prepaid expenses and other assets | 9,500 | 8,520 |
| Increase (decrease) in accounts payable and accrued expenses | 107,433 | 4,541 |
| Increase (decrease) in deferred revenue | (128,555) | 385,666 |
| Net cash used in operating activities | (856,327) | (191,416) |
| **Cash flows from investing activities** | | |
| Purchase of fixed assets | (1,822) | (4,603) |
| Net cash provided by (used in) operating activities | (1,822) | (4,603) |
| **Cash flows from financing activities** | | |
| Proceeds from sale of common stock | 760,200 | 250,000 |
| Loan repayment | - | (150,704) |
| Cash overdraft | (25,736) | - |
| Loan proceeds | 293,228 | - |
| Net cash provided by financing activities | 1,027,692 | 99,296 |
| Net increase (decrease) in cash and cash equivalents | 169,543 | (96,723) |
| Cash and cash equivalents, beginning of period | - | 124,311 |
| Cash and cash equivalents, end of period | $ 169,543 | $ 27,588 |
| | | |
| **Supplemental cash flow information** | | |
| Cash paid for interest and income taxes: | | |
| Interest | $ 6,594 | $ 6,764 |
| Income taxes | - | - |
| Non-cash investing and financing activities: | | |
| Rescission of investment purchased with a note | $ 70,000 | $ - |

See accompanying notes to condensed financial statements.

**Chanticleer Holdings, Inc.**
**Statements of Changes in Net Assets**
**For the Six Months Ended June 30, 2008 and 2007**
**(Unaudited)**

| | 2008 | 2007 |
|---|---|---|
| **Changes in net assets from operations** | | |
| Net loss from operations | $ (472,979) | $ (159,735) |
| Realized gains on sale of investments, net | - | 19,105 |
| Change in unrealized depreciation of investments, net | (665,908) | (122,750) |
| Net increase (decrease) in net assets from operations | (1,138,887) | (263,380) |
| **Capital stock transactions** | | |
| Common stock issued for cash | 760,200 | 250,000 |
| Net increase in net assets from stock transactions | 760,200 | 250,000 |
| Net increase (decrease) in net assets | (378,687) | (13,380) |
| Net assets at beginning of period | 3,475,276 | 2,413,389 |
| Net assets at end of period | $ 3,096,589 | $ 2,400,009 |

See accompanying notes to condensed financial statements.

**Chanticleer Holdings, Inc.**
**Financial Highlights**
**For the Six Months Ended June 30, 2008 and 2007**
**(Unaudited)**

| | 2008 | 2007 |
|---|---|---|
| **PER SHARE INFORMATION** | | |
| Net asset value, beginning of period | $ 4.171 | $ 3.139 |
| Net decrease from operations | (0.539) | (0.205) |
| Net change in realized gains (losses) and unrealized appreciation (depreciation) of investments, net | (0.759) | (0.133) |
| Net increase from capital transactions | 0.415 | 0.182 |
| Net asset value, end of period | $ 3.288 | $ 2.983 |
| | | |
| **PER SHARE MARKET VALUE **** | | |
| Beginning of period | $ 5.20 | $ 11.00 |
| End of period | 7.00 | 8.00 |
| | | |
| Investment return, based on market price at end of period (1) | 35% | -27% |
| | | |
| **RATIOS/SUPPLEMENTAL DATA** | | |
| Net assets, end of period | $ 3,096,589 | $ 2,400,009 |
| Average net assets | 3,359,797 | 2,289,875 |
| | | |
| Annualized ratio of expenses to average net assets | 40.2% | 25.2% |
| Annualized ratio of net increase (decrease) in net assets from operations to average net assets | -55.9% | -23.0% |
| | | |
| Common stock outstanding at end of period ** | 941,726 | 805,700 |
| Weighted average shares outstanding during period ** | 876,247 | 779,207 |

(1) Periods of less than one year are not annualized.
** Restated for 1:10 reverse stock split effective July 17, 2008.

See accompanying notes to condensed financial statements.

**Chanticleer Holdings, Inc.**
**Schedule of Investments**
**As of June 30, 2008**
**(Unaudited)**

| Shares/ Interest | Quarter Acquired | | Original Cost | Fair Value | Percent Net Assets |
|---|---|---|---|---|---|
| **NON-AFFILIATE INVESTMENTS** | | | | | |
| **NON-INCOME PRODUCING INVESTMENTS** | | | | | |
| 1,046,900 | Sep-05 | Special Projects Group (Pink Sheets:SPLJ) | $ 144,349 | $ 31,407 | 1% |
| | 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 (Privately held); Direct to consumer brokerage company | 250,000 | 50,000 | 2% |
| 5% | Mar-06 | EE Investors, LLC, whose sole asset is a 33.3% interest in Bouncing Brain Productions, LLC (Privately held); Inventor promotion company | 250,000 | 350,000 | 11% |
| | | | 644,349 | 431,407 | 14% |
| **LOAN INVESTMENT** | | | | | |
| Loan | Jun-06 | Lifestyle Innovations, Inc. (OTCBB:LFSI); note and accounts receivable investment of approximately $1,200,000, non-interest bearing | 100,000 | 125,000 | 4% |
| **OIL AND GAS PROPERTY INVESTMENTS** | | | | | |
| 37.5% | Mar-06 | Signature Energy, Inc; working interest in two oil and gas properties in Washington County, OK | 128,216 | 150,000 | 5% |
| | | Total non-affiliate investments | 872,565 | 706,407 | 23% |

(Continued)

See accompanying notes to condensed financial statements.

**Chanticleer Holdings, Inc.**
**Schedule of Investments, continued**
**As of June 30, 2008**
**(Unaudited)**

| Shares/ Interest | Quarter Acquired | | Original Cost | Fair Value | Percent Net Assets |
|---|---|---|---|---|---|
| **AFFILIATE INVESTMENTS** | | | | | |
| | **UNCONTROLLED AFFILIATES** | | | | |
| 642,814 | Jun-07 | SYZYGY Entertainment, Ltd. (SYZG); owner/operator | $ 1,114,221 | $ 514,251 | 17% |
| | Sep-07 | of casino in Turks and Caicos Islands | | | |
| | Dec-07 | | | | |
| | **CONTROLLED AFFILIATES** | | | | |
| 23% | Mar-06 | Chanticleer Investors LLC (Privately held); | 1,150,000 | 1,610,000 | 52% |
| | 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 investment in Lank Acquisition, LLC which was formed to facilitate the creation of Lank Acquisition Corporation which is formed to raise equity capital through an IPO to acquire or merge with an operating business | 50,000 | 50,000 | 1% |
| 100% | Mar-07 | Chanticleer Advisors LLC; wholly owned subsidiary; provides management services for Chanticleer Investors II, LLC | 15,443 | 100,000 | 3% |
| 100% | Mar-08 | Rights agreement with Hooters of America, Inc. to open and operate Hooters restaurants in Las Vegas | 120,000 | 120,000 | 4% |
| 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 | 1,355,443 | 1,900,000 | 61% |
| | | Total affiliate investments | 2,469,664 | 2,414,251 | 78% |
| | | Total investments at June 30, 2008 | $ 3,342,229 | 3,120,658 | 101% |
| | | Cash and other assets, less liabilities | | (24,069) | -1% |
| | | Net assets at June 30, 2008 | | $ 3,096,589 | 100% |

See accompanying notes to condensed financial statements.

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

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

(Continued)

See accompanying notes to condensed financial statements.

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

| Shares/ Interest | Quarter Acquired | | Original Cost | Fair Value | Percent Net Assets |
|---|---|---|---|---|---|
| **AFFILIATE INVESTMENTS** | | | | | |
| | **UNCONTROLLED AFFILIATES** | | | | |
| 642,814 | Jun-07 | SYZYGY Entertainment, Ltd. (SYZG); owner/operator | $ 1,114,221 | $ 964,221 | 28% |
| | Sep-07 | of casino in Turks and Caicos Islands | | | |
| | Dec-07 | | | | |
| | **CONTROLLED AFFILIATES** | | | | |
| 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 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 | 50,000 | 50,000 | 1% |
| 100% | Mar-07 | Chanticleer Advisors LLC; wholly owned subsidiary; provides management services for Chanticleer Investors II, LLC | 15,443 | 100,000 | 3% |
| 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 condensed financial statements.

**Chanticleer Holdings, Inc.**
**Notes to Financial Statements**
**(Unaudited)**

## A. Nature of Business and Significant Accounting Policies

**(1) Organization –** Chanticleer Holdings, Inc. (the "Company", "we", or "us") was organized October 21, 1999, under the laws of the State of Delaware. 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.

**(2) Shareholder Actions** – The holders of a majority of the Company's issued and outstanding common stock, pursuant to a written consent in lieu of a meeting, in accordance with the Company's certificate of incorporation and Delaware General Corporation Law Section 228, have approved: (i) the withdrawal of the Company's election to be treated as a business development company ("BDC") under the Investment Company Act of 1940, as amended (the "1940 Act") and (ii) the reverse split of the Company's issued and outstanding common stock at a ratio of 1:10.

Withdrawal of the Company's election to be treated as a BDC under the 1940 Act became effective on July 21, 2008, when the Company filed Form N-54c with the U.S. Securities and Exchange Commission ("SEC").

The 1:10 reverse split of the Company's issued and outstanding common stock was effective on July 17, 2008, at which time the Company began trading under a new symbol on the OTC Bulletin Board (CCLR). All share amounts and transactions have been restated to give effect to the reverse split as if it happened at the beginning of the earliest period presented.

**(3) General** - The financial statements included in this report have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission for interim reporting and include all adjustments (consisting only of normal recurring adjustments) that are, in the opinion of management, necessary for a fair presentation. These financial statements have not been audited.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations for interim reporting. The Company believes that the disclosures contained herein are adequate to make the information presented not misleading. However, these financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report for the period ended December 31, 2007, which is included in the Company's Form 10-K.

**(4) Financial Statement Reporting** – As noted in (2) above, the Company filed Form N-54c with the SEC on July 21,2008 indicating the withdrawal of its election to be treated as a BDC under the 1940 Act, which will result in a change in its method of accounting. BDC financial statement presentation and accounting uses the value method of accounting used by investment companies, which allows BDCs to value their investments at fair value as opposed to historical cost. In addition, entities in which the Company owns a majority are not consolidated; rather the investments in these entities are reflected on the balance sheet as an investment in a majority-owned portfolio company at fair market value. Our investments will be accounted for as either available for sale securities, at cost, or under the equity method. In addition, our statements will be consolidated with our wholly owned subsidiary.

Statement of Financial Accounting Standards No. 154, "Accounting Changes and Error Corrections," ("SFAS 154") provides that when an accounting change results in financial statements that are, in effect, the statements of a different reporting entity, the change shall be retrospectively applied to the financial statements of all prior periods presented to show financial information for the new reporting entity for those periods. Previously issued interim financial statements shall be presented on a retrospective basis.

**(5) Investment Company** – On June 1, 2005, the Company filed a notification on Form N-54a with the SEC indicating its election to be regulated as a BDC under the 1940 Act. Under this election, the Company has adopted corporate resolutions to operate as a closed-end management investment company as a BDC. 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 provides professional management and administration that might otherwise be unavailable to investors if they were to engage directly in venture capital investing. The Company will operate as a non-diversified company as that term is defined in Section 5(b)(2) of the 1940 Act and 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 may also offer to provide managerial assistance to these portfolio companies. Qualifying assets may also include:

a. Cash,
b. Cash equivalents,
c. U.S. Government securities, or

d. 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 stabilized than target 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.

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.

**(6) Investments in Affiliates and Non-Affiliates** - Pursuant to the requirements of the 1940 Act, our Board of Directors is responsible for determining, in good faith, the fair value of our securities and assets for which market quotations are not readily available. In making its determination, the Board of Directors will consider valuation appraisals provided by an independent valuation service provider, when considered necessary. Equity securities in public companies that carry certain restrictions on resale are generally valued at a discount from the market value of the securities as quoted on a national securities exchange or by a national securities association.

The Board of Directors bases its determination upon, among other things, applicable quantitative and qualitative factors. These factors may include, but are not limited to, type of securities, nature of business, marketability, market price of unrestricted securities of the same issue (if any), comparative valuation of securities of publicly-traded companies in the same or similar industries, current financial conditions and operating results, sales and earnings growth, operating revenues, competitive conditions and current and prospective conditions in the overall stock market.

Without a readily available market value, the value of our portfolio of equity securities may differ significantly from the values that would be placed on the portfolio if a ready market existed for such equity securities.

**B. Investments**

Investments at June 30, 2008 and December 31, 2007, may be summarized as follows:

| | 2008 | 2007 |
|---|---|---|
| Investments at cost | $ 3,342,229 | $ 3,292,229 |
| Unrealized appreciation of investments, net | (221,571) | 444,337 |
| Fair value of investments | $ 3,120,658 | $ 3,736,566 |

Investments are detailed on the Investment Schedules on pages 9 through 12, hereof. The valuations are determined by the Board of Directors based upon applicable quantitative and qualitative factors, discussed below.

Activity in investments during the six months ended June 30, 2008, is summarized as follows:

| | |
|---|---|
| Investments at cost, December 31, 2007 | $ 3,292,229 |
| Purchases | 120,000 |
| Rescinded transaction | (70,000) |
| Investments at cost, June 30, 2008 | $ 3,342,229 |

The Company is currently concentrating its efforts in packaging business investments for private equity groups. If completed, the Company expects to receive compensation through limited cost equity participation and/or cash management fees.

**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 or in the 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.
- Estimate of likely sale price of investment.
- Net assets of investment.
- 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 the investments: a) net assets, b) estimated sales price, or c) total amount of actual 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.
- Under any scenario, 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

The Company's investment in Special Projects Group (Pink Sheets: SPLJ) is quoted as indicated. The Investment Committee and the Board of Directors valued this investment at $0.03 based on a liquidity discount from its last trading price of $0.05. 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 would might be suggested by the most recent trading price.

The Company made an investment in LFM Management, LLC, dba 1$^{st}$ Choice Mortgage in March 2006. This is a privately held consumer brokerage business which began operation at the end of March 2006. The significant slow-down of home sales has caused significant losses in the last three months, due primarily to low sales volume. Accordingly, the Investment Committee and the Board of Directors valued this investment at $50,000 at June 30, 2008.

The Company made an investment in EE Investors, LLC ("EE") whose sole asset is a 33.3% interest in Bouncing Brain Production, LLC. This is a privately held inventor promotion company. Bouncing Brain has selected a number of inventions and expects results from their promotion to begin in 2008. The Investment Committee and the Board of Directors valued this investment at $350,000 as of June 30, 2008, as a result of an increase in EE's level of participation in future Bouncing Brain promotions and additional capital invested by another investor in Bouncing Brain.

LOAN INVESTMENT

The Company invested $100,000 in notes and accounts receivable due from Lifestyle Innovations, Inc. with a face value of approximately $1,200,000 in June 2006. This is a speculative investment in a public company with plans to acquire another operating business. The Company holds approximately 33% of the debt of LFSI, which is planned to be sold as a pink sheet shell after completion of certain legal procedures. A pink sheet shell has a value of approximately $400,000 plus retaining 3-5% of the new equity. The Investment Committee and the Board of Directors valued this investment at $125,000 at June 30, 2008.

OIL AND GAS PROPERTY INVESTMENTS

The Company invested $128,216 for a 37.5% working interest in two oil and gas wells located in Washington County, Oklahoma. The Investment Committee and the Board of Directors valued these two properties at $150,000 on June 30, 2008, based on the sale of similar properties in the area.

AFFILIATE INVESTMENT

UNCONTROLLED

The Company received 342,814 shares of SYZYGY Entertainment, Ltd. ("SYZG") in exchange for consulting and other services rendered or to be rendered from April 1, 2007 through March 31, 2008. The investment cost of $514,221 was amortized to management income over the twelve month period and during the three month period ended March 31, 2008, the balance of the deferred revenue in the amount of $128,555 was included in management income. The Company's CEO, Mike Pruitt, also acts as CEO and director for SYZG. In September 2007, the Company's CEO contributed 200,000 shares of SYZG to the Company, which were valued at $450,000, based on a liquidity discount to the average trading price and in December 2007, the Company's CEO contributed his remaining 100,000 shares of SYZG to the Company, which were valued at $150,000. At June 30, 2008, SYZG had experienced very limited trading; therefore, the board of directors discounted the $1.01 closing price to $0.80 per share to determine the value of $514,251. 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 would might be suggested by the most recent trading price. The $0.80 price is based on the amount at which affiliates of SYZG are converting their debt into SYZG common stock.

CONTROLLED

The Company formed Chanticleer Investors LLC ("CI LLC") at the end of March 2006. CI LLC's only asset is a 6%, convertible, $5,000,000 loan to Hooters of America, Inc. ("Hooters"). Interest only is payable quarterly and accrued interest and principal is due May 24, 2009. The Company owns 23% of CI LLC 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, including the Company, quarterly. As the manager, the Company has a carried interest of 20% of the limited partners net cash gain when realized. At June 30, 2008, the investment was valued by the Investment Committee and the Board of Directors at $1,610,000, based upon the valuation of Hooters.

During December 2007, 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 Investment Committee of the Board of Directors has valued this investment at its current cost of $50,000 at June 30, 2008.

Chanticleer Advisors LLC ("Advisors") was formed as a wholly owned subsidiary to manage Chanticleer Investors II, LLC and Advisors receives management fees based on the profitability of Chanticleer Investors II LLC. After reviewing performance through June 30, 2008 and the increased level of assets in Chanticleer Investors II LLC, the Investment Committee and the Board of Directors valued Advisors at $100,000 at June 30, 2008.

During March 2008, the Company completed an agreement with Hooters and acquired the rights to open and operate Hooters restaurants in Las Vegas, Nevada. The Investment Committee and the Board of Directors valued this rights agreement at its cost of $120,000 at June 30, 2008.

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

**C. Note Payable**

The Company has a one-year line-of-credit with a bank in the amount of $500,000 which matures on March 3, 2009. The line-of-credit is guaranteed by the CEO of the Company and is collateralized by all inventory, chattel paper, accounts, equipment and general intangibles of the Company. The loan bears interest at 5.0% at June 30, 2008 and has a balance of $388,500. ($95,272 at December 31, 2007).

The Company had a one-year note with a company in the amount of $70,000 which would have matured on September 15, 2008, bearing interest at 4%. The loan was used to acquire 125,000 shares of HealthSport, Inc. common stock. Effective June 30, 2008, the seller and the Company rescinded the transaction. The Company returned the shares and the note payable was cancelled with no interest paid.

**D. Composition of Net Assets (Stockholders' Equity)**

The Company has 200,000,000 shares of its $0.0001 par value common stock authorized and 941,726 and 833,122 shares issued and outstanding at June 30, 2008 and December 31, 2007, respectively. There are no warrants or options outstanding.

On April 12, 2007, the Company filed an Offering Circular under Regulation E promulgated under the Securities Act of 1933 to raise up to $5,000,000 by selling between 400,000 and 714,286 shares of its common stock at prices ranging between $7.00 and $12.50 per share. The offering was closed on February 11, 2008 with $650,000 received for 92,859 shares of common stock during the offering period.

On March 27, 2008, the Company filed a new Offering Circular under Regulation E to raise up to $4,500,000 by selling between 500,000 and 1,000,000 shares of its common stock at prices ranging between $4.50 and $9.00 per share. As of June 30, 2008, the Company had sold 80,032 shares for $560,200 pursuant to this 1-E. The Company sold an additional 3,500 shares on July 16, 2008, and closed the 1-E on July 18, 2008.

**E. Related Party Transactions**

Michael D. Pruitt, the Company's Chief Executive Officer, is also CEO and the sole director of Syzygy Entertainment, Ltd.

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.

The Company's CEO contributed 300,000 shares of SYZG to the Company in 2007. The shares were valued at $600,000 based upon a liquidity discount to the price at which SYZG was trading at the time.

**F. Commitments and Contingencies**

**Hooters, Inc.**

On March 11, 2008, the Company 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 (extended to August 31, 2008, if necessary). The final purchase price will be determined after the completion of the HI 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. Chanticleer has completed all other conditions and is in process of raising the necessary debt and equity financing to complete the 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 $25^{th}$ anniversary with events on the $25^{th}$ of each month and a grand pageant in Miami on July 23, 2008.

HI 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.

During the three months ended June 30, 2008, the Company recorded $233,050 in deferred acquisition costs related to the planned acquisition of HI.

**Lease**

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 an investor.

**G. Subsequent Events**

**Texas Wings**

On July 8, 2008, the Company entered into an Asset Purchase Agreement to acquire substantially all of the assets of Texas Wings Incorporated and its 45 related Hooters branded restaurants (collectively "Texas Wings") for total consideration of approximately $106 million, including approximately $53 million in cash, approximately $37 million in Chanticleer common stock and convertible notes with an aggregate principal amount of approximately $16 million (the "Transaction").

The Company will create an operating company and combine Texas Wings with HI and its 22 Hooters restaurants, which the Company agreed to acquire on March 7, 2008, (Note F).

The Transaction is subject to a number of customary closing conditions and is anticipated to close during the third quarter of 2008, concurrently with the closing of the HI acquisition. The final purchase price will be determined after the completion of the 2007 fiscal year audit of Texas Wings.

When HI sold the Hooters brand to Hooters of America, HI retained unique acquisition and operational rights, which should benefit the Company going forward. HI has the right to acquire existing Hooters franchisees without the consent of the franchisor, and HI has significant flexibility in the manner in which it operates its restaurants, rights that should benefit the Texas Wings business upon the closing of the Transaction.

**Reverse Split of Common Stock**
The reverse split of the Company's issued and outstanding common stock at a ratio of 1:10 was effective on July 17, 2008, following approval by the majority of the Company's shareholders.

**Withdrawal of Election to be treated as a BDC**
Withdrawal of the Company's election to be treated as a BDC under the 1940 Act became effective on July 21, 2008, when the Company filed Form N-54c with the SEC, following approval by a majority of the Company's shareholders.

**H. Pro forma Financial Statements**

The following pro forma statements are prepared assuming the withdrawal of the Company's election to be treated as a BDC under the 1040 Act was filed and effective as of June 30, 2008. Pursuant to SFAS 154, the effect of the change is retrospectively applied to the financial statements of all prior periods.

**Chanticleer Holdings, Inc.**
**Historical and Consolidated Pro Forma Balance Sheets**
**June 30, 2008**
**(Unaudited)**

| | Historical | Pro Forma |
|---|---|---|
| **ASSETS** | | |
| **Current assets** | | |
| Cash and cash equivalents | $ 169,543 | $ 169,793 |
| Accounts receivable, controlled affiliate investment | 43,436 | 11,150 |
| Prepaid expenses and other assets | 10,061 | 10,061 |
| | 223,040 | 191,004 |
| Investments at fair value | 3,120,658 | 545,658 |
| Other investments, principally accounted for under the equity method | - | 2,027,913 |
| Fixed assets, net | 41,499 | 41,499 |
| Deferred acquisition costs | 233,050 | 233,050 |
| Deposits | 3,980 | 3,980 |
| **TOTAL ASSETS** | $ 3,622,227 | $ 3,043,104 |
| | | |
| **LIABILITIES** | | |
| Accounts payable | $ 134,873 | $ 134,873 |
| Accrued expenses | 2,265 | 2,265 |
| Notes payable | 388,500 | 388,500 |
| **TOTAL LIABILITIES** | 525,638 | 525,638 |
| | | |
| Commitments and contingencies | | |
| | | |
| **STOCKHOLDERS' EQUITY** | | |
| Common stock, $.0001 par value. Authorized 200,000,000 shares; issued and outstanding 941,726 shares at June 30, 2008 | 94 | 94 |
| Additional paid in capital | 4,610,706 | 4,610,706 |
| Unrealized loss on available for sale securities | - | (712,912) |
| Accumulated deficit | (1,514,211) | (1,380,422) |
| **TOTAL STOCKHOLDERS' EQUITY** | 3,096,589 | 2,517,466 |
| **TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY** | $ 3,622,227 | $ 3,043,104 |

**Chanticleer Holdings, Inc.**
**Historical and Consolidated Pro Forma Statements of Operations**
**For the Three Months Ended June 30, 2008**
**(Unaudited)**

| | Historical | Pro Forma |
|---|---|---|
| **Income from operations:** | | |
| Interest and dividend income - affiliates | $ 11,500 | $ - |
| Management fee income - affiliates | 25,000 | 25,000 |
| | 36,500 | 25,000 |
| **Expenses:** | | |
| General and administrative expenses | 373,794 | 392,367 |
| Interest expense | 5,947 | - |
| | 379,741 | 392,367 |
| **Loss before income taxes** | (343,241) | (367,367) |
| **Income taxes** | - | - |
| **Loss from operations** | (343,241) | (367,367) |
| **Other income (expense):** | | |
| **Equity earnings (loss) of investments** | - | (2,778) |
| **Interest expense** | - | (5,947) |
| **Net realized and unrealized gains (losses):** | | |
| Net realized gain on investments, with no income tax provision | - | - |
| Change in unrealized depreciation of investments, net of deferred tax benefit of $0 | (627,470) | - |
| Other, net | (627,470) | (8,725) |
| **Net loss** | (970,711) | (376,092) |
| **Other comprehensive income (loss):** | | |
| **Unrealized loss on available-for-sale securities** | - | (427,470) |
| **Comprehensive loss** | $ (970,711) | $ (803,562) |
| | | |
| **Net loss per share, basic and diluted** | $ (1.087) | $ (0.421) |
| **Weighted average shares outstanding** | 893,312 | 893,312 |

**Chanticleer Holdings, Inc.**
**Historical and Consolidated Pro Forma Statements of Operations**
**For the Six Months Ended June 30, 2008**
**(Unaudited)**

| | Historical | Pro Forma |
|---|---|---|
| **Income from operations:** | | |
| Interest and dividend income - affiliate | $ 23,000 | $ - |
| Management fee income - affiliates | 178,555 | 178,555 |
| | 201,555 | 178,555 |
| **Expenses:** | | |
| General and administrative expenses | 666,540 | 691,009 |
| Interest expense | 7,994 | - |
| | 674,534 | 691,009 |
| **Loss before income taxes** | (472,979) | (512,454) |
| **Income taxes** | - | - |
| **Loss from operations** | (472,979) | (512,454) |
| **Other income (expense)** | | |
| **Equity earnings (loss) of investments** | - | 570 |
| **Interest expense** | - | (7,994) |
| **Net realized and unrealized gains (losses):** | | |
| Net realized gain on investments, with no income tax provision | - | - |
| Change in unrealized depreciation of investments, net of deferred tax benefit of $0 | (665,908) | - |
| | (665,908) | (7,424) |
| **Net loss** | (1,138,887) | (519,878) |
| **Other comprehensive income (loss):** | | |
| **Unrealized loss on available-for-sale securities** | - | (465,908) |
| **Comprehensive loss** | $ (1,138,887) | $ (985,786) |
| | | |
| **Net decrease in net assets from operations per share, basic and diluted** | $ (1.300) | $ (0.593) |
| **Weighted average shares outstanding** | 876,247 | 876,247 |

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

The following discussion should be read in conjunction with our financial statements and notes thereto included elsewhere in this Form 10-Q. This Form 10-Q contains forward-looking statements regarding the plans and objectives of management for future operations. This information may involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by any forward-looking statements. Forward-looking statements, which involve assumptions and describe our future plans, strategies and expectations, are generally identifiable by use of the words "may," "will," "should," "expect," "anticipate," "estimate," "believe," "intend," "project" or the negative of these words or other variations on these words or comparable terminology. These forward-looking statements are based on assumptions that may be incorrect, and we cannot assure you that the projections included in these forward-looking statements will come to pass. Our actual results could differ materially from those expressed or implied by the forward-looking statements as a result of various factors.

We registered our common stock on a Form 10-SB registration statement filed pursuant to the Securities Exchange Act of 1934 (the "Exchange Act") and Rule 12(g) thereof. We filed with the Securities and Exchange Commission periodic and episodic reports under Rule 13(a) of the Exchange Act, including quarterly reports on Form 10-QSB and annual reports on Form 10-KSB until we became a BDC when we began filing reports on Form 10-Q and Form 10-K.

On June 1, 2005, we filed a notification on Form N54a with the U.S. Securities and Exchange Commission, (the "SEC") indicating our election to be regulated as a business development company (a "BDC") under the Investment Company Act of 1940 (the "1940 Act"). Under this election, we have adopted corporate resolutions to operate as a closed-end management investment company as a BDC. We have 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, we provide professional management and administration that might otherwise be unavailable to investors if they were to engage directly in venture capital investing. We operate as a non-diversified company as that term is defined in Section 5(b)(2) of the 1940 Act and will at all times conduct our business so as to retain our status as a BDC. We may not change the nature of our business so as to cease to be, or withdraw our election as, a BDC without the approval of the holders of a majority of our outstanding voting stock as defined under the 1940 Act.

Withdrawal of the Company's election to be treated as a BDC under the 1940 Act became effective on July 21, 2008, when the Company filed Form N-54c with the SEC, following approval by a majority of the Company's shareholders.

**Critical Accounting Policies and Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Critical accounting policies are those that are both important to the presentation of our financial condition and results of operations and require management's most difficult, complex, or subjective judgments. Our most critical accounting policy relates to the valuation of our investments.

Pursuant to the requirements of the Investment Company Act of 1940 (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. Although the securities of our portfolio companies may be quoted on the OTC Bulletin Board or the Pink Sheets, our Board of Directors is required to determine the fair value of such securities if the validity of the market quotations appears to be questionable, or if the number of quotations is such as to indicate that there is a thin or illiquid market in the security.

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 policy considers the fact that no ready market may exist for substantially all of the securities in which we invest. Our investment policy is intended to provide a consistent basis for determining the fair value of the portfolio. We record unrealized depreciation on investments when we believe that an investment has become impaired, including where realization of an equity security is doubtful. We 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. The value of investments in publicly traded securities is determined using quoted market prices discounted for restriction on resale, if any.

Our equity interests in portfolio companies for which there is no liquid public market are valued using industry valuation benchmarks, and then the values could be 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.

The value of our equity interests in public companies for which market quotations are readily available is based on the closing public market price. Securities that carry certain restrictions on sale are typically valued at a discount from the public market value for the security.

**Financial Condition**

Our net assets were $3,096,589 and $3,475,276 at June 30, 2008 and December 31, 2007, respectively. Net asset value per share was $3.288 at June 30, 2008 and $4.171 at December 31, 2007.

As discussed in more detail in Note F to the condensed financial statements, on March 11, 2008, the Company 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 HI 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.

On July 8, 2008, the Company entered into an Asset Purchase Agreement to acquire substantially all of the assets of Texas Wings Incorporated and its 45 related Hooters branded restaurants (collectively “Texas Wings”) for total consideration of approximately $106 million, including approximately $53 million in cash, approximately $37 million in Chanticleer common stock and convertible notes with an aggregate principal amount of approximately $16 million (the “Transaction”).

The Company will create one operating company and combine Texas Wings with HI and its 22 Hooters restaurants, which the Company agreed to acquire on March 7, 2008. Texas Wings is one of the strongest franchises in the Hooters restaurant system and when combined with HI, which was the original creator of the Hooters concept, are expected to become the standard bearer for the Hooters brand.

The Transaction is subject to a number of customary closing conditions and is anticipated to close during the third quarter of 2008, concurrently with the closing of the HI acquisition. The final purchase price will be determined after the completion of the 2007 fiscal year audit of Texas Wings.

When HI sold the Hooters brand to Hooters of America, HI retained unique acquisition and operational rights, which will benefit the Company going forward. HI has the right to acquire existing Hooters franchisees without the consent of the franchisor, and HI has significant flexibility in the manner in which it operates its restaurants, rights that will benefit the Texas Wings business upon the closing of the Transaction.

During March 2008, we completed an agreement with Hooters and acquired the rights to open and operate Hooters restaurants in Las Vegas, Nevada.

On April 12, 2007, the Company filed an Offering Circular under Regulation E promulgated under the Securities Act of 1933 to raise up to $5,000,000 by selling between 400,000 and 714,286 shares of its common stock at prices ranging between $7.00 and $12.50 per share. The offering was closed on February 11, 2008 with $650,000 received for 92,859 shares of common stock during the offering period.

On March 27, 2008, the Company filed a new Offering Circular under Regulation E to raise up to $4,500,000 by selling between 500,000 and 1,000,000 shares of its common stock at prices ranging between $4.50 and $9.00 per share. As of June 30, 2008, the Company had sold 80,032 shares for $560,200 pursuant to this 1-E. The Company sold an additional 3,500 shares on July 16, 2008, and closed the 1-E on July 18, 2008.

**Comparison of three months ended June 30, 2008 and 2007**

Net decrease in net assets from operations amounted to a decrease of $970,711 in 2008 as compared to a decrease of $39,929 in 2007.

Revenues decreased from $166,569 in 2007 to $36,500 in 2008. The decrease of $130,069 in 2008 is the 2007 management income from affiliated investments which includes $128,555 for consulting services rendered to SYZG and $1,514 in interest income. The management income was fully amortized at the end of March 2008.

Expenses during the three months ended June 30, 2008, were $379,741 as compared to $205,870 in the year earlier period. The increase in expenses is primarily the result of the planned acquisition of Hooters, Inc. and Texas Wings and includes an increase in salaries and wages of $44,813, an increase in professional fees of $95,465 and an increase of $19,340 in travel and entertainment expenses. The increase in salaries and wages is consistent with the slightly larger staff and salary increases for the 2008 period as compared to 2007. The increase in professional services is primarily due to an increase in services associated with the acquisition of Hooters, Inc. and Texas Wings and raising the necessary funding for these pending acquisitions. Travel and entertainment also increased primarily due to increased travel costs associated with these acquisitions.

Net realized and unrealized gains and losses consisted of unrealized depreciation of investments of $627,470 for a net decline of $627,470 in 2008 as compared to a realized gain of $9,193 and unrealized depreciation of $9,821, for a net decline of $628 in 2007.

The above factors resulted in a net decrease in net assets from operations per share of $1.087 in 2008 as compared to a net decrease in net assets from operations per share of $0.051 in 2007.

**Comparison of six months ended June 30, 2008 and 2007**

Net decrease in net assets from operations amounted to a decrease of $1,138,887 in 2008 as compared to a decrease of $263,380 in 2007.

Revenues were almost identical with revenues of $201,555 in 2008 as compared to $204,721 in 2007. Amortization of management income from SYZG began in the second quarter of 2007 and ended in the first quarter of 2008.

Expenses during the six months ended June 30, 2008, were $674,534 as compared to $364,456 in the year earlier period. The increase in expenses is primarily the result of the planned acquisition of Hooters, Inc. and Texas Wings and includes an increase in salaries and wages of $65,949, an increase in professional fees of $174,274 and an increase of $27,654 in travel and entertainment expenses. The increase in salaries and wages is consistent with the slightly larger staff and salary increases for the 2008 period as compared to 2007. The increase in professional services is primarily due to an increase in services associated with the acquisition of Hooters, Inc. and Texas Wings and raising the necessary funding for these pending acquisitions. Travel and entertainment also increased primarily due to increased travel costs associated with these acquisitions.

Net realized and unrealized gains and losses consisted of unrealized depreciation of investments of $665,908 for a net decline of $665,908 in 2008 as compared to a realized gain of $19,105 and unrealized depreciation of $122,750, for a net decline of $103,645 in 2007.

The above factors resulted in a net decrease in net assets from operations per share of $1.300 in 2008 as compared to a net decrease in net assets from operations per share of $0.338 in 2007.

**ITEM 3: 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. 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 is 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 4: CONTROLS AND PROCEDURES**

(a) Evaluation of Disclosure Controls and Procedures

The Company's Chief Executive Officer has reviewed and evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 240.13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934) as of June 30, 2008. Based on that review and evaluation, which included inquiries made to certain other employees of the Company, the CEO concluded that the Company's current disclosure controls and procedures, as designed and implemented, are effective in ensuring that information relating to the Company required to be disclosed in the reports the Company files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, including insuring that such information is accumulated and communicated to the Company's management, including the CEO, as appropriate to allow timely decisions regarding required disclosure.

(b) Changes in Internal Controls

There have been no significant changes in internal controls or in other factors that could significantly affect these controls subsequent to the date of the evaluation described above, including any corrective actions with regard to significant deficiencies and material weaknesses.

## PART II – OTHER INFORMATION

**ITEM 1: LEGAL PROCEEDINGS**

Not applicable.

**ITEM 1A: RISK FACTORS**

Not applicable.

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

The Company sold 80,032 shares of its common stock for $560,200 in cash, pursuant to its Form 1-E offering during the three months ended June 30, 2008.

All of the shares issued were sold pursuant to an exemption from registration under Section 4(2) promulgated under the Securities Act of 1933, as amended.

**ITEM 3: DEFAULTS UPON SENIOR SECURITIES**

Not applicable.

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

Not applicable.

**ITEM 5: OTHER INFORMATION**

Although the Company does not currently employ a Chief Financial Officer, Michael D. Pruitt, President and Chief Executive Officer, is also the principal accounting officer.

**ITEM 6: EXHIBITS**

The following exhibits are filed with this report on Form 10-Q.

| | |
|---|---|
| Exhibit 31 | Certification pursuant to 18 U.S.C. Section 1350<br>Section 302 of the Sarbanes-Oxley Act of 2002 |
| Exhibit 32 | Certification pursuant to 18 U.S.C. Section 1350<br>Section 906 of the Sarbanes-Oxley Act of 2002 |

## SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CHANTICLEER HOLDINGS, INC.

Date: August 11, 2008

By: /s/ Michael D. Pruitt

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

**Exhibit 31**

CHANTICLEER HOLDINGS, INC. FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 2008
CERTIFICATION OF 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 quarterly report on Form 10-Q of Chanticleer Holdings, Inc. (the registrant);
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly 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 control 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;
5. I have disclosed, based on my most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions);
    a. All significant deficiencies 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; and

August 11, 2008

/s/ Michael D. Pruitt

Michael D. Pruitt
Chief Executive Officer and
Chief Financial Officer

**Exhibit 32**

CHANTICLEER HOLDINGS, INC. FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 2008
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-Q for the quarter ended June 30, 2008, 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.

August 11, 2008

/s/ Michael D. Pruitt

Michael D. Pruitt
Chief Executive Officer and
Chief Financial Officer