As filed with the Securities and Exchange Commission on December 2, 2011

REGISTRATION NO. 333-171570
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM S-1

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

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

Delaware	**8742**	**20-2932652**
(State or other jurisdiction of incorporation or organization)	**(Primary Standard Industrial Classification Code Number)**	**(I.R.S. Employer Identification No.)**

11220 Elm Lane, Suite 203
Charlotte, NC 28277
(704) 366-5122
(Address, including zip code, and telephone number, including area code, of registrant's principal executive officers)

Michael D. Pruitt
Chief Executive Officer
11220 Elm Lane, Suite 203
Charlotte, NC 28277
(704) 366-5122
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Joel D. Mayersohn, Esq.
Clint J. Gage, Esq.
Roetzel & Andress
350 East Las Olas Blvd., Ste. 1150
Fort Lauderdale, FL 33301
(954) 462-4150

Bruce C. Rosetto, Esq.
Greenburg Traurig, P.A.
5100 Town Center Circle, Suite 400
Boca Raton, FL 37486
(561) 955-7600

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act, check the following box. ☒

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

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 the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☐
Non-accelerated filer ☐ Smaller reporting company ☒
(Do not check if a smaller reporting company)

CALCULATION OF REGISTRATION FEE

Title of each class of Securities to be Registered (1)	Amount to be Registered	Proposed Maximum Offering Price Per Security	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Units, each consisting of: (2)	5,750,000	3.00	$ 17,250,000	$ 1,976.85
(i) one share of common stock; and	5,750,000	—	—	—
(ii) one warrant to purchase one share of common stock; and	5,750,000	—	—	—
Representative's warrant (3)	400,000	—	—	—
Units issuable upon exercise of the representative's warrants, each unit consisting of:	400,000	$ 3.45	$ 1,380,000	$ 158.15
(i) one share of common stock; and	400,000	—	—	—
(ii) one warrant to purchase one share of common stock (4)	400,000	—	—	—
Shares of common stock issuable upon exercise of the warrants including the warrants underlying the representative's warrant(2)	6,150,000	$ 3.25	$ 19,987,500	$ 2,290.57
Total			$ 38,617,500	$ 4,425.57

(1) Offering price computed in accordance with Rule 457(g).

(2) Includes 750,000 units which would be issued, or issuable, upon exercise of the underwriter's over-allotment option.

(3) In connection with the sale of the units, the registrant will issue the representative of the underwriters a warrant to purchase up to 400,000 units.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

The information in this preliminary prospectus is not complete and may be changed. We may not sell these securities nor may offers to buy these securities be accepted until the registration statement filed with the Securities and Exchange Commission becomes effective. This preliminary prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject To Completion, Dated December 2, 2011

Preliminary Prospectus

CHANTICLEER HOLDINGS, INC.

5,000,000 Units
Each Unit consisting of one share of common stock
and one warrant to purchase one share of common stock

This is a firm commitment public offering of Chanticleer Holdings, Inc. Each unit consists of one share of common stock and one warrant. We expect that the units will be offered at a price of $3.00 per unit. Each warrant entitles its holder to purchase one share of common stock at an exercise price of $3.25. The warrants are exercisable at any time after they become separately quotable and until their expiration on the fifth anniversary of the date of this prospectus. The warrants will be redeemable at our option for $____ per warrant upon 30 days' prior written notice beginning [_____] after the date of this prospectus, provided that our common stock has closed at a price of at least $5.00 per share for at least twenty (20) consecutive trading days. Initially the common stock and the warrant will only be quoted as part of a unit for a minimum of 30 days unless the representative of the underwriters determines that an earlier date is acceptable. No later than the 45th day following the date of this prospectus, the common stock and the warrants will be quoted separately, and the units will no longer be quoted.

We will notify our security holders regarding the separation of our units through the issuance of a press release and publication of a report on Form 8-K in advance of the date our units separate and the common stock and the warrants begin to be quoted separately.

Prior to this offering, our common stock was quoted on the OTC Bulletin Board under the symbol “CCLR.OB,” and there has been no public market for our units or the warrants. We anticipate that the units, common stock and the warrants will be quoted on the NYSE Amex. As of [_____], an application to have our securities quoted on the NYSE Amex has been filed, and it is a condition to the underwriters’ obligation to consummate this offering that such application be approved.

Investing in these units involves a high degree of risk. You should purchase these securities only if you can afford a complete loss of your investment. We have not yet been profitable and have a history of losses. See "Risk Factors" on pages [_____] for factors you should consider before buying our securities.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus or the information contained herein. Any representation to the contrary is a criminal offense.

	Per Unit	Total
Public offering price	$ 3.00	$ 15,000,000
Underwriting discounts and commissions (1)	$ 0.24	$ 1,200,000
Proceeds to us, before expenses	$ 2.76	$ 13,800,000

(1) For a description of the compensation to be received by the underwriters in addition to the underwriting discount, see the "Underwriting," section of this prospectus.

The underwriters have the option to purchase up to an additional 750,000 units at the initial public offering price, less the underwriting discount, for up to 45 days from the date of this prospectus, to cover over-allotments, if any.

We have also agreed to pay Dawson James Securities, Inc., the representative of the underwriters of this offering, a non-accountable expense allowance equal to 2% of the total public offering price for the units offered by this prospectus and to issue to Dawson James Securities, Inc. a warrant to purchase 400,000 units identical to the units offered by this prospectus, having an exercise price of $3.45 per unit. The representative's warrants will be exercisable at any time beginning one year after the effective date of the registration statement, of which this prospectus is part, and will expire on the fifth anniversary of the effective date.

The underwriters expect to deliver the units to the purchasers on or about _____.

Dawson James Securities, Inc.

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No dealer, salesperson or other person has been authorized to give any information other than that contained in this prospectus or to make any representations in connection with the offer contained in this prospectus and, if give or made, such information or representations must not be relied upon as having been authorized by us.

Neither the delivery of this prospectus nor any sale made hereunder shall under any circumstances create an implication that there has been no change in our affairs since the date hereof. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy securities other than those specifically offered hereby or of any securities offered hereby in any jurisdiction where, or to any person to whom, it is unlawful to make such offer or solicitation. The information contained in this prospectus speaks only as of the date of this prospectus unless the information specifically indicates that another date applies.

This prospectus has been prepared based on information provided by us and by other sources that we believe are reliable. This prospectus summarizes certain documents and other information in a manner we believe to be accurate, but we refer you to the actual documents, if any, for a more complete understanding of what we discuss in this prospect s. In making a decision to invest in the common stock, you must rely on your own examination of us and the terms of the offering and securities offered in this prospectus, including the merits and risks involved.

You should not consider any information in this prospectus to be legal, business, tax or other advice. You should consult your own attorney, business a visor and tax advisor for legal, business and tax advice regarding an investment in our common stock.

PROSPECTUS SUMMARY

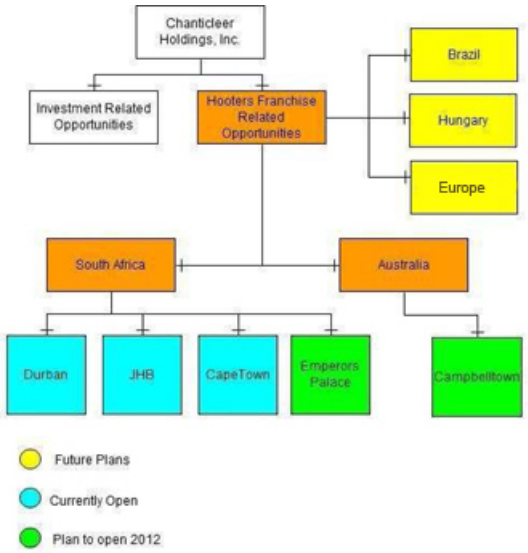
This summary highlights information contained elsewhere in the prospectus. It does not contain all of the information you consider before purchasing our units. Therefore, you should read the prospectus in its entirety, including the risk factors and the other financial statements and related footnotes appearing elsewhere in this Prospectus. Unless the context indicates otherwise, references to "we," "us," "our," "Chanticleer" or the "company" generally refer to Chanticleer Holdings, Inc., a Delaware corporation, and its subsidiaries.

Our Business

Overview

We have changed our focus recently from managing investments to owning and operating Hooters franchises internationally. Hooters restaurants are casual beach-themed establishments with sports on television, jukebox music, and the "nearly world famous" Hooters Girls. The menu consists of spicy chicken wings, seafood, sandwiches and salads. Each locations menu can vary with the tastes of the locality it is in. Hooters began in 1983 with its first restaurant in Clearwater, Florida. From the original restaurant and licensee Mr. Robert Brooks, Hooters has become a global brand, with locations in 44 states domestically and over 450 Hooters restaurants worldwide. Besides restaurants, Hooters has also branched out to other areas, including licensing its name to a golf tour and the sale of packaged food in supermarkets.

The following chart shows our operational structure after the consummation of this offering and the use of proceeds. [



We expect to either own 100% of the Hooters franchise or partner with a local franchisee in the countries we target. We based this decision on what we believe to be the successful launch of our South African Hooters venture and believe we have aligned partners and operators in various international markets. We continue to operate our management and consulting services segment, however we are focused on expanding our Hooters operations, and expect to use substantially all the net proceeds from this offering, in the following countries: South Africa, Brazil, Hungary, Australia and Europe.

How Chanticleer Obtains Hooters Franchises and Territories

Chanticleer identifies a target international territory and our CEO, Mike Pruitt, who is also on the Board of Hooters of America, Inc. ("HOA"), uses his contacts at HOA and also his own personal relationships to gather information on a possible partner/operator in specifically identified territories. Concurrently we gather public information regarding the demographics and economics for that territory and analyze whether we believe the territory can support a successful Hooters restaurant or restaurants.

After we conclude that a territory meets our criteria for a successful Hooters franchise, we apply, along with our partner if there is one, for a franchise with HOA. The application includes our findings on the economics and demographics of the area as well as personal financial information of all the partners. HOA performs its own background checks, as well as third party market research and competitor data. After the application is accepted, a detailed business proposal is submitted by the franchisee, including a detailed analysis and history of the territory/country, a description of the first few proposed locations (including population, income levels and economic factors in the region). HOA performs its own due diligence on the application. If approved, the franchisee signs a franchise agreement for the territory, generally for a 20 year period and pays HOA an initial franchise fee of $75,000 for the first location and a $15,000 deposit on the other locations applied for. HOA is heavily involved in the site survey for each location. After the opening of a restaurant, the franchisee pays a monthly continuing royalty fee to HOA based on gross revenue. The franchise agreement also requires that a certain percentage of gross revenue must be spent on marketing/advertising.

We were granted the Hooters franchise rights for the Republic of South Africa in June 2009. Specifically related to our South African franchise, our ongoing obligations to HOA are as follows:

- 4% of gross revenue is paid to HOA monthly as a continuing royalty fee for the first 18 months a restaurant is open. After this initial period, the rate is calculated based on the last 12 months revenue on a sliding scale. Currently our Durban location is our only location that has been open more than 18 months and the rate for the next 12 months has been set at 4%.
- 4% of gross revenue is to be spent on advertising and marketing.
- Open seven locations by 12/31/14.

If any of these obligations are not met, HOA has the right to terminate our franchise agreement.

HOA's obligations to us related to our South African franchise are as follows:

- Advise us on locating and opening a completed restaurant, including supplier lists, acceptable site criteria, and architectural plan (at HOA's option).
- Provide us with management training and pre-opening training for non-management employees.
- Advise us on operation, advertising and promotion.
- Provide us with the requirements for a standardized system for accounting, cost control, and inventory control.

If any of these obligations are not met we have the right to terminate our franchise agreement.

This franchise agreement has a 20 year term beginning June 2009 for our initial restaurant and 20 years after the opening of each subsequent location. We may renew after the 20-year period with written notice 6 to 18 months prior to termination date, the signing of the then current form of franchise agreement , and a $25,000 fee per restaurant.

Hooters Assistance and Training to Franchisee Prior To and After Opening

After acceptance as a franchisee, Hooters requires employees/staff of franchisees to attend a 5 day seminar called "Hooters University" at Hooters corporate headquarters in Atlanta, Georgia. Attendees are educated in all aspects of operating a Hooters restaurant, including Hooters' mission statement, menu, human resources, accounting, and employee recruitment and training. Subsequently each of key management staff are required to work in a Hooters Corporate restaurant for 4 additional weeks. Prior to the initial restaurant of a franchisee opening, Hooters assists with a site survey of the restaurant and sends staff for several weeks to the restaurant to further assist and train employees.

After opening, Hooters assists with marketing, food distribution, and worldwide purchasing contracts.

South Africa

We currently have three Hooters locations in South Africa in Cape Town, Durban and Johannesburg, which are owned by three companies which we control. In order to obtain investor funds to pay for the initial costs involved in commencing operations for each of the South Africa locations, we agreed to allocate a portion of the profits from each restaurant such that the investors receive 80% of the net profits after taxation until they have received a return of their investment and a pre-tax annual compounded return on that investment of 20% (the "SA Return"). Once the investors have received the SA Return, the investors are thereafter entitled to receive 20% of the SA Profits.

We formed a management company to operate the current South African Hooters locations. We own 80% of the management company , with two members of local management owning the remaining 20%. The management company currently charges a management fee of 5% of net revenues. We have also received Hooters corporate site approval for our first 100% owned Hooters location in Emperors Palace Casino in Johannesburg. We expect this location to open in January 2012.

Other Countries

We are currently targeting the following countries for the opening of additional restaurants:

- **Brazil** - we are in the latter stages of acquiring development rights for Hooters in five states of Brazil, which would include Rio de Janeiro, although we do not presently have any agreement in writing. We expect to partner with the current local franchisee who owns the Hooters franchise rights in the state of Sao Paolo and we anticipate we would own 60% of the entity holding the development rights, with our local partner owning the remaining 40%.

- **Hungary -** we have applied to HOA for franchise rights in Hungary, where we anticipate we would own 80% of the entity holding the franchise rights, with our local partner owning the remaining 20%. We anticipate that we will contract with our local partner, who we believe is an experienced franchise restaurateur, to manage the day-to-day operations of the locations, although we do not presently have any agreement in writing.

- **Australia** - we are in the process of partnering with the current Hooters franchisee in a joint venture, although we do not presently have any agreement in writing. The first Hooters restaurant under this joint venture (which would be the third Hooters restaurant currently open) is expected to open in January 2012 in Campbelltown, a suburb of Sydney. We are in discussions to purchase from the same franchisee a partial interest in the first two existing Hooters locations in the Sydney area.

- **Europe** – we are in discussions with a current franchisee to purchase 100% of an existing Hooters location, however, we do not presently have any agreement in writing.

Acquisition of Hooters Restaurants

Our trend toward focusing on Hooters arose when the Company and our partners completed the acquisition of HOA and Texas Wings, Inc. ("TW") in 2011. Our then wholly owned subsidiary, Chanticleer Investors, LLC ("Investors LLC") and its three partners, H.I.G. Capital, KarpReilly, LLC and Kelly Hall, president of Texas Wings Inc., the largest Hooters franchisee in the United States, combined to form HOA Holdings, LLC ("HOA LLC") which created an operating company with 161 company-owned locations across sixteen states, or nearly half of all domestic Hooters restaurants and over one-third of the locations worldwide. The Company now owns approximately 14% of Investors LLC, which represents approximately 3% ownership interest in HOA LLC. We presently have not received any revenue from our interest in HOA LLC, and will receive revenue, if any based on distributions from the entity.

The Company received a payment of $400,000 at closing for its services in facilitating the acquisition of HOA and TW. In addition, for a minimum of four years, the Company will receive annual payments of $100,000 due in January each year while Mr. Pruitt serves on its board.

Management and consulting services

The Company provides management and consulting services for small companies which are generally seeking to become publicly traded. The Company also provides management and investment services for Investors LLC and Investors II, which are affiliates of the Company.

Corporate Information

Our principal executive offices are located at 11220 Elm Lane, Suite 203, Charlotte, NC 28277. Our web site is www.chanticleerholdings.com. Information included or referred to on, or accessible through our website is not incorporated in this prospectus and is not a part of this prospectus.

	The Offering
Securities Offered	5,000,000 units. Each unit consists of one share of common stock and one redeemable warrant to purchase one share of stock. Initially, the common stock and the warrants will be quoted only as a unit for a minimum of 30 days unless the representative of the underwriters determines that an earlier date is acceptable. No later than the 45th day following the date of this prospectus. the common stock and the warrant will each be quoted separately, and the units will no longer be quoted. We will notify our security holders regarding the separation of our units through the issuance of a press release and publication of a report on Form 8-K in advance of the date our units separate and the common stock and the warrants begin to be quoted separately.
Warrants	The warrant included in the units will be exercisable at any time after they become quoted separately and until either they are redeemed or they expire in accordance with their terms on the fifth anniversary of the date of this prospectus. The exercise price of a warrant is $3.25. Beginning [six] months after the date of this prospectus, the warrants will be redeemable at our option for $_____ per warrant upon 30 days' prior written notice, at any time after our common stock has closed at a price of at least $5.00 per share for at least twenty (20) consecutive trading days. The warrants may only be redeemed if we have a current and effective registration statement available covering the exercise of the warrants.

Securities Outstanding After This Offering	
Units	5,000,000
Common Stock	7,498,724(1) shares
Warrants	5,400,000(1)
Use of Proceeds	The proceeds from the offering, less fees and expenses incurred by us in connection with the offering, are intended to be used for owning and operating international Hooters franchises and for general corporate purposes, including working capital.
Risk Factors	Investing in the units involves significant risks, including, but not limited to, the following: our limited operating history and history of losses; risks inherent in expansion of our operations; our lack of restaurant management experience; continued satisfactory relationship with HOA; and the limited public market for our securities. You should carefully consider the information set forth in the "Risk Factors" section of this prospectus prior to investing in the units.

(1) The number of shares of our common stock to be outstanding after this offering excludes an aggregate of 4,814,018 additional shares of common stock and warrants issuable under various outstanding warrant agreements with expiration dates between October 1, 2016 and August 9, 2021, and exercise prices ranging from $2.75 to $3.50.

Unless we specifically state otherwise, the share information is as of _____, 2011 and reflects or assumes no exercise of outstanding options or warrants to purchase shares of our common stock, and no exercise of the over-allotment option.

OTC Bulletin Symbol for our Common Stock: _____.OB

Proposed NYSE Amex Listing Symbol for Our Units, Common Stock and Warrants

We are applying for listing of our units, common stock and warrants on the NYSE Amex under the symbols: _____, _____, _____, respectively. No assurance can be given that our application will be approved.

Summary Historical Financial Information

The following table summarizes our financial data. We have derived the following summary of our statements of operations data and balance sheet data for the nine (9) months ended September 30, 2011 and 2010 from our unaudited consolidated financial statements appearing elsewhere in this prospectus. We have derived the following summary of our statements of operations data and balance sheet data for the fiscal years ended December 31, 2010 and 2009 from our audited financial statements appearing elsewhere in this prospectus. The following summary of our financial data set forth below should be read together with our financial statements and the related notes to those statements, as well as the section titled "Management's discussion and Analysis of Financial Condition and Results of Operations," appearing elsewhere in this prospectus. Our pro forma balance sheet at September 30, 2011, reflects the anticipated proceeds to be received for the sale of 5,000,000 units in this offering by us at a public offering price of $3.00 per unit, after deducting the underwriting discount, the representative's non-accountable expense allowance and the estimated offering expenses payable by us .

	Nine Months Ended September 30,				Year Ended December 31,	
	2011			2010	2010	2009
Statement of Operations Data:	As reported	Adjustment	Proforma	As reported	As reported	As reported
Revenues	$ 468,417			$ 80,504	$ 136,301	$ 602,978
Expenses	964,454			574,901	1,147,866	1,416,674
Net loss	$ (496,037)			$ (494,397)	$ (1,011,565)	$ (813,696)
Balance Sheet Data:						
Current Assets	$ 464,868	$ 13,300,000	$ 13,764,868	$ 60,883	$ 158,718	$ 60,180
Working Capital (deficit)	(1,085,800)	13,300,000	12,214,200	(646,232)	(486,916)	(675,471)
Total assets	2,165,614	13,300,000	15,465,614	1,565,923	1,414,559	1,453,669
Total stockholders' equity	376,920	13,300,000	13,676,920	422,308	82,425	718,018

The following table presents our statement of operations data assuming we owned 100% of the three Hooters South African stores from January 1, 2010 through September 30, 2011:

January 1, 2011 through September 30, 2011:	Durban (1)	Johannesburg (2)	CapeTown (3)	Total
Net sales	$ 1,027,726	$ 1,936,481	$ 400,058	$ 3,364,265
Cost of sales	373,587	710,937	157,668	1,242,192
Gross profit	654,139	1,225,544	242,390	2,122,073
Total Operating Expenses	519,485	1,019,216	183,461	1,722,162
EBITDA	134,654	206,328	58,929	399,911
Interest expense	3,877	7,802	2,658	14,337
Amortization and depreciation	48,931	137,076	24,937	210,944
Income taxes	22,919	17,207	8,774	48,900
	75,727	162,085	36,369	274,181
Net income	58,927	44,243	22,560	125,730

January 1, 2010 through September 30, 2011:	Durban (1)	Johannesburg (2)	CapeTown (3)	Total
Revenues	$ 2,980,651	$ 3,926,219	$ 400,058	$ 7,306,928
Cost of Goods Sold	990,026	1,319,970	157,668	2,467,664
Gross Profit	1,990,625	2,606,249	242,390	4,839,264
Operating expenses	1,450,766	1,871,220	183,461	3,505,447
EBITDA	539,859	735,029	58,929	1,333,817
Interest expense	8,902	13,926	2,658	25,486
Amortization and depreciation	117,043	235,998	24,937	377,978
Income taxes	114,586	135,831	8,774	259,191
Net income	$ 299,328	$ 349,274	$ 22,560	$ 671,162

(1) Durban location opened in December 2009 and reported revenues and expenses in 2010.
(2) Johannesburg location opened in June 2010.
(3) CapeTown location opened in June 2011.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Such forward-looking statements include those that express plans, anticipation, intent, contingency, goals, targets or future development and/or otherwise are not statements of historical fact. These forward-looking statements are based on our current expectations and projections about future events and they are subject to risks and uncertainties known and unknown that could cause actual results and developments to differ materially from those expressed or implied in such statements.

In some cases, you can identify forward-looking statements by terminology, such as "expects," "anticipates," "intends," "estimates," "plans," "believes," "seeks," "may," "should", "could" or the negative of such terms or other similar expressions. Accordingly, these statements involve estimates, assumptions and uncertainties that could cause actual results to differ materially from those expressed in them. Any forward-looking statements are qualified in their entirety by reference to the factors discussed throughout this prospectus.

You should read this prospectus completely and with the understanding that our actual future results may be materially different from what we expect. You should assume that the information appearing in this prospectus s accurate as of the date on the front cover of this prospectus only. Because the risk factors referred to above could cause actual results or outcomes to differ materially from those expressed in any forward-looking statements made by us or on our behalf, you should not place undue reliance on any forward-looking statements. Further, any forward-looking statement speaks only as of the date on which it is made, and we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for us to predict which factors will arise. In addition, we cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. We qualify all of the information presented in this prospectus, and particularly our forward-looking statements, by these cautionary statements.

RISK FACTORS

An investment in our securities involves a high degree of risk. Before making an investment decision, you should carefully consider the specific risks described below and other information included in this prospectus. The risks described below are not the only risks involved in an investment in our securities. The risks and uncertainties not presently known to us or that we currently deem immaterial also may impair our business operations. If any of the risks described below actually occur, our business, results of operations, and financial condition could suffer materially. In that event, the trading price and market value of our securities could decline, and you may lose all or part of your investment in our securities.

Risks Related to Our Company and Our Business

We have not been profitable to date and expect our operating losses to continue for the foreseeable future; we may never be profitable.

We have incurred annual operating losses and generated negative cash flows since our inception and have financed our operations principally through equity investments and borrowings. At this time, our ability to generate sufficient revenues to fund operations is uncertain. For the fiscal year ended December 31, 2009, we had revenue of $602,978 and incurred a net loss of $813,696. For the fiscal year ended December 31, 2010, we had revenue of $136,301 and incurred a net loss of $1,011,565. For the nine months ended September 30, 2011, we had revenue of $468,417 and incurred a net loss of $496,037. Our total accumulated deficit through September 30, 2011, was $5,425,455.

As a result of our brief operating history, revenue is difficult to predict with certainty. Current and projected expense levels are based largely on estimates of future revenue. We expect expenses to increase in the future as we expand our activities. We cannot assure you that we will be profitable in the future. Accordingly, the extent of our future losses and the time required to achieve profitability, if ever, is uncertain. Failure to achieve profitability could materially and adversely affect the value of our Company and our ability to effect additional financings. The success of the business depends on our ability to increase revenues to offset expenses. If our revenues fall short of projections, our business, financial condition and operating results will be materially adversely affected.

Our financial statements have been prepared assuming a going concern.

Our independent registered public accounting firm has expressed substantial doubt that our ability to continue as a going concern. Our financial statements as of December 31, 2010, were prepared under the assumption that we will continue as a going concern for the next twelve (12) months. Our independent registered public accounting firm has issued a report that include an explanatory paragraph referring to our losses from operations and expressing substantial doubt in our ability to continue as a going concern without additional capital becoming available. Our ability to continue as a going concern is dependent upon our ability to obtain additional financing, obtaining further operating efficiencies, reducing expenditures and ultimately, create profitable operations. Such financings may not be available or may not be available on reasonable terms. Our financial statements do not include adjustments that result from the outcome of this uncertainty.

Our business strategy includes operating a new line of business that is distinct and separate from our primary existing operations, which could be subject to additional business and operating risks.

Consistent with our announced growth strategy, we are expanding the operation of our development of Hooters Restaurants, which are operations in a new and distinct line of business from our existing operations. Development of a new business segment is a complex, may be costly and a time consuming process and may involve assets and operations in which we have limited operating experience. Failure to timely and successfully develop this new line of business in conjunction with our existing operations may have a material adverse affect on our business, financial condition and results of operations. The difficulties of integrating new business activities with existing operations include, among other things: operating distinct business segments that require different operating strategies and different managerial expertise; necessity of coordinating organization systems and facilities in different locations; and integrating personnel with diverse backgrounds and organizational cultures.

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

We cannot project with certainty, nor do we make any representations regarding, the number of territories we will be able to acquire or the number of new restaurants we and our partners will open in accordance with our present plans and within the timeline or the budgets that we currently project. Our failure to effectively develop locations in new territories would adversely affect our ability to execute our business plan by, among other things, reducing our revenues and profits and preventing us from realizing our strategy. Furthermore, we cannot assure you that our new restaurants will generate revenues or profit margins consistent with those currently operated by us.

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

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

While the impact varies with the location and the qualifications of our partners, tight credit markets are generally making financing for construction and operation of restaurants more difficult to obtain on favorable terms.

Competition for suitable restaurant sites in target markets is intense. Not all of these factors are within our control or the control of our partners, and there can be no assurance that we will be able to accelerate our growth or that we will be able to manage the anticipated expansion of our operations effectively.

We may be subject to general risk factors affecting the restaurant industry, including current economic climate, costs of labor and food prices

If we grow as anticipated, our Company may be affected by risks inherent in the restaurant industry, including:

- adverse changes in national, regional or local economic or market conditions;
- increased costs of labor;
- increased costs of food products;
- availability of, and ability to obtain, adequate supplies of ingredients that meet our quality standards;
- increased energy costs;
- management problems;
- increases in the number and density of competitors;

- changing consumer tastes, habits and spending priorities;
- changing demographics;
- changes in government regulation; and
- local, regional or national health and safety matters.

Our Company may be the subject of litigation based on discrimination, personal injury or other claims. We can be adversely affected by publicity resulting from food quality, illness, injury or other health concerns or operating issues resulting from one restaurant or a limited number of restaurants in our system. None of these factors can be predicted with any degree of certainty, and any one or more of these factors could have a material adverse effect on our Company.

There is intensive competition in our industry, and we will be competing with national, regional chains and independent restaurant operators.

The restaurant industry is intensely competitive. Moreover, the retail food industry in general is highly competitive and includes highly sophisticated national and regional chains. Our sector is highly competitive with respect to, among other things, taste, price, food quality and presentation, service, location and the ambiance and condition of each restaurant. While we strive to differentiate ourselves through the items we offer on our menu and the environment in which they are offered, we will, nonetheless, be required to compete with national and regional chains and with independent operators for market share, access to desirable locations and recruitment of personnel. No assurances can be given that we will have the financial resources, distribution ability, depth of key personnel or marketing expertise to compete successfully in these markets.

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

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

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

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

Our rights to operate Hooters-branded restaurants and therefore our ability to conduct our business derive principally from the rights granted to us by Hooters in the franchise agreements. As a result, our revenues are dependent on the continued existence of our contractual relationship with Hooters.

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

Notwithstanding the foregoing, Hooters has no obligation to fund our operations. In addition, Hooters does not guarantee any of our financial obligations, including trade payables or outstanding indebtedness, and has no obligation to do so.

If the terms of the franchise agreements excessively restrict our ability to operate our business or if we are unable to satisfy our obligations under the franchise agreements, our business, results of operations and financial condition would be materially and adversely affected.

We do not have full operational control over the businesses of our franchise partners.

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

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

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

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

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

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

Our profitability is dependent on our ability to anticipate and react to changes in our operating costs, including food, labor, occupancy (including utilities and energy), insurance and supplies costs. Various factors beyond our control, including climatic changes and government regulations, may affect food costs. Specifically, our dependence on frequent, timely deliveries of fresh meat and produce subject us to the risks of possible shortages or interruptions in supply caused by adverse weather or other conditions which could adversely affect the availability and cost of any such items. In the past, we have been able to recover some of our higher operating costs through increased menu prices. There have been, and there may be in the future, delays in implementing such menu price increases, and competitive pressures may limit our ability to recover such cost increases in their entirety. The recent volatility in certain commodity markets, such as those for energy, grains and dairy products, which have experienced significant increases in prices, may have an adverse effect on us in the fiscal 2011 and beyond and may cause franchisees in our industry to delay construction of new restaurants and/or cause potential new franchisees to reconsider entering into franchise agreements. The extent of the impact may depend on our ability to increase our menu prices and the timing thereof.

The growth of our Company is dependent on the skills and expertise of management and key personnel.

During the upcoming stages of our Company's anticipated growth, we will be entirely dependent upon the management skills and expertise of our management and key personnel, including Michael Pruitt, our current Chairman and Chief Executive Officer. Mr. Pruitt also sits on HOA's board of directors. We would be materially adversely affected in the event that the services of Mr. Pruitt ceased to be available to us.

Our food service business and the restaurant industry are subject to extensive government regulation.

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

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

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

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

We expect all of our restaurants will be operated in foreign countries and territories outside of the U.S., and we intend to continue expansion of our international operations. As a result, our business is increasingly exposed to risks inherent in foreign operations. These risks, which can vary substantially by market, include political instability, corruption, social and ethnic unrest, changes in economic conditions (including wage and commodity inflation, consumer spending and unemployment levels), the regulatory environment, tax rates and laws and consumer preferences as well as changes in the laws and policies that govern foreign investment in countries where our restaurants are operated.

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

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

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

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

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

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

Our business and results of operations may be materially affected by conditions in the financial markets and the economy generally. The stress being experienced by global financial markets that began in late 2007 continued and substantially increased during 2008 and into 2009. The volatility and disruption in the financial markets have reached unprecedented levels. The availability and cost of credit has been materially affected. These factors, combined with volatile oil prices, depressed home prices and increasing foreclosures, falling equity market values, declining business and consumer confidence and the risks of increased inflation and unemployment, have precipitated an economic slowdown and severe recession. These events and the continuing market upheavals may have an adverse effect on us, our suppliers and our customers. The demand for our products could be adversely affected in an economic downturn and our revenues may decline under such circumstances.

Furthermore, the fixed-income markets are experiencing a period of both extreme volatility and limited market liquidity, which has affected a broad range of asset classes and sectors. Equity markets have also been experiencing heightened volatility. We may find it difficult, or we may not be able, to access the credit or equity markets, or we may experience higher funding costs as a result of the current adverse market conditions. Continued instability in these markets may limit our ability to access the capital we require to fund and grow our business.

We depend on our key personnel and if they would leave us, our business could be adversely affected.

We are dependent on key management personnel, particularly the Chairman and Chief Executive Officer, Michael D. Pruitt. The loss of services of Mr. Pruitt or other executive officers would dramatically affect our business prospects. Certain of our employees are particularly valuable to us because:

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

We do not have employment agreements with any of our officers.

Risks Related to Our Common Stock

Our stock price has experienced price fluctuations.

There can be no assurance that the market price for our common stock will remain at its current level and a decrease in the market price could result in substantial losses for investors. The market price of our common stock may be significantly affected by one or more of the following factors:

- announcements or press releases relating to the biopharmaceutical sector or to our own business or prospects;

- regulatory, legislative, or other developments affecting us or the healthcare industry generally;
- sales by holders of restricted securities pursuant to effective registration statements or exemptions from registration; and
- market conditions specific to biopharmaceutical companies, the healthcare industry and the stock market generally.

There may be a limited public market for our securities; we presently fail to qualify for listing on any national securities exchanges.

Our common stock currently does not meet all of the requirements for initial listing on a registered stock exchange. Trading in our common stock continues to be conducted on the electronic bulletin board in the over-the-counter market. As a result, an investor may find it difficult to dispose of or to obtain accurate quotations as to the market value of our common stock, and our common stock may be less attractive for margin loans, for investment by financial institutions, as consideration in future capital raising transactions or other purposes. In connection with this offering, we have applied for listing of our units, common stock and warrants on NYSE Amex under the symbols "____," "____" and "____." respectively. No assurance can be given that our application will be approved, and it is a condition to the underwriters' obligation to consummate this offering that such application be approved.

Our common stock has historically been a "penny stock" under SEC rules. It may be more difficult to resell shares of common stock classified as "penny stock".

Our common stock has historically been a "penny stock" under applicable SEC rules (generally defined as non-exchange traded stock with a per share price below $5.00). These rules impose additional sales practice requirements on broker-dealers that recommend the purchase or sale of penny stocks to persons other than those who qualify as "established customers" or "accredited investors." For example, broker-dealers must determine the appropriateness for non-qualifying persons of investments in penny stocks. Broker-dealers must also provide, prior to a transaction in a penny stock not otherwise exempt from the rules, a standardized risk disclosure document that provides information about penny stocks and the risks in the penny stock market. The broker-dealer also must provide the customer with current bid and offer quotations for the penny stock, disclose the compensation of the broker-dealer and its salesperson in the transaction, furnish monthly account statements showing the market value of each penny stock held in the customer's account, provide a special written determination that the penny stock is a suitable investment for the purchaser, and receive the purchaser's written agreement to the transaction.

These requirements may have the effect of reducing the level of trading activity, if any, in the secondary market for a security that becomes subject to the penny stock rules. The additional burdens imposed upon broker-dealers by such requirements may discourage broker-dealers from effecting transactions in our securities, which could severely limit the market price and liquidity of our securities. These requirements may restrict the ability of broker-dealers to sell our common stock and may affect your ability to resell our common stock.

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

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

Shares eligible for future sale may adversely affect the market.

From time to time, certain of our stockholders may be eligible to sell all or some of their shares of common stock by means of ordinary brokerage transactions in the open market pursuant to Rule 144 promulgated under the Securities Act, subject to certain limitations. In general, pursuant to amended Rule 144, non-affiliate stockholders may sell freely after six months subject only to the current public information requirement. Affiliates may sell after six months subject to the Rule 144 volume, manner of sale (for equity securities), current public information and notice requirements. Of the approximately 2.5 million shares of our common stock outstanding as of November 29, 2011, approximately 2.0 million shares are freely tradable without restriction as of that date. Any substantial sales of our common stock pursuant to Rule 144 may have a material adverse effect on the market price of our common stock.

While the public warrants are outstanding, it may be more difficult to raise additional equity capital.

During the term that the public warrants are outstanding, the holders of the public warrants will be given the opportunity to profit from a rise in the market price of our common stock. We may find it more difficult to raise additional equity capital while these public warrants are outstanding. At any time during which these public warrants are likely to be exercised, we may be able to obtain additional equity capital on more favorable terms from other sources.

The redemption of the public warrants issued in this offering may require potential investors to sell or exercise the public warrants at a time that may be disadvantageous for them.

At any time beginning six months after the date of this prospectus, provided that our common stock has closed at a price of at least $5.00 per share for at least twenty (20) consecutive trading days, we may redeem the outstanding public warrants, in whole or in part, upon not less than 30 days' notice, at a price of $____ per warrant. The terms of our warrants prohibit us from redeeming them unless we have a current and effective registration statement available covering the exercise of the warrants. If we exercise our right to redeem the public warrants, they will be exercisable until the close of business on the date fixed for redemption in such notice. If any warrant called for redemption is not exercised by such time, it will cease to be exercisable, and the holder thereof will be entitled only to the redemption price of $____ per warrant. Notice of redemption of the public warrants could force holders to exercise the warrants and pay the exercise price therefor at a time when it may be disadvantageous for them to do so or to sell the warrants at the current market price when they might otherwise wish to hold the warrants or accept the redemption price, which is likely to be substantially less than the market value of the warrants at the time of redemption.

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

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

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

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

Our stock price may be volatile.

The trading price of our common stock is expected to be subject to significant fluctuations in response to various factors including, but not limited to, the following:

- quarterly variations in operating results and achievement of key business metrics;
- changes in earnings estimates by securities analysts, if any;
- any differences between reported results and securities analysts' published or unpublished expectations;
- announcements of new contracts or service offerings by us or our competitors;
- market reaction to any acquisitions, joint ventures or strategic investments announced by us or our competitors;
- shares being sold pursuant to Rule 144 or upon exercise of warrants;
- our ability to obtain working capital financing; and
- general economic or stock market conditions unrelated to our operating performance.

The securities market in recent years has from time to time experienced significant price and volume fluctuations that are unrelated to the operating performance of particular companies. These market fluctuations as well as general economic conditions may also materially and adversely affect the market price of our common stock.

Director and officer liability is limited.

As permitted by Delaware law, our by-laws limit the liability of our directors for monetary damages for breach of a director's fiduciary duty except for liability in certain instances. As a result of our by-law provisions and Delaware law, shareholders may have limited rights to recover against directors for breach of fiduciary duty. In addition, our by-laws and indemnification agreements entered into by our company with each of the officers and directors provide that we shall indemnify our directors and officers to the fullest extent permitted by law.

USE OF PROCEEDS

We estimate that the net proceeds to us from the sale of the units that we are offering, assuming gross proceeds of $15.0 million, will be approximately $13.3 million, after deducting underwriting discounts and commissions and estimated offering expenses, or approximately $15.3 million if the underwriter's over-allotment is exercised in full.

We expect to use any proceeds received from this offering as follows:

- $11.2 million for investment in Hooters international franchises – presently we have agreements in place for Campbletown (Australia) and Emperors Palace (South Africa). We anticipate acquiring development rights in part of Brazil, Hungary, and Europe shortly. Approximately $5.0 million is for purchasing interests in existing international Hooters locations, including ones we presently operate, $5.6 million for buildout and startup costs on eight locations and $0.6 million is for Hooters franchise rights;
- $1.5 million to payoff existing debt – estimated balance of our bank line of credit, which currently has an annual interest rate of 4.5% (0.5 % over Wall Street Journal Prime rate, or floor of 4.5%, whichever is higher) and matures on August 20, 2012;
- $0.6 million for general corporate working capital.

The projected expenditures shown above are only estimates or approximations. We expect the proceeds from this offering together with revenues generated from our business, will be sufficient to cover our anticipated capital requirements for at least the next 24 months. Until we are able to apply the net proceeds of this offering to the uses described above, we intend to invest the proceeds in short term investment grade securities. Any proceeds received from the exercise of warrants will be used for working capital.

CAPITALIZATION

The following table sets forth at September 30, 2011 (i) our actual capitalization and (ii) our capitalization on a pro forma basis, reflecting proceeds from the sale of 5,000,000 units in this offering by us at a public offering price of $3.00 per unit, after deducting the underwriting discount, the representative's non-accountable expense allowance, and the estimated offering expenses payable by us.

You should read this capitalization table together with the section of this prospectus entitled "Management's Discussion and Analysis of Financial Condition and Plan of Operations" and with our financial statements and accompanying notes included elsewhere in this prospectus.

	Actual	Pro Forma As Adjusted
Common stock, 2,498,724 shares at September 30, 2011; 7,498,724 shares on a pro forma basis	$ 301	$ 801
Additional paid-in capital	6,436,348	19,735,848
Other stockholders' equity	(634,274)	(634,274)
Accumulated deficit	(5,425,455)	(5,425,455)
Stockholders' equity	$ 376,920	$ 13,676,920

The information in the table above excludes shares of common stock issuable upon the exercise of the warrants, the underwriters' over allotment option, the representative's warrants or any shares issuable upon the exercise of any warrants which were outstanding on the date of this prospectus.

MARKET FOR COMMON STOCK AND RELATED SHAREHOLDER MATTERS

Our common stock has traded on the OTCBB under the symbol “CCLR” since June 27, 2005.

The high and low sales prices on the OTCBB for the common stock were as follows:

	High	Low
First Quarter, 2011	$ 3.38	$ 2.12
Second Quarter, 2011	$ 3.20	$ 2.09
Third Quarter, 2011	$ 3.00	$ 2.15
Fourth Quarter, 2011	$	$
Year ended December 31, 2010		
First Quarter	$ 4.25	$ 2.50
Second Quarter	$ 4.25	$ 2.60
Third Quarter	$ 4.25	$ 3.50
Fourth Quarter	$ 4.25	$ 3.01
Year ended December 31, 2009		
First Quarter	$ 5.75	$ 1.01
Second Quarter	$ 5.55	$ 3.00
Third Quarter	$ 5.40	$ 2.25
Fourth Quarter	$ 5.50	$ 2.05
Year ended December 31, 2008		
First Quarter	$ 8.00	$ 5.40
Second Quarter	$ 7.00	$ 5.10
Third Quarter	$ 7.00	$ 5.75
Fourth Quarter	$ 7.00	$ 5.50

As of September 29, 2011 , there were approximately 180 holders of record of our common stock according to the records of our transfer agent.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's Analysis of Business

The Company currently operates in two principal segments, management services and ownership of restaurant franchises in South Africa. Management services have included management of Investors LLC and Investors II; and will include management services provided to CDF after its registration statement becomes effective. In addition, the Company also provides management services to certain other companies with services generally paid for with common stock.

Management and consulting services ("Management")

The Company provides management and consulting services for small companies which are generally seeking to become publicly traded. The Company also provides management and investment services for Investors LLC and Investors II.

Operation of Hooters restaurants ("Restaurants")

Hooters South Africa - On April 23, 2009, the Company's wholly owned subsidiary, Chanticleer Holdings Limited, a Bailiwick of Jersey company ("CHL"), through its 50% ownership of Chanticleer & Shaw (Pty.) Ltd., a South African private company ("C&S Ltd."), entered into a franchise agreement with HOA to open and operate Hooters restaurants in the Republic of South Africa. The current plan calls for four restaurants in the first phase with three additional locations to be added later. The first restaurant opened in December 2009 in Durban and commenced operations effective January 1, 2010. A location in Johannesburg opened in June 2010 and the third location opened in Cape Town during June of 2011. A fourth location at Emperor's Palace Casino in Johannesburg is expected to open in January 2012.

During September 2011, CHL acquired the remaining 50% ownership of C&S Ltd. and now owns all of the outstanding securities of that entity.

Hooters Australia - We are partnering with the current Hooters franchisee in a joint venture[, although we do not presently have any agreement in writing]. The first Hooters restaurant anticipated to be opened under this joint venture (which will be the third Hooters restaurant to be opened in Australia) is expected to open in January 2012 in Campbelltown, a suburb of Sydney and we anticipate that we will own a 49% interest[, although we do not presently have any agreement in writing].

Financial information regarding the Company's segments is as follows for the nine months ended September 30, 2011 and 2010.

Nine months ended September 30, 2011

	Management	Restaurants	Total
Revenues	$ 468,417	$ -	$ 468,417
Interest expense	$ 63,876	$ -	$ 63,876
Depreciation and amortization	$ 7,573	$ -	$ 7,573
Profit (loss)	$ (365,191)	$ (9,256)	$ (374,447)
Investments and other			(122,966)
			(497,413)
Non-controlling interest			1,376
			$ (496,037)

Nine months ended September 30, 2010

	Management	Restaurants	Total
Revenues	$ 80,504	$ -	$ 80,504
Interest expense **	$ 104,396	$ -	$ 104,396
Depreciation and amortization	$ 8,281	$ -	$ 8,281
Profit (loss)	$ (681,141)	$ 42,850	$ (638,291)
Investments and other			143,464
			(494,827)
Non-controlling interest			430
			$ (494,397)

** includes $49,994 fro the beneficial conversion feature of converetible notes payable.

Comparison of three months ended September 30, 2011 and 2010

Revenues amounted to ($5,726) in the three months ended September 30, 2011, as compared to $9,250 in the year earlier period and is summarized as follows.

	2011	2010
HOA LLC acquisition	$ -	$ -
Investors II	-	-
Investors LLC	-	6,625
Total cash	-	6,625
HOA LLC consulting accrual	25,000	-
Investors II accrual	(30,726)	-
Amortization of deferred revenue	-	2,625
	$ (5,726)	$ 9,250

The Company received cash of $6,625 during the three months ended September 30, 2010 and none in the three months ended September 30, 2011. The Company has a consulting agreement with HOA LLC and is scheduled to receive $100,000 in January of each year for director and other services provided by Mr. Pruitt, three months of which was accrued during the quarter ended September 30, 2011. The Investors II accrual is for management services rendered to Investors II which is calculated based on fund performance and is paid after the end of each year. The market decline during the third quarter resulted in a year-to-date loss in the Investors II fund and the previous year-to-date management fee accrual was reversed. The amortization of deferred revenue is the consulting and management fees received by the Company in the form of stock that is earned over an extended period, generally one year.

General and administrative expenses consisted of the following for the three months ended September 30, 2011 and 2010:

	2011	2010
Professional services and fees	$ 85,431	$ 30,350
Payroll	118,970	87,107
Travel and entertainment	21,482	5,337
Other	54,563	40,383
	$ 280,446	$ 163,177

Professional services and fees increased primarily due to retaining a PR firm. Payroll increased $31,863 in 2011 as compared to 2010, primarily due to hiring two additional people in 2011, one of which was temporary and has now left the Company. Travel cost increases are primarily the result of increased travel associated with management services for HOA LLC and the pursuit of Hooters opportunities during the quarter.

Other income (expense) consists of the following for the three months ended September 30, 2011 and 2010.

	2011	2010
Realized gain from sale of investments	$ -	$ (1,658)
Equity in earnings (losses) of investments	(20,820)	21,597
Other than temporary decline in available-for-sale securities	(147,973)	-
Interest and other income	-	11,500
Interest expense	(41,190)	(27,421)
	$ (209,983)	$ 4,018

Equity in earnings (losses) of investments in 2011 and 2010 represents the Company's share of net earnings (losses) from its investment in restaurants in South Africa. During the third quarter of 2011, the Company acquired the other 10% GP interest and took over operations of the restaurants. A loss resulted during the quarter as a result of adjustments that were made when a number of obligations were discovered upon completion of an internal review.

The Company recorded an other than temporary decline in available-for-sale securities during the quarter ended September 30, 2011 in the amount of $147,973.

Interest and other income in 2010 included interest income from the Company's investment in Investors. This investment was converted to an investment in common stock in January 2011.

Interest expense was higher during the 2011 quarter than the 2010 period, due to the amortization of the warrant value of $12,588 during the 2011 quarter. The warrants were issued as a part of the fee paid to a shareholder for collateralizing the Company's $2,000,000 line of credit.

Comparison of nine months ended September 30, 2011 and 2010

Revenues amounted to $468,417 in the nine months ended September 30, 2011, as compared to $80,504 in the year earlier period and is summarized as follows.

	2011	2010
HOA LLC acquisition	$ 400,000	$ -
Investors II	-	11,171
Investors LLC	-	19,875
Total cash	400,000	31,046
HOA LLC consulting accrual	66,667	-
Investors II accrual	-	-
Efftec International shares for management fee	-	22,500
Amortization of deferred revenue	1,750	26,958
	$ 468,417	$ 80,504

The Company received cash of $400,000 and $24,421 during the nine months ended September 30, 2011 and 2010, respectively. The $400,000 received in 2011 was for services provided in completion of the purchase of HOA and TW by HOA LLC. The Company has a consulting agreement with HOA LLC and is scheduled to receive $100,000 in January of each year for director and other services provided by Mr. Pruitt, eight months of which was accrued at September 30, 2011. Investors II had negative fund performance on a year-to-date basis as noted in the discussion of the three months ended September 30, 2011 and the year-to-date accrual for management services rendered to Investors II was reversed. The amortization of deferred revenue is the consulting and management fees received by the Company in the form of stock that is earned over an extended period, generally one year.

General and administrative expenses consisted of the following for the nine months ended September 30, 2011 and 2010:

	2011	2010
Professional services and fees	$ 214,645	$ 124,018
Payroll	356,701	388,074
Travel and entertainment	52,052	27,167
Other	146,333	117,990
	$ 769,731	$ 657,249

Professional services and fees increased $90,627 (73%) in 2011 from the 2010 amount, primarily due to retaining a PR firm and due to the additional legal services encountered with raising funds and acquisitions. Payroll costs decreased $31,373 (8%) primarily due to staff reductions after the first quarter of 2010 for personnel employed primarily to assist the Company in raising funds. Travel and entertainment costs increased primarily due to additional travel requirements for HOA LLC and due to travel associated with the pursuit of Hooters opportunities.

Other income (expense) consists of the following for the nine months ended September 30, 2011 and 2010.

	2011	2010
Realized gain from sale of investments	$ 19,991	$ 149,350
Other than temporary decline in available-for-sale securities	(147,973)	(40,386)
Equity in earnings (losses) of investments	(9,256)	42,850
Interest and other income	5,016	34,500
Interest expense	(63,876)	(104,396)
	$ (196,098)	$ 81,918

The Company realized a gain of $19,991 from sales of DineOut shares during the 2011 period and realized a gain of $149,350 primarily from sales of DineOut shares during the 2010 period.

The Company recorded a loss from an other than temporary decline in its available-for-sale securities of $147,973 and $40,386 in the nine months ended September 30, 2011 and 2010. In 2011, the loss included $124,573 from HiTech Stages, $22,500 from EffTec International and $900 from Remodel Auction. The loss in 2010 included $39,100 for Remodel Auction and $1,286 for Syzygy.

Equity in earnings (losses) of investments in 2011 and 2010 represents the Company's share of net earnings (losses) from its investment in restaurants in South Africa. During the third quarter of 2011, the Company acquired the other 10% GP interest and took over operations of the restaurants.

A loss resulted during the quarter as a result of adjustments that were made when a number of obligations were discovered upon completion of an internal review.

Interest expense was higher during the 2010 period primarily due to the amortization of the beneficial conversion feature on new convertible notes of $49,994. The convertible notes were all exchanged for our common stock on March 30, 2011. The Company executed a line-of-credit with its bank in August 2011 and substantially increased debt to expand its investments in Hooters restaurants. During the three months ended September 30, 2011, the Company recorded $12,588 in amortization of the value of warrants in interest expense. The warrants were issued as a part of the fee paid to a shareholder for collateralizing the Company's $2,000,000 line of credit.

Comparison of year ended December 31, 2010 and 2009

Revenue

Revenue amounted to $136,301 in 2010 and $602,978 in 2009. Cash revenues were $84,218 in 2010 and $74,250 in 2009. Non-cash revenues from management fees include $52,083 in 2010 and included $504,167 in 2009 which was recognized from the receipt of securities for our services. In addition, 2009 included revenues from a related party of $24,000 which was included in bad debt expense in 2010. The majority of our cash revenues are management fees from Investors LLC and Investors II.

The fair value of the equity instruments received was determined based upon the stock prices as of the date we reached an agreement with the third party. The terms of the securities are not subject to adjustment after the measurement date. See Note 3 of the consolidated financial statements for details.

General and Administrative Expense (“G&A”)

G&A amounted to $946,189 in 2010 and $816,198 in 2009. The more significant components of G&A are summarized as follows:

	2010	2009
Professional fees	$ 106,594	$ 106,379
Payroll	490,690	385,320
Travel and entertainment	42,950	57,120
Accounting and auditing	67,914	59,675
Director fees	42,500	-
Bad debt expense	24,907	-
Other G&A	170,634	207,704
	$ 946,189	$ 816,198

G&A costs are expected to continue at approximately the same level as 2010, $235,000 per quarter, with the costs associated with the activities of the management services to be provided to CDF increasing. Revenue is expected to exceed this increase in expense.

Payroll costs increased in 2010 due to the addition of two employees to assist the Company in raising funds. Both of these employees have now left the Company.

Effective December 31, 2010, the Company issued 20,000 shares of its common stock to its outside directors for current and prior director fees. The stock was valued at $42,500 based on the closing price of the common stock on that date.

The Company recognized a bad debt in the amount of $24,907 in 2010 for prior management services of $24,000 and expense advances of $907 owed by Green St. Energy, Inc., a company for which the Company previously provided management services.

Deferred acquisition costs

FASB ASC 805-10-25-23 replaced prior guidance and became effective January 1, 2009. Acquisition-related costs are defined as costs the acquirer incurs to effect a business combination and further provides that the acquirer shall account for acquisition-related costs as expenses in the periods in which the costs are incurred and the services received. Pursuant to the Company's planned acquisition of HI, the Company incurred $279,050 in acquisition-related costs which were capitalized in 2008 pursuant to accounting guidance in effect at that time.

FASB ASC 805-10-25-23 applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning after December 15, 2008. Accordingly, on January 1, 2009 the Company charged its previously capitalized acquisition costs to expense on that date.

Asset Impairment

In 2010, the Company recorded an impairment of $250,000 for our equity interest in BreezePlay as a result of it not being able to raise sufficient capital to complete its business plan and substantially ceasing operation. In 2009, the Company recorded an impairment of our equity investment in Confluence Partners of $50,000 due to the uncertain SPAC market.

Other Income (Expense)

Other income (expense) consisted of the following at December 31, 2010 and 2009:

	2010	2009
Other income (expense):		
Equity in earnings of investments	$ 58,337	$ 23,000
Realized gains from sale of investments	106,035	58,697
Interest expense	(140,016)	(33,914)
Interest income	46,000	23,000
Miscellaneous income	-	50
Other than temporary decline in available-for-sale securities	(40,386)	(342,259)
	$ 29,970	$ (271,426)

Equity in Earnings of Investments

Equity in earnings of investments includes our share of earnings from investments in which we own at least 20% and are being accounted for using the equity method. This included income from the Hoot SA partnerships in 2010 of $58,337 and from Investors of $23,000 in 2009.

Realized Gains from Sale of Investments

Realized gains are recorded when investments are sold and include transactions in 2010 from a gain on sales of DineOut of $157,807, a loss on sales of Vought Defense Systems of $58,355 and a gain on sales of Healthsport of $6,583 and in 2009 from marketable equity securities for $8,697 and a $50,000 gain from the exchange of our oil and gas property investment for marketable equity securities.

Interest Expense

Interest expense increased in 2010 from 2009 primarily due to the addition of convertible notes payable in the amount of $686,500 in 2010.

Interest Income

Interest income includes our earnings from Investors for all of 2010 and in 2009, after we sold 1/2 of our 23% investment in May 2009.

Other than Temporary Decline in Available-for-Sale Securities

The Company determined that its investment in available-for-sale securities had an other than temporary decline in value and recorded a realized loss in the amount of $40,386 and $342,259 in 2010 and 2009, respectively. Valuations were determined based on the quoted market price for the stock on December 31, 2010 and 2009, respectively.

Liquidity and Capital Resources

At September 30, 2011 and December 31, 2010, the Company had current assets of $464,868 and $158,718; current liabilities of $1,550,668 and $645,634; and a working capital deficit of $1,085,800 and $486,916, respectively. The Company had a loss of $496,037 during the nine months ended September 30, 2011 and had an unrealized loss from available-for-sale securities of $224,240 resulting in a comprehensive loss of $720,277.

The Company's general and administrative expenses were $769,732 during the nine months ended September 30, 2011 as compared to $657,249 in the same period of 2010. The Company expects its general and administrative cost to be approximately $250,000 for the fourth quarter of 2011.

As of September 30, 2011, the Company had raised the following amounts from limited partners and made its own LP contributions for its share of cost of the Durban and Johannesburg restaurants which opened in 2010 and the Cape Town restaurant which opened in June of 2011. The Johannesburg and Cape Town restaurants are expected to require some additional funding to settle outstanding liabilities, but all are expected to operate with positive cash flow in the future.

	Durban	Johannesburg	Cape Town	Total
Other limited partners	$ 351,500	$ 412,500	$ 433,250	$ 1,197,250
Chanticleer LP interest	9,299	68,596	183,861	261,756
	$ 360,799	$ 481,096	$ 617,111	$ 1,459,006

The Company expects to meet its obligations in the next twelve months with some or all of the following:

· during the quarter ended September 30, 2011, the Company executed a line of credit with its bank in the amount of $2,000,000 and at September 30, 2011 had borrowed $920,000. This line of credit was used for the buy-out of the other GP in South Africa and is planned to be used for investments in other countries, as discussed elsewhere herein. The Company plans to sell its common stock in the future with the intended use of the funds to repay existing loans and complete restaurant expansion plans;

· the Company currently is receiving its share of earnings from the Durban and Johannesburg, South Africa restaurants which commenced operations in 2010 and will begin receiving its share of earnings from the Cape Town, South Africa location which opened in June of 2011; and

· the Company is funding the initial formation of Chanticleer Dividend Fund, Inc. ("CDF"), including the registration of its common stock. The Company expects to get most of its capital outlay back after the registration statement becomes effective and CDF begins raising funds.

If the above events do not occur or if the Company does not raise sufficient capital, substantial doubt about the Company's ability to continue as a going concern exists. These consolidated financial statements do not reflect any adjustments that might result from the outcome of these uncertainties.

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.

Critical Accounting Policies

The SEC has suggested companies provide additional disclosure and commentary on their most critical accounting policies, which they defined 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.

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 evaluation process is intended to provide a consistent basis for determining the fair value of our available-for-sale investments. In summary, for individual securities classified as available-for-sale securities, an enterprise shall determine whether a decline in fair value below the amortized cost basis is other than temporary. If the decline in fair value is judged to be other than temporary, the individual security shall be written down to fair value as a new cost basis and the amount of the write-down shall be included in earnings (accounted for as a realized loss). The new cost basis shall not be changed for subsequent recoveries in fair value. Subsequent increases in the fair value of available-for-sale securities shall be included in other comprehensive income and subsequent decreases in fair value, if not an other-than-temporary impairment, also shall be included in other comprehensive income.

The first step in the analysis is to determine if the security is impaired. All of our available-for-sale securities were listed and we use the closing market price to determine the amount of impairment if any. The second step, if there is an impairment, is to determine if the impairment is other than temporary. To determine if a decline in the value of an equity security is other than temporary and that a write-down of the carrying value is required, we considered the following:

- The length of the time and the extent to which the market value has been less than the cost;
- The financial condition and near-term prospects of the issuer, including any specific events which may influence the operations of the issuer such as changes in technology that may impair the earnings potential of the investment or the discontinuance of a segment of the business that may affect the future earnings potential; or
- The intent and ability of the holder to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in market value.

Unless evidence exists to support a realizable value equal to or greater than the carrying value of the investment in equity securities classified as available-for-sale, a write-down to fair value accounted for as a realized loss should be recorded. Such loss should be recognized in the determination of net income of the period in which it occurs and the written down value of the investment in the issuer becomes the new cost basis of the investment.

Investments in which the Company has the ability to exercise significant influence and that, in general, are at least 20 percent owned are stated at cost plus equity in undistributed net earnings (loss), less distributions received. The Company also has equity investments in which it owns less than 20% which are stated at cost. An impairment loss would be recorded whenever a decline in the value of an equity investment or investment carried at cost is below its carrying amount and is determined to be other than temporary. In judging “other than temporary,” the Company considers the length of time and extent to which the fair value of the investment has been less than the carrying amount of the investment, the near-term and long-term operating and financial prospects of the investee, and the Company’s long-term intent of retaining the investment in the investee.

Commitments and Contingencies

Lease

Effective August 1, 2009, the Company entered into an office lease agreement for its office with a term of one year and monthly lease payments of $2,100. During the quarter ended September 30, 2011, the lease term expired and the Company is continuing to occupy the space on a month-to-month basis.

Hooters South Africa

On April 23, 2009, the Company's wholly owned subsidiary, CHL, through its 50% ownership of C&S Ltd., entered into a franchise agreement with HOA to open and operate Hooters restaurants in the Republic of South Africa. The current plan calls for four restaurants in the first phase with three additional locations to be added later. The first restaurant opened in December 2009 in Durban and commenced operations effective January 1, 2010. A location in Johannesburg opened in June 2010 and the third location opened in Cape Town during June of 2011. A fourth location at Emperor's Palace Casino in Johannesburg is expected to open in January 2012. Our total expected cost is $850,000.

During September 2011, the Company acquired the remaining 50% ownership of C&S Ltd. and now owns all of the outstanding securities of that entity.

Hooters Australia

We are partnering with the current Hooters franchisee in a joint venture, although we do not presently have any agreement in writing. The first Hooters restaurant under this joint venture (which would be the third Hooters restaurant to be opened in Australia) is expected to open in January 2012 in Campbelltown, a suburb of Sydney and we anticipate that we will own a 49% interest.

At September 30, 2011, we have advanced $250,000 of our expected total cost of $650,000 for our share of the Campbelltown location cost. We have verbally agreed to participate in a second location in Australia under the same terms with an anticipated total cost for our share of $650,000.

Contractual Obligations

The table below sets forth our known contractual obligations as of September 30, 2011:

		Payments due by period			
Contractual Obligations	**Total**	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
Long-Term Debt Obligations (1)	$ 269,148	$ 20,871	$ 248,277	$ -	$ -
Purchase Obligations (2)	3,800,000	1,250,000	2,550,000	-	-
Total	$ 4,069,148	$ 1,270,871	$ 2,798,277	$ -	$ -

(1) Represents the outstanding principal amounts and interest on all our long-term debt.
(2) Represents commitments for Hooters international restaurants in Australia and South Africa.

BUSINESS

Overview

We have changed our focus recently from managing investments to owning and operating Hooters franchises internationally. Hooters restaurants are casual beach-themed establishments with sports on television, jukebox music, and the "nearly world famous" Hooters Girls. The menu consists of spicy chicken wings, seafood, sandwiches and salads. Each locations menu can vary with the tastes of the locality it is in. Hooters began in 1983 with its first restaurant in Clearwater, Florida. From the original restaurant and licensee Mr. Robert Brooks, Hooters has become a global brand in 44 states domestically and over 450 Hooters restaurants worldwide. Besides restaurants, Hooters has also branched out to other areas, including licensing its name to a golf tour and food being sold in supermarkets.

We expect to either own 100% of the Hooters franchise or partner with a local franchisee in the countries we target. We based this decision on the successful launch of our South African Hooters venture and believe we have aligned partners and operators in various international markets. Currently we are focused on:

How Chanticleer obtains Hooters locations and territories

Chanticleer identifies a target international territory and our CEO, Mike Pruitt, who is also on the Board of HOA, uses his contacts at HOA and also his own personal relationships to gather information on a possible partner/operator in specifically identified territories. Concurrently we gather public information regarding the demographics and economics for that territory and analyze whether we believe the territory can support a successful Hooters location or locations.

After we conclude that a territory meets our criteria for a successful Hooters franchise, we apply, along with our partner if there is one, for a franchise with HOA. The application includes our findings on the economics and demographics of the area as well as personal financial information of all the partners. HOA performs its own background checks, as well as third party market research and competitor data. After the application is accepted, a detailed business proposal is submitted by the franchisee, including a detailed analysis and history of the territory/country, a description of the first few proposed locations (including population, income levels and economic factors in the region). HOA performs its own due diligence on the application. If approved, the franchisee signs a franchise agreement for the territory, generally for a 20 year period and pays HOA an initial franchise fee of $75,000 for the first location and a $15,000 deposit on the other locations applied for. HOA is heavily involved in the site survey for each location. After the opening of a restaurant, the franchisee pays a monthly continuing royalty fee to HOA based on gross revenue. The franchise agreement also requires that a certain percentage of gross revenue must be spent on marketing/advertising.

Hooters granted us non-exclusive franchise rights for the Republic of South Africa in June 2009. Specifically related to our South African franchise, our ongoing obligations to HOA are as follows:

- 4% of gross revenue is paid to HOA monthly as a continuing royalty fee for the first 18 months a restaurant is open. After this initial period, the rate is calculated based on the last 12 months revenue on a sliding scale. Currently our Durban location is our only location that has been open more than 18 months and the rate for the next 12 months has been set at 4%.
- 4% of gross revenue is to be spent on advertising and marketing.
- Open seven locations by December 31, 2014.

If any of these obligations are not met, HOA has the right to terminate our franchise agreement.

HOA's obligations to us related to our South African franchise are as follows:

- Advise us on locating and opening a completed restaurant, including supplier lists, acceptable site criteria, and architectural plan (at HOA's option).
- Provide us with management training and pre-opening training for non-management employees.
- Advise us on operation, advertising and promotion.
- Provide us with the requirements for a standardized system for accounting, cost control, and inventory control.

If any of these obligations are not met we have the right to terminate our franchise agreement.

This franchise agreement has a 20 year term beginning June 2009 for our initial restaurant and 20 years after the opening of each subsequent location. We may renew after the 20-year period with written notice 6 to 18 months prior to termination date, the signing of the then current form of franchise agreement , and a $25,000 fee per restaurant.

Hooters assistance and training to franchisee prior to and after opening

After acceptance as a franchisee, Hooters requires employees/staff of franchisees to attend a 5 day seminar called "Hooters University" at Hooters corporate headquarters in Atlanta, Georgia. Attendees are educated in all aspects of operating a Hooters restaurant, including Hooters mission statement, menu, human resources, accounting, and employee recruitment and training. Subsequently each of key management staff are required to work in a Hooters Corporate restaurant for 4 additional weeks. Prior to the initial restaurant of a franchisee opening, Hooters assists with a site survey of the restaurant and sends staff for several weeks to the restaurant to further assist and train employees.

After opening, Hooters assists with marketing, food distribution, and worldwide purchasing contracts.

South Africa

The Company currently operates three Hooters locations in Cape Town, Durban and Johannesburg. We employ approximately 180 employees at these locations, as well as five employees at our management company. We have received Hooters corporate site approval for our first 100% owned Hooters location in Emperors Palace Casino in Johannesburg. We expect this location to open in early 2012.

The Company formed CHL to own the Company's 50% interest in C&S Ltd. During September 2011, the Company purchased the remaining 50% interest in C&S Ltd. C&S Ltd. is the franchisee under the HOA franchise agreement for South Africa. Each restaurant is owned by a South African private company which we control. For the first location in Durban, South Africa, we currently own 90% of the private company's outstanding securities and the remaining 10% is owned by family members of our former partner in C&S Ltd. For the second location in Johannesburg, South Africa, we currently own 95% of the private company's outstanding securities and the remaining 5% is owned by family members of our former partner in C&S Ltd. For the third location in CapeTown, South Africa, we currently own 100% of the private company's outstanding securities. In order to obtain investor funds to pay for the initial costs involved in commencing operations for each of the South Africa locations, we agreed to allocate a portion of the profits from each restaurant such that the investors receive 80% of the net profits after taxation (the "SA Profits") until they have received a return of their investment and a pre-tax annual compounded return on that investment of 20% (the "SA Return"). Once the investors have received the SA Return, the investor's are thereafter entitled to receive 20% of the SA Profits.

The Company, concurrently with purchasing the remaining 50% interest in C&S Ltd., has formed a management company to operate the current South African Hooters locations. The management company currently charges a management fee of 5% of net revenues. We own 80% of the management company, with key management owning the remaining 20%.

Other countries

- **Brazil** - we are in the latter stages of acquiring development rights for Hooters in five states of Brazil, which would include Rio de Janeiro, although we do not presently have any agreement in writing. We expect to partner with the current local franchisee who owns the Hooters franchise rights in the state of Sao Paolo and we anticipate we would own 60% of the entity holding the development rights, with our local partner owning the remaining 40%.

- **Hungary -** we have applied to HOA for franchise rights in Hungary, where we anticipate we would own 80% of the entity holding the franchise rights, with our local partner owning the remaining 20%. We anticipate that we will contract with our local partner, who we believe is an experienced franchise restaurateur, to manage the day-to-day operations of the locations, although we do not presently have any agreement in writing.

- **Australia** - we are in the process of partnering with the current Hooters franchisee in a joint venture, although we do not presently have any agreement in writing. The first Hooters restaurant under this joint venture (which would be the third Hooters restaurant currently open) is expected to open in January 2012 in Campbelltown, a suburb of Sydney. We are in discussions to purchase from the same franchisee a partial interest in the first two existing Hooters locations in the Sydney area.

- **Europe** – we are in discussions with a current franchisee to purchase 100% of an existing Hooters location, however, we do not presently have any agreement in writing.

ACQUISITION OF HOOTERS RESTAURANTS

Our trend toward focusing on Hooters arose when the Company and our partners completed the acquisition of Hooters of America, Inc. ("HOA") and Texas Wings, Inc. ("TW"). On January 24, 2011, Investors LLC and its three partners, H.I.G. Capital, KarpReilly, LLC and Kelly Hall, president of Texas Wings Inc., the largest Hooters franchisee in the United States, combined to form HOA Holdings, LLC ("HOA LLC"). Together HOA LLC has created an operating company with 161 company-owned locations across sixteen states, or nearly half of all domestic Hooters restaurants and over one-third of the locations worldwide. We now own approximately 14% of Investors LLC, which represents approximately 3% of HOA LLC. We presently have not received any revenue from our interest in HOA LLC, and will receive revenue, if any, based on distributions from the entity.
The Company received a payment of $400,000 at closing for its services in facilitating the acquisition. In addition, for a minimum of four years, the Company will receive annual payments of $100,000 due in January each year while Mr. Pruitt serves on its board.

NARRATIVE DESCRIPTION OF BUSINESS – SEGMENTS

The Company is organized into two active business segments as of the end September 30, 2011, the Management segment has been operating since our inception and the Restaurant Operations segment was added during 2009 and had its initial operations in 2010. The insurance and specialized services segment is inactive at December 31, 2010 and was shut down during the third quarter of 2011.

Management and consulting services

The Company provides management and consulting services for small companies which are generally seeking to become publicly traded. The Company also provides management and investment services for Investors LLC and Investors II. The Company will also provide management services to CDF.

Insurance and specialized financial services

We have formed AFS to provide unique financial services to the restaurant, real estate development, investment advisor/asset management and philanthropic organizations. AFS was shut down during the third quarter of 2011.

INVESTMENTS MANAGED

Chanticleer Investors LLC

On April 18, 2006, the Company formed Investors LLC and sold units for $5,000,000. Investors LLC's principal asset was a convertible note in the amount of $5,000,000 with HOA, collateralized by and convertible into 2% of HOA common stock. The original note included interest at 6% and was due May 24, 2009. The note was extended until November 24, 2010 and included an increase in the interest rate to 8%.

The Company owned $1,150,000 (23%) of Investors LLC until May 29, 2009 when it sold 1/2 of its share for $575,000. Under the original arrangement, the Company received 2% of the 6% interest as a management fee ($25,000 quarterly) and 4% interest on its investment ($11,500 quarterly). Under the extended note and revised operating agreement, the Company receives a management fee of $6,625 quarterly and interest income of $11,500 quarterly. The Company sold an additional $75,000 of its investment in December 2010, leaving it with a balance of $500,000 at December 31, 2010.

On January 24, 2011, Investors LLC and its three partners combined to form HOA Holdings, LLC ("HOA LLC") and completed the acquisition of Hooters of America, Inc. ("HOA") and Texas Wings, Inc. ("TW"). Together HOA LLC has created an operating company with 161 company-owned locations across sixteen states, or nearly half of all domestic Hooters restaurants and over one-third of the locations worldwide.

Investors, LLC had a note receivable in the amount of $5,000,000 from HOA that was repaid at closing. Investors LLC then invested $3,550,000 in HOA LLC (approximately 3.1%) ($500,000 of which is the Company's share). One of the investors in Investors LLC that owned a $1,750,000 share is a direct investor in HOA LLC and will now carry its ownership in HOA LLC directly. The Company now owns approximately 14% of Investors LLC.

The Company received a payment of $400,000 at closing for its services in facilitating the acquisition. In addition, for a minimum of four years, the Company will receive annual payments of $100,000 due in January each year while Mr. Pruitt serves on its board.

Chanticleer Investors II, LLC

On July 31, 2006, the Company formed Investors II. Investors II began raising funds in January 2007 for the purpose of investing in publicly traded value securities and has now completed its fourth year of operations with $1,603,869 under management at December 31, 2010.

Chanticleer Dividend Fund, Inc. ("CDF")

On November 10, 2010 the Company formed Chanticleer Dividend Fund, Inc. ("CDF") under the general corporation laws of the State of Maryland. CDF filed a registration statement under Form N-2 to register as a non-diversified, closed-end investment company in January 2011. The Company, through Advisors, will have a role in management of CDF when its registration statement becomes effective.

EMPLOYEES

At December 31, 2010 and 2009, we had 5 and 6 full-time employees, respectively. Our employees are not represented by a labor union. We have experienced no work stoppage and believe that our employee relationships are good.

PROPERTIES

Effective August 1, 2009, the Company entered into a new office lease agreement for a period of one year at a monthly rental of $2,100, for its office located at 11220 Elm Lane, Suite 203, Charlotte, NC 28277. Currently we are operating under a month-to-month lease with the same terms.

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

LEGAL PROCEEDINGS

We are not currently subject to any legal proceedings, nor, to our knowledge, is any legal proceeding threatened against us. However, from time to time, we may be a party to certain legal proceedings in the ordinary course of business.

GOVERNMENT REGULATION

The restaurant industry is subject to numerous federal, state and local governmental regulations, including those relating to the preparation and sale of food and alcoholic beverages, sanitation, public health, fire codes, zoning, and building requirements. Each restaurant requires appropriate licenses from regulatory authorities allowing it to sell liquor, beer and wine, and each restaurant requires food service licenses from local health authorities. Our licenses to sell alcoholic beverages must be renewed annually and may be suspended or revoked at any time for cause, including violation by us or our employees of any law or regulation pertaining to alcoholic beverage control, such as those regulating the minimum age of employees or patrons who may serve or be served alcoholic beverages, the serving of alcoholic beverages to visibly intoxicated patrons, advertising, wholesale purchasing and inventory control. In order to reduce this risk, restaurant employees are trained in standardized operating procedures designed to assure compliance with all applicable codes and regulations. In connection with our expansion into international markets, we are taking on additional responsibilities under the Foreign Corrupt Practices Act and similar local regulations. We will implement policies, procedures and training to ensure compliance with these regulations.

We and our partners are also subject to laws governing our relationship with employees. Our failure or the failure of our partners to comply with international, federal, state and local employment laws and regulations may subject us to losses and harm our brands. The laws and regulations govern such matters as wage and hour requirements; workers' compensation insurance; unemployment and other taxes; working and safety conditions, and citizenship and immigration status. Significant additional government-imposed regulations and similar laws related to minimum wages, overtime, rest breaks, paid leaves of absence, mandated health benefits, may also impact the performance of company and franchised operations. In addition, employee claims based on, among other things, discrimination, harassment, wrongful termination, wage and hour requirements, and payments to employees who receive gratuities may divert financial and management resources and adversely affect operations. The losses that may be incurred as a result of any violation of such governmental regulations by the us or our partners are difficult to quantify.

We are also subject to licensing and regulation by international, state and local departments relating to the service of alcoholic beverages, health, sanitation, and fire and safety standards. Compliance with these laws and regulations may lead to increased costs and operational complexity and may increase our exposure to governmental investigations or litigation. In addition, we are subject to various state and federal laws relating to the offer and sale of franchises and the franchisor-franchisee relationship. [HOW DOES THIS APPLY?] In general, these laws and regulations impose specific disclosure and registration requirements prior to the sale and marketing of franchises and regulate certain aspects of the relationship between franchisor and franchisee. [HOW DOES THIS APPLY?]

COMPETITION

The restaurant industry is intensely competitive. We compete on the basis of the taste, quality and price of food offered, guest service, ambience, location, and overall dining experience. We believe that our attractive price-value relationship, the atmosphere of our restaurant, our focus on our guest and the quality and distinctive flavor of our food enable us to differentiate ourselves from our competitors. We believe we compete primarily with local and regional sports bars and national casual dining and quick casual establishments, and to a lesser extent with quick service restaurants such as wing-based take-out concepts. Many of our direct and indirect competitors are well-established national, regional or local chains and some have substantially greater financial and marketing resources than we do. We also compete with other restaurant and retail establishments for site locations and restaurant team members.

MANAGEMENT

DIRECTORS AND EXECUTIVE OFFICER

The following section sets forth the names, ages and current positions with the Company held by the Directors and Executive Officer as of the date of this prospectus; together with the year such positions were assumed. There is no immediate family relationship between or among any of the Directors or the Executive Officer, and the Company is not aware of any arrangement or understanding between any Director or the Executive Officer and any other person pursuant to which he was elected to his current position.

Each Director and 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. The Company currently has five Directors.

NAME	AGE	POSITION
Michael D. Pruitt	50	President, CEO and Director since June 2005
Michael Carroll	62	Independent Director since June 2005
Brian Corbman	35	Independent Director since August 2005
Paul I. Moskowitz	54	Independent Director since April 2007
Keith Johnson	53	Independent Director since November 2009

Michael D. Pruitt

Michael Pruitt founded Avenel Financial Group, a boutique financial services firm concentrating on emerging technology company investments, in 1999. In 2001, he formed Avenel Ventures, a technology investment and private venture capital firm. 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 at Ty Pruitt Trucking, which 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, as a consultant. He was the CEO from 2002-2005, 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. Mr. Pruitt is currently a director of North American Energy Resources, Inc. and CEO and director of Efftec International, Inc.

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, from January of 2004 until February 2005. 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. Mr. Carroll is a member of our Audit and Compensation committees.

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. Previously, he was an institutional salesman at Fulcrum Global Partners from May 2002 to January 2003 and Banc of America Securities from October 2000 to March 2002. Prior to that, from June 1999 to October 2000, 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. Mr. Corbman is a member of our Compensation and Nominating Committees.

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 Jacobs and Moskowitz, a 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 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. Mr. Moskowitz is a member of our Compensation and Nominating Committees.

Keith Johnson

Mr. Johnson currently serves as President of Efficiency Technologies, Inc., the wholly owned operating subsidiary of Efftec International, Inc. Prior to that he has been the President and Chief Executive Officer of YRT² (Your Residential Technology Team) in Charlotte, North Carolina, since 2004. Mr. Johnson served as Executive Vice President and Chief Financial Officer of The Telemetry Company in Dallas, Texas (1997-2004), Senior Vice President - Finance and Administration of Brinks Home Security in Dallas, Texas (1995-1997), and Chief Financial Officer of BAX Global in London, England (1992-1995). Mr. Johnson has a BS in accounting from Fairfield University in Fairfield, Connecticut. Mr. Johnson is the head of our Audit Committee.

We believe that each of our directors' experience in business and financial matters qualifies them to serve as one of our directors.

Code of Ethics

The board of directors has adopted a code of ethics applicable to all directors, officers and employees, including our principal executive officer. A copy of the code of ethics is available at our website at www.chanticleerholdings.com..

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.

Summary Compensation Table

The following table shows the compensation of the Company's Chief Executive Officer for the two years ended December 31, 2010. The Company has no other executive officers.

Name and Principal Position	Year	Salary	Bonus	Total
Michael D. Pruitt (CEO since June 2005) (1)	2010	$ 154,000	$ -	$ 154,000
	2009	$ 171,000	$ -	$ 171,000

(1) The 2009 compensation includes $11,000 in consulting fees during the time Mr. Pruitt had temporarily discontinued his salary.

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.

Options/SAR Grants Table

There were no grants of options or SARs during the year for the named individual.

Aggregated option/SAR exercises and fiscal year-end option/SAR value table.

There were no option/SAR exercises or any options/SARs outstanding at fiscal year-end for the named individual.

Long-term incentive plan ("LTIP") awards table

There were no LTIP awards during the year for the named individual.

Compensation of directors

Our directors each earned $4,250 for 2010. The fees were approved by the Board and paid in 2011.

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.

Employment contracts and termination of employment and changes in control arrangements

The Company does not have any current employment agreements with its officer or 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.

The Company does not have any change in control arrangements.

Report on repricing of options/SARs

The Company has no options or SARs outstanding during 2010 or 2009, accordingly, none were repriced.

Director Independence

We undertook a review of the independence of our directors and, using the definitions and independence standards for directors provided in the rules of NYSE Amex, we determined that Michael Carroll, Brian Corbman, Paul Moskowitz and Keith Johnson are "independent directors" as defined under the rules of NYSE Amex.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Due from related parties

The Company has earned income from and made advances to related parties. The amounts owed to the Company at September 30, 2011 and December 31, 2010 is as follows:

	2011	2010
Chanticleer Investors, LLC	$ -	$ 6,035
Chanticleer Investors II, LLC	-	46,547
Chanticleer Dividend Fund, Inc.	74,281	30,937
Hoot SA II LLC	825	-
Other	-	750
	$ 75,106	$ 84,269

Due to related parties

The Company has received non-interest bearing loans and advances from related parties. The amounts owed by the Company as of September 30, 2011 and December 31, 2010 are as follows:

	2011	2010
Avenel Financial Group, a company owned by Mr. Pruitt	13,849	46,349
Chanticleer Investors, LLC	4,045	-
Hoot SA I, LLC	15,409	-
Hoot SA III, LLC	-	70,000
Chanticleer Foundation	10,750	-
	$ 44,053	$ 116,349

$25,000 of the amount due Avenel Financial Group, a company owned by Mr. Pruitt, the Company's chief executive officer, was exchanged for a convertible note payable effective January 1, 2011 and converted to common stock on March 30, 2011.

Investments by related parties

Avenel Financial Group invested as a limited partner in the South African Hooters locations. Avenel Financial Group invested $14,000, $12,500, and $25,000 in the Durban, Johannesburg, and Capetown locations, respectively, and is entitled to receive ___%, ___%, and ___%, respectively, of the SA Profits of each of the locations. As of _____, 2011, Avenel Financial Group has received an aggregate of $_____ in SA Profits.

Management income from affiliates

The Company had management income from its affiliates in the nine months ended September 30, 2011 and 2010, as follows:

	2011	2010
Chanticleer Investors, LLC	$ -	$ 19,875
Chanticleer Investors II, LLC	-	11,171
North American Energy Resources, Inc.	1,750	6,125
Efftec International, Inc.	-	22,500
	$ 1,750	$ 59,671

Chanticleer Investors II LLC

The Company manages Investors II and earns management income based on a share of any increase in investment value on an annual basis. At June 30, 2011, the Company had recorded revenue in the amount of $30,726 for management fees based on investment results for the six months ended June 30, 2011. During the quarter ended September 30, 2011, the market experienced a significant decline and the losses in the fund exceeded the profits accrued at June 30, 2011. Accordingly, the Company reversed the $30,726 in previously accrued revenue at September 30, 2011, resulting in negative revenue during the three months ended September 30, 2011 and no revenue for the nine months ended September 30, 211. The 2010 amount was the amount earned in 2009 but not recorded until received in 2010.

Chanticleer Dividend Fund, Inc. ("CDF")

On November 10, 2010 the Company formed CDF under the general corporation laws of the State of Maryland. CDF filed a registration statement under Form N-2 to register as a non-diversified, closed-end investment company in January 2011. The Company, through Advisors, will have a role in management of CDF when its registration statement becomes effective.

North American Energy Resources, Inc. ("NAEY")

The Company's CEO became CEO and a director of NAEY during 2010 and the Company received 150,000 common shares for management services. The shares were valued at $10,500, based on the trading price of NAEY at the time. The Company's CEO resigned as CEO of NAEY in December 2010 and remains a director.

Chanticleer Foundation, Inc.

Chanticleer Foundation, Inc. is a non-profit organization formed for charitable purposes. Mr. Pruitt is President of this company.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

To the Company's knowledge, the following table sets forth information with respect to beneficial ownership of outstanding common stock as of September 30, 2011, by:

- each person known by the Company to beneficially own more than 5% of the outstanding shares of the Company's Common Stock;
- the Company's executive officer;
- each of the Company's directors; and
- all of the Company's directors and its executive officer as a group.

Beneficial ownership is determined in accordance with the rules of the U.S. Securities and Exchange Commission (the "SEC") and includes voting or investment power with respect to the securities as well as securities which the individual or group has the right to acquire within 60 days of the original filing of this Information Statement. Unless otherwise indicated, the address for those listed below is c/o Chanticleer Holdings, Inc., 11220 Elm Lane, Suite 203, Charlotte, NC 28277. Except as indicated by footnote, and subject to applicable community property laws, the persons named in the table have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them. The number of shares of the Common Stock outstanding used in calculating the percentage for each listed person includes the shares of Common Stock underlying options or other convertible securities held by such persons that are exercisable within 60 days of September 30, 2011, but excludes shares of Common Stock underlying options or other convertible securities held by any other person. The number of shares of Common Stock issued as of September 30, 2011, was 3,011,954. Except as noted otherwise, the amounts reflected below are based upon information provided to the Company and filings with the SEC.

Name	Number of Shares of Common Stock Owned	Percentage of Class Pre-offering	Post-offering
Sandor Capital Master Fund LP (1)	298,200	9.9%	3.7%
Robert B. Prag (2)	298,200	9.9%	3.7%
Michael D. Pruitt (3)	404,610	13.4%	5.1%
Michael Carroll	11,000	*	*
Brian Corbman	11,100	*	*
Paul I. Moskowitz	6,200	*	*
Keith Johnson	2,000	*	*
Officers and Directors As a Group (5 Persons)	434,910	14.4%	5.4%

(1) John S. Lemak has investment and voting control over the securities held by Sandor Capital Master Fund LP. Sandor maintains principal offices at 2828 Routh Street, Suite 500, Dallas, TX 75201. The amounts set forth in the table include 174,772 shares of common stock owned by Sandor, 24,700 shares of common stock owned by John S. Lemak, and 98,728 shares of common stock underlying Class A Warrants owned by Sandor. The amounts set forth in the table exclude additional shares underlying Class A Warrants and Class B Warrants owned by Sandor and John S. Lemak, which warrants limit exercise to that number of shares that, when aggregated with the holder's existing ownership of the Company's common stock, would result in such holder, together with related persons or entities, owning more than 9.9% of the Company's issued and outstanding common stock. This information is based solely on information in Schedule 13G.

(2) Mr. Prag's address is 2455 El Amigo Road, Del Mar, CA 92014. The amounts set forth in the table include 152,000 shares of common stock owned by Mr. Prag, 28,000 shares of common stock owned by Del Mar Consulting Group, Inc. Retirement Plan Trust (with respect to which Mr. Prag serves as Trustee), and 115,000 shares of common stock underlying Class A Warrants owned by Mr. Prag. The amounts set forth in the table exclude additional shares underlying Class A Warrants and Class B Warrants owned by Mr. Prag and Del Mar Consulting Group, Inc. Retirement Plan Trust, which warrants limit exercise to that number of shares that, when aggregated with the holder's existing ownership of the Company's common stock, would result in such holder, together with related persons or entities, owning more than 9.9% of the Company's issued and outstanding common stock. This information is based solely on information in Schedule 13G.

(3) Includes 62,680 shares of common stock held by Avenel Financial Group, Inc., a corporation controlled by Michael D. Pruitt. The amounts set forth in the table exclude additional shares underlying Class A Warrants and Class B Warrants owned by Mr. Pruitt, which warrants limit exercise to that number of shares that, when aggregated with the holder's existing ownership of the Company's common stock, would result in such holder, together with related persons or entities, owning more than 9.9% of the Company's issued and outstanding common stock.

* less than 1%

UNDERWRITING

Dawson James Securities, Inc. is acting as the representative of the underwriters. We and the underwriters named below have entered into an underwriting agreement with respect to the units being offered. In connection with this offering and subject to certain terms and conditions, each of the underwriters named below has severally agreed to purchase, and we have agreed to sell, the number of units set forth opposite the name of each underwriter.

Underwriter	Number of Units
Dawson James Securities, Inc.	
Total	5,000,000

The underwriting agreement provides that the underwriters are obligated to purchase all of the units offered by this prospectus, other than those covered by the over-allotment option, if any units are purchased. The underwriters are offering the units when, as and if issued to and accepted by them, subject to a number of conditions. These conditions include, among other things, the requirements that no stop order suspending the effectiveness of the registration statement be in effect, that no proceedings for this purpose have been initiated or threatened by the Securities and Exchange Commission, and that our securities have been approved for quotation on the NYSE Amex.

The representative of the underwriters has advised us that the underwriters propose to offer our units to the public at the offering price set forth on the cover page of this prospectus and to selected dealers at that price less a concession of not more than $_____ per unit. The underwriters and selected dealers may reallow a concession to other dealers, including the underwriters, of not more than $_____ per unit. After completion of the public offering of the units, the offering price, the concessions to selected dealers and the reallowance to their dealers may be changed by the underwriters.

The underwriters have informed us that they do not expect to confirm sales of our units offered by this prospectus on a discretionary basis.

We have been advised by the representative of the underwriters that the underwriters intend to make a market in our securities but that they are not obligated to do so and may discontinue making a market at any time without notice.

In connection with the offering, the underwriters or certain of the securities dealers may distribute prospectuses electronically.

Over-allotment Option

Pursuant to the underwriting agreement, we have granted the underwriters an option, exercisable for 45 days from the date of this prospectus, to purchase up to an additional 750,000 units on the same terms as the other units being purchased by the underwriters from us. The underwriters may exercise the option solely to cover over-allotments, if any, in the sale of the units that the underwriters have agreed to purchase. If the over-allotment option is exercised in full, the total public offering price, underwriting discount and proceeds to us before offering expenses will be $_____, $_____ and $_____, respectively.

Stabilization

The rules of the SEC generally prohibit the underwriters from trading in our securities on the open market during this offering. However, the underwriters are allowed to engage in some open market transactions and other activities during this offering that may cause the market price of our securities to be above or below that which would otherwise prevail in the open market. These activities may include stabilization, short sales and over-allotments, syndicate covering transactions and penalty bids.

- Stabilizing transactions consist of bids or purchases made by the representative for the purpose of preventing or slowing a decline in the market price of our securities while this offering is in progress.

- Short sales and over-allotments occur when the representative, on behalf of the underwriting syndicate, sells more of our units than it purchases from us in this offering. To cover the resulting short position, the representative may exercise the over-allotment option described above or may engage in syndicate covering transactions. There is no contractual limit on the size of any syndicate covering transaction. The underwriters will make available a prospectus in connection with any such short sales. Purchasers of shares sold short by the underwriters are entitled to the same remedies under the federal securities laws as any other purchaser of shares covered by the registration statement.

- Syndicate covering transactions are bids for or purchases of our securities on the open market by the representative on behalf of the underwriters in order to reduce a short position incurred by the representative.

- Penalty bids permit the representative to reclaim a selling concession from a syndicate member when the units originally sold by the syndicate member are purchased in a syndicate covering transaction to cover syndicate short positions.

- If the underwriters commence these activities, they may discontinue them at any time without notice. The underwriters may carry out these transactions on the Over the Counter Market or otherwise.

Indemnification

The underwriting agreement provides for indemnification between us and the underwriters against specified liabilities, including liabilities under the Securities Act, and for contribution by us and the underwriters to payments that may be required to be made with respect to those liabilities. We have been advised that, in the opinion of the SEC, indemnification for liabilities under the Securities Act is against public policy as expressed in the Securities Act and is therefore unenforceable.

Underwriters' Compensation

We have agreed to sell the units to the underwriters at the initial offering price of $_____ per unit, which represents the initial public offering price of the units shown on the cover page of this prospectus less the 8% underwriting discount. The underwriting agreement also provides that Dawson James Securities, as representative, will be paid a non-accountable expense allowance equal to 2% of the gross proceeds from the sale of the units offered by this prospectus, excluding any units purchased on exercise of the over-allotment option. We are not required to pay, or reimburse the underwriters for, the legal fees incurred by the underwriters in connection with this offering.

On completion of this offering, we will issue to the representative of the underwriters warrants to purchase up to 400,000 units, which will be identical to the units sold in this offering. The exercise price will be $_____ per unit, which is equal to 115% of the offering price of the units. The representative's warrants will be exercisable at any time beginning one year after the effective date of the registration statement of which this prospectus is part, and will expire on the fifth anniversary of the effective date. In compliance with the lock-up restrictions set forth in FINRA Rule 5110(g)(1), neither the representative's warrants nor the underlying securities may be sold, transferred, assigned, pledged or hypothecated, or be the subject of any hedging, short sale, derivative, put, or call transaction that would result in the effective economic disposition of the securities by any person for a period of one year immediately following the date of effectiveness or commencement of sales of the offering, except to any member participating in the offering and the officers or partners thereof, and only if all securities so transferred remain subject to the one-year lock-up restriction for the remainder of the lock-up period.

The holder of these representative's warrants will have, in that capacity, no voting, dividend or other stockholder rights. Any profit realized on the sale of the units issuable upon exercise of these warrants may be deemed to be additional underwriting compensation. The securities underlying these warrants are being registered pursuant to the registration statement of which this prospectus is a part. During the term of these warrants, the holder thereof is given the opportunity to profit from a rise in the market price of our common stock. We may find it more difficult to raise additional equity capital while these warrants are outstanding. At any time at which these warrants are likely to be exercised, we may be able to obtain additional equity capital on more favorable terms.

The following table summarizes the underwriting discount we will pay to the underwriters and the non-accountable expense allowance we will pay to the representative of the underwriters. These amounts are shown assuming both no exercise and full exercise of the underwriters' over-allotment option.

	Per Unit	Total Without Over-Allotment Option	Total With Over-Allotment Option
Total underwriting discount to be paid by us	$	$	$
Non-accountable expense allowance	$	$	$

Determination of Offering Price

The common stock is quoted on the OTC Bulletin Board under the symbol “CCLR.OB.” On _____, 2011, the closing market price of our common stock on the OTC Bulletin Board was $_____.

The public offering price of the units offered by this prospectus has been determined by negotiation between us and the underwriters. Among the factors considered in determining the public offering price of the units were:

- our history and our prospects;
- the industry in which we operate;
- the status and development prospects for our products and services;
- the previous experience of our executive officers; and
- the general condition of the securities markets at the time of this offering.

The offering price stated on the cover page of this prospectus should not be considered an indication of the actual value of the units. That price is subject to change as a result of market conditions and other factors, and we cannot assure you that the units can be resold at or above the public offering price.

DESCRIPTION OF SECURITIES

Units

By means of this prospectus we are offering Units at a price of $3.00 per unit. Each Unit consists of one share of our common stock and one warrant.

Initially the common stock and the warrant will only be quoted as part of a unit for a minimum of 30 days unless the representative of the underwriters determines that an earlier date is acceptable. No later than the 45th day following the date of this prospectus, the common stock and the warrants will be quoted separately, and the units will no longer be quoted. We will notify our security holders regarding the separation of our units through the issuance of a press release and publication of a report on Form 8-K in advance of the date our units separate and the common stock and the warrants begin to be quoted separately.

Common Stock

We are authorized to issue 200,000,000 shares of common stock. Holders of common stock are each entitled to cast one vote for each share held of record on all matters presented to shareholders. Cumulative voting is not allowed; hence, the holders of a majority of our outstanding shares of common stock can elect all directors.

Holders of common stock are entitled to receive such dividends as may be declared by our Board out of funds legally available and, in the event of liquidation, to share pro rata in any distribution of our assets after payment of liabilities. Our directors are not obligated to declare a dividend. It is not anticipated that dividends will be paid in the foreseeable future.

Holders of common stock do not have preemptive rights to subscribe to any additional shares we may issue in the future. There are no conversion, redemption, sinking fund or similar provisions regarding the common stock. All outstanding shares of common stock are fully paid and nonassessable.

Warrants

The warrants will be exercisable at any time after they become quoted separately until they either are redeemed or they expire in accordance with their terms on the fifth anniversary of the date of this prospectus. The exercise price of a warrant is $3.45. Beginning six months after the date of this prospectus, the warrants will be redeemable at our option for $____ per warrant upon 30 days' prior written notice, at any time after our common stock has closed at a price which is at least $5.00 per share for at least twenty (20) consecutive trading days. The warrants may only be redeemed if we have a current and effective registration statement available covering the exercise of the warrants.

We will send a written notice of redemption to holders of the warrants at their last known address appearing on the registration records maintained by the warrant agent. No other form of notice or publication is required. If we call the warrants for redemption, the holders of the warrants will then have to decide whether to sell the warrants, exercise them before the close of business on the business day preceding the specified redemption date or hold them for redemption.

We will make adjustment to the terms of the warrants if certain events occur. If we distribute to our stockholders additional shares of common stock through a dividend or distribution, or if we effect a stock split of our common stock we will adjust the total number of shares of common stock purchasable on exercise of warrants that the holder of a warrant thereafter exercised will be entitled to receive the number of shares of common stock the holder would have owned or received after such event if the warrant holder had exercised the warrant before the event causing the adjustment. The aggregate exercise price of the warrant will remain the same in that circumstance but the effective purchase price per share of common stock purchasable and exercise of the warrant will be proportionately reduced because a greater number of shares of common stock will then be purchasable upon exercise of the adjusted warrant. If, however, we have affected dividend, distribution or stock split that increases our outstanding common stock, we will proportionately increase the number of warrants outstanding rather than increase the number of shares of common stock underlying each warrant. Each warrant will then continue to be exercised both the same number of shares as before the event requiring the increase in the number of outstanding warrants, but the exercise price of each warrant will be correspondingly reduced.

In the event of a capital reorganization or reclassification of our common stock, the warrants will be adjusted so that thereafter each warrant holder will be entitled to receive upon exercise the same number and kind of securities that such holder would have received if the warrant has been exercised before the reorganization or reclassification of our common stock.

If we merge or consolidate with another corporation, or if we sell our assets as an entirety or substantially as an entirety to another corporation, we will make provisions so that the warrant holders will be entitled to receive upon exercise of the warrant the kind and number of securities, cash or other property that would have been received as a result of the transaction by a person who was a stockholder immediately before the transaction and who owned the same number of shares of common stock for which the warrant was exercisable immediately before the transaction. No adjustment to the warrants will be made, however, if a merger or consolidation does not result in a reclassification or change in our outstanding stock.

Other Warrants

During the third quarter of 2011, we issued warrants having a subscription price of $0.04 which entitled our shareholders to acquire one Class A Warrant which would entitle the holder to acquire one share of our common stock for $2.75 and one Class B Warrant which would entitle the holder to acquire one share of our common stock for $3.50. The warrants have a five year life. At September 30, 2011, the Company had issued 2,194,509 Class A and Class B warrants.

On August 10, 2011, we issued two warrants to the shareholder who collateralized the Company's $2,000,000 line of credit. The Class A Warrant is for 200,000 shares exercisable at $2.75 per share for 10 years and the Class B Warrant is for 225,000 shares exercisable at $3.50 per share for 10 years.

Anti-Takeover Effects of Certain Provisions of Delaware Law and Our Certificate of Incorporation and Bylaws

We are subject to the provisions of Section 203 of the Delaware General Corporation Law, an anti-takeover law. Subject to certain exceptions, the statute prohibits a publicly held Delaware corporation from engaging in a "business combination" with an "interested stockholder" for a period of three years after 'the date of the transaction in which the person became an interested stockholder unless:

- prior to such date, the board of directors of the corporation approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder;

- upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the number of shares outstanding those shares owned (1) by persons who are directors and also officers and (2) by employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or

- on or after such date, the business combination is approved by the board of directors and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least 66²/3% of the outstanding voting stock which is not owned by the interested stockholder.

For purposes of Section 203, a "business combination" includes a merger, asset sale or other transaction resulting in a financial benefit to the interested stockholder, and an "interested stockholder" is a person who, together with affiliates and associates, owns, or within three years prior to the date of determination whether the person is an "Interested Stockholder" did own, 15% or more of the corporation's voting stock.

In addition, our authorized but unissued shares of common stock and preferred stock are available for our board to issue without stockholder approval. We may use these additional shares for a variety of corporate purposes, including future public or private offerings to raise additional capital, corporate acquisitions and employee benefit plans The existence of our authorized but unissued shares of common stock and preferred stock could render more difficult or discourage an attempt to obtain control of our company by means of a proxy contest, tender offer, merger or other transaction. Our authorized but unissued shares may be used to delay, defer or prevent a tender offer or takeover attempt that a stockholder might consider in its best interest, including those attempts that might result in a premium over the market price for the shares held by our stockholders. The board of directors is also authorized to adopt, amend or repeal our bylaws which could delay, defer or prevent a change in control.

TRANSFER AGENT AND REGISTRAR

The Transfer Agent and Registrar for our common stock and warrant agent is Routh Stock Transfer, Inc., 6860 North Dallas Parkway, Suite 200, Plano, Texas 75024, phone 972-381-2782.

LEGAL MATTERS

The validity of the securities offered b this prospectus will be passed upon for us by Roetzel & Andress, 350 East Las Olas Blvd., Ste. 1150, Fort Lauderdale, Florida 33301. Certain legal matters in connection with the offering will be passed upon for the underwriters by Greenberg Traurig, P.A., Boca Raton, Florida.

EXPERTS

The consolidated financial statements and schedule of Chanticleer Holdings, Inc. at and for each of the years ended December 31, 2010 and December 31, 2009 have been included herein in reliance upon the reports of Creason & Associates, PLLC, 7170 S. Braden Ave., Suite 100, Tulsa, Oklahoma 74136, independent registered public accounting firm, and upon the authority of such firm as experts in accounting and auditing.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

We file annual, quarterly and other reports, proxy statements and other information with the SEC. Anyone may inspect a copy of the registration statement or any other reports we file, without charge at the public reference facility maintained by the Securities and Exchange Commission at 100 F Street, N.E., Room 1580, Washington, DC 20549. Copies of all or any part of the registration statement may be obtained from that facility upon payment of the prescribed fees. The public may obtain information on the operation of the public reference room by calling the Securities and Exchange Commission at 1-800-SEC-0330. The Securities and Exchange Commission maintains a website at http://www.sec.gov that contains reports, proxy and information statements, and other information regarding registrants that file electronically with the Securities and Exchange Commission.

You can find additional information concerning us on our website http://www.chanticleerholdings.com. Information contained on, or linked from, our website is not and should not be considered a part of this prospectus.

CHANTICLEER HOLDINGS, INC. AND SUBSIDIARIES
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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 consolidated balance sheets of Chanticleer Holdings, Inc. and Subsidiaries (the "Company") as of December 31, 2010 and 2009, and the related consolidated statements of operations and comprehensive income, stockholders' equity and cash flows for the years ended December 31, 2010 and 2009. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Chanticleer Holdings, Inc. and Subsidiaries as of December 31, 2010 and 2009, and the consolidated results of their operations and their cash flows for the years ended December 31, 2010 and 2009, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that Chanticleer Holdings, Inc. and Subsidiaries will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, Chanticleer Holdings, Inc. has incurred substantial net losses and negative cash flows from operations for the past several years, along with negative working capital. In addition, the Company has future plans that may require substantial financial obligations. There can be no assurance that the Company will be able to generate sufficient cash revenues to fund its current operations and fulfill its future commitments. These conditions raise substantial doubt about Chanticleer Holdings, Inc. and Subsidiaries' ability to continue as a going concern. Management's plans regarding these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that may result from the outcome of these uncertainties.

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

Tulsa, Oklahoma
April 1, 2011

Chanticleer Holdings, Inc. and Subsidiaries
Consolidated Balance Sheets
December 31, 2010 and 2009

	2010	2009
ASSETS		
Current assets:		
Cash and cash equivalents	$ 46,007	$ 2,374
Accounts receivable	4,258	-
Due from related parties	84,269	32,806
Prepaid expenses	24,184	25,000
TOTAL CURRENT ASSETS	158,718	60,180
Property and equipment, net	25,563	32,125
Available-for-sale investments at fair value	352,500	83,286
Investments accounted for under the equity method	87,200	82,500
Investments accounted for under the cost method	766,598	1,191,598
Deposits and other assets	23,980	3,980
TOTAL ASSETS	$ 1,414,559	$ 1,453,669
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable	$ 250,000	$ 412,500
Accounts payable	211,432	190,482
Accrued expenses	66,103	2,246
Due to related parties	116,349	109,590
Deferred revenue	1,750	20,833
TOTAL CURRENT LIABILITIES	645,634	735,651
Convertible notes payable	686,500	-
TOTAL LIABILITIES	1,332,134	735,651
Commitments and contingencies (Note 13)		
Stockholders' equity:		
Common stock: $0.0001 par value; authorized 200,000,000 shares; issued 2,571,918 shares and 2,492,752 shares; and outstanding 2,048,688 and 1,969,822 shares at December 31, 2010 and 2009, respectively	257	250
Additional paid in capital	5,456,067	5,255,624
Non-controlling interest	24,175	-
Other comprehensive income (loss)	68,027	(84,000)
Accumulated deficit	(4,929,418)	(3,917,853)
Less treasury stock, 523,230 shares and 522,930 shares atDecember 31, 2010 and 2009, respectively	(536,683)	(536,003)
	82,425	718,018
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 1,414,559	$ 1,453,669

See accompanying notes to consolidated financial statements.

Chanticleer Holdings, Inc. and Subsidiaries
Consolidated Statements of Operations
For the Years Ended December 31, 2010 and 2009

	2010	2009
Revenue:		
Management fee income		
Non-affiliates	$ 20,833	$ 504,167
Affiliates	115,468	98,811
Total revenue	136,301	602,978
Expenses:		
General and administrative expense	946,189	816,198
Deferred acquisition costs	-	279,050
Asset impairment	250,000	50,000
Total expenses	1,196,189	1,145,248
Loss from operations	(1,059,888)	(542,270)
Other income (expense)		
Equity in earnings of investments	58,337	23,000
Realized gains from sales of investments	106,035	58,697
Interest income	46,000	23,000
Miscellaneous income	-	50
Interest expense	(140,016)	(33,914)
Other than temporary decline in available-for-sale securities	(40,386)	(342,259)
Total other income (expense)	29,970	(271,426)
Net loss before income taxes	(1,029,918)	(813,696)
Provision for income taxes	-	-
Net loss before non-controlling interest	(1,029,918)	(813,696)
Non-controlling interest	18,353	-
Net loss	(1,011,565)	(813,696)
Other comprehensive income (loss):		
Unrealized gain (loss) on available-for-sale securities (none applies to non-controlling interest)	152,027	(84,000)
Other comprehensive loss	$ (859,538)	$ (897,696)
Net earnings (loss) per share, basic and diluted	$ (0.51)	$ (0.42)
Weighted average shares outstanding	1,990,462	1,928,200

See accompanying notes to consolidated financial statements.

Chanticleer Holdings, Inc. and Subsidiaries
Consolidated Statements of Stockholders' Equity
Years ended December 31, 2010 and 2009

	Common Stock		Additional Paid-in	Accumulated Other Comprehensive Income	Non-Controlling	Accumulated	Treasury	
	Shares	Par	Capital	(Loss)	Interest	Deficit	Stock	Total
Balance, December 31, 2008	1,892,752	189	4,643,104	-	-	(3,104,157)	-	1,539,136
Common stock issued for:								
Cash proceeds	77,070	8	76,570	-	-	-	-	76,578
Acquisition of DineOut, SA	522,930	53	535,950	-	-	-	(536,003)	-
Available-for-sale securities:								
Current year decline	-	-	-	(426,259)	-	-	-	(426,259)
Other than temporary decline	-	-	-	342,259	-	-	-	342,259
Net loss	-	-	-	-	-	(813,696)	-	(813,696)
Balance, December 31, 2009	2,492,752	250	5,255,624	(84,000)	-	(3,917,853)	(536,003)	718,018
Common stock issued for:								
Consultants	15,572	1	24,999	-	-	-	-	25,000
Amounts due related party	33,594	3	58,787	-	-	-	-	58,790
Accounts payable	10,000	1	17,499	-	-	-	-	17,500
Director fees	20,000	2	42,498	-	-	-	-	42,500
Beneficial conversion feature ofconvertible notes payable	-	-	56,660	-	-	-	-	56,660
Available-for-sale securities	-	-	-	152,027	-	-	-	152,027
Purchase treasury stock	-	-	-	-	-	-	(680)	(680)
Non-controlling interest	-	-	-	-	42,528	-	-	42,528
Net loss	-	-	-	-	(18,353)	(1,011,565)	-	(1,029,918)
Balance, December 31, 2010	2,571,918	$ 257	$ 5,456,067	$ 68,027	$ 24,175	$ (4,929,418)	$ (536,683)	$ 82,425

See accompanying notes to consolidated financial statements.

Chanticleer Holdings, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2010 and 2009

	2010	2009
Cash flows from operating activities:		
Net loss	$ (1,011,565)	$ (813,696)
Adjustments to reconcile net loss to net cash used in operating activities:		
Other than temporary decline in value of available-for-sale securities	40,386	342,259
Bad debt expense - related party	24,907	-
Non-controlling interest	(18,353)	-
Consulting and other services rendered in exchange for investment securities	(33,000)	(150,000)
Depreciation	11,079	11,481
Equity in earnings of investments	(58,337)	(23,000)
Asset impairment	250,000	50,000
Common stock issued for services	49,375	-
(Gain) loss on sale of investments	(106,035)	(58,697)
Beneficial converstion feature of convertible notes payable	56,660	-
Expense previously deferred acquisition costs	-	279,050
(Increase) decrease in amounts due from affiliate	(46,547)	(24,907)
(Increase) decrease in accounts receivable	(4,258)	(750)
(Increase) decrease in prepaid expenses and other assets	-	(20,745)
Increase in accounts payable and accrued expenses	89,807	26,404
Increase (decrease) in deferred revenue	(19,083)	(354,167)
Advance from related parties for working capital	14,650	100,291
Net cash used by operating activities	(760,314)	(636,477)
Cash flows from investing activities:		
Proceeds from sale of investments	281,765	685,197
Investment distribution	16,137	64,371
Purchase of investments	(26,334)	(94,000)
Purchase of property and equipment	(4,517)	(7,446)
Treasury stock acquired	(680)	-
Deposit made for investment	(20,000)	-
Net cash provided by investing activities	246,371	648,122
Cash flows from financing activities:		
Proceeds from sale of common stock	-	76,578
Loan proceeds	541,000	400,000
Loan repayment	(4,500)	(500,000)
Loans to related parties	(48,924)	-
Loan from related party	70,000	-
Net cash provided (used) by financing activities	557,576	(23,422)
Net increase (decrease) in cash and cash equivalents	43,633	(11,777)
Cash and cash equivalents, beginning of year	2,374	14,151
Cash and cash equivalents, end of year	$ 46,007	$ 2,374

See accompanying notes to consolidated financial statements.

Chanticleer Holdings, Inc. and Subsidiaries
Consolidated Statements of Cash Flows, continued
For the Years Ended December 31, 2010 and 2009

	2010	2009
Supplemental cash flow information:		
Cash paid for interest and income taxes:		
Interest	$ 31,999	$ 19,668
Income taxes	-	-
Non-cash investing and financing activities:		
Common stock issued for amounts due related party	$ 58,790	$ -
Common stock issued for accounts payable	17,500	-
Accrued interest paid with increase in note payable	-	12,500
Reclassification of trading security as available-for-sale security	-	126,000
Reclassification of investment accounted for under the cost method as available-for-sale security	100,000	275,000
Investments acquired as compensation for management agreements	-	525,000
Exchange of oil and gas property investment for equity securities classified as trading securities	-	126,000
Deposit transferred to investment accounted for using the equity method	-	20,000

See accompanying notes to consolidated 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 was considered a development stage company until July 2005. 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.

The consolidated financial statements include the accounts of Chanticleer Holdings, Inc. and its wholly owned subsidiaries, Chanticleer Advisors, LLC, ("Advisors"), Avenel Ventures, LLC ("Ventures"), Avenel Financial Services, LLC ("AFS"), Chanticleer Holdings Limited ("CHL") and DineOut SA Ltd. ("DineOut") (the Company sold approximately 7% of DineOut during 2010) collectively referred to as "the Company," "we," "us," or "the Companies". All significant inter-company balances and transactions have been eliminated in consolidation.

Effective March 23, 2011, the Company's common stock was forward split, 2 shares for each share issued, pursuant to written consent by a majority of the Company's shareholders. All share references have been adjusted as if the split occurred prior to all periods presented.

Information regarding the Company's subsidiaries is as follows:

- Advisors was formed as a Nevada Limited Liability Company on January 18, 2007 to manage related companies, Chanticleer Investors, LLC ("Investors LLC"), Chanticleer Investors II, LLC ("Investors II") and other investments owned by the Company;
- Ventures was formed as a Nevada Limited Liability Company on December 24, 2008 to provide business management and consulting services to its clients;
- AFS was formed as a Nevada Limited Liability Company on February 19, 2009 to provide unique financial services to the restaurant, real estate development, investment advisor/asset management and philanthropic organizations. AFS's business operation has not been activated and is expected to initially include captive insurance, CHIRA and trust services;
- CHL was formed as a Limited Liability Company in Jersey on March 24, 2009 to own the Company's 50% interest in Hooters SA, GP, the general partner of the Hooters restaurant franchises in South Africa;
- DineOut was formed as a Private Limited Liability Company in England and Wales on October 29, 2009 to raise capital in Europe.

GOING CONCERN

At December 31, 2010 and 2009, the Company had current assets of $158,718 and $60,180; current liabilities of $645,634 and $735,651; and a working capital deficit of $486,916 and $675,471, respectively. The Company incurred a loss of $1,011,565 during the year ended December 31, 2010 and had an unrealized gain from available-for-sale securities of $152,027 resulting in a comprehensive loss of $859,538.

The Company's general and administrative expenses averaged approximately $235,000 per quarter during 2010. The Company expects cost to remain relatively constant in 2011 with probable increases to manage the new Chanticleer Dividend Fund, Inc. offset by expected management fee income. The Company's share of income from the ownership of the Hooters restaurants in South Africa is also continuing to increase. In addition, the Company has a note for $250,000 owed to its bank which is due in July 2011. The Company plans to continue to use limited partnerships to fund its share of costs for additional Hooters restaurants.

The Company expects to meet its obligations in 2011 with some or all of the following:

- The Company holds 3,724,961 shares in DineOut at December 31, 2010, which are free-trading on the Frankfort Exchange and were trading at approximately €1.30 (approximately $1.74) per share at December 31, 2010. The Company plans to continue to sell some of these shares to meet its short-term capital requirements;
- The Company received $400,000 in January 2011 when the acquisition of the Hooters restaurants was completed (See Note 15);
- Extend a portion of its existing line of credit;
- Convert its convertible notes payable into common stock (See Note 15);
- The Company expects to raise all of its cash requirements for the South Africa restaurants from limited partners; and
- The Company is funding the initial formation of Chanticleer Dividend Fund, Inc., including the registration of its common stock. The Company expects to get most of its capital outlay back after the registration statement becomes effective (See Note 11).

If the above events do not occur or if the Company does not raise sufficient capital, substantial doubt about the Company's ability to continue as a going concern exists. These consolidated financial statements do not reflect any adjustments that might result from the outcome of these uncertainties.

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.

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 source of revenue is from management fees from both affiliated companies and non-affiliated companies. Our revenue recognition policy provides that revenue is generally realized or realizable and earned when all of the following criteria have been met:

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

We may collect revenue in both cash and in the equity securities of the company to whom we are providing services. Typically when we are paid cash for services, it is based on a monthly fee and is recorded when earned. When we receive equity securities for our management services, we generally receive the securities in advance for our services to be earned over the life of the contract, generally one year. We value these securities and defer recognition of the revenue over the life of the management contract.

The fair value of the equity instruments received was determined based upon the stock prices as of the date we reached an agreement with the third party. The terms of the securities are not subject to adjustment after the measurement date.

MARKETABLE EQUITY SECURITIES

Trading securities

The Company's investment in marketable equity securities are carried at fair value and are classified as current assets in the consolidated balance sheets. Unrealized gains and losses, net of tax, are reported in the statement of operations as unrealized gain (loss) on marketable equity securities. Gains and losses are reported in the consolidated statements of operations when realized, based on the disposition of specifically identified investments, using a first-in, first-out method.

Available-for-sale securities

The Company’s investments in marketable equity securities which are classified as available-for-sale are carried at fair value. Investments available for current operations are classified in the consolidated balance sheets as current assets; investments held for long-term purposes are classified as non-current assets. Unrealized gains and losses, net of tax, are reported in other comprehensive income as a separate component of stockholders’ equity. Gains and losses are reported in the consolidated statements of operations when realized, determined based on the disposition of specifically identified investments, using a first-in, first-out method.

Investments identified by the Company as being potentially impaired are subject to further analysis to determine if the impairment is other than temporary. Other than temporary declines in market value from original costs are charged to investment and other income, net, in the period in which the loss occurs. In determining whether investment holdings are other than temporarily impaired, the Company considers the nature, cause, severity and duration of the impairment.

OTHER INVESTMENTS

Investments in which the Company has the ability to exercise significant influence and that, in general, are at least 20 percent owned are stated at cost plus equity in undistributed net earnings (loss), less distributions received. The Company also has equity investments in which it owns less than 20% which are stated at cost. An impairment loss would be recorded whenever a decline in the value of an equity investment or cost investment is below its carrying amount and is determined to be other than temporary. In judging “other than temporary,” the Company considers the length of time and extent to which the fair value of the investment has been less than the carrying amount of the investment, the near-term and long-term operating and financial prospects of the investee, and the Company’s long-term intent of retaining the investment in the investee.

FAIR VALUE MEASUREMENTS

For financial assets and liabilities measured at fair value on a recurring basis, fair value is the price we would receive to sell an asset or pay to transfer a liability in an orderly transaction with a market participant at the measurement date. In the absence of active markets for the identical assets or liabilities, such measurements involve developing assumptions based on market observable data and, in the absence of such data, internal information that is consistent with what market participants would use in a hypothetical transaction that occurs at the measurement date.

Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect our market assumptions. Preference is given to observable inputs. These two types of inputs create the following fair value hierarchy:

Level 1	Quoted prices for identical instruments in active markets.
Level 2	Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.
Level 3	Significant inputs to the valuation model are unobservable.

We maintain policies and procedures to value instruments using the best and most relevant data available. Our investment committee reviews and approves all investment valuations.

Our available-for-sale equity securities are all valued using Level 1 inputs or Level 2 inputs.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company is required to disclose fair value information about financial instruments when it is practicable to estimate that value. The carrying amounts of the Company's cash, accounts receivable, accounts payable, convertible notes 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, 2010 and 2009. 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

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

As of December 31, 2010 and 2009 the Company had no accrued interest or penalties relating to any tax obligations. The Company currently has no federal or state examinations in progress, nor has it had any federal or state tax examinations since its inception. The last three years of the Company's tax years are subject to federal and state tax examination.

STOCK-BASED COMPENSATION

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

As of December 31, 2010 and 2009, there were no options outstanding.

EARNINGS (LOSS) PER COMMON SHARE

The Company is required to report both basic earnings per share, which is based on the weighted-average number of common shares outstanding, and diluted earnings per share, which is based on the weighted-average number of common shares outstanding plus all potentially dilutive shares outstanding. At December 31, 2010 and 2009, there are no potentially dilutive shares outstanding. Accordingly, no common stock equivalents are included in the earnings (loss) per share calculations and basic and diluted earnings per share are the same for all periods presented.

COMPREHENSIVE INCOME

Standards for reporting and displaying comprehensive income and its components (revenues, expenses, gains and losses) in a full set of general-purpose financial statements requires that all items that are required to be recognized under accounting standards as components of comprehensive income be reported in a financial statement that is displayed with the same prominence as other financial statements. We are required to (a) classify items of other comprehensive income 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.

CONCENTRATION OF CREDIT RISK

Cash is maintained at financial institutions, which at times, may exceed the FDIC insurance limit.

RECLASSIFICATIONS

Certain reclassifications have been made in the financial statements at December 31, 2009 and for the periods then ended to conform to the December 31, 2010 presentation. The reclassifications had no effect on net loss.

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. At March 23, 2011, none of these pronouncements is expected to have a material effect on the financial position, results of operations or cash flows of the Company.

3. INVESTMENTS

INVESTMENTS ARE SUMMARIZED AS FOLLOWS AT DECEMBER 31, 2010 AND 2009.

	2010	2009
Trading securities:		
Balance, beginning of year	$ -	$ -
Shares acquired from a related party	26,334	31,500
Exchange oil and gas property	-	126,000
Transfer to available-for-sale securities	-	(126,000)
Cost of securities sold	(26,334)	(31,500)
Balance, end of year	$ -	$ -
Proceeds from sale of trading securities	$ 32,917	$ 40,197
Gain from sale of trading securities	$ 6,583	$ 8,697

	2010	2009
Available for sale securities:		
Cost at beginning of year	$ 83,286	$ 108,545
Transfer from trading securities	-	126,000
Transfer from investments accounted for by the cost method	100,000	275,000
Received as management fees	33,000	-
Acquired in exchange for DineOut shares	124,573	-
Proceeds from sale of securities	(41,645)	-
Realized loss	(98,741)	(342,259)
Cost at end of year	200,473	167,286
Unrealized gain (loss)	152,027	(84,000)
Total	$ 352,500	$ 83,286

	2010	2009
Investments using the equity method:		
Balance, beginning of year	$ 82,500	$ 1,241,371
Equity in earnings (loss)	58,337	23,000
General partnership formed	-	82,500
Sale of investment	(37,500)	(575,000)
Transfer to investments at cost	-	(575,000)
Asset impairment	-	(50,000)
Distributions received	(16,137)	(64,371)
Balance, end of year	$ 87,200	$ 82,500

	2010	2009
Investments at cost:		
Balance, beginning of year	$ 1,191,598	$ 442,598
Impairment	(250,000)	-
Distributions	-	-
Proceeds from sale of investment	(75,000)	
Exchange for marketable equity securities	-	(76,000)
Investment transferred from equity investments	-	575,000
Investment transferred to available-for-sale securities	(100,000)	(275,000)
Investments acquired pursuant to management agreements	-	525,000
Total	$ 766,598	$ 1,191,598

AVAILABLE-FOR-SALE SECURITIES

Our available-for-sale securities consist of the following:

	Cost	Realized Holding Loss	Unrecognized Holding Gains (Losses)	Fair Value
December 31, 2010				
Special Projects Group *	$ -	$ -	$ -	$ -
Syzygy Entertainment, Ltd. *	1,286	(1,286)	-	-
Remodel Auction *	40,000	(39,100)	100	1,000
North American Energy	126,000	-	(98,000)	28,000
North American Energy *	10,500	-	(4,500)	6,000
Efftec International, Inc. *	22,500	-	22,500	45,000
Efftec International, Inc. (warrant) *	-	-	22,500	22,500
HiTech Stages	124,573	-	125,427	250,000
	$ 324,859	$ (40,386)	$ 68,027	$ 352,500
December 31, 2009				
Special Projects Group *	$ 31,407	$ (31,407)	$ -	$ -
Syzygy Entertainment, Ltd. *	77,138	(75,852)	-	1,286
Remodel Auction *	275,000	(235,000)	-	40,000
North American Energy	126,000	-	(84,000)	42,000
	$ 509,545	$ (342,259)	$ (84,000)	$ 83,286

* Investments acquired in exchange for management services.

Special Projects Group - The transaction in which Special Projects Group was involved to acquire an operating company was cancelled and Special Projects became a shell company. During 2009, Special Projects was dropped from the Pink Sheets and the Company determined it was an other than temporary impairment and wrote off its remaining investment in 2009.

Syzygy Entertainment, Ltd. - During 2007, the Company acquired 342,814 shares of Syzygy in exchange for a management services contract which covered a one-year period commencing April 1, 2007. The shares were valued at $1.50 per share, a discount to the listed price at that time. Also 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 did not receive additional compensation as a result of the transfers.

As a result of the above transactions, the Company owns 642,814 shares of Syzygy with a cost of $1,114,221 and a fair value as of December 31, 2010 of $0. The Company considers this decline in value to be other than temporary and has recognized an impairment loss of $75,852 in 2009 and $1,286 in 2010.

Remodel Auction Incorporated - Remodel Auction Incorporated was formed to launch and operate an online listing service for remodeling projects. The Company received 167 shares of Remodel Auction common stock in exchange for providing management services for one year, effective January 1, 2009. We valued our initial investment of 167 shares at 50% of the price Remodel was receiving from third parties for its stock, $125,000. Remodel Auction began trading under the symbol REMD on August 10, 2009, and the Company received an additional 167 shares of Remodel common stock pursuant to its management agreement. We recorded the additional 167 shares at the trading price of the stock on that date of $900 per share and recognized $150,000 in management income. Remodel Auction began trading on the Pink Sheets, and the market price was readily determinable. Therefore, the Company transferred this investment from investments accounted for by the cost method to available-for-sale securities. The market value of Remodel Auction was approximately the same as the original cost at the time of the transfer. Accordingly, the transfer was recorded at the original cost. At December 31, 2009, the common stock had declined to $120 per share and the Company determined that the loss was other-than temporary and recorded a loss of $235,000 on its investment in Remodel Auction common stock. During 2010, the Company recognized an additional impairment of $39,100. At December 31, 2010, the Company valued its investment at $1,000 and recorded an unrealized gain of $100.

North American Energy Resources, Inc. - During the quarter ended June 30, 2009, the Company exchanged its oil & gas property investments for 700,000 shares of North American Energy Resources, Inc. ("NAEY") which were valued at $126,000 based on the closing price of NAEY on the date of the trade. The Company initially classified the NAEY as a trading security when it was acquired based on the Company's intent to begin selling the shares before the end of 2009. In November 2009 the Company decided that it would not sell the stock in the near term and determined that the investment should be reclassified as an available-for-sale security and classified as non-current, due to uncertainties about when it would be sold. At the time of the decision to reclassify the investment as available-for-sale, the trading price and value were approximately equal to the cost. Accordingly, upon the transfer at fair value, the shares were transferred at $126,000, the original cost to the Company. At December 31, 2010 and 2009, the stock had declined to $0.04 and $0.06 per share and the Company recorded an unrealized loss of $98,000 and $84,000, respectively, based on the Company's determination that the price decline was temporary.

During the first quarter of 2010, the Company received an additional 150,000 shares of NAEY in exchange for management services. The shares were initially valued at $10,500, based on the trading price at the time. At December 31, 2010, the Company recorded an unrealized loss of $4,500 based on the market value of $6,000.

NAEY appointed a new management team in December 2010 and appears to have an opportunity for the stock price to recover. Accordingly, the Company determined that the decline was temporary.

Vought Defense Systems Corp. - On May 31, 2006, we acquired debt owed by Atlas Defense Systems, Inc. ("ADS") and formerly Vought Defense Systems Corp. ("VDSC") (formerly, Lifestyle Innovations, Inc.) with a face value of $1,177,395 for $100,000 in cash. Lifestyle has traded under the symbol LFSI and has only had a deminimus amount of income from a royalty during the last three years. LFSI is not currently a reporting company. The debt was converted into a note with interest at 12% on July 1, 2008. We owned approximately 28% of the debt of LFSI at December 31, 2009. LFSI was valued at approximately $400,000 as a shell, ($100,000 for the Company's interest) based on estimates provided by an attorney knowledgeable in the area.

On February 16, 2010, a majority of the shareholders of LFSI approved a name change to Vought Defense Systems Corp. and a 1 for 545 reverse stock split of the issued shares of common stock. On February 17, 2010, VDSC acquired 100% of RedTide Defense Group, Inc. ("RedTide") which has created a solution to a growing worldwide demand for the manufacturing of Unmanned Aerial Vehicles ("UAVs"). RedTide owns and operates www.redtidedefense.com. The Company's debt was converted into 449,959 shares of VDSC common stock. The Company sold all of its shares for total proceeds of $41,645 and recorded a loss of $58,355 during the last three quarters of 2010.

EffTec International, Inc. - Effective April 1, 2010, the Company's CEO became a director and the CEO of EffTec International, Inc. The Company received 150,000 shares of EffTec and an option to acquire an additional 150,000 shares at $0.15 per share in exchange for the management services to be provided. The shares were valued at $22,500 based on the trading price of EffTec at the date of the transaction. At December 31, 2010, the shares were valued at $0.30 per share and the $22,500 increase in value plus the value of the option of $22,500 was included in accumulated other comprehensive income (loss).

EffTec has developed a powerful, easy to use, Internet-based chiller tool called EffTrack™ that:

- Collects, stores and analyzes chiller operating data,

- Calculates and trends chiller performance,
- Diagnoses the cause of chiller inefficiencies,
- Notifies plant contacts when problems occur,
- Recommends corrective actions,
- Measures the results of corrective actions and
- Provides cost analysis of operational improvements.

Chillers are the single largest energy-using component in most industrial or commercial type facilities using water-cooled chillers for comfort or process cooling and can consume up to 50% of the facility's electrical usage. There is a vast array of operational and mechanical problems that occur causing a chiller to lose performance. Even small inefficiencies can result in thousands of dollars in energy waste.

HiTech Stages, Ltd. - HiTech Stages, Ltd. ("HiTech") is registered in the UK and is listed on the Frankfurt Stock Exchange (Symbol "JT2.F"). HiTech, in conjunction with a manufacturer, has developed a mobile event stage, including multimedia, which can be packed in three 20' x 8' x 8' containers. The stage can be fully assembled in less than one hour and deployed and operational in ten minutes, including the set-up of all lighting, sound and video systems. This is a revolutionary first in the event business and will rent for approximately one-half of the cost of conventional stage systems. HiTech is in its initial funding stage and intends to raise up to $5.5 million to finance the manufacture of the first stage and build the distribution support services.

The Company acquired 275,000 shares of HiTech in exchange for 150,450 shares of DineOut. The transaction was initially recorded as an available-for-sale security at the average net sales price of DineOut shares of $124,573. At December 31, 2010, HiTech closed on the Frankfurt Stock Exchange at €1.00 ($1.34). Due to the start-up status of HiTech and limited trading volume, the Company valued its investment at $250,000 at December 31, 2010.

INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Equity investments consist of the following at December 31, 2010 and December 31, 2009:

	2010	2009
Carrying value:		
Chanticleer & Shaw Foods Pty. Ltd. (50%)	$ 87,200	$ 82,500
	$ 87,200	$ 82,500

Activity from equity investments during the year ended December, 2010 and 2009 follows:

	2010	2009
Equity in earnings (loss):		
Chanticleer Investors, LLC	N/A	$ 23,000
Hoot S.A. I, LLC (20%)	27,448	N/A
Hoot S.A. II, LLC (20%)	30,889	N/A
	$ 58,337	$ 23,000
Distributions:		
Chanticleer Investors, LLC	N/A	$ 23,000
Hoot S.A. I, LLC (20%)	16,137	N/A
Hoot S.A. II, LLC (20%)	-	N/A
Investment liquidation	-	41,371
	$ 16,137	$ 64,371

The summarized financial data for the Hoot SA limited partnerships of which we owned 20% in 2010 and Chanticleer Investors LLC, of which we owned 23% until May 2009, follows:

	2010	2009 (6 months)
Revenue	$ 3,942,663	$ 150,000
Gross profit	2,717,191	150,000
Income from continuing operations	545,432	99,940
Net income	545,432	99,940

The summarized balance sheet of the Hoot SA limited partnerships as of December 31, 2010 is as follows:

	2010
ASSETS	
Current assets	$ 101,900
Non-current assets	$ 1,604,500
TOTAL ASSETS	$ 1,706,400
LIABILITIES	
Current liabilities	$ 172,700
PARTNER'S EQUITY	$ 1,533,700
TOTAL LIABILITIES AND PARTNERS' EQUITY	$ 1,706,400

Hooters S.A., GP - The Company formed CHL to own the Company's 50% general partner interest in Hooters S.A., GP, the general partner of the Hooters' restaurant franchises in South Africa. The initial restaurant opened in December 2009 in Durban, South Africa and operations commenced in January 2010. In the initial restaurant CHL has a 10% interest in restaurant cash flows until the limited partners receive payout and a 40% interest in restaurant cash flows after limited partner payout. The second location opened in Johannesburg in June 2010 and a third location is planned to open in Cape Town in the spring of 2011.

Chanticleer Investors LLC - the Company reduced its interest in Investors LLC during 2009 and transferred the remaining investment to investments accounted for under the cost method at that time. The Company recorded $23,000 in earnings from equity investments and received a distribution of $23,000 before it sold 1/2 of its interest for the book value of $575,000. See Investments accounted for under the cost method below for additional details.

First Choice Mortgage - this partnership discontinued operations at the end of 2008 and a final distribution of $41,371 was received in 2009.

Confluence Partners - the Company formed a partnership in which it owned 50% and its partner owned 50%. Each partner contributed $50,000 and the resulting $100,000 was invested with a group that raises funds for a SPAC. The SPAC was delayed due to the current market conditions and the Company elected to fully impair its investment at December 31, 2009 due to these uncertainties.

INVESTMENTS ACCOUNTED FOR USING THE COST METHOD

Investments at cost consist of the following at December 31, 2010 and 2009:

	2010	2009
Chanticleer Investors, LLC	$ 500,000	$ 575,000
Edison Nation LLC (FKA Bouncing Brain Productions)	250,000	250,000
BreezePlay, Inc.	-	250,000
Lifestyle Innovations, Inc.	-	100,000
Chanticleer Investors II	16,598	16,598
	$ 766,598	$ 1,191,598

Chanticleer Investors LLC - The Company sold 1/2 of its investment in Investors LLC in May 2009, which reduced its ownership from 23% to 11.5%. Accordingly, in May 2009, the Company discontinued accounting for this investment using the equity method and began to account for the investment using the cost method. In December 2010, the Company sold an additional $75,000 of its investment at cost.

On April 18, 2006, the Company formed Investors LLC and sold units for $5,000,000. Investors LLC's principal asset is a convertible note in the amount of $5,000,000 with Hooters of America, Inc. ("HOA"), collateralized by and convertible into 2% of Hooters common stock. The original note included interest at 6% and was due May 24, 2009. The note was extended until November 24, 2010 and included an increase in the interest rate to 8%.

The Company owned $1,150,000 (23%) of Investors LLC until May 29, 2009 when it sold 1/2 of its share for $575,000. Under the original arrangement, the Company received 2% of the 6% interest as a management fee ($25,000 quarterly) and 4% interest on its investment ($11,500 quarterly). Under the extended note and revised operating agreement, the Company receives a management fee of $6,625 quarterly and interest income of $11,500 quarterly.

On January 24, 2011, Investors LLC and its three partners combined to form HOA Holdings, LLC ("HOA LLC") and completed the acquisition of Hooters of America, Inc. ("HOA") and Texas Wings, Inc. ("TW"). Together HOA LLC has created an operating company with 161 company-owned locations across sixteen states, or nearly half of all domestic Hooters restaurants and over one-third of the locations worldwide.

Investors, LLC had a note receivable in the amount of $5,000,000 from HOA that was repaid at closing. Investors LLC then invested $3,550,000 in HOA LLC (approximately 3.1%) ($500,000 of which is the Company's share). One of the investors in Investors LLC that owned a $1,750,000 share is a direct investor in HOA LLC and will now carry its ownership in HOA LLC directly. The Company now owns approximately 14% of Investors LLC.

EE Investors, LLC - On January 26, 2006, we acquired an investment in EE Investors, LLC with cash in the amount of $250,000. We acquired 1,205 units (3.378%) in EE Investors, LLC, whose sole asset is 40% of Edison Nation, LLC (formerly Bouncing Brain Productions, LLC). Edison Nation was formed to provide equity capital for new inventions and help bring them to market. The initial business plan included developing the products and working with manufacturers and marketing organizations to sell the products. This has evolved into a less hands-on program which involves selling products with patents to other larger companies and retaining royalties. Edison Nation has now reached cash flow break-even, and in addition has been retained by a number of companies for which they do product searches to supplement its business. Edison Nation has repaid the majority of its debt and expects to begin making distributions to its owners during 2011. Based on the current status of this investment, the Company does not consider the investment to be impaired.

BreezePlay, Inc. - BreezePlay™ LLC (“BreezePlay”), headquartered in Charlotte, NC, was an energy solutions provider serving the needs of residents and utilities via partnership programs with major utilities. BreezePlay offered a proprietary monitoring system called EnviroScape™, which was the only residential consumer energy management product on the market that monitors residential energy consumption 24/7 to provide actual usage and rate data, and that enables customers the ability to automatically adjust systems to effect consumption and automate savings. We valued the 250,000 shares we received in BreezePlay at $250,000, the price at which BreezePlay was selling its common stock to unrelated parties. We received the shares in exchange for management services which were provided from February 1, 2009 through January 31, 2010. We recognized eleven months of income in 2009 and recognized the remaining balance in 2010. BreezePlay was unable to complete its funding to establish its business plan and based on the Company's analysis determined to fully impair its investment at December 31, 2010.

Vought Defense Systems Corp. - On May 31, 2006, we acquired debt owed by Vought Defense Systems Corp. ("VDSC") (formerly, Lifestyle Innovations, Inc.) with a face value of $1,177,395 for $100,000 in cash. Lifestyle has traded under the symbol LFSI and has only had a deminimus amount of income from a royalty during the last three years. LFSI is not currently a reporting company. The debt was converted into a note with interest at 12% on July 1, 2008. We owned approximately 28% of the debt of LFSI at December 31, 2009. LFSI was valued at approximately $400,000 as a shell, ($100,000 for the Company's interest) based on estimates provided by an attorney knowledgeable in the area.

On February 16, 2010, a majority of the shareholders of LFSI approved a name change to Vought Defense Systems Corp. and a 1 for 545 reverse stock split of the issued shares of common stock. The Company's debt was converted into 449,959 shares of VDSC common stock in March 2010. In March 2010, the stock was transferred to available-for-sale securities and by the end of 2010, the Company had sold all of its shares for proceeds of $41,645 and recognized a loss of $58,355.

Chanticleer Investors II - The Company paid $16,598 in professional services to form this partnership. Chanticleer Advisors, LLC acts as the managing general partner and receives a management fee based on a percentage of profits.

4. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2010 and 2009:

	2010	2009
Office and computer equipment	$ 29,371	$ 26,337
Furniture and fixtures	47,686	46,203
	77,057	72,540
Accumulated depreciation	(51,494)	(40,415)
	$ 25,563	$ 32,125

5. NOTES PAYABLE

At December 31, 2010 and 2009, the Company had notes payable as follows:

5. NOTES PAYABLE

At December 31, 2010 and 2009, the Company had notes payable as follows:

	2010	2009
Line-of credit with a bank with interest at Wall Street Prime +1% (minimum of 5.5%) payable monthly; due in monthly payments of $1,729 commencing February 10, 2011 with the balance due in full on July 10, 2011; collateralized by substantially all assets of the Company; guaranteed by Mr. Pruitt	$ 250,000	$ 250,000
Note payable to an individual with interest at 18%; due June 30, 2010; refinanced as a convertible note payable on December 31, 2010	-	162,500
	$ 250,000	$ 412,500

6. CONVERTIBLE NOTES PAYABLE

During the year ended December 31, 2010, the Company issued convertible notes payable with a total principal balance of $691,000 and made a partial repayment of $4,500. The convertible notes include interest at 10% per annum, which is payable quarterly beginning on April 1, 2010 until maturity on January 4, 2012. The convertible notes are convertible into our common stock at the rate of $1.75 per share, effective March 23, 2011 (392,286 shares). The conversion price was below the market price of our common stock on the date the convertible notes were issued. Accordingly, $56,660 of the proceeds were allocated to the intrinsic value of the conversion feature by crediting additional paid in capital and charging interest expense, since the notes were immediately convertible. The effective interest rate including the beneficial conversion feature was 24.8% in 2010. All of the convertible notes were converted to our common stock effective March 30, 2011.

7. ACQUISITION RELATED COSTS

FASB ASC 805-10-25-23 replaced prior guidance and became effective January 1, 2009. Acquisition-related costs are defined as costs the acquirer incurs to effect a business combination. The acquirer shall account for acquisition-related costs as expenses in the periods in which the costs are incurred and the services received. Pursuant to the Company's planned acquisition of HI, the Company incurred $279,050 in acquisition-related costs which were capitalized in 2008 pursuant to accounting guidance in effect at that time.

FASB ASC 805-10-25-23 applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning after December 15, 2008. Accordingly, on January 1, 2009 the Company charged its previously capitalized acquisition costs to expense on that date.

8. DEFERRED REVENUE

The Company receives equity securities from companies for which it provides management services. Generally the securities are issued in advance of the period over which the service is to be provided, generally one year. The Company values the equity instruments received based upon the stock prices as of the date we reached an agreement with the third party and defers the related revenue. The revenue is then recognized over the period earned. Deferred revenue consists of the following during the years ended December 31, 2010 and 2009.

	2010	2009
Balance at beginning of year	$ 20,833	$ -
Additions:		
North American Energy common stock	10,500	
Remodel Auction common stock	-	125,000
BreezePlay, Inc. common stock	-	250,000
Amortization	(29,583)	(354,167)
Balance end of year	$ 1,750	$ 20,833

9. INCOME TAXES

During the years ended December 31, 2010 and 2009, 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:

	2010	2009
Computed "expected" income tax expense (benefit)	$ (343,900)	$ (276,700)
State income taxes, net of federal benefit	(40,500)	(32,500)
Travel, entertainment and other	10,100	(8,900)
Valuation allowance	374,300	318,100
Income tax expense (benefit)	$ -	$ -

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

	2010	2009
Investments	$ 8,900	$ 461,700
Net operating loss carryforwards	1,381,600	1,003,300
Foreign losses	-	16,500
Capital loss carryforwards	478,300	13,000
Total deferred tax assets	1,868,800	1,494,500
Valuation allowance	(1,868,800)	(1,494,500)
Net deferred tax assets	$ -	$ -

The Company has a net operating loss carryforward of approximately $3,656,000, which will expire at various dates beginning in 2024 through 2030, if not utilized. The Company has a capital loss carryforward of $1,258,000 which expires in 2015 if not utilized. The tax basis of investments exceeds their book cost by approximately $23,000.

10. STOCKHOLDERS' EQUITY

The Company has 200,000,000 shares of its $0.0001 par value common stock authorized and 2,571,918 and 2,492,752 shares issued and 2,048,688 and 1,969,822 shares outstanding at December 31, 2010 and 2009, respectively. There are no warrants or options outstanding.

Effective March 23, 2011, the Company's common stock was forward split, 2 shares for each share issued, pursuant to written consent by a majority of the Company's shareholders. All share references have been adjusted as if the split occurred prior to all periods presented.

2010 Transactions

During the year ended December 31, 2010, the Company issued: 15,572 shares of its common stock valued at $25,000 to two consultants for consulting services; 33,594 shares of its common stock valued at $58,790 for amounts due a related party; and issued 10,000 shares for $17,500 in accounts payable. Effective December 31, 2010, the Company issued 20,000 shares of its common stock to its outside directors for directors fees valued at $42,500.

2009 Transactions

During the year ended December 31, 2009, the Company sold 77,070 shares of its common stock for proceeds in the amount of $76,578. In addition, the Company issued 522,930 shares of its common stock to form a new subsidiary, DineOut, which was valued at $536,003 and has been included in treasury stock upon consolidation.

11. RELATED PARTY TRANSACTIONS

Due to related parties

The Company has received non-interest bearing loans and advances from related parties. The amounts owed by the Company as of December 31, 2010 and 2009 are as follows:

	2010	2009
Tyler Industrial Group, a company partially owned by Mr. Pruitt	$ -	$ 58,590
Chanticleer Investors, LLC	-	6,000
Hoot SA III, LLC	70,000	-
Avenel Financial Group, a company owned by Mr. Pruitt	46,349	33,000
Personal friend of Mr. Pruitt	-	12,000
	$ 116,349	$ 109,590

The Company issued 33,594 shares of its common stock in exchange for the amount due to Tyler Industrial Group during 2010.

Due from related parties

The Company has earned income from and made advances to related parties. The amounts owed to the Company at December 31, 2010 and 2009 is as follows:

	2010	2009
Green St. Energy, Inc.	$ -	$ 24,907
Chanticleer Investors, LLC	6,035	7,149
Chanticleer Investors II, LLC *	46,547	-
Chanticleer Dividend Fund, Inc.	30,937	-
Other	750	750
	$ 84,269	$ 32,806

*Collected March 15, 2011.

Management income from affiliates

The Company had management income from its affiliates in 2010 and 2009, as follows:

	2010	2009
Chanticleer Investors, LLC	$ 26,500	$ 63,250
Chanticleer Investors II LLC	57,718	561
Green St. Energy, Inc.	-	24,000
Efftec International, Inc.	22,500	-
North American Energy Resources, Inc.	8,750	-
Syzygy Entertainment, Ltd.	-	11,000
	$ 115,468	$ 98,811

Chanticleer Investors LLC

On April 18, 2006, the Company formed Investors LLC and sold units for $5,000,000. Investors LLC's principal asset is a 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. The original note included interest at 6% and was due May 24, 2009. The note was extended until November 24, 2010 and includes an increase in interest rate to 8%.

The Company owned $1,150,000 (23%) of Investors LLC at December 31, 2008 and until May 29, 2009 when it sold 1/2 of its share for $575,000. Under the original arrangement, the Company received 2% of the 6% interest as a management fee ($25,000 quarterly) and 4% interest on its investment ($11,500 quarterly). Under the extended note and revised operating agreement, the Company receives a management fee of $6,625 quarterly and interest income of $11,500 quarterly. The Company sold $75,000 of its investment in December 2010, leaving it with a balance of $500,000 at December 31, 2010.

The Company received management income of $26,500 and $63,250 in 2010 and 2009, respectively, for its management services, which is included in management income from affiliates. The Company recorded earnings from its equity investment of $23,000 in 2009. After the Company sold 1/2 of its investment in May 2009, the Company's earnings of $46,000 and $23,000 was included in interest income in 2010 and 2009, respectively.

Chanticleer Investors II LLC

The Company manages Investors II and earned management income of $57,718 ($46,547 was collected March 15, 2011 and $11,171 was collected in 2010) and $561 in 2010 and 2009, respectively.

Chanticleer Dividend Fund, Inc. ("CDF")

On November 10, 2010 the Company formed CDF under the general corporation laws of the State of Maryland. CDF filed a registration statement under Form N-2 to register as a non-diversified, closed-end investment company in January 2011. The Company, through Advisors, will have a role in management of CDF when its registration statement becomes effective.

Green St. Energy, Inc. ("Green St.")

Mr. Pruitt was a director of Green St. and during 2009, the Company billed Green St. $24,000 for management services and advanced $907 for Green St. expenses. This amount was included in bad debt expense at December 31, 2010.

Efftec International, Inc. ("Efftec")

The Company's CEO became CEO and the sole director of Efftec during 2010 and the Company received 150,000 common shares and an option to acquire 150,000 shares for management services. The shares and option were valued at $22,500, based on the trading price of Efftec at the time.

North American Energy Resources, Inc. ("NAEY")

The Company's CEO became CEO and a director of NAEY during 2010 and the Company received 150,000 common shares for management services. The shares were valued at $10,500, based on the trading price of NAEY at the time. The Company's CEO resigned as CEO of NAEY in December 2010 and remains a director.

Syzygy Entertainment, Ltd. ("Syzygy")

Mr. Pruitt was a director of Syzygy until his resignation on June 1, 2009. Revenue in 2009 included $11,000 in cash management fees from Syzygy. 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 did not receive additional compensation as a result of the transfers. The Company owns 642,814 shares of Syzygy which have been fully impaired at December 31, 2010.

Other

The Company acquired trading securities from a related party for $26,334 and $31,500 which were sold for $32,917 and $40,197 in 2010 and 2009, respectively.

12. SEGMENTS OF BUSINESS

The Company is organized into two active segments as of the end of 2010. One of which was added during 2009 and had its initial revenue in 2010.

Management and consulting services ("Management")

The Company provides management and consulting services for small companies which are generally seeking to become publicly traded. The Company also provides management and investment services for Investors LLC and Investors II. The Company will also provide management services to CDF.

Insurance and specialized financial services ("Insurance")

We have formed AFS to provide unique financial services to the restaurant, real estate development, investment advisor/asset management and philanthropic organizations. AFS's business operation has not been activated and is expected to initially include captive insurance, CHIRA and trust services.

Operation of restaurants (South Africa) ("Restaurants")

The Company formed CHL to own the Company's 50% general partner interest in Hooters S.A., GP, the general partner of the Hooters' restaurant franchises in South Africa. The initial restaurant opened December 2009 in Durban, South Africa and operations commenced in January 2010. In the initial restaurant CHL has a 10% interest in total restaurant cash flows until the limited partners receive payout and a 40% interest in total restaurant cash flows after limited partner payout. The second location opened in Johannesburg in June 2010 and a third location is planned to open in Cape Town during the spring of 2011. The Company's cash requirement has been financed with limited partnerships.

Financial information regarding the Company's segments is as follows for 2010 and 2009.

Year ended December 31, 2010

	Management	Insurance	Restaurants	Total
Revenues	$ 136,301	$ -	$ -	$ 136,301
Interest expense	$ 140,016	$ -	$ -	$ 140,016
Depreciation and amortization	$ 11,079	$ -	$ -	$ 11,079
Profit (loss)	$ (949,904)	$ -	$ 58,337	$ (891,567)
Investments and other				(138,351)
Non-controlling interest				18,353
				$ (1,011,565)
Assets	$ 208,261	$ -	$ 87,200	$ 295,461
Investments				1,119,098
				$ 1,414,559
Liabilities	$ 1,332,134	$ -	$ -	$ 1,332,134
Expenditures for non-current assets	$ 4,517	$ -	$ -	$ 4,517

Year ended December 31, 2009

	Management	Insurance	Restaurants	Total
Revenues	$ 602,978	$ -	$ -	$ 602,978
Interest expense	$ 33,914	$ -	$ -	$ 33,914
Depreciation and amortization	$ 11,481	$ -	$ -	$ 11,481
Profit (loss)	$ (702,734)	$ (15,000)	$ (43,451)	$ (761,185)
Investments and other				$ (52,511)
				$ (813,696)
Assets	$ 71,285	$ -	$ 107,500	$ 178,785
Investments				$ 1,274,884
				$ 1,453,669
Liabilities	$ 708,651	$ -	$ 27,000	$ 735,651
Expenditures for non-current assets	$ 7,446	$ -	$ 62,500	$ 69,946

13. COMMITMENTS AND CONTINGENCIES

Effective August 1, 2010, the Company extended its office lease agreement for its office for a term of one year with monthly lease payments of $2,100.

On April 23, 2009, the Company through its 50% joint venture agreement with Shaw Holdings (Chanticleer & Shaw Pty, Ltd.) entered into a franchise agreement with HOA to open and operate Hooters restaurants in the Republic of South Africa. The initial plan calls for four restaurants in the first phase with three additional locations to be added later. The first restaurant opened in December 2009 in Durban and commenced operations January 1, 2010. A location in Johannesburg opened in June 2010 and a location in Cape Town is scheduled to open in the spring of 2011. The majority of the Company's financial commitments have been and will be covered with limited partner commitments.

14. DISCLOSURES ABOUT FAIR VALUE

Assets and liabilities measured at fair value on a recurring basis are summarized in the following tables according to FASB ASC 820 pricing levels.

		Fair Value Measurement Using		
	Recorded value	Quoted prices in active markets of identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2010				
Assets:				
Available-for-sale securities	$ 352,500	$ 101,500	$ 251,000	$ -
December 31, 2009				
Assets:				
Available-for-sale securities	$ 83,286	$ 83,286	$ -	$ -

At December 31, 2010 and 2009, the Company's available-for-sale equity securities were valued using Level 1 and Level 2 inputs as summarized above. Level 1 inputs are based on unadjusted prices for identical assets in active markets that the Company can access. Level 2 inputs are based on quoted prices for similar assets other than quoted prices in Level 1, quoted prices in markets that are not yet active, or other inputs that are observable or can be derived principally from or corroborated by observable market data for substantially the full term of the assets.

The Company does not have any investments that are measured on a recurring basis using Level 3 inputs.

Certain assets are not carried at fair value on a recurring basis, including investment accounted for under the equity and cost methods. Accordingly, such investments are only included in the fair value hierarchy disclosure when the investment is subject to re-measurement at fair value after initial recognition and the resulting re-measurement is reflected in the consolidated financial statements.

In 2010, the Company considered a cost basis investment to be impaired and recognized an impairment loss of $250,000 in the consolidated statement of operations. In 2009, the Company considered an equity method investment to be impaired and recognized an impairment loss of $50,000 in the consolidated statement of operations. These impairments were determined using Level 3 inputs to determine the estimated fair value, which was determined to be less than the recorded amounts.

See Note 3 for further details of the Company's investments.

15. SUBSEQUENT EVENTS

ACQUISITION OF HOOTERS RESTAURANTS

On January 24, 2011, Investors LLC and its three partners combined to form HOA Holdings, LLC ("HOA LLC") and completed the acquisition of Hooters of America, Inc. ("HOA") and Texas Wings, Inc. ("TW"). Together HOA LLC has created an operating company with 161 company-owned locations across sixteen states, or nearly half of all domestic Hooters restaurants and over one-third of the locations worldwide.

Investors, LLC had a note receivable in the amount of $5,000,000 from HOA that was repaid at closing. Investors LLC then invested $3,550,000 in HOA LLC (approximately 3.1%) ($500,000 of which is the Company's share). One of the investors in Investors LLC that owned a $1,750,000 share is a direct investor in HOA LLC and will now carry its ownership in HOA LLC directly. The Company now owns approximately 14% of Investors LLC.

The Company received a payment of $400,000 at closing for its services in facilitating the acquisition. In addition, for a minimum of four years, the Company will receive annual payments of $100,000 due in January each year while Mr. Pruitt serves on its board.

COMMON STOCK SPLIT

Effective March 23, 2011, the Company's common stock was forward split, 2 shares for each share issued, pursuant to written consent by a majority of the Company's shareholders. All share references have been adjusted as if the split occurred prior to all periods presented.

CONVERTIBLE NOTES PAYABLE

Effective March 30, 2011 the holders of the $686,500 in convertible notes payable and other obligations totaling $35,000 were converted into 412,286 shares of the Company's common stock.

WARRANT REGISTRATION

On January 6, 2011, the Company filed a Form S-1 Registration Statement under the Securities Act of 1933. The Registration Statement, when effective, would register one Class A Warrant and one Class B Warrant for each common share of the Company issued. The warrants have a subscription price of $0.04 which entitles our shareholders to acquire one Class A Warrant which would entitle the holder to acquire one share of our common stock for $2.75 and one Class B Warrant which would entitle the holder to acquire one share of our common stock for $3.50. The warrants have a five year life.

Chanticleer Holdings, Inc. and Subsidiaries

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PART 1: FINANCIAL INFORMATION
ITEM 1: CONDENSED FINANCIAL STATEMENTS

Chanticleer Holdings, Inc. and Subsidiaries
Consolidated Balance Sheets
September 30, 2011 (Unaudited) and December 31, 2010

	2011	2010
ASSETS		
Current assets:		
Cash and cash equivalents	$ 223,857	$ 46,007
Accounts receivable	66,667	4,258
Due from related parties	75,106	84,269
Prepaid expenses	99,238	24,184
Total current assets	464,868	158,718
Property and equipment, net	17,990	25,563
Available-for-sale investments at fair value	105,618	352,500
Investments accounted for under the equity method	786,560	87,200
Investments accounted for under the cost method	766,598	766,598
Deposits	23,980	23,980
Total assets	$ 2,165,614	$ 1,414,559
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 191,821	$ 211,432
Accrued expenses	13,071	66,103
Notes payable and current portion of long-term debt	1,301,723	250,000
Deferred revenue	-	1,750
Due to related parties	44,053	116,349
Total current liabilities	1,550,668	645,634
Long-term debt, less current portion	238,026	686,500
Total liabilities	1,788,694	1,332,134
Commitments and contingencies		
Stockholders' equity:		
Common stock, $0.0001 par value. Authorized 200,000,000 shares; issued 3,011,954 and 2,571,918 shares and outstanding 2,498,724 and 2,048,688 shares at September 30, 2011 and at December 31, 2010, respectively	301	257
Additional paid in capital	6,436,348	5,456,067
Non-controlling interest	48,359	24,175
Other comprehensive income (loss)	(156,213)	68,027
Accumulated deficit	(5,425,455)	(4,929,418)
Less treasury stock, 513,230 shares and 523,230 shares at September 30, 2011 and December 31, 2010, respectively	(526,420)	(536,683)
Total stockholders' equity	376,920	82,425
Total liabilities and stockholders' equity	$ 2,165,614	$ 1,414,559

See accompanying notes to condensed consolidated financial statements.

Chanticleer Holdings, Inc. and Subsidiaries
Consolidated Statements of Operations
For the Three Months Ended September 30, 2011 and 2010
(Unaudited)

	2011	2010
Management and consulting revenue		
Affiliate	$ (30,726)	$ 9,250
Other	25,000	-
	(5,726)	9,250
Expenses:		
General and administrative expense	280,446	163,177
	280,446	163,177
Loss from operations before income taxes	(286,172)	(153,927)
Income taxes	-	-
Loss from operations	(286,172)	(153,927)
Other income (expense)		
Realized gain from sales of investments	-	(1,658)
Other than temporary decline in available-for-sale securities	(147,973)	-
Equity in earnings (losses) of investments	(20,820)	21,597
Interest and other income	-	11,500
Interest expense	(41,190)	(27,421)
Total other income (expense)	(209,983)	4,018
Net loss before non-controlling interest	(496,155)	(149,909)
Non-controlling interest	399	553
Net loss	(495,756)	(149,356)
Other comprehensive income:		
Unrealized gain (loss) on available-for-sale securities	(172,031)	(62,901)
Net comprehensive Income (loss)	$ (667,787)	$ (212,257)
Net loss per share, basic and diluted	$ (0.20)	$ (0.07)
Weighted average shares outstanding	2,477,759	2,009,272

See accompanying notes to condensed consolidated financial statements.

Chanticleer Holdings, Inc. and Subsidiaries
Consolidated Statements of Operations
For the Nine Months Ended September 30, 2011 and 2010
(Unaudited)

	2011	2010
Management and consulting revenue		
Affiliate	$ 1,750	$ 59,671
Other	466,667	20,833
	468,417	80,504
Expenses:		
General and administrative expense	769,732	657,249
	769,732	657,249
Loss from operations before income taxes	(301,315)	(576,745)
Income taxes	-	-
Loss from operations	(301,315)	(576,745)
Other income (expense)		
Realized gain from sales of investments	19,991	149,350
Other than temporary decline in available-for-sale securities	(147,973)	(40,386)
Equity in earnings (losses) of investments	(9,256)	42,850
Interest and other income	5,016	34,500
Interest expense	(63,876)	(104,396)
Total other income (expense)	(196,098)	81,918
Net loss before non-controlling interest	(497,413)	(494,827)
Non-controlling interest	1,376	430
Net loss	(496,037)	(494,397)
Other comprehensive income:		
Unrealized gain (loss) on available-for-sale securities	(224,240)	38,946
Net comprehensive loss	$ (720,277)	$ (455,451)
Net loss per share, basic and diluted	$ (0.21)	$ (0.25)
Weighted average shares outstanding	2,332,222	1,969,822

See accompanying notes to condensed consolidated financial statements.

Chanticleer Holdings, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
For the Nine Months Ended September 30, 2011 and 2010
(Unaudited)

	2011	2010
Cash flows from operating activities		
Net earnings (loss)	$ (496,037)	$ (494,397)
Adjustments to reconcile net earnings (loss) to net cash used in operating activities:		
Other than temporary decline in available-for-sale securities	147,973	40,386
Depreciation	7,573	8,281
Equity in (earnings) loss of investments	9,256	(42,850)
Beneficial conversion feature of convertible notes payable	-	49,994
Amortization to interest expense of value of warrants	12,588	-
Common stock issued for services	29,723	-
Investment received in exchange for management services	-	(33,000)
Realized (gains) losses from sales of investments	(19,991)	(149,350)
Bad debt expense	750	-
Non-controlling interest	(1,376)	(430)
Change in other assets and liabilities:		
(Increase) decrease in accounts receivable	(62,410)	(2,482)
(Increase) decrease in prepaid expenses and other assets	(14,507)	2,500
Increase (decrease) in accounts payable and accrued expenses	(53,054)	44,163
Advances from (repayment to) related parties	(38,883)	3,174
Increase (decrease) in deferred revenue	(1,750)	(16,459)
Net cash used in operating activities	(480,145)	(590,470)
Cash flows from investing activities		
Purchase of fixed assets	-	(3,628)
Purchase of investments	(877,228)	(26,334)
Purchase of treasury stock	-	(680)
Proceeds from sale of treasury stock	26,401	-
Distributions from equity investments	8,140	11,833
Proceeds from sale of investments	190,325	182,710
Net cash provided by (used in) operating activities	(652,362)	163,901
Cash flows from financing activities		
Proceeds from sale of common stock warrants, net	20,608	-
Loan repayment	(5,251)	(4,500)
Loan proceeds	1,295,000	441,000
Net cash provided by financing activities	1,310,357	436,500
Net increase (decrease) in cash and cash equivalents	177,850	9,931
Cash and cash equivalents, beginning of period	46,007	2,374
Cash and cash equivalents, end of period	$ 223,857	$ 12,305

(Continued)

See accompanying notes to condensed consolidated financial statements.

Chanticleer Holdings, Inc. and Subsidiaries
Consolidated Statements of Cash Flows, continued
For the Nine Months Ended September 30, 2011 and 2010
(Unaudited)

	2011	2010
Supplemental cash flow information		
Cash paid for interest and income taxes:		
Interest	$ 85,176	$ 20,139
Income taxes	-	-
Non-cash investing and financing activities:		
Investments received for management consulting contracts	-	33,000
Due to related party exchanged for convertible note payable	25,000	-
Convertible notes payable exchanged for common stock	711,500	-
Accrued interest exchanged for common stock	10,000	-
Common stock issued for loan from related party	-	58,790
Investment exchanged for another investment	-	124,573
Investment contributed by the Company's CEO	125,331	-
Common stock issued for prepaid consulting contract	44,850	10,000

See accompanying notes to condensed consolidated financial statements.

Chanticleer Holdings, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
September 30, 2011
(Unaudited)

NOTE 1: NATURE OF BUSINESS

(1) Organization – The consolidated financial statements include the accounts of Chanticleer Holdings, Inc. (“Holdings”) and its wholly owned subsidiaries Chanticleer Advisors LLC (“Advisors”), Avenel Ventures LLC ("Ventures"), Avenel Financial Services LLC ("Financial"), Chanticleer Holdings Limited ("CHL"), Chanticleer Holdings Australia Pty, Ltd. ("CHA"), Chanticleer Investment Partners, LLC ("CIP") and DineOut S.A. Ltd. ("DineOut") (Holdings owns 88.99% at September 30, 2011) (collectively the “Company”, "Companies," “we”, or “us”). All significant intercompany balances and transactions have been eliminated in consolidation. Holdings 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. and on May 2, 2005, Tulvine Systems, Inc. merged with and changed its name to Chanticleer Holdings, Inc.

Information regarding the Company's subsidiaries is as follows:

- Advisors was formed as a Nevada Limited Liability Company on January 18, 2007 to manage related companies, Chanticleer Investors, LLC ("Investors LLC"), Chanticleer Investors II, LLC ("Investors II") and other investments owned by the Company (for additional information, see www.chanticleer advisors.com);

- Ventures was formed as a Nevada Limited Liability Company on December 24, 2008 to provide business management and consulting services to its clients;

- CHL is wholly owned and was formed as a Limited Liability Company in Jersey on March 24, 2009 and now owns 100% interest in Hooters SA, GP, the general partner of the Hooters restaurant franchises in South Africa. CHL owned 50% of Hooters SA, GP until September 2011, when it acquired the remaining 50%;

- DineOut was formed as a Private Limited Liability Company in England and Wales on October 29, 2009 to finance growth activity for the Company around the world. DineOut's common stock is listed on the Frankfurt stock exchange. As of September 30, 2011, the Company has sold 11.01% of its interest in DineOut;

- CHA was formed on September 30, 2011 in Australia as a wholly-owned subsidiary to invest in Hooters Restaurants in Australia;

- AFS was formed as a Nevada Limited Liability Company on February 19, 2009 to provide unique financial services to the restaurant, real estate development, investment advisor/asset management and philanthropic organizations. AFS's business operation had never been activated and was discontinued in September 2011; and

- CIP was formed as a North Carolina Limited Liability Company on September 20, 2011. CIP has not commenced business at September 30, 2011. The intended use of CIP will be to manage separate and customized investment accounts for investors. The Company plans to register CIP as a registered investment advisor so that it can market openly to the public.

(2) General - The consolidated financial statements included in this report have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission 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 consolidated financial statements have not been audited.

Certain information and footnote disclosures normally included in consolidated 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 consolidated financial statements and notes thereto included in the Company's Annual Report for the period ended December 31, 2010, which is included in the Company's Form 10-K/A.

(3) Going Concern - At September 30, 2011 and December 31, 2010, the Company had current assets of $464,868 and $158,718; current liabilities of $1,550,668 and $645,634; and a working capital deficit of $1,085,800 and $486,916, respectively. The Company had a loss of $496,037 during the nine months ended September 30, 2011 and had an unrealized loss from available-for-sale securities of $224,240 resulting in a comprehensive loss of $720,277.

The Company's general and administrative expenses were $769,732 during the nine months ended September 30, 2011 as compared to $657,249 in the same period of 2010. The Company expects its general and administrative cost to be approximately $250,000 for the remaining quarter of 2011.

As of September 30, 2011, the Company had raised the following amounts from limited partners and made its own LP contributions for its share of cost of the Durban and Johannesburg restaurants which opened in 2010 and the Cape Town restaurant which opened in June of 2011. The Johannesburg and Cape Town restaurants are expected to require some additional funding to settle outstanding liabilities, but all are expected to operate with positive cash flow in the future.

	Durban	Johannesburg	Cape Town	Total
Other limited partners	$ 351,500	$ 412,500	$ 433,250	$ 1,197,250
Chanticleer LP interest	9,299	68,596	183,861	261,756
	$ 360,799	$ 481,096	$ 617,111	$ 1,459,006

The Company expects to meet its obligations in the next twelve months with some or all of the following:

- During the quarter ended September 30, 2011, the Company executed a line of credit with its bank in the amount of $2,000,000 and at September 30, 2011 had borrowed $920,000. This line of credit is planned to be used for the buy-out of the other GP in South Africa and for investments in other countries, as discussed elsewhere herein. The Company plans to sell its common stock in the future with the intended use of the funds to repay existing loans and complete restaurant expansion plans;
- The Company currently is receiving its share of earnings from the Durban and Johannesburg, South Africa restaurants which commenced operations in 2010 and will begin receiving its share of earnings from the Cape Town, South Africa location which opened in June of 2011;
- The Company is funding the initial formation of Chanticleer Dividend Fund, Inc. ("CDF"), including the registration of its common stock. The Company expects to get most of its capital outlay back after the registration statement becomes effective and CDF begins raising funds; and

- The Company has completed a registration statement on Form S-1, which was declared effective on July 14, 2011, to register one Class A Warrant and one Class B Warrant for each share of the Company issued. The Company raised $20,608, net of legal and professional fees from the sale of the warrants.

If the above events do not occur or if the Company does not raise sufficient capital, substantial doubt about the Company's ability to continue as a going concern exists. These consolidated financial statements do not reflect any adjustments that might result from the outcome of these uncertainties.

(4) Reclassifications - Certain reclassifications have been made in the financial statements at December 31, 2010 and for the periods ended September 30, 2010 to conform to the September 30, 2011 presentation. The reclassifications had no effect on net earnings (loss).

(5) Fair value measurements - For financial assets and liabilities measured at fair value on a recurring basis, fair value is the price we would receive to sell an asset or pay to transfer a liability in an orderly transaction with a market participant at the measurement date. In the absence of active markets for the identical assets or liabilities, such measurements involve developing assumptions based on market observable data and, in the absence of such data, internal information that is consistent with what market participants would use in a hypothetical transaction that occurs at the measurement date.

Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect our market assumptions. Preference is given to observable inputs. These two types of inputs create the following fair value hierarchy:

Level 1	Quoted prices for identical instruments in active markets.
Level 2	Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.
Level 3	Significant inputs to the valuation model are unobservable.

We maintain policies and procedures to value instruments using the best and most relevant data available. Our investment committee reviews and approves all investment valuations.

Our available-for-sale equity securities are all valued using Level 1 or Level 2 inputs.

Management has determined that it will not, at this time, adopt fair value accounting for nonfinancial assets or liabilities currently recorded in the consolidated financial statements, which includes property and equipment, equity method investments, investments carried at cost, deposits and other assets.

(6) New 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. At October 31, 2011, none of these pronouncements is expected to have a material effect on the financial position, results of operations or cash flows of the Company when adopted.

NOTE 2: INVESTMENTS

INVESTMENTS ARE SUMMARIZED AS FOLLOWS AT SEPTEMBER 30, 2011 AND DECEMBER 31, 2010.

	2011	2010
Trading securities:		
Balance, beginning of year	$ -	$ -
Shares acquired from a related party	-	26,334
Cost of securities sold	-	(26,334)
Balance, end of period	$ -	$ -
Proceeds from sale of trading securities	$ -	$ 32,917
Gain from sale of trading securities	$ -	$ 6,583

	2011	2010
Available for sale securities:		
Cost at beginning of year	$ 284,473	$ 167,286
Transfer from investments accounted for by the cost method	-	100,000
Contributed by the Company's CEO	125,331	-
Received as management fees	-	33,000
Acquired in exchange for DineOut shares	-	124,573
Impairment	(147,973)	-
Proceeds from sale of securities	-	(41,645)
Realized loss	-	(98,741)
Cost at end of period	261,831	284,473
Unrealized gain (loss)	(156,213)	68,027
Total	$ 105,618	$ 352,500

	2011	2010
Investments using the equity method:		
Balance, beginning of year	$ 87,200	$ 82,500
Investments made	716,756	-
Equity in earnings (loss)	(9,256)	58,337
Sale of investment	-	(37,500)
Distributions received	(8,140)	(16,137)
Balance, end of period	$ 786,560	$ 87,200

	2011	2010
Investments at cost:		
Balance, beginning of year	$ 766,598	$ 1,191,598
Impairment	-	(250,000)
Proceeds from sale of investment	-	(75,000)
Investment transferred to available-for-sale securities	-	(100,000)
Total	$ 766,598	$ 766,598

AVAILABLE-FOR-SALE SECURITIES

Our available-for-sale securities consist of the following:

	Cost	Realized Holding Loss	Unrecognized Holding Gains (Losses)	Fair Value
September 30, 2011				
Remodel Auction *	$ 900	$ (900)	$ -	$ -
North American Energy	126,000	-	(98,000)	28,000
North American Energy *	10,500	-	(4,500)	6,000
North American Energy	125,331	-	(53,713)	71,618
Efftec International, Inc. *	22,500	(22,500)	-	-
Efftec International, Inc. (warrant) *	-	-	-	-
HiTech Stages	124,573	(124,573)	-	-
	$ 409,804	$ (147,973)	$ (156,213)	$ 105,618
December 31, 2010				
Syzygy Entertainment, Ltd. *	$ 1,286	$ (1,286)	$ -	$ -
Remodel Auction *	40,000	(39,100)	100	1,000
North American Energy	126,000	-	(98,000)	28,000
North American Energy *	10,500	-	(4,500)	6,000
Efftec International, Inc. *	22,500	-	22,500	45,000
Efftec International, Inc. (warrant) *	-	-	22,500	22,500
HiTech Stages	124,573	-	125,427	250,000
	$ 324,859	$ (40,386)	$ 68,027	$ 352,500

* Investments acquired in exchange for management services.

HiTech Stages, Ltd. - HiTech Stages, Ltd. ("HiTech") is registered in the UK and is listed on the Frankfurt Stock Exchange (Symbol "JT2.F"). HiTech, in conjunction with a manufacturer, has developed a mobile event stage, including multimedia, which can be packed in three 20' x 8' x 8' containers. The stage can be fully assembled in less than one hour and deployed and operational in ten minutes, including the set-up of all lighting, sound and video systems. This is a revolutionary first in the event business and will rent for approximately one-half of the cost of conventional stage systems. HiTech is in its initial funding stage and intends to raise up to $5.5 million to finance the manufacture of the first stage and build the distribution support services.

The Company acquired 275,000 shares of HiTech in exchange for 150,450 shares of DineOut. The transaction was initially recorded as an available-for-sale security at the average net sales price of DineOut shares of $124,573. At December 31, 2010, HiTech closed on the Frankfurt Stock Exchange at €1.00 ($1.34). Due to the start-up status of HiTech and limited trading volume, the Company valued its investment at $250,000 at December 31, 2010. At September 30, 2011, the value of HiTech had dropped to near zero and the Company determined that its investment was permanently impaired. Accordingly, the Company fully impaired its investment in HiTech.

North American Energy Resources, Inc. - During the quarter ended June 30, 2009, the Company exchanged its oil & gas property investments for 700,000 shares of North American Energy Resources, Inc. ("NAEY") which were valued at $126,000 based on the closing price of NAEY on the date of the trade. The Company initially classified the NAEY as a trading security when it was acquired based on the Company's intent to begin selling the shares before the end of 2009. In November 2009 the Company decided that it would not sell the stock in the near term and determined that the investment should be reclassified as an available-for-sale security and classified as non-current, due to uncertainties about when it would be sold. At the time of the decision to reclassify the investment as available-for-sale, the trading price and value were approximately equal to the cost. Accordingly, upon the transfer at fair value, the shares were transferred at $126,000, the original cost to the Company. At December 31, 2010, the stock had declined to $0.04 per share and the Company recorded an unrealized loss of $98,000, based on the Company's determination that the price decline was temporary. At September 30, 2011, the Company valued the stock at $0.04 with an unrealized loss of $98,000.

During the first quarter of 2010, the Company received an additional 150,000 shares of NAEY in exchange for management services. The shares were initially valued at $10,500, based on the trading price at the time. At December 31, 2010, the Company recorded an unrealized loss of $4,500 based on the market value of $6,000. At September 30, 2011, the Company recorded an unrealized loss of $4,500 based on a market value of $6,000.

During June 2011, the Company's CEO contributed 1,790,440 shares of NAEY to the Company which was valued at $125,331 based on the trading price at the time. At June 30, 2011, the Company recorded an unrealized loss of $53,713 based on a market value of $71,618. Mr. Pruitt did not receive additional compensation as a result of this transfer.

NAEY appointed a new management team in December 2010. On October 31, 2011, NAEY announced it had agreed to purchase a number of onshore and offshore oil and gas fields from a private seller for $175 Million in cash, subject to certain purchase price adjustments at closing. The acquisition is subject to due diligence, financing and other customary closing conditions. Accordingly, the Company determined that the decline was temporary.

EffTec International, Inc. - Effective April 1, 2010, the Company's CEO became a director and the CEO of EffTec International, Inc. The Company received 150,000 shares of EffTec and an option to acquire an additional 150,000 shares at $0.15 per share in exchange for the management services to be provided. The shares were valued at $22,500 based on the trading price of EffTec at the date of the transaction. At December 31, 2010, the shares were valued at $0.30 per share and the $22,500 increase in value plus the value of the option of $22,500 was included in accumulated other comprehensive income (loss). At September 30, 2011 and immediately after, the value of the EffTec stock dropped to near zero. The Company determined the reduction was other than temporary and impaired its investment to zero.

EffTec has developed a powerful, easy to use, Internet-based chiller tool called EffTrack™ that:

- Collects, stores and analyzes chiller operating data,
- Calculates and trends chiller performance,
- Diagnoses the cause of chiller inefficiencies,
- Notifies plant contacts when problems occur,
- Recommends corrective actions,
- Measures the results of corrective actions and
- Provides cost analysis of operational improvements.

Chillers are the single largest energy-using component in most industrial or commercial type facilities using water-cooled chillers for comfort or process cooling and can consume up to 50% of the facility’s electrical usage. There is a vast array of operational and mechanical problems that occur causing a chiller to lose performance. Even small inefficiencies can result in thousands of dollars in energy waste.

Remodel Auction Incorporated - Remodel Auction Incorporated was formed to launch and operate an online listing service for remodeling projects. The Company received 167 shares of Remodel Auction common stock in exchange for providing management services for one year, effective January 1, 2009. We valued our initial investment of 167 shares at 50% of the price Remodel was receiving from third parties for its stock, $125,000. Remodel Auction began trading under the symbol REMD on August 10, 2009, and the Company received an additional 167 shares of Remodel common stock pursuant to its management agreement. We recorded the additional 167 shares at the trading price of the stock on that date of $900 per share and recognized $150,000 in management income. Remodel Auction began trading on the Pink Sheets, and the market price was readily determinable. Therefore, the Company transferred this investment from investments accounted for by the cost method to available-for-sale securities. The market value of Remodel Auction was approximately the same as the original cost at the time of the transfer. Accordingly, the transfer was recorded at the original cost. At December 31, 2009, the common stock had declined to $120 per share and the Company determined that the loss was other-than temporary and recorded a loss of $235,000 on its investment in Remodel Auction common stock. During 2010, the Company recognized an additional impairment of $39,100. At December 31, 2010, the Company valued its investment at $1,000 and recorded an unrealized gain of $100. At September 30, 2011, the Company valued its investment at $0 and recorded an impairment loss for the remaining balance of $900.

Syzygy Entertainment, Ltd. - During 2007, the Company acquired 342,814 shares of Syzygy in exchange for a management services contract which covered a one-year period commencing April 1, 2007. The shares were valued at $1.50 per share, a discount to the listed price at that time. Also 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 did not receive additional compensation as a result of the transfers.

As a result of the above transactions, the Company owns 642,814 shares of Syzygy with an original cost of $1,114,221 and a fair value as of September 30, 2011 and December 31, 2010 of $0. The Company considers this decline in value to be other than temporary and has recognized an impairment loss for the full amount of the investment.

INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

In the third quarter of 2011, the Company determined it would increase the direction of its business on the ownership and operation of Hooters franchises. In this regard, the Company has made the following investments and is initially directing its efforts in the countries discussed below.

Equity investments consist of the following at September 30, 2011 and December 31, 2010:

	2011	2010
Carrying value:		
South Africa	$ 536,560	$ 87,200
Australia	250,000	-
	$ 786,560	$ 87,200

Hooters S.A., GP - The Company formed CHL to own the Company's 50% general partner ("GP") interest in Hooters S.A., GP, the general partner of the Hooters' restaurant franchises in South Africa. During September 2011, the Company purchased the remaining 50% GP interest and now owns 100% of the GP interest. The initial restaurant opened in December 2009 in Durban, South Africa and operations commenced in January 2010. The second location opened in Johannesburg in June 2010 and a third location opened in Cape Town in June of 2011. The Company owns the following interest before the acquisition and after the acquisition as of September 30, 2011. After the LPs receive their investment back plus a 20% return, the LP interest will reduce to 20% and the GP interest will increase to 80% in each of these three restaurants. After completing the acquisition and effective October 1, 2011, the Company formed a management company to operate the current South African Hooters locations. We own 80% of the management company and key management company personnel own the remaining 20%.

	Before Acquisition			After Acquisition		
	GP	LP	Total	GP	LP	Total
Durban	10.00%	1.17%	11.17%	20.00%	1.17%	21.17%
Johannesburg	10.00%	8.32%	18.32%	20.00%	24.70%	44.70%
Cape town	10.00%	15.85%	25.85%	20.00%	32.73%	52.73%

Activity from equity investments in South Africa during the nine months ended September 30, 2011 and 2010 (the restaurant in Australia is not scheduled to open until January 2012):

	2011	2010
Equity in earnings (loss):		
Durban	(4,901)	21,023
Johannesburg	(9,933)	21,827
Cape Town	5,578	-
	$ (9,256)	$ 42,850
Distributions:		
Durban	6,248	11,834
Johannesburg	1,892	-
Cape Town	-	-
	$ 8,140	$ 11,834

The summarized financial data for our three restaurants in South Africa is as follows for the nine months ended September 30, 2011 and 2010.

	2011	2010
Revenues	$ 3,364,265	$ 2,696,902
Gross profit	2,122,073	1,715,081
Income from continuing operations	125,730	269,519
Net income	125,730	269,519

- **Chanticleer Holdings Australia Pty, Ltd ("CHA") -** We are partnering with the current Hooters franchisee in Australia in a joint venture. The first Hooters restaurant under this joint venture (which will be the third Hooters restaurant to be opened in Australia) is expected to open in January 2012 in Campbelltown, a suburb of Sydney and we will own a 49% interest. We are in discussions to purchase from the same franchisee a partial interest in the first two existing Hooters locations in the Sydney area. We have invested $250,000 as of September 30, 2011.

INVESTMENTS ACCOUNTED FOR USING THE COST METHOD

Investments at cost consist of the following at September 30, 2011 and December 31, 2010.

	2011	2010
Chanticleer Investors, LLC	$ 500,000	$ 500,000
Edison Nation LLC (FKA Bouncing Brain Productions)	250,000	250,000
Chanticleer Investors II	16,598	16,598
	$ 766,598	$ 766,598

Chanticleer Investors LLC - On April 18, 2006, the Company formed Investors LLC and sold units for $5,000,000. Investors LLC's principal asset was a convertible note in the amount of $5,000,000 with Hooters of America, Inc. ("HOA"), collateralized by and convertible into 2% of Hooters common stock. The original note included interest at 6% and was due May 24, 2009. The note was extended until November 24, 2010 and included an increase in the interest rate to 8%.

The Company owned $1,150,000 (23%) of Investors LLC until May 29, 2009 when it sold 1/2 of its share for $575,000. Under the original arrangement, the Company received 2% of the 6% interest as a management fee ($25,000 quarterly) and 4% interest on its investment ($11,500 quarterly). Under the extended note and revised operating agreement, the Company received a management fee of $6,625 quarterly and interest income of $11,500 quarterly. In December 2010, the Company sold an additional $75,000 of its investment at cost.

On January 24, 2011, Investors LLC and its three partners combined to form HOA Holdings, LLC ("HOA LLC") and completed the acquisition of Hooters of America, Inc. ("HOA") and Texas Wings, Inc. ("TW"). Together HOA LLC has created an operating company with 161 company-owned locations across sixteen states, or nearly half of all domestic Hooters restaurants and over one-third of the locations worldwide.

The Company received $400,000 in January 2011 for services provided in completion of the purchase of HOA and TW by HOA LLC. The Company has a consulting agreement with HOA LLC and is scheduled to receive $100,000 in January of each year for director and other services provided by Mr. Pruitt. We have accrued eight months of the consulting fee in the amount of $66,667 at September 30, 2011.

Investors, LLC had a note receivable in the amount of $5,000,000 from HOA that was repaid at closing. Investors LLC then invested $3,550,000 in HOA LLC (approximately 3.1%) ($500,000 of which is the Company's share). One of the investors in Investors LLC that owned a $1,750,000 share is a direct investor in HOA LLC and now carries its ownership in HOA LLC directly. The Company now owns approximately 14% of Investors LLC.

EE Investors, LLC - On January 26, 2006, we acquired an investment in EE Investors, LLC with cash in the amount of $250,000. We acquired 1,205 units (3.378%) in EE Investors, LLC, whose sole asset is 40% of Edison Nation, LLC (formerly Bouncing Brain Productions, LLC). Edison Nation was formed to provide equity capital for new inventions and help bring them to market. The initial business plan included developing the products and working with manufacturers and marketing organizations to sell the products. This has evolved into a less hands-on program which involves selling products with patents to other larger companies and retaining royalties. Edison Nation has now reached cash flow break-even, and in addition has been retained by a number of companies for which they do product searches to supplement its business. Edison Nation has repaid the majority of its debt and expects to begin making distributions to its owners during 2011. Based on the current status of this investment, the Company does not consider the investment to be impaired.

Chanticleer Investors II - The Company paid $16,598 in professional services to form this partnership. Chanticleer Advisors, LLC acts as the managing general partner and receives a management fee based on a percentage of profits.

NOTE 3: LONG-TERM DEBT AND NOTES PAYABLE

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

	September 30, 2011	December 31, 2010
$2,000,000 line of credit with a bank, interest at Wall Street Journal Prime +0.5% (minimum of 4.5%) payable monthly; due August 20, 2012; collateralized by a certificate of deposit owned by a shareholder; collateralized by substantially all of the Company's assets and guaranteed by Mr. Pruitt	$ 920,000	$ -
Note payable to a bank due in monthly installments of $1,739 including interest at Wall Street Journal Prime + 1% (minimum of 5.5%); remaining balance due August 10, 2013; collateralized by substantially all of the Company's assets and guarnateed by Mr. Pruitt	244,749	250,000
18% convertible notes payable; interest payable quarterly; due on the six-month anniversary of the date issued; convertible under the same terms as the subsequent capital raised in connection with a public offering of the Company's securities	375,000	-
10% convertible notes payable; interest payable quarterly; due January 4, 2010; converted into common stock at the rate of $1.75 per share on March 30, 2011	-	686,500
	1,539,749	936,500
Notes payable and current portion of long-term debt	1,301,723	250,000
Long-term debt, less current portion	$ 238,026	$ 686,500

The Company pays the shareholder whose certificate of deposit is used as collateral on the $2,000,000 line of credit 1% of the outstanding balance on the line of credit monthly. In addition, the Company issued warrants to the shareholder, as described in Note 6.

During the three months ended March 31, 2011, the Company issued convertible notes payable with a total principal balance of $25,000 in exchange for an amount due a related party of $25,000. The convertible notes included interest at 10% per annum, which was payable quarterly beginning on April 1, 2010 until maturity on January 4, 2012. The convertible notes were convertible into our common stock at the rate of $1.75 per share. Convertible notes with a face value of $711,500 and accrued interest of $10,000 were converted into 412,286 shares of our common stock on March 30, 2011.

NOTE 4: RELATED PARTY TRANSACTIONS

Due from related parties

The Company has earned income from and made advances to related parties. The amounts owed to the Company at September 30, 2011 and December 31, 2010 is as follows:

	2011	2010
Chanticleer Investors, LLC	$ -	$ 6,035
Chanticleer Investors II, LLC	-	46,547
Chanticleer Dividend Fund, Inc.	74,281	30,937
Hoot SA II LLC	825	-
Other	-	750
	$ 75,106	$ 84,269

Due to related parties

The Company has received non-interest bearing loans and advances from related parties. The amounts owed by the Company as of September 30, 2011 and December 31, 2010 are as follows:

	2011	2010
Avenel Financial Group, a company owned by Mr. Pruitt	13,849	46,349
Chanticleer Investors, LLC	4,045	-
Hoot SA I, LLC	15,409	-
Hoot SA III, LLC	-	70,000
Chanticleer Foundation	10,750	-
	$ 44,053	$ 116,349

$25,000 of the amount due Avenel Financial Group was exchanged for a convertible note payable effective January 1, 2011 and converted to common stock on March 30, 2011.

Management income from affiliates

The Company had management income from its affiliates in the nine months ended September 30, 2011 and 2010, as follows:

	2011	2010
Chanticleer Investors, LLC	$ -	$ 19,875
Chanticleer Investors II, LLC	-	11,171
North American Energy Resources, Inc.	1,750	6,125
Efftec International, Inc.	-	22,500
	$ 1,750	$ 59,671

Chanticleer Investors LLC

See Note 2.

Chanticleer Investors II LLC

The Company manages Investors II and earns management income based on a share of any increase in investment value on an annual basis. At June 30, 2011, the Company had recorded revenue in the amount of $30,726 for management fees based on investment results for the six months ended June 30, 2011. During the quarter ended September 30, 2011, the market experienced a significant decline and the losses in the fund exceeded the profits accrued at June 30, 2011. Accordingly, the Company reversed the $30,726 in previously accrued revenue at September 30, 2011, resulting in negative revenue during the three months ended September 30, 2011 and no revenue for the nine months ended September 30, 211. The 2010 amount was the amount earned in 2009 but not recorded until received in 2010. See Note 2.

Chanticleer Dividend Fund, Inc. ("CDF")

On November 10, 2010 the Company formed CDF under the general corporation laws of the State of Maryland. CDF filed a registration statement under Form N-2 to register as a non-diversified, closed-end investment company in January 2011. The Company, through Advisors, will have a role in management of CDF when its registration statement becomes effective.

North American Energy Resources, Inc. ("NAEY")

The Company's CEO became CEO and a director of NAEY during 2010 and the Company received 150,000 common shares for management services. The shares were valued at $10,500, based on the trading price of NAEY at the time. The Company's CEO resigned as CEO of NAEY in December 2010 and remains a director. See Note 2.

Chanticleer Foundation

A non-profit organization formed for charitable purposes.

NOTE 5: COMMITMENTS AND CONTINGENCIES

Lease

Effective August 1, 2009, the Company entered into an office lease agreement for its office with a term of one year and monthly lease payments of $2,100. During the quarter ended September 30, 2011, the lease term expired and the Company is continuing to occupy the space on a month-to-month basis.

Hooters South Africa

On April 23, 2009, the Company's wholly owned subsidiary CHL through its 50% ownership of Chanticleer & Shaw Pty, Ltd. entered into a franchise agreement with HOA to open and operate Hooters restaurants in the Republic of South Africa. The current plan calls for four restaurants in the first phase with three additional locations to be added later. The first restaurant opened in December 2009 in Durban and commenced operations effective January 1, 2010. A location in Johannesburg opened in June 2010 and the third location opened in Cape Town during June of 2011. A fourth location at Emperor's Palace Casino in Johannesburg is expected to open in January 2012. Our total expected cost is $850,000.

During September 2011, the Company acquired the remaining 50% ownership of Chanticleer & Shaw Pty, Ltd. and now owns all of the GP interest and the LP interest listed in Note 2.

Hooters Australia

We are partnering with the current Hooters franchisee in a joint venture. The first Hooters restaurant under this joint venture (which will be the third Hooters restaurant to be opened in Australia) is expected to open in January 2012 in Campbelltown, a suburb of Sydney and we will own a 49% interest.

At September 30, 2011, we have advanced $250,000 of our expected total cost of $650,000 for our share of the Campbelltown location cost. We have agreed to participate in a second location in Australia under the same terms with an anticipated total cost for our share of $650,000.

NOTE 6: STOCKHOLDERS' EQUITY

The Company has 200,000,000 shares of its $0.0001 par value common stock authorized and 3,011,954 and 2,571,918 shares issued and 2,498,724 and 2,048,688 shares outstanding at September 30, 2011 and December 31, 2010, respectively. There are no options outstanding.

Effective March 23, 2011, the Company's common stock was forward split, 2 shares for each share issued, pursuant to written consent by a majority of the Company's shareholders. All share references have been adjusted as if the split occurred prior to all periods presented.

Warrants

On January 6, 2011, the Company filed a Form S-1 Registration Statement under the Securities Act of 1933. The Registration Statement was declared effective on July 14, 2011 and registers one Class A Warrant and one Class B Warrant for each common share of the Company issued. The warrants have a subscription price of $0.04 which entitles our shareholders to acquire one Class A Warrant which would entitle the holder to acquire one share of our common stock for $2.75 and one Class B Warrant which would entitle the holder to acquire one share of our common stock for $3.50. The warrants have a five year life. At September 30, 2011, the Company had issued 2,194,509 Class A and Class B warrants. Proceeds from the offering are summarized as follows.

Proceeds from sales of Class A and Class B warrants	$	87,780
Legal and professional fees incurred for offering		(67,172)
	$	20,608

On August 10, 2011, the Company issued two warrants to the shareholder who collateralized the Company's $2,000,000 line of credit discussed in Note 3. The Class A Warrant is for 200,000 shares exercisable at $2.75 per share for 10 years and the Class B Warrant is for 225,000 shares exercisable at $3.50 per share for 10 years. The warrants were valued using Black-Scholes at $906,351. This amount will be amortized to interest expense over the ten year life of the warrants. At September 30, 2011, interest expense includes $12,588 in amortization.

2011 Transactions

On March 30, 2011, the Company issued 412,286 shares of its common stock in exchange for convertible notes payable with a balance of $711,500 and accrued interest of $19,588.

On July 28, 2011, the Company issued 10,000 shares of its common stock in exchange for consulting services valued at $21,500.

On September 23, 2011, the Company issued 15,000 shares of its common stock in exchange for consulting services to be performed valued at $44,850.

On September 23, 2011, the Company issued 2,750 shares of its common stock in exchange for services performed and valued at $8,223.

2010 Transactions

During the year ended December 31, 2010, the Company issued: 15,572 shares of its common stock valued at $25,000 to two consultants for consulting services; 33,594 shares of its common stock valued at $58,790 for amounts due a related party; and issued 10,000 shares for $17,500 in accounts payable. Effective December 31, 2010, the Company issued 20,000 shares of its common stock to its outside directors for directors fees valued at $42,500.

NOTE 7: SEGMENTS OF BUSINESS

The Company is organized into two segments as of September 30, 2011.

Management and consulting services ("Management")

The Company provides management and consulting services for small companies which are generally seeking to become publicly traded. The Company also provides management and investment services for Investors LLC and Investors II.

Operation of Hooters restaurants ("Restaurants")

Hooters South Africa - On April 23, 2009, the Company's wholly owned subsidiary CHL through its 50% ownership of Chanticleer & Shaw Pty, Ltd. entered into a franchise agreement with HOA to open and operate Hooters restaurants in the Republic of South Africa. The current plan calls for four restaurants in the first phase with three additional locations to be added later. The first restaurant opened in December 2009 in Durban and commenced operations effective January 1, 2010. A location in Johannesburg opened in June 2010 and the third location opened in Cape Town during June of 2011. A fourth location at Emperor's Palace Casino in Johannesburg is expected to open in January 2012.

During September 2011, the Company acquired the remaining 50% ownership of Chanticleer & Shaw Pty, Ltd. and now owns all of the GP interest and the LP interest listed in Note 2.

Hooters Australia - We are partnering with the current Hooters franchisee in a joint venture. The first Hooters restaurant under this joint venture (which will be the third Hooters restaurant to be opened in Australia) is expected to open in January 2012 in Campbelltown, a suburb of Sydney and we will own a 49% interest.

Financial information regarding the Company's segments is as follows for the three months ended September 30, 2011 and 2010.

Three months ended September 30, 2011

	Management	Restaurants	Total
Revenues	$ (5,726)	$ -	$ (5,726)
Interest expense	$ 41,190	$ -	$ 41,190
Depreciation and amortization	$ 2,512	$ -	$ 2,512
Profit (loss)	$ (327,362)	$ (20,820)	$ (348,182)
Investments and other			(147,973)
			(496,155)
Non-controlling interest			399
			$ (495,756)
Assets	$ 506,838	$ 786,560	$ 1,293,398
Investments			872,216
			$ 2,165,614
Liabilities	$ 1,071,938	$ 716,756	$ 1,788,694
Expenditures for non-current assets	$ -	$ -	$ -

Three months ended September 30, 2010

	Management	Restaurants	Total
Revenues	$ 9,250	$ -	$ 9,250
Interest expense	$ 27,422	$ -	$ 27,422
Depreciation and amortization	$ 2,713	$ -	$ 2,713
Profit (loss)	$ (181,348)	$ 21,597	$ (159,751)
Investments and other			9,842
			(149,909)
Non-controlling interest			553
			$ (149,356)
Assets	$ 89,336	$ 76,016	$ 165,352
Investments			1,400,571
			$ 1,565,923
Liabilities	$ 1,118,615	$ 25,000	$ 1,143,615
Expenditures for non-current assets	$ 3,628	$ -	$ 3,628

Financial information regarding the Company's segments is as follows for the nine months ended September 30, 2011 and 2010.

Nine months ended September 30, 2011

	Management	Restaurants	Total
Revenues	$ 468,417	$ -	$ 468,417
Interest expense	$ 63,876	$ -	$ 63,876
Depreciation and amortization	$ 7,573	$ -	$ 7,573
Profit (loss)	$ (365,191)	$ (9,256)	$ (374,447)
Investments and other			(122,966)
			(497,413)
Non-controlling interest			1,376
			$ (496,037)

Nine months ended September 30, 2010

	Management	Restaurants	Total
Revenues	$ 80,504	$ -	$ 80,504
Interest expense **	$ 104,396	$ -	$ 104,396
Depreciation and amortization	$ 8,281	$ -	$ 8,281
Profit (loss)	$ (681,141)	$ 42,850	$ (638,291)
Investments and other			143,464
			(494,827)
Non-controlling interest			430
			$ (494,397)

** includes $49,994 fro the beneficial conversion feature of converetible notes payable.

NOTE 8: DISCLOSURES ABOUT FAIR VALUE

Assets and liabilities measured at fair value on a recurring basis are summarized in the following tables according to FASB ASC 820 pricing levels.

		Fair Value Measurement Using		
	Recorded value	Quoted prices in active markets of identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant Unobservable Inputs (Level 3)
September 30, 2011				
Assets:				
Available-for-sale securities	$ 105,618	$ 105,618	$ -	$ -
December 31, 2010				
Assets:				
Available-for-sale securities	$ 352,500	$ 101,500	$ 251,000	$ -

At September 30, 2011 and December 31, 2010, the Company's available-for-sale equity securities were valued using Level 1 and Level 2 inputs as summarized above. Level 1 inputs are based on unadjusted prices for identical assets in active markets that the Company can access. Level 2 inputs are based on quoted prices for similar assets other than quoted prices in Level 1, quoted prices in markets that are not yet active, or other inputs that are observable or can be derived principally from or corroborated by observable market data for substantially the full term of the assets. The Company recorded an other than temporary decline in available-for-sale securities in the amount of $147,973 at September 30, 2011.

The Company does not have any investments that are measured on a recurring basis using Level 3 inputs.

Certain assets are not carried at fair value on a recurring basis, including investment accounted for under the equity and cost methods. Accordingly, such investments are only included in the fair value hierarchy disclosure when the investment is subject to re-measurement at fair value after initial recognition and the resulting re-measurement is reflected in the consolidated financial statements.

In the fourth quarter of 2010, the Company considered a cost basis investment to be impaired and recognized an impairment loss of $250,000 in the consolidated statement of operations. This impairment was determined using Level 3 inputs to determine the estimated fair value, which was determined to be less than the recorded amounts.

See Note 2 for further details of the Company's investments.

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

The following table shows the costs and expenses payable by the Company in connection with the registration statement.

SEC Registration Fee	$	4,425.57
FINRA Filing Fee	$	2,363
Blue Sky Fees and Expenses	$	60,000
Underwriter's Non-accountable Expense allowance	$	300,000
Printing Expenses	$	20,000
Accounting Fees and Expenses	$	20,000
Legal Fees and Expenses	$	150,000
Miscellaneous Expenses	$	5,000
Total	$	

All expenses, other than the SEC and FINRA filing fees, are estimated.

ITEM 14. INDEMNIFICATION OF OFFICERS AND DIRECTORS.

Our officers and directors are indemnified as provided by the Delaware General Corporate Law and our bylaws. Section 145 of the Delaware General Corporation Law provides that a corporation may indemnify directors and officers as well as other employees and individuals against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with any threatened, pending or completed actions, suits or proceedings in which such person is made a party by reason of such person being or having been a director, officer, employee or agent of our company. The Delaware General Corporation Law provides that Section 145 is not exclusive of other rights to which those seeking indemnification may be entitled under any bylaw, agreement, vote of stockholders or disinterested directors or otherwise.

Our bylaws provide that we shall indemnify our directors and officers, our employees and other agents, to the fullest extent permitted by the Delaware General Corporation Law and that we shall pay the expenses incurred in defending any proceeding in advance of its final disposition. However, the payment of expenses incurred by a director or officer in advance of the final disposition of the proceeding will be made only upon the receipt of an undertaking by the director or officer to repay all amounts advanced if it should be ultimately determined that the director or officer is not entitled to be indemnified.

Section 102(b)(7) of the Delaware General Corporation Law permits a corporation to provide in its certificate of incorporation that a director of the corporation shall not be personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) for unlawful payments of dividends or unlawful stock repurchases, redemptions or other distributions, or (iv) for any transaction from which the director derived an improper personal benefit. Our certificate of incorporation provides for such limitation of liability.

We do not currently maintain standard policies of insurance under which coverage is provided (a) to our directors, officers, employees and other agents against loss arising from claims made by reason of breach of duty or other wrongful act, and (b) to us with respect to payments which may be made by us to such officers and directors pursuant to the above indemnification provision or otherwise as a matter of law, although we may do so in the future.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers and control persons pursuant to the foregoing provisions or otherwise, we have been advised that, in the opinion of the Securities and Exchange Commission, such indemnification is against public policy, and is, therefore, unenforceable.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES.

During the three months ended September 30, 2009, the Company sold 38,535 shares of its common stock for net proceeds of $76,578 pursuant to a Reg S offering.

During the three months ended December 31, 2009, the Company issued 261,465 shares of its common stock valued at $2.05 per share based on the trading price on the issuance date, October 29, 2009, to DineOut for 4,000,000 shares of DineOut common stock. DineOut is a wholly owned subsidiary at December 31, 2009 and the value of these shares of $536,003 is included in treasury stock at December 31, 2009 upon consolidation.

During the three months ended June 30, 2010, the Company issued 16,797 shares of its common stock to a related party in exchange for $58,790 in loans previously made to the Company. The shares were sold pursuant to an exemption from registration under Section 4(2) promulgated under the Securities Act of 1933, as amended.

During the three months ended September 30, 2010, the Company issued 3,500 shares of its common stock to a consultant in exchange for a one year consulting agreement valued at $10,000. The shares were sold pursuant to an exemption from registration under Section 4(2) promulgated under the Securities Act of 1933, as amended.

In December 2010, the Company issued 4,286 shares of its common stock to a consultant in exchange for a six-month consulting agreement valued at $15,000. The shares were sold pursuant to an exemption from registration under Section 4(2) promulgated under the Securities Act of 1933, as amended.

During the third quarter of 2011, the Company entered into three convertible notes with three accredited investors for an aggregate principal amount of $375,000. The convertible notes are unsecured, and have a six month term, and bear interest at an 18% annual interest rate, payable quarterly. The notes were sold pursuant to an exemption from registration under Section 4(2) promulgated under the Securities Act of 1933, as amended.

On August 10, 2011, the Company issued 10 year Common Stock Warrants to an accredited investor, 200,000 at $2.75 and 225,000 at $3.50, as a facilitation fee for guaranteeing the Company's bank line of credit. The warrants were issued pursuant to an exemption from registration under Section 4(2) promulgated under the Securities Act of 1933, as amended.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

The following exhibits are included herein or incorporated herein by reference:

Exhibit Number	Description
1.1	Form of Underwriting Agreement (1)
3.1(a)	Articles of Incorporation (2)
3.1(b)	Certificate of Merger, filed May 2, 2005 (3)
3.1(c)	Certificate of Amendment, filed July 16, 2008 (1)
3.1(d)	Certificate of Amendment, filed March 18, 2011 (4)
3.2	Bylaws (2)
4.1	Form of Common Stock Certificate
4.2	Form of Unit Certificate (1)
4.3	Form of Warrant Certificate (1)
4.4	Form of Warrant Agreement (1)
4.5	Form of Representative's Warrant (1)
5	Legal opinion of Counsel (1)
10.1	Revolving Credit Facility dated August 10, 2011 between the Company and Paragon Commercial Bank
10.2	Form of Franchise Agreement between the Company and Hooters of America, LLC
21	Subsidiaries
23.1	Consent of Roetzel & Andress LPA (1)
23.2	Consent of Creason & Associates, P.L.L.C.

(1) To be filed via amendment to this Form S-1.
(2) Incorporated by reference to the Registration Statement on Form 10-SB filed on February 15, 2000.
(3) Incorporated by reference from Exhibit 2.1 to the Quarterly Report on Form 10-Q, filed August 15, 2011.
(4) Incorporated by reference from Exhibit 3.1 to the Current Report on Form 8-K, filed on March 18, 2011.

ITEM 17. UNDERTAKINGS

The undersigned registrant hereby undertakes:

1. To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) to include any prospectus required by Section 10(a)(3) of the Securities Act;

(ii) to reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or together, in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement; and

(iii) to include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

2. That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof;

3. To remove from registration by means of a post-effective amendment any of the securities that remain unsold at the termination of this offering;

4. That, for the purpose of determining liability under the Securities Act to any purchaser:

(i) If the registrant is relying on Rule 430B:

(A) Each prospectus filed by the registrant pursuant to Rule 424(b)(3) shall be deemed to be part of the registration statement as of the date the filed prospectus was deemed part of and included in the registration statement; and

(B) Each prospectus required to be filed pursuant to Rule 424(b)(2), (b)(5), or (b)(7) as part of a registration statement in reliance on Rule 430B relating to an offering made pursuant to Rule 415(a)(1)(i), (vii), or (x) for the purpose of providing the information required by section 10(a) of the Securities Act of 1933 shall be deemed to be part of and included in the registration statement as of the earlier of the date such form of prospectus is first used after effectiveness or the date of the first contract of sale of securities in the offering described in the prospectus. As provided in Rule 430B, for liability purposes of the issuer and any person that is at that date an underwriter, such date shall be deemed to be a new effective date of the registration statement relating to the securities in the registration statement to which that prospectus relates, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof. Provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such effective date, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such effective date; or

(ii) If the registrant is subject to Rule 430C, each prospectus filed pursuant to Rule 424(b) as part of a registration statement relating to an offering, other than registration statements relying on Rule 430B or other than prospectuses filed in reliance on Rule 430A, shall be deemed to be part of and included in the registration statement as of the date it is first used after effectiveness. Provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date of first use.

5. That, for the purpose of determining liability of the registrant under the Securities Act of 1933 to any purchaser in the initial distribution of the securities:

The undersigned registrant undertakes that in a primary offering of securities of the undersigned registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

(i) Any preliminary prospectus or prospectus of the undersigned registrant relating to the offering required to be filed pursuant to Rule 424;

(ii) Any free writing prospectus relating to the offering prepared by or on behalf of the undersigned registrant or used or referred to by the undersigned registrant;

(iii) The portion of any other free writing prospectus relating to the offering containing material information about the undersigned registrant or its securities provided by or on behalf of the undersigned registrant; and

(iv) Any other communication that is an offer in the offering made by the undersigned registrant to the purchaser.

6. The undersigned registrant hereby undertakes to provide to the underwriter at the closing specified in the underwriting agreements, certificates in such denominations and registered in such names as required by the underwriter to permit prompt deliver to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act of l933 (the "Act") may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question of whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in Charlotte, North Carolina, on December 2, 2011.

CHANTICLEER HOLDINGS, INC.

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

POWER OF ATTORNEY

The registrant and each person whose signature appears below hereby authorizes the agent for service named in this registration statement, with full power to act alone, to file one or more amendments (including post-effective amendments) to this registration statement, which amendments may make such changes in this registration statement as such agent for service deems appropriate, and the registrant and each such person hereby appoints such agent for service as attorney-in-fact, with full power to act alone, to execute in the name and in behalf of the registrant and any such person, individually and in each capacity stated below, any such amendments to this registration statement.

In accordance with the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

SIGNATURES	TITLE	DATE
/s/ Michael D. Pruitt Michael D. Pruitt	Chairman of the Board of Directors, CEO, CFO and Director (Principal Executive Officer and Principal Financial Officer)	December 2, 2011
/s/ Michael Carroll Michael Carroll	Director	December 2, 2011
/s/ Brian Corbman Brian Corbman	Director	December 2, 2011
/s/ Paul I. Moskowitz Paul I. Moskowitz	Director	December 2, 2011
/s/ Keith Johnson Keith Johnson	Director	December 2, 2011

EXHIBIT INDEX

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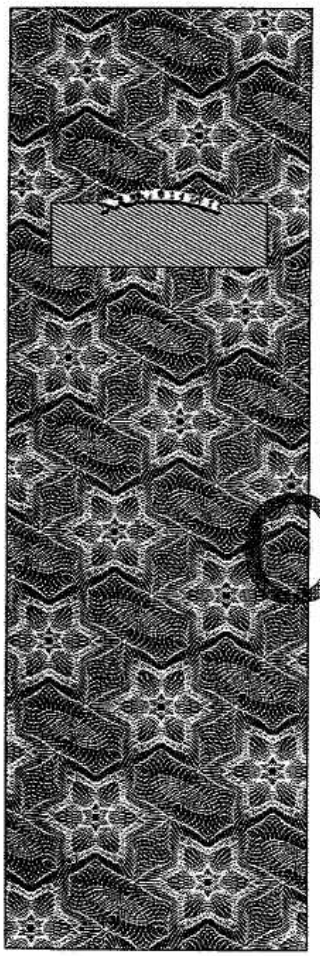
CUSIP 15930P 30 5

CHANTICLEER HOLDINGS, INC.

INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE

COMMON STOCK

SEE REVERSE FOR
CERTAIN DEFINITIONS



THIS CERTIFIES
that

is the owner of

FULLY PAID AND NON-ASSESSABLE SHARES OF THE COMMON STOCK, $.0001 PAR VALUE, OF
CHANTICLEER HOLDINGS, INC.

(hereinafter called the "Corporation"), transferable on the books of the Corporation by the holder hereof in person or by duly authorized attorney, upon surrender of the Certificate properly endorsed. This certificate and the shares represented hereby are issued and shall be held subject to all the provisions of the Articles of Incorporation, as amended, and the Bylaws of the Corporation, as amended (copies of which are on file at the office of the Transfer Agent), to all of which the holder of this Certificate by acceptance hereof assents. This Certificate is not valid unless countersigned and registered by the Transfer Agent and Registrar. Witness the facsimile seal of the Corporation and the facsimile signatures of its duly authorized officers.

DATE:

PRESIDENT

SECRETARY

CHANTICLEER HOLDINGS, INC. CORPORATE SEAL DELAWARE

Countersigned:
SECURITIES TRANSFER CORPORATION
P.O. Box 701629
Dallas, Tx. 75370

By:
TRANSFER AGENT - AUTHORIZED SIGNATURE

CHANTICLEER HOLDINGS, INC.

TRANSFER FEE $30.00 PER NEW CERTIFICATE ISSUED

A FULL STATEMENT OF THE RELATIVE RIGHTS, INTERESTS, PREFERENCES AND RESTRICTIONS OF EACH CLASS OF STOCK WILL BE FURNISHED BY THE CORPORATION TO ANY SHAREHOLDER UPON WRITTEN REQUEST, WITHOUT CHARGE.

The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM	- as tenants in common	UNIF GIFT MIN ACT -	.....Custodian.....
TEN ENT	- as tenants by the entireties	(Cust)	(Minor)
JT TEN	- as joint tenants with right of survivorship and not as tenants in common	under Uniform Gifts to Minors Act.....	(State)

Additional abbreviations may also be used though not in the above list.

For value received.....*hereby sell, assign and transfer unto*

Please insert Social Security or other identifying number of assignee

.....

Please print or typewrite name and address including postal zip code of assignee

.....

.....

.....*Shares*

of the Common Stock represented by the within Certificate, and do hereby irrevocably constitute and appoint.....

.....

Attorney to transfer the said stock on the books of the within-named Corporation with full power of substitution in the premises.

Dated....., 20.....

Signature:

X.....

X.....

Signature Guarantee:

THE SIGNATURE(S) SHOULD BE MEDALLION STAMP GUARANTEED BY AN ELIGIBLE GUARANTOR INSTITUTION PURSUANT TO S.E.C. RULE 17AD-15.

Signature(s) guaranteed by:

SPECIMEN CERTIFICATE

X NOTICE: The signature to this assignment must correspond with the name as written upon the face of the Certificate, in every particular, without alteration or enlargement, or any change whatever.

PARAGON COMMERCIAL BANK
3535 Glenwood Avenue, Raleigh, North Carolina 27612

COMMERCIAL NOTE

Loan Officer: **CWB**

Charles W. Bartz, Senior Vice President

Loan Number: **# 9930000580**

Date: **August 10, 2011**

Borrower: **Chanticleer Holdings, Inc.**

Loan Amount: **$2,000,000.00**

☒ Revolving Line of Credit

FOR VALUE RECEIVED, the undersigned, jointly and severally, promise(s) to pay to PARAGON COMMERCIAL BANK ("Bank"), or order, the sum of **Two Million and 00/100 Dollars ($2,000,000.00)** or so much as shall have been disbursed from time to time and remains unpaid, including or together with interest at the rate and payable in the manner hereinafter stated. Principal and interest shall be payable at Bank at the address indicated above, or such other place as the holder of this Note may designate.

INTEREST RATE

All payments made on this Note will be applied first to accrued interest and then to principal. Interest will accrue on the unpaid principal balance at the rate set forth below until maturity and will accrue on any unpaid past due interest before maturity and on any unpaid balance after maturity as set forth on the reverse side of this Note.
Interest payable on this Note will be at the per annum rate of:

☒ Wall Street Journal Prime + 0.5% with a floor rate of 4.5%

As used in this Note "Wall Street Journal Prime" shall mean the prime rate most recently published in the "Money Rates" section specified in the Eastern Edition of the *Wall Street Journal*; provided that if more than one such "Prime Rate" is published, the higher of such rate shall be applicable.

Interest will be calculated on the basis of: ☒ **Actual days/360 day year**

All rates except the "Fixed" rate will be subject to change without prior notice at the sole option of Bank and will be effective:
☒ As of the date the base rate (Prime or Treasury Bill) changes

Effect of Variable Rate: A change in the interest rate will have the following effect on the payments:
☒ The amount of each scheduled payment will change.

PRINCIPAL PAYMENT TERMS

Principal (and interest if indicated under Interest Payment Terms below) shall be payable as follows:

☒ **Payable in one single payment on August 10, 2012 (herein referred to as "Maturity").**

INTEREST PAYMENT TERMS

Interest shall be payable in arrears, as follows:

☒ Payable monthly beginning **September 10, 2011** and consecutively on the same calendar day of each such calendar period thereafter.

ADVANCES

☐ See Advance Addendum (Exhibit A) attached hereto and made a part hereof for an explanation of the line of credit advance terms and conditions.

LATE CHARGE

If any scheduled payment is in default 15 days or more (unless interest on this Note is payable in advance, in which case such period shall be 30 days or more), Obligors agree to pay a late charge equal to **6%** of the amount of the payment that is in default, but not more than maximum amount allowed by applicable law.

PREPAYMENT

☒ This Note may be prepaid in whole or in part any time without premium.

For partial prepayments, the Bank may, in its sole discretion, apply the prepayment to principal and recalculate the installment payment amount so that equal payments of principal and interest will cause this Promissory Note to be paid in full with the same Maturity date (set forth above). If the Bank decides not to recalculate the installment payment amount, then such prepayment will be applied to the most remote installment then unpaid and shall not otherwise reduce the installment payments coming due prior thereto.

COLLATERAL

☒ The Bank and undersigned have entered into a Commercial Loan Agreement (the "Loan Agreement") dated **August 10, 2011.**

☒ SECURED. This Note is secured by collateral described in the following security instruments:

☒ Assignment of Deposit dated August 10, 2011, **Money Market Account No. 651588 in the name of Michael Winder Haley Revocable Trust Dated 12/13/2008, Michael Winder Haley Trustee, in the amount of Two Million and 00/100 Dollars ($2,000,000.00).**

☒ Cross-Collateralized with Paragon Commercial Bank Loan # **9930000455** to Borrower dated **July 15, 2009**, secured by:

☒ Security Agreement dated **July 15, 2009** and perfected by the filing of UCC-1 Financing Statement(s) with **North Carolina Secretary of State covering:** a blanket first priority lien on all furnishings, equipment, inventory and other items and types of personal property now owned or hereafter acquired, all the Borrower's general intangibles, Instruments and or investment documents and accounts receivable, whether presently existing or arising in the future, and all the proceeds and products from the foregoing (including insurance proceeds). In addition to the foregoing, the collateral shall also include the Borrower's 11.5% interest in Chanticleer Investors, LLC sole asset: a Convertible Secured Promissory Note dated May 24, 2006 between Robert H. Brooks and any and all amendments thereto ("Security Agreement").

1) At maturity of this Note, or upon default, Bank is authorized and empowered to apply to the payment hereof, any and all money deposited in Bank in the name of or to the credit of each party, without advance notice, and is authorized to offset any obligation of Bank to any party to the payment hereof.

2) Collateral securing other loans of each party with Bank may also secure this loan and this loan may also be supported by separate Guaranty Agreement(s).

SIGNATURES

The undersigned parties are jointly and severally liable for the payment of this Note and have subscribed their names hereto. The provisions printed below are a part of this Note. The provisions of this Note are binding on the heirs, executors, administrators, successors and assigns of each and every party and shall inure to the benefit of the holder, its successors and assigns. This Note is executed under the seal of each of the parties and of the endorsers, if any.

CHANTICLEER HOLDINGS, INC.

By: _____ (SEAL)
Michael D. Pruitt, President/CEO/CFO

Additional Terms and Provisions of Note

DEFAULT. Any of the following shall constitute an event of default: (1) the failure to make when due any payment described herein, whether of principal, interest, or otherwise; (2) the failure of any party hereto to perform any of the terms and conditions written into, the Loan Agreement or security instrument(s) securing this Note or any guaranty agreement or security instrument(s) securing such guaranty agreement which apply to this Note; (3) the death, dissolution, merger, consolidation or termination of existence of any party; or if any party is a corporation with thirty-five (35) or fewer shareholders, the aggregate transfer(s) of voting shares in such party whereby persons or entities not owning on the date hereof, singly or in the aggregate, 50% or more of the voting shares of such party, become the owner(s), singly or in the aggregate, of 50% or more of such voting shares, or if such party is a limited or general partnership, any change in general partnership interest(s) in such party; (4) the application for the appointment of a receiver for any party or the filing of a petition under any provisions of the Bankruptcy Code or Act by or against any party or any assignment for the benefit of creditors by or against any party; (5) the failure of any party to furnish from time to time, at Bank's request, financial information requested with respect to such party without undue delay; (6) a determination by Bank that it deems itself insecure or that an adverse change in the financial condition of any party has occurred since the date hereof; (7) the failure of any party to perform any other obligation to Bank; (8) the termination of any guaranty agreement which applies to this Note.
LATE CHARGES, EXPENSES AND ACCELERATION. Each party agrees to pay any late charges permitted by applicable law that Bank may, in its discretion, charge for late payments. If this Note is not paid in full whenever it becomes due and payable, each party agrees to pay all costs and expenses of collection, including a reasonable attorney's fee up to the amount of fifteen (15) percent of the then outstanding balance. Upon the occurrence of an event of default, the entire unpaid balance of this Note shall, at the option of Bank, become immediately due and payable, without notice or demand. Failure to exercise the option to accelerate shall not constitute a waiver of the right to exercise same in the event of any subsequent default.
INTEREST. Upon the nonpayment of any payment of interest described herein, the Bank, at its option and without accelerating this Note, may accrue interest on such unpaid interest at the rate(s) applicable hereunder from time to time until maturity of this Note. After maturity of this Note, whether by acceleration or otherwise, interest will accrue on the unpaid principal of this Note and any accrued but unpaid interest shall bear interest at the lesser of (I) the highest contract rate, if any, permitted by applicable law (ii) a rate equal to 18% per annum. Such interest rate shall apply both before and after any judgment hereon.
WAIVER. Each party waives presentment, demand, protest and notice of dishonor, waives any rights which they may have to require Bank to proceed against any other person or property, agrees that without notice to any party and without affecting any party's liability, Bank, at any time or times, may grant extensions of the time for payment or other indulgences to any party or permit the renewal, amendment or modification of this Note, the Loan Agreement or any security instrument(s), or permit the substitution, exchange or release of any security for this Note and may add or release any party primarily or secondarily liable, and agrees that Bank may apply all moneys made available to it from any part of the proceeds from the disposition of any security for this Note either to this Note or to any other obligation of any of the parties to Bank, as Bank may elect from time to time.
PARTIES. Each signatory of this Note is herein sometimes referred to as "Party" or collectively as "Parties" and each agrees to be liable hereunder jointly and severally. This Note shall apply to and bind each party's heirs, personal representatives, successors and assigns. All references in this Note to Bank shall include the holder hereof and this Note shall inure to the benefit of any holder, its successors and assigns.
PARTIES' DUE DILIGENCE. The undersigned acknowledge and represent that they have relied upon their own due diligence in making their own independent evaluations of the purposes for which the proceeds of this Note will be used and of the business affairs

☒ Cross-Collateralized with Paragon Commercial Bank Loan # **9930000455** to Borrower dated **July 15, 2009**, secured by:

☒ Security Agreement dated **July 15, 2009** and perfected by the filing of UCC-1 Financing Statement(s) with **North Carolina Secretary of State covering:** a blanket first priority lien on all furnishings, equipment, inventory and other items and types of personal property now owned or hereafter acquired, all the Borrower's general intangibles, Instruments and or investment documents and accounts receivable, whether presently existing or arising in the future, and all the proceeds and products from the foregoing (including insurance proceeds). In addition to the foregoing, the collateral shall also include the Borrower's 11.5% interest in Chanticleer Investors, LLC sole asset: a Convertible Secured Promissory Note dated May 24, 2006 between Robert H. Brooks and any and all amendments thereto ("Security Agreement").

1) At maturity of this Note, or upon default, Bank is authorized and empowered to apply to the payment hereof, any and all money deposited in Bank in the name of or to the credit of each party, without advance notice, and is authorized to offset any obligation of Bank to any party to the payment hereof.

2) Collateral securing other loans of each party with Bank may also secure this loan and this loan may also be supported by separate Guaranty Agreement(s).

SIGNATURES

The undersigned parties are jointly and severally liable for the payment of this Note and have subscribed their names hereto. The provisions printed below are a part of this Note. The provisions of this Note are binding on the heirs, executors, administrators, successors and assigns of each and every party and shall inure to the benefit of the holder, its successors and assigns. This Note is executed under the seal of each of the parties and of the endorsers, if any.

CHANTICLEER HOLDINGS, INC.

By: _____ (SEAL)
Michael D. Pruitt, President/CEO/CFO

Additional Terms and Provisions of Note

DEFAULT. Any of the following shall constitute an event of default: (1) the failure to make when due any payment described herein, whether of principal, interest, or otherwise; (2) the failure of any party hereto to perform any of the terms and conditions written into, the Loan Agreement or security instrument(s) securing this Note or any guaranty agreement or security instrument(s) securing such guaranty agreement which apply to this Note; (3) the death, dissolution, merger, consolidation or termination of existence of any party; or if any party is a corporation with thirty-five (35) or fewer shareholders, the aggregate transfer(s) of voting shares in such party whereby persons or entities not owning on the date hereof, singly or in the aggregate, 50% or more of the voting shares of such party, become the owner(s), singly or in the aggregate, of 50% or more of such voting shares, or if such party is a limited or general partnership, any change in general partnership interest(s) in such party; (4) the application for the appointment of a receiver for any party or the filing of a petition under any provisions of the Bankruptcy Code or Act by or against any party or any assignment for the benefit of creditors by or against any party; (5) the failure of any party to furnish from time to time, at Bank's request, financial information requested with respect to such party without undue delay; (6) a determination by Bank that it deems itself insecure or that an adverse change in the financial condition of any party has occurred since the date hereof; (7) the failure of any party to perform any other obligation to Bank; (8) the termination of any guaranty agreement which applies to this Note.

LATE CHARGES, EXPENSES AND ACCELERATION. Each party agrees to pay any late charges permitted by applicable law that Bank may, in its discretion, charge for late payments. If this Note is not paid in full whenever it becomes due and payable, each party agrees to pay all costs and expenses of collection, including a reasonable attorney's fee up to the amount of fifteen (15) percent of the then outstanding balance. Upon the occurrence of an event of default, the entire unpaid balance of this Note shall, at the option of Bank, become immediately due and payable, without notice or demand. Failure to exercise the option to accelerate shall not constitute a waiver of the right to exercise same in the event of any subsequent default.

INTEREST. Upon the nonpayment of any payment of interest described herein, the Bank, at its option and without accelerating this Note, may accrue interest on such unpaid interest at the rate(s) applicable hereunder from time to time until maturity of this Note. After maturity of this Note, whether by acceleration or otherwise, interest will accrue on the unpaid principal of this Note and any accrued but unpaid interest shall bear interest at the lesser of (I) the highest contract rate, if any, permitted by applicable law (ii) a rate equal to 18% per annum. Such interest rate shall apply both before and after any judgment hereon.

WAIVER. Each party waives presentment, demand, protest and notice of dishonor, waives any rights which they may have to require Bank to proceed against any other person or property, agrees that without notice to any party and without affecting any party's liability, Bank, at any time or times, may grant extensions of the time for payment or other indulgences to any party or permit the renewal, amendment or modification of this Note, the Loan Agreement or any security instrument(s), or permit the substitution, exchange or release of any security for this Note and may add or release any party primarily or secondarily liable, and agrees that Bank may apply all moneys made available to it from any part of the proceeds from the disposition of any security for this Note either to this Note or to any other obligation of any of the parties to Bank, as Bank may elect from time to time.

PARTIES. Each signatory of this Note is herein sometimes referred to as "Party" or collectively as "Parties" and each agrees to be liable hereunder jointly and severally. This Note shall apply to and bind each party's heirs, personal representatives, successors and assigns. All references in this Note to Bank shall include the holder hereof and this Note shall inure to the benefit of any holder, its successors and assigns.

PARTIES' DUE DILIGENCE. The undersigned acknowledge and represent that they have relied upon their own due diligence in making their own independent evaluations of the purposes for which the proceeds of this Note will be used and of the business affairs and financial condition of all parties hereto, and they will continue to be responsible for making their own appraisals of such matters. The undersigned have not relied upon and will not hereafter rely upon Bank for such information for such appraisal or other assessment or review and, further, will not rely upon any such information which may now or hereafter be prepared by Bank.

CREDIT INVESTIGATION. The Bank is authorized to investigate from time to time the credit of each party and to answer questions relating to the Bank's credit experience with each party.

PARAGON COMMERCIAL BANK

ASSIGNMENT OF DEPOSIT

Date: **August 10, 2011**

FOR VALUE RECEIVED, the undersigned (jointly and severally) hereby sell(s), assign(s) and transfer(s) to PARAGON COMMERCIAL BANK, Raleigh, North Carolina, and its successors and assigns (hereinafter "BANK"), the account(s) (hereinafter "Account(s)") and/or instrument(s) (hereinafter "Instrument(s)") identified below, together with any renewals thereof or substitutions and/or proceeds therefor:

☒ Account No(s): **Money Market Account No. 651588 and all associated CDARS certificates of deposits in the name of Michael Winder Haley Revocable Trust Dated 12/13/2008, Michael Winder Haley Trustee.**

Amount of Funds Assigned **$2,000,000.00**

And all claims, rights, options, privileges, title, and interest therein and thereunder including, without limitation, all interest and other proceeds earned thereon. The exercise of any right, option, privilege, or power given herein to BANK shall be at the option of BANK.

The above Account(s) and/or Instrument(s) is(are) maintained in or were issued by:

☒ Paragon Commercial Bank

This Assignment is given as security for a loan made by BANK to **Chanticleer Holdings, Inc.** (hereinafter "Debtor(s)") in the amount of **Two Million and 00/100 U.S. Dollars ($2,000,000.00).**

Loan Account **# 9930000580**

(SEE PAGE TWO FOR ADDITIONAL AGREEMENTS OF PARTIES)

IN WITNESS WHEREOF, Assignor has hereunto executed this Assignment under Assignor's hand and seal (or, if Assignor is a corporation, partnership, limited liability company or other legal entity, it has caused this Assignment to be executed under seal by its duly authorized officer or partner) as of the day and year first above written.

Chanticleer Holdings, Inc. **Grantor**

By: _____ (SEAL)
Michael D. Pruitt, President/CEO/CFO

By: _____ (SEAL)
Michael Winder Haley, Trustee

ACKNOWLEDGEMENT OF NOTICE OF ASSIGNMENT

We acknowledge receipt of notice and copy of the foregoing Assignment as collateral for obligations due Paragon Commercial Bank, Raleigh, North Carolina (hereinafter "BANK").

As to any Account(s)/Instrument(s) identified above, our records indicate the balance in Account/Instrument Number(s) **651588 in the name of Michael Winder Haley** to be in the amount of **$2,000,000.00** as of this date. We further certify that any Account(s)/Instrument(s) identified above is(are) valid and do(es) evidence our obligation(s) to the Assignor(s) executing said Assignment. Our records do not disclose any liens, claims, or encumbrances against said Account(s)/Instrument(s) except **N/A**.

We have compared the signature(s) appearing on the Assignment filed by BANK with us with the signature(s) on our records, and the same compare(s) correctly therewith and is (are) sufficient to authorize withdrawal of funds from said Account(s)/Instrument(s) and for all purposes with respect to said Account(s)/Instrument(s). We will be guided by the above Assignment until receipt of further contrary written notice or instructions from BANK.

Paragon Commercial Bank

By: _____ (SEAL) Date: **August 10, 2011**
Charles W. Bartz, Senior Vice President

RELEASE OF ASSIGNMENT

Paragon Commercial Bank (hereinafter "BANK") hereby releases and terminates its interest in the above described Account(s)/Instrument(s), this the day of , and if the above described Account(s)/Instrument(s) is(are) maintained with BANK, we certify that this Assignment has been terminated on our records maintained regarding same. If the Account(s)/Instrument(s) is(are) not maintained with BANK, you are encouraged to present this document to the institution in which same is(are) maintained and request their records reflect this release of assignment.

Paragon Commercial Bank

By: _____(SEAL) Date: _____
(CDO Signature)

By: _____(SEAL) Date: _____
(Loan Documentation Specialist)

PARAGON COMMERCIAL BANK

ASSIGNMENT OF DEPOSIT

Date: **August 10, 2011**

FOR VALUE RECEIVED, the undersigned (jointly and severally) hereby sell(s), assign(s) and transfer(s) to PARAGON COMMERCIAL BANK, Raleigh, North Carolina, and its successors and assigns (hereinafter "BANK"), the account(s) (hereinafter "Account(s)") and/or instrument(s) (hereinafter "Instrument(s)") identified below, together with any renewals thereof or substitutions and/or proceeds therefor:

☒ Account No(s): **Money Market Account No. 651588 and all associated CDARS certificates of deposits in the name of Michael Winder Haley Revocable Trust Dated 12/13/2008, Michael Winder Haley Trustee.**

Amount of Funds Assigned **$2,000,000.00**

And all claims, rights, options, privileges, title, and interest therein and thereunder including, without limitation, all interest and other proceeds earned thereon. The exercise of any right, option, privilege, or power given herein to BANK shall be at the option of BANK.

The above Account(s) and/or Instrument(s) is(are) maintained in or were issued by:

☒ Paragon Commercial Bank

This Assignment is given as security for a loan made by BANK to **Chanticleer Holdings, Inc.** (hereinafter "Debtor(s)") in the amount of **Two Million and 00/100 U.S. Dollars ($2,000,000.00).**

Loan Account # **9930000580**

(SEE PAGE TWO FOR ADDITIONAL AGREEMENTS OF PARTIES)

IN WITNESS WHEREOF, Assignor has hereunto executed this Assignment under Assignor's hand and seal (or, if Assignor is a corporation, partnership, limited liability company or other legal entity, it has caused this Assignment to be executed under seal by its duly authorized officer or partner) as of the day and year first above written.

Chanticleer Holdings, Inc.

By: _____ (SEAL)
Michael D. Pruitt, President/CEO/CFO

Grantor

By: _____ (SEAL)
Michael Winder Haley, Trustee

ACKNOWLEDGEMENT OF NOTICE OF ASSIGNMENT

We acknowledge receipt of notice and copy of the foregoing Assignment as collateral for obligations due Paragon Commercial Bank, Raleigh, North Carolina (hereinafter "BANK").

As to any Account(s)/Instrument(s) identified above, our records indicate the balance in Account/Instrument Number(s) **651588 in the name of Michael Winder Haley** to be in the amount of **$2,000,000.00** as of this date. We further certify that any Account(s)/Instrument(s) identified above is(are) valid and do(es) evidence our obligation(s) to the Assignor(s) executing said Assignment. Our records do not disclose any liens, claims, or encumbrances against said Account(s)/Instrument(s) except **N/A**.

We have compared the signature(s) appearing on the Assignment filed by BANK with us with the signature(s) on our records, and the same compare(s) correctly therewith and is (are) sufficient to authorize withdrawal of funds from said Account(s)/Instrument(s) and for all purposes with respect to said Account(s)/Instrument(s). We will be guided by the above Assignment until receipt of further contrary written notice or instructions from BANK.

Paragon Commercial Bank

By: _____ (SEAL) Date: **August 10, 2011**
Charles W. Bartz, Senior Vice President

RELEASE OF ASSIGNMENT

Paragon Commercial Bank (hereinafter "BANK") hereby releases and terminates its interest in the above described Account(s)/Instrument(s). this the day of . and if the above described Account(s)/Instrument(s) is(are)

PARAGON COMMERCIAL BANK

ASSIGNMENT OF DEPOSIT

Date: **August 10, 2011**

FOR VALUE RECEIVED, the undersigned (jointly and severally) hereby sell(s), assign(s) and transfer(s) to PARAGON COMMERCIAL BANK, Raleigh, North Carolina, and its successors and assigns (hereinafter "BANK"), the account(s) (hereinafter "Account(s)") and/or instrument(s) (hereinafter "Instrument(s)") identified below, together with any renewals thereof or substitutions and/or proceeds therefor:

☒ Account No(s): **Money Market Account No. 651588 and all associated CDARS certificates of deposits in the name of Michael Winder Haley Revocable Trust Dated 12/13/2008, Michael Winder Haley Trustee.**

Amount of Funds Assigned **$2,000,000.00**

And all claims, rights, options, privileges, title, and interest therein and thereunder including, without limitation, all interest and other proceeds earned thereon. The exercise of any right, option, privilege, or power given herein to BANK shall be at the option of BANK.

The above Account(s) and/or Instrument(s) is(are) maintained in or were issued by:

☒ Paragon Commercial Bank

This Assignment is given as security for a loan made by BANK to **Chanticleer Holdings, Inc.** (hereinafter "Debtor(s)") in the amount of **Two Million and 00/100 U.S. Dollars ($2,000,000.00).**

Loan Account # **9930000580**

(SEE PAGE TWO FOR ADDITIONAL AGREEMENTS OF PARTIES)

IN WITNESS WHEREOF, Assignor has hereunto executed this Assignment under Assignor's hand and seal (or, if Assignor is a corporation, partnership, limited liability company or other legal entity, it has caused this Assignment to be executed under seal by its duly authorized officer or partner) as of the day and year first above written.

Chanticleer Holdings, Inc.

By: _____ (SEAL)
Michael D. Pruitt, President/CEO/CFO

Grantor

By: _____ (SEAL)
Michael Winder Haley, Trustee

ACKNOWLEDGEMENT OF NOTICE OF ASSIGNMENT

We acknowledge receipt of notice and copy of the foregoing Assignment as collateral for obligations due Paragon Commercial Bank, Raleigh, North Carolina (hereinafter "BANK").

As to any Account(s)/Instrument(s) identified above, our records indicate the balance in Account/Instrument Number(s) **651588 in the name of Michael Winder Haley** to be in the amount of **$2,000,000.00** as of this date. We further certify that any Account(s)/Instrument(s) identified above is(are) valid and do(es) evidence our obligation(s) to the Assignor(s) executing said Assignment. Our records do not disclose any liens, claims, or encumbrances against said Account(s)/Instrument(s) except **N/A**.

We have compared the signature(s) appearing on the Assignment filed by BANK with us with the signature(s) on our records, and the same compare(s) correctly therewith and is (are) sufficient to authorize withdrawal of funds from said Account(s)/Instrument(s) and for all purposes with respect to said Account(s)/Instrument(s). We will be guided by the above Assignment until receipt of further contrary written notice or instructions from BANK.

Paragon Commercial Bank

By: _____ (SEAL) Date: **August 10, 2011**
Charles W. Bartz, Senior Vice President

RELEASE OF ASSIGNMENT

Paragon Commercial Bank (hereinafter "BANK") hereby releases and terminates its interest in the above described Account(s)/Instrument(s), this the day of , and if the above described Account(s)/Instrument(s) is(are)

ADDITIONAL AGREEMENTS OF PARTIES
(Continued from Page One)

This Assignment shall be a continuing one and shall remain effective for any renewal(s), substitution(s), extension(s), amendment(s) or modification(s) of the above loan(s). It further shall secure any other obligations and/or liabilities of any one or more of the above named DEBTOR(S) to PARAGON COMMERCIAL BANK, due or to become due, whether now existing or hereafter arising, and howsoever evidenced or acquired, whether direct, indirect, absolute or contingent and whether the individual, several, or joint and several obligation(s) or liability(ies) of said DEBTOR(S).

The Assignor(s) hereby irrevocably authorize(s) and empower(s) said PARAGON COMMERCIAL BANK, at any time in its own name or in the name of the Assignor(s), to demand, apply for withdrawal, receive and give acquittance for any and all moneys and claims for moneys hereby assigned and to exercise any and all rights and privileges and receive all benefits (including without limitation earned interest) accorded by said Account(s)/Instrument(s) and to execute any and all instruments required thereof; and if the Account(s)/Instrument(s) were(are) issued by an institution other than PARAGON COMMERCIAL BANK, such institution is hereby specifically authorized and directed, on demand of PARAGON COMMERCIAL BANK to pay all moneys hereby assigned in said Account(s) and/or all moneys due Assignor(s) under the terms of said instrument(s) direct to said PARAGON COMMERCIAL BANK. The failure of PARAGON COMMERCIAL BANK to exercise any of its rights under this assignment shall not constitute a waiver thereof.

The Assignor(s) warrant(s) and represent(s) that the above described Account(s)/Instrument(s) is(are) owned solely by Assignor(s) and is(are) free and clear of all liens and encumbrances, and that Assignor(s) has(have) full power, right and authority to execute and deliver this assignment.

If said Account(s)/Instrument(s) is(are) represented by a passbook, certificate or other document evidencing ownership, such paper writing(s) has(have) been delivered and is(are) herewith assigned and pledged to said PARAGON COMMERCIAL BANK by Assignor(s).

Until this Assignment has been released by Bank as set forth above, the Assignor(s) shall have no right to make any withdrawals from such Account(s)/Instrument(s).

UNCONDITIONAL GUARANTY

Date:	**August 10, 2011**
OBLIGOR(S):	**Chanticleer Holdings, Inc.**
ADDRESS:	**11220 Elm Lane, Suite 203** **Charlotte, NC 28277-0450**
GUARANTOR(S):	**Michael D. Pruitt**
ADDRESS:	**11502 Stonebriar Drive** **Charlotte, NC 28277**
OBLIGEE:	**PARAGON COMMERCIAL BANK** **3535 Glenwood Avenue** **Raleigh, North Carolina 27612**

WHEREAS, the above OBLIGOR(S) (hereinafter jointly and severally termed "Customer") desire(s) to obtain extensions of credit and/or a continuation of credit extensions and/or to engage in business transactions and enter into various contractual relationships and otherwise to deal with Paragon Commercial Bank (hereinafter termed "Bank"); and

WHEREAS, Bank is unwilling to extend or continue to extend credit to and/or to engage in business transactions and enter into various contractual relationships with, and otherwise to deal with Customer unless it receives an unconditional and continuing, joint and several guaranty from the above identified, undersigned GUARANTOR(S) (each, any and all of whom is hereinafter termed "Guarantor"), covering all "Obligations of Customer," as hereinafter defined.

NOW, THEREFORE, in consideration of the premises and of other good and valuable consideration, and in order to induce Bank, from time to time, in its sole discretion to extend or continue to extend credit(with or without security) to and/or to engage in business transactions and enter into various contractual relationships with Customer (without limiting the generality of the foregoing, this Guaranty is being given in order to induce Bank to lease and/or sell real, personal and/or mixed property to Customer, to purchase or discount any Acceptances, Accounts, Chattel Paper, Checks, Contracts, Contract Rights, Drafts, General Intangibles, Instruments, Investment Securities, Land Contracts, Purchase Money Security Agreements (Conditional Sale Contracts of real and/or personal property), Real and/or Personal Property Leases, or any other instruments or evidences of indebtedness (with or without recourse) upon which Customer, jointly or severally, is or may be liable as maker, co-maker, endorser, acceptor, guarantor, surety or otherwise and otherwise to deal with Customer), Guarantor (jointly and severally, if more than one) hereby absolutely and unconditionally guarantees to Bank and its successors and assigns, the due and punctual payment of all indebtedness, obligations and liabilities of said Customer to Bank, and all claims of Bank against the Customer primary or secondary (whether by way of endorsement or otherwise), whether now existing or hereafter arising, whether arising out of contract(s), tort(s) or otherwise, whether created directly with Bank or acquired by Bank through assignment, endorsement or otherwise; whether matured or unmatured; whether absolute or contingent; whether joint or several; whether secured or unsecured; whether monetary or nonmonetary; whether liquidated or unliquidated, as and when the same become due and payable (whether by acceleration or otherwise), in accordance with the terms of any instruments, accounts receivable, security agreements, land and/or other contracts, drafts, leases, chattel paper, debts, obligations or liabilities evidencing any such indebtedness, obligations, liabilities, or claims, including all renewals, extensions, substitutions and/or modifications thereof (all indebtedness, obligations and liabilities of the Customer to Bank and claims of Bank against Customer, including all of the foregoing, being hereinafter collectively termed "Obligations of Customer") provided, however, that the liability, jointly and severally, of the undersigned Guarantors hereunder, at any one time outstanding, with respect to the aggregate principal amount of the "Obligations of Customer," shall not exceed the sum of money here specified (the "Specified Amount"), plus, in addition to the Specified Amount, Guarantors shall also be liable for payment of all interest or finance charges thereon, costs of court, default interest thereon, late payment charges and the reasonable attorneys' fees of Bank, to wit:

Two Million and 00/100 Dollars ($2,000,000.00)

Further, if the Obligations of Customer or this Guaranty are referred to an attorney-at-law, including Bank's in-house counsel, for collection, whether or not suit is commenced, Guarantor expressly hereby agrees to pay, in addition to the Specified Amount, all expenses of collection, including, without limitation, reasonable attorneys' fees. Guarantor hereby stipulates and agrees that, if suit is instituted, up to and not in excess of fifteen percent (15%) of the total amount(s) due hereunder and remaining unpaid at the time suit is instituted by Bank shall be deemed to be the "reasonable attorneys' fees."

In order to implement the foregoing and as additional inducements to Bank, Guarantor further covenants and agrees:

1. This guaranty is and shall remain an unconditional and continuing guaranty of payment and not of collection, shall remain in full force and effect irrespective of any interruption(s) in the business or other dealings and relations of Customer with Bank and shall apply to and guarantee the due and punctual payment and performance of all "Obligations of Customer" due by Customer to Bank. To that end, Guarantor hereby expressly waives any right to require Bank to bring any action against any Customer or any other person(s) or to require that resort be had to any security or to any balance(s) of any deposit or other account(s) or debt(s) or credit(s) on the books of Bank in favor of Customer or any other person(s) and without limiting the generality of the foregoing, undersigned Guarantor herewith expressly waives any rights he otherwise might have had under the provisions of G.S. §26-7, et seq. and/or other laws to require Bank to attempt to recover against Customer and/or to realize upon any securities or collateral security which Bank holds for the Obligations of Customer. Any Guarantor may, by a written notice, delivered personally to or received by certified or registered United States Mail by an officer of Bank actually involved in the transactions being guaranteed hereby, at the address of Bank first above given, terminate this Guaranty with respect to all "Obligations of Customer" incurred or contracted by Customer, acquired by Bank, or otherwise arising more than thirty (30) business days after the date on which such written notice is so delivered to or received by said Bank officer. Such written notice of termination shall be the sole and exclusive method for terminating this Guaranty as to future Obligations of Customer and notwithstanding termination, this Guaranty and all security given for this Guaranty and/or the Obligations of Customer shall remain in full force and effect as to all Obligations of Customer incurred, existing, or arising in any manner pre-termination, including, without limitation, all Obligations of Customer then existing or thereafter arising under loan commitments which exist pre-termination and all Obligations of Customer under lines of credit and/or revolving lines of credit for advances both pre- and post-termination.

2. **TIME IS OF THE ESSENCE HEREOF**. Any notice(s) to Guarantor shall be sufficiently given, if mailed to the first above stated address(es) of Guarantor.

3. This Guaranty Agreement constitutes the entire agreement between the parties with respect to this Guaranty, and no waivers or modifications shall be valid unless they are reduced to writing, duly executed by the party to be charged thereby, and expressly approved in writing by an officer of Bank actually involved in the transactions being guaranteed hereby. This Guaranty does not terminate, cancel, supersede, renew, or substitute for any existing guarantee to Bank by any Guarantor, unless expressly provided herein, and the execution and delivery hereafter to Bank by any Guarantor of a new guarantee shall not terminate, cancel, supersede, or be a renewal or substitution for this Guaranty, unless expressly provided therein, and all rights and remedies of Bank hereunder, under any existing guarantee, or under any guarantee hereafter given to Bank by any Guarantor shall be cumulative and may be enforced singly or concurrently.

4. If any process is issued or ordered to be served upon Bank, seeking to seize Customer's and/or Guarantor's rights and/or interests in any bank account(s), such bank account(s) shall be deemed to have been and shall be set-off against any and all "Obligations of Customer" and/or all obligations and liabilities of Guarantor hereunder, as of the time of the issuance of any such writ or process, whether or not Customer, Guarantor and/or Bank shall then have been served with notice thereof.

5. All moneys available to and/or received by Bank for application toward payment of (or reduction of) the "Obligations of Customer" may be applied by Bank to such individual debt(s) in such manner, and apportioned in such amount(s) and at such time(s), as Bank, in its sole discretion, may deem suitable or desirable.

6. As security for any and all liabilities of Guarantor hereunder, now existing or hereafter arising, Guarantor hereby grants Bank a security interest in any and all moneys or other property (i.e., goods and merchandise, as well as all documents relative thereto, also, funds,

investment securities, choses in action and any and all other forms of property, whether real, personal or mixed, and any right, title, or interest of Guarantor therein or thereto) and/or the proceeds thereof, which have been or may hereafter be, deposited or left with Bank (or with any agent or other third party acting on Bank's behalf) by or for the account or credit of Guarantor, including (without limitation of the foregoing), any property in which Guarantor may have any interest. Further, where any obligation of Guarantor is due and unpaid Bank hereunder, Bank is herewith authorized to exercise its right of Set-Off or "Bank Lien" as to any moneys deposited in demand, checking, time, savings, or other accounts of any nature maintained in and with it by any of the undersigned, without advance notice. Such right of Set-Off shall also be applicable and exercised by Bank, in its sole discretion, where Bank is indebted to any Guarantor by reason of any Certificate(s) of Deposit, Bond(s), Note(s) or otherwise.

7. Guarantor acknowledges that any termination of liability hereunder, as provided for in paragraph 1 above shall not terminate this Guaranty as to existing Obligations of Customer nor release Guarantor from full liability for "Obligations of Customer" hereby guaranteed and then in existence including, without limitation, all Obligations of Customer then existing or thereafter arising under loan commitments which exist pre-termination and all Obligations of Customer under lines of credit and for revolving lines of credit for advances subsequent to the effective date of termination, or from full liability for renewal(s) or extension(s) of the "Obligations of Customer" in whole or in part, whether such renewals or extensions are made before or after the effective date of such termination, and with or without notice to Guarantor, and for substitution therefor, or modifications thereof.

8. The termination of the Guaranty by one or more Guarantors, or the release, settlement or compromise by Bank with respect to any one or more Guarantors, shall not affect the obligations or liability of the remaining Guarantors hereunder, and as to the remaining Guarantors, this Guaranty shall continue in effect as if such Guarantors had been the only Guarantors executing this Guaranty.

9. Guarantor agrees that his liability hereunder shall not be diminished by any failure on the part of Bank to perfect or continue perfection of (by filing, recording or otherwise) any security interest(s) it may have in any property securing this Unconditional Guaranty and/or the "Obligations of Customer" secured hereby and hereunder.

10. Guarantor further hereby consents and agrees that Bank may at any time, or from time to time, in its sole discretion: (i) renew, extend or otherwise change the time of payment, and/or the manner, place or terms of payment of any or all of the "Obligations of Customer" or otherwise modify the Obligations of Customer; (ii) grant indulgences generally from time to time to the Customer and/or any other person liable for the "Obligations of Customer"; (iii) exchange, release and/or surrender all or any of the collateral security, or any part(s) thereof, by whomsoever deposited, which is or may hereafter be held by it or in which it has a lien or security interest in connection with all or any of the "Obligations of Customer" and/or any liabilities or obligations of Guarantor hereunder; (iv) sell or otherwise dispose of and/or purchase all or any of any such collateral at public or private sale, or to or through any investment securities broker, and after deducting all costs and expenses of every kind for collection, preparation for sale, sale or delivery, the net proceeds of any such sale(s) or other disposition may be applied by Bank upon all or any of the "Obligations of Customer"; and (v) settle or compromise with the Customer, any insurance carrier and/or any other person(s) liable thereon, any and all of the "Obligations of Customer," and/or subordinate the payment of all or any part of same, to the payment of any other debts or claims, which may at any time(s) be due or owing to Bank and/or any other person(s); all in such manner and upon such terms as Bank may deem proper and/or desirable, and without notice to or further assent from Guarantor, it being agreed that Guarantor shall be and remain bound upon this Unconditional Guaranty, irrespective of the existence, value or condition of any collateral, or the impairment of any collateral (to include, without limitation, failure to perfect a security interest in collateral), or the unenforceability of any of the Obligations of Customer or the discharge of or release of Customer from liability for any of the Obligations of Customer and notwithstanding any such change, exchange, settlement, compromise, surrender, release, sale or other disposition, application, renewal or extension and notwithstanding also that the "Obligations of Customer" may at any time(s) exceed the aggregate principal sum hereinabove prescribed (if any such limiting sum appears). If Bank should request Guarantor to consent to any of the foregoing, such request and/or consent by Guarantor shall not constitute a waiver by Bank of the provisions of this paragraph which permit such actions without Guarantor's consent, nor of any other provision of this Guaranty relating to acts or inactions of Bank and such request and/or consent shall not create a course of dealing between Bank and Guarantor that would require the consent of Guarantor to any of the foregoing in the future. Further, this Guaranty shall not be construed to impose any obligation on Bank to extend or continue to extend credit or otherwise deal with Customer at any time.

11. If Customer is an organization, this Guaranty covers all "Obligations of Customer" purporting to be created or undertaken on behalf of such organization by any officer, partner, manager, employee, or agent of such organization, without regard to the actual authority of any such officer, partner, manager, employee, or agent, whether or not corporate or partnership resolutions, proper or otherwise, are given by any Customer to Bank, and/or whether or not such purported organizations are legally chartered or organized.

12. This Unconditional, Continuing Guaranty shall be binding upon Guarantor, and the heirs, executors, administrators, successors and assigns of Guarantor; and it shall inure to the benefit of, and be enforceable by Bank, and its successors, transferees and assigns. The death of Guarantor shall not terminate any liability hereunder. This Unconditional Guaranty shall remain in force after Guarantor's death until written notice of termination, sent by a legal representative of Guarantor, is received by Bank as set forth in paragraph 1 above and such termination shall be limited as provided in paragraphs 1 and 7 above.

13. This Unconditional Guaranty shall be deemed to have been made under and shall be governed by the Laws of the State of North Carolina in all respects, including matters of construction, validity and performance. Further, all terms or expressions contained herein which are defined in Articles 1, 3, or 9 of the North Carolina Uniform Commercial Code shall have the same meaning herein as in said Articles of said Code.

14. No waiver by Bank of any default(s) by Guarantor or Customer shall operate as a waiver of any other default or of the same default on a future occasion. If more than one person has signed this Guaranty, such parties are jointly and severally obligated hereunder. Further, use of the masculine or neuter pronoun herein shall include the masculine, feminine or neuter, and also the plural. The term "Guarantor," as used herein, shall (if signed by more than one person) mean the "Guarantors and each of them." If any Guarantor shall be a partnership or a limited liability company, the obligations, liabilities and agreements on the part of such Guarantor shall remain in full force and effect and fully applicable notwithstanding any changes in the individuals composing the partnership or the limited liability company. Further, the term "Guarantor" shall include in such event any altered or successive partnerships or limited liability companies, it being also understood that the predecessor partnership(s) or LLC(s) and their partners or members and managers shall not thereby be released from any obligations or liabilities hereunder. Bank, or any other holder hereof, may correct patent errors in this Guaranty.

15. Guarantor hereby waives: (i) notice of acceptance of this Guaranty; (ii) notice(s) of extensions of credit and/or continuations of credit extensions to Customer by Bank; (iii) notice(s) of entering into and engaging in business transactions and/or contractual relationships and any other dealings between Customer and Bank; (iv) presentment and/or demand for payment of any of the "Obligations of Customer"; (v) protest or notice of dishonor or default to Guarantor or to any other person with respect to any of the "Obligations of Customer" or with respect to any security therefor; (vi) all other notices to which Guarantor might otherwise be entitled; (vii) any demand for payment under this Guaranty; (viii) any defense of any kind which the Customer might have; and (ix) application of any other defenses available to Guarantor.

16. Anything contained herein to the contrary notwithstanding, if for any reason the effective rate of interest on any of the Obligations of Customer should exceed the maximum lawful contract rate, the effective rate of such obligation(s) shall be deemed reduced to and shall be such maximum lawful contract rate, and any sums of interest which have been collected in excess of such maximum lawful contract rate shall be applied as a credit against the unpaid principal balance due hereunder.

17. In the event any provision(s) of this instrument should be left blank or incomplete, Guarantor hereby authorizes and empowers Bank to supply and complete the necessary information to complete or fill in the blank provision(s).

18. Should any one or more provisions of this Unconditional Guaranty be determined to be illegal or unenforceable by a court of competent jurisdiction, the other provisions shall remain in full force and effect.

19. In the event of a change in, or amendment or modification of the legal status or existence of the Customer, this Guaranty shall continue and shall also cover the indebtedness of the Customer under the new or amended status, according to the terms hereof guaranteeing the Obligations of the original Customer.

20. The obligation of any Guarantor executing this Unconditional Guaranty shall not be dependent upon the subsequent execution hereof by any other person.

21. Guarantor shall provide Bank with such financial information as Bank may from time to time request. Any statement of account or records that bind the Customer shall be binding against the Guarantor and the records of Bank maintained in the ordinary course of its business with respect to the Obligations of Customer shall be binding on Guarantor in all respects, including, without limitation, the extent and nature of the Obligations of Customer and the liabilities of Guarantor under this Guaranty.

22. Guarantor warrants and covenants that Guarantor has made such inquiries as Guarantor deems necessary in order to ascertain the financial condition of Customer, and has, in fact, ascertained the financial condition of Customer and is satisfied with such financial condition, that Guarantor has adequate means to obtain from Customer, on a continuing basis, information concerning the financial condition of Customer, and that Guarantor has not relied, and will not rely, on Bank to provide such information, now or in the future.

23. Guarantor agrees that in the event judgment or any court order or administrative order for turnover or recovery is entered against Bank (whether by consent, compromise, settlement or otherwise) for, or Bank is required or agrees to repay (i) the amount of any monetary payment or transfer of any property (whether real, personal or mixed, tangible or intangible, or the value thereof) made to Bank by or on behalf of the Customer and/or Guarantor for credit to the Obligations of Customer, or (ii) the amount of any set-off(s) exercised by Bank and credited to Obligations of Customer, then in such event (and notwithstanding the prior discharge or satisfaction in whole or in part of any or all Obligations of Customer due Bank or the written or stamped notation of cancellation, release or satisfaction affixed to this Guaranty or any instrument of indebtedness evidencing the Obligations of Customer, or any prior notice of the termination of this Guaranty as to future debts of Customer) the amount or value of any such payments, property or set-off(s) recovered from Bank shall be deemed to be Obligations of Customer and this Guaranty and the liabilities of Guarantor hereunder shall be automatically revived and reinstated and shall continue and remain in full force and effect as to the same, together with interest thereon from date of recovery at the rate(s) applicable to the Obligations of Customer to which such payments, transfers or set-off(s) were credited, costs of court, and the reasonable attorneys' fees incurred by Bank in connection therewith.

24. Guarantor further expressly waives, for Bank's benefit and the benefit of Customer and any other guarantor, maker or endorser of the Obligations of Customer, any and all rights of recourse against Customer, or any other guarantor, maker, or endorser of the Obligations of Customer, or property or assets of the same, arising out of any payment made under or pursuant to this Guaranty, including any claim of subrogation, reimbursement, exoneration, contribution or indemnity that the undersigned Guarantor may have against the Customer, any other guarantor, or maker or endorser of the Obligations of Customer. Guarantor will not enter into any contract or agreement in violation of the provisions hereinabove, and any such purported contract or agreement shall be void ab initio.

25. **EVENTS OF DEFAULT**. Guarantor shall be in default under this Unconditional Guaranty upon the happening of any of the following events, circumstances or conditions, to wit::

(a) Default in the payment or performance of any of the obligations or of any covenant, warranty or liability contained or referred to herein, or contained in any other contract or agreement of Customer and/or Guarantor with Bank, whether now existing or hereafter arising; or

(b) Any warranty, representation or statement made or furnished to Bank by or on behalf of Customer and/or Guarantor, in connection with this Guaranty Agreement or to induce Bank to extend credit or otherwise deal with Customer and/or Guarantor proving to have been materially false in any material respect when made or furnished; or

(c) Death, dissolution, termination of existence, insolvency, business failure, appointment of a receiver of any part of the property of, assignment for the benefit of creditors by, or the commencement of any proceeding under any State or Federal Bankruptcy or insolvency laws by or against Guarantor and/or Customer; or

(d) Failure of a Customer and/or Guarantor which is a legal entity to maintain its existence in good standing; or

(e) Upon the entry of any monetary judgment or the assessment and/or filing of any tax lien against either Customer and/or Guarantor or upon the issuance of any writ of garnishment or attachment against any property of, debts due or rights of Customer and/or Guarantor, to specifically include the commencement of any action or proceeding to seize moneys of either Customer and/or Guarantor on deposit in any bank account with Bank; or

(f) If Bank should otherwise deem itself, any security interests, its collateral or property, or the "Obligations of Customer" guaranteed hereby and hereunder and/or the liability of Guarantor hereunder unsafe or insecure, or should Bank, in good faith, believe that the prospect of payment or other performance by Customer and/or Guarantor is impaired.

26. **REMEDIES ON DEFAULT**. Upon the occurrence of any of the foregoing events, circumstances, or conditions of default, all of the obligations evidenced herein and secured or guaranteed hereby shall immediately be due and payable without notice. Further, Bank shall then have all of the rights and remedies granted hereunder, all of the rights and remedies of a Secured Party and/or Holder-in-Due Course under the North Carolina Uniform Commercial Code and/or under other laws of North Carolina.

27. Guarantor acknowledges that Guarantor has read this Guaranty and fully understands the rights granted to Bank herein, and the waiver of rights of
Guarantor. Guarantor further acknowledges that each of the terms contained herein is a material inducement to Bank to extend credit to the Customer and is necessary in order for the Bank to fully realize the benefits of Bank's bargained for agreement with the Customer and Guarantor.

This Guaranty is secured by: **N/A**_____

_____

IN WITNESS WHEREOF, this Guaranty is executed (i) if by individuals, by hereunto setting their hands under seal by adoption of the word "SEAL" appearing next to the individuals' names, (ii) if by a corporation, by the duly authorized officers of the corporation on its behalf under seal by adoption of the facsimile seal printed hereon for such purpose or, if an impression seal appears hereon, by affixing such impression seal, (iii) if by a partnership, by the duly authorized partners of the partnership on its behalf under seal by adoption of the word "SEAL" appearing next to the name of the partnership and/or the signatures of the partners, or (iv) if by a limited liability company, by the duly authorized member or manager of the limited liability company on its behalf under seal by adoption of the word "SEAL" appearing next to the name of the limited liability company and/or the signatures of the members or managers, on the day and year first above written.

By: _____ (SEAL)
Michael D. Pruitt, an Individual

EXHIBIT A

(Legal Description)

IN WITNESS WHEREOF, the Company has executed this Warrant as of the date first written above.

CHANTICLEER HOLDINGS, INC.

By: _____

Name: Michael Pruitt

Title: President

Certificate of Deposit Account Registry Service® (CDARS®)
Customer Request for Account Placement

Account Title: Michael Winder Haley Revocable Trust Date 12/31/06,Michael Winder Haley Trustee	
Contact (for non-personal accounts):	
Customer Class: ☐ Individual / Joint / Revocable Trust ☐ Estate / Irrevocable Trust ☐ Corporation / Limited Liability Corp ☐ Partnership / Limited Liability Partnership ☐ Sole Proprietorship ☐ Non-Profit Institution ☐ Clubs and Associations ☐ Public Entity ☐ Foreign Government ☐ Savings Bank / Credit Union ☐ Other Bank	
Street Address: 12121 W End Road	
City / State / Zip: North Palm Beach FL 33408	
Telephone Number: 516-676-0621	U.S. Citizen: ☒ Yes ☐ No If No, country of citizenship _____
Email Address: summit1031@aol.com	
Tax ID Number(s): 240-54-8570	Type: ☒SSN ☐TIN ☐Non-Resident SSN ☐Non-Resident without TIN
Source of Funds: ☐ Available funds ☒ Wire ☐ Reinvestment of Principal / Interest ☐ Other _____	
Account to be Used: ☐ Checking ☒ Money Market, Account # 651583 ☐ Other CDO	

Order Information:

One-Way Sell? ☐ Yes ☐ No	IRA? ☐ Yes ☒ No			Amount $		
Date to be placed:				Annual Interest Rate: .35 and / or APY: .35		
Term[2]	☐ 4 Weeks	☐ 13 Weeks	☒ 26 Weeks	☐ 52 Weeks	☐ 2 Years (104 weeks)	☐ 3 Years (156 weeks)	☐ 5 Years (260 weeks)
Interest Payment Frequency:	☐ Month End	☒ Quarter End	☐ Semiannual	☐ Year End	☐ At Maturity[3]		
Interest Paid Via:	☐ Credit to Principal	☐ Check	☐ Transfer	Account #:			
Reinvest? ☐ Yes ☒ No			Reinvestment Amount? ☒ Principal ☐ Principal & Interest ☐ Other			
Maturity Disbursement Type:	☐ Check ☐ Transfer Account #:		Term? ☐ 4 Weeks ☐ 13 Weeks ☐ 26 Weeks ☐ 52 Weeks ☐ 2 Years ☐ 3 Years ☐ 5 Years			

Additional Information:

[1]Funds may be submitted for placement only after entering into a Deposit Placement Agreement with us. [2]Early withdrawal penalties will be imposed by the institution that issued the CD and are as follows: 4 Weeks, 28 Days of simple interest; 13 Weeks, 90 Days of simple interest; 26 Weeks, 90 Days of simple interest; 52 Weeks, 180 Days of simple interest; 2 years, 360 days of simple interest; 3 years, 540 days of simple interest; 5 years, 900 days of simple interest. An early withdrawal penalty may invade principal. No penalty will be charged for early withdrawal of a CD upon the death of an individual who is the sole or joint owner of the CD. [3]At Maturity interest option is available only on CDs 52 Weeks and shorter.

CDs are issued and mature on Thursdays each week. If Thursday is a holiday, activities move to Friday.

Customer Exclusions:

Bank:	TRN:	City, State:

Michael W Haley 5/10/11
Signature Date

Signature Date

CDARS and CertiVault of Deposit Account Registry Service are service marks of Promontory Interfinancial Network, LLC.

HOOTERS® INTERNATIONAL FRANCHISE AGREEMENT

BETWEEN

HOOTERS OF AMERICA, LLC
1815 THE EXCHANGE
ATLANTA, GEORGIA, USA 30339
(770) 951-2040

AND

HOOTERS OF AMERICA, LLC
INTERNATIONAL FRANCHISE AGREEMENT
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EXHIBITS

A - PERSONAL GUARANTY OF FRANCHISEE'S PRINCIPALS
B - CONFIDENTIALITY AGREEMENT
C - COVENANT NOT TO COMPETE
D - OPTION ADDENDUM
E - LIST OF FRANCHISEE'S PRINCIPALS
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H - FORM OF RELEASE

HOOTERS OF AMERICA, LLC
INTERNATIONAL FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (the "Agreement") is made and entered into the _____ day of _____, 20____ (the "Effective Date"), by and between HOOTERS OF AMERICA, LLC, a Georgia, USA limited liability company with its principal business address at 1815 The Exchange, Atlanta, Georgia, USA 30339 (hereinafter "HOA"), and _____, a _____ _____ with its principal business address at _____ _____ (hereinafter the "Franchisee").

RECITALS

A. HOA developed a distinctive system (the "Hooters System") for the establishment and operation of restaurants that offer a limited menu featuring seafood and chicken wings, together with beer, wine, and liquor. The Hooters System includes HOA's distinctive exterior and interior restaurant design, trade dress, décor, and color scheme; uniform standards, specifications, and procedures for operations; procedures for quality control; training and ongoing operational assistance; and advertising and promotional programs; all of which HOA may add to, delete from, and modify from time to time.

B. HOA entered into a license agreement (the "License Agreement") with HI Limited Partnership ("HILP"), pursuant to which License Agreement HILP granted HOA the right to use certain trademarks, trade names, service marks, logotypes, and other commercial symbols, including without limitation the mark "Hooters®," in connection with the operation of restaurants. HOA identifies the Hooters System by means of such trademarks, trade names, service marks, logotypes, and other commercial symbols, together with HOA's trade dress, décor, color schemes, and other identifying characteristics (all of which are referred to collectively in this Agreement as the "Proprietary Marks"), all of which HOA may add to, delete from, and modify from time to time.

C. HOA continues to develop, use, and control the use of, the Proprietary Marks and the Hooters System to identify for the public the source of products and services marketed under the Proprietary Marks and the Hooters System, and to represent the Hooters System's high standards of quality, appearance, and service.

D. Franchisee desires for HOA to grant Franchisee a franchise to operate a Hooters restaurant, using the Proprietary Marks, under the Hooters System, and for HOA to provide Franchisee with certain training and other assistance in connection with such franchise, all as set forth in and subject to this Agreement.

E. Franchisee understands and acknowledges the importance of HOA's high standards of quality, appearance, and service, and the necessity of operating its franchised business in compliance with HOA's standards and specifications.

In consideration of the foregoing and the mutual promises and commitments set forth in this Agreement, the parties hereby agree as follows:

I. GRANT, APPROVED LOCATION, CONSTRUCTION, AND PERMITTING

A. Grant. HOA hereby grants to Franchisee, on the terms and conditions set forth in this Agreement and subject to the License Agreement, the right, license, and privilege, and Franchisee undertakes the obligation, to operate a business (the "Franchised Business") to

develop, open, and operate a franchised Hooters restaurant (the "Restaurant"), using the Proprietary Marks and the Hooters System, at the Approved Location (as defined in Section I.B. of this Agreement) (collectively, the "Franchise").

B. Approved Location.

1. The address of the Restaurant location approved under this Agreement (the "Approved Location") is:

A location in the Option Territory set forth on Exhibit A to the Option Addendum attached to this Agreement as Exhibit D, selected and approved as set forth in this Agreement.

2. The Approved Location will be determined by mutual written agreement of the parties within _____ days after the Effective Date of this Agreement; provided, however, that Franchisee shall have the right to substitute a different site, if such different site is acceptable to HOA, within sixty (60) days after the Effective Date of this Agreement.

3. Franchisee shall not relocate the Restaurant without HOA's prior express written consent.

4. During the term of this Agreement, HOA will not establish, and will not license another entity to establish, a Hooters restaurant under the Hooters System within a radius of eight (8) kilometers from the Approved Location (hereinafter the "Protected Territory").

C. Construction, Permitting, and Licensing.

1. Franchisee shall complete the construction of the Restaurant in accordance with the provisions and requirements of Section V.E. of this Agreement (the "Construction") and shall open the Restaurant for business on or before _____, 20____ (the "Opening Date"). On Franchisee's written request, HOA may grant Franchisee up to three (3) thirty (30) day extensions past the date set forth above within which to open the Restaurant. HOA will not require Franchisee to pay HOA any fee for the first such extension. Franchisee shall pay HOA a non-refundable extension fee of Two Thousand Five Hundred and No/100 United States Dollars ($2,500 USD) contemporaneously with Franchisee's request for the second such extension. Franchisee shall pay HOA a non-refundable extension fee of Five Thousand and No/100 United States Dollars ($5,000 USD) contemporaneously with Franchisee's request for the third such extension.

2. Provided that Franchisee has made full and complete application for all building permits, alcoholic beverage licenses, and all other permits required to open its Hooters Restaurant, within sixty (60) days after the Effective Date of this Agreement, HOA may, on Franchisee's written request, grant Franchisee up to three (3) thirty (30) day extensions to obtain all necessary permits, without charging Franchisee any amounts for such extensions, if the delay was due to causes beyond Franchisee's reasonable control, which grant HOA will not unreasonably withhold. Franchisee must submit documentation of the status of

the applications together with Franchisee's request for each such extension. On HOA's grant of each such extension, HOA will commensurately extend the Opening Date.

3. Should Franchisee be unable to obtain all necessary permits and licenses during the stated period and extension time periods as a result of causes beyond Franchisee's reasonable control, HOA or Franchisee may terminate this Agreement and any Option Addendum on written notice to the other, without the necessity of further action by either party or further documentation. On such termination, HOA will retain one-third (1/3) of the initial franchise fee set forth in Section IV.A. of this Agreement and one hundred percent (100%) of any pre-paid option fees to compensate HOA for its costs and expenses related to enfranchising Franchisee and its lost or deferred opportunities to enfranchise others. HOA will refund the amount HOA owes Franchisee within thirty (30) days after notice by HOA or Franchisee of the termination of this Agreement.

D. Destruction of Approved Location. In the event the Restaurant building is damaged or destroyed by fire or other casualty, or is required by any governmental authority to be repaired or reconstructed, Franchisee shall commence repair or reconstruction of the building within ninety (90) days after the date of such casualty or notice of governmental requirement (or such lesser period as such governmental requirement may specify) and shall complete all required repair or reconstruction as soon as possible thereafter, but in no event later than one hundred eighty (180) days after the date of such casualty or governmental requirement. In the case of reconstruction due to casualty, the minimum acceptable appearance for the restored building will be that which existed immediately prior to the casualty; provided, however, Franchisee will use its best efforts to have the restored building include the then-current image, design, and specifications of new Hooters restaurants. If the building is substantially destroyed by fire or other casualty, Franchisee may, with HOA's agreement and on payment to HOA of a royalty in an amount equal to five percent (5%) of all insurance proceeds as a consequence of such casualty, terminate this Agreement as to the Restaurant in lieu of Franchisee's reconstructing the building.

E. Franchise is Non-Exclusive. FRANCHISEE ACKNOWLEDGES AND AGREES THAT, EXCEPT AS EXPRESSLY PROVIDED IN THIS AGREEMENT, THIS FRANCHISE IS NON-EXCLUSIVE: HOA RESERVES THE RIGHT TO DEVELOP, OPEN, AND OPERATE, AND TO AUTHORIZE OTHERS TO DEVELOP, OPEN, AND OPERATE, HOOTERS RESTAURANTS OUTSIDE FRANCHISEE'S PROTECTED TERRITORY ON ANY TERMS HOA DEEMS APPROPRIATE.

F. No Subfranchising. FRANCHISEE SHALL HAVE NO RIGHT TO GRANT SUBFRANCHISES TO OTHERS. FRANCHISE SHALL NOT, AND SHALL NOT ATTEMPT TO, GRANT SUBFRANCHISES TO OTHERS.

II. TERM; RENEWAL

A. Initial Term. As to the initial Restaurant under this Agreement, this Agreement will commence on the Effective Date and will continue in effect for a period of twenty (20) years thereafter, subject to earlier termination as set forth in this Agreement. As to all subsequent Restaurants Franchisee develops under this Agreement, this Agreement will continue in effect for twenty (20) years from the date such Restaurant opens, subject to

earlier termination as set forth in this Agreement. This Agreement refers to such twenty (20) year term, whether as to the initial Restaurant or any subsequent Restaurant, as the "Initial Term."

B. Renewal Term. Franchisee may renew the Franchise as to each Restaurant for one (1) additional twenty (20) year term (such additional term being referred to in this Agreement as the "Renewal Term," and the Initial Term, together with the Renewal Term, being referred to collectively in this Agreement as the "Term"), provided that:

1. Franchisee delivers written notice (the "Renewal Notice") fewer than eighteen (18) months but more than six (6) months before the end of the Initial Term, of Franchisee's intent to renew the Franchise as to the Restaurant specified in the Renewal Notice, for the Renewal Term;

2. Franchisee pays HOA a renewal fee in the amount of Twenty-Five Thousand and No/100 United States Dollars ($25,000 USD) (the "Renewal Fee"), contemporaneously with Franchisee's delivery of the Renewal Notice, for renewal of the Franchise as to the Restaurant specified in the Renewal Notice;

3. Franchisee is, at the time Franchisee delivers the Renewal Notice, in compliance with: (i) this Agreement and all amendments to it; (ii) all other agreements to which HOA or its affiliates on the one hand, and Franchisee or its affiliates on the other hand, are parties; and (iii) HOA's confidential operations manuals (the "Manuals");

4. Franchisee has been, at all times during the Initial Term, in compliance with: (i) this Agreement and all amendments to it; and (ii) the Manuals;

5. Franchisee enters into HOA's then-current form of international franchise agreement, including all schedules, exhibits, addenda, and attachments to it (collectively, the "Renewal Franchise Agreement"), all of which may contain terms that vary materially from the terms of this Agreement; and

6. Franchisee and its Principals (as defined in Section XII.B. of this Agreement) execute and deliver to HOA a release, estoppel, covenant not to sue, indemnification, and related provisions in substantially the form set forth in Exhibit H to this Agreement (collectively, the "Release").

C. Non-Renewal By Franchisee. Franchisee will be deemed to have declined to renew the Franchise as to a Restaurant, and the option to renew the Franchise set forth in Section II.B. of this Agreement will expire automatically and without notice as to such Restaurant, if Franchisee does not deliver to HOA all items required for renewal, including without limitation the Renewal Fee, the executed Renewal Franchise Agreement, and the executed Release, to HOA within thirty (30) days after HOA delivers the Renewal Franchise Agreement and Release to Franchisee for execution.

D. Effect of Non-Renewal or Expiration. Non-renewal or expiration of the Franchise as to a Restaurant will constitute termination of this Agreement and the Franchise as to such Restaurant, but not as to any other Restaurants Franchisee may own under this Agreement.

E. Future Renewal Provisions. At the end of the Renewal Term, HOA will offer Franchisee the renewal provisions that HOA then offers franchisees generally, provided that Franchisee satisfies HOA's then-current terms.

III. HOA'S OBLIGATIONS

A. HOA will provide Franchisee with advice in locating and opening a completed restaurant, including without limitation providing acceptable site criteria, approved supplier lists, and approved renovation criteria; and, at HOA's option, a set of architectural plans of an existing Hooters restaurant.

B. HOA will provide Franchisee with the manager training program described in Section V.F. of this Agreement.

C. HOA will offer Franchisee the additional pre-opening training described in Section V.H. of this Agreement.

D. HOA will provide such continuing advisory assistance to Franchisee in the operation, advertising, and promotion of the Restaurant as HOA deems appropriate.

E. HOA will provide such refresher training for Franchisee and Franchisee's employees as HOA deems appropriate.

F. HOA may provide Franchisee with advertising and promotional plans and materials for local advertising as described in Section X.A. of this Agreement.

G. HOA will provide Franchisee, on loan, with one copy of the Manuals, as set forth in Section VII. of this Agreement.

H. HOA may provide Franchisee with such merchandising, marketing, and other data and advice as HOA may develop and deem to be helpful in the management and operation of the Restaurant.

I. HOA may provide Franchisee with such periodic individual or group advice, consultation, and assistance, rendered by personal visit or telephone, or by newsletters or bulletins made available from time to time to all HOA franchisees, as HOA deems appropriate.

J. HOA will provide Franchisee with such bulletins, brochures, manuals, and reports, as HOA may publish for franchisees generally regarding HOA's plans, policies, developments, and activities. In addition, HOA will provide such communication concerning new developments, techniques, and improvements in food preparation, equipment, food products, packaging, and restaurant management, that HOA deems relevant to the operation of the Restaurant.

K. HOA will provide Franchisee with the requirements for a standardized system for accounting, cost control, and inventory control.

IV. FEES

A. Initial Franchise Fee. Franchisee shall pay to HOA an initial franchise fee (the "Initial Franchise Fee") in the amount of Seventy-Five Thousand and No/100 United States Dollars ($75,000 USD) on Franchisee's execution of this Agreement and delivery of this Agreement to HOA. Franchisee shall pay the Initial Franchise Fee in a lump sum in immediately-available bank funds. Except as described in Section I.C.3. of this Agreement, the Initial Franchise Fee shall be deemed fully-earned and nonrefundable on Franchisee's execution of this Agreement, in consideration of the administrative and other expenses HOA incurs in granting Franchisee its Franchise and in further consideration of HOA's lost or deferred opportunities to enfranchise others. If Franchisee paid HOA an application fee prior to HOA's execution of this Agreement, HOA will credit the amount of the application fee against the amount of the Initial Franchise Fee.

B. Continuing Royalty Fee. Franchisee shall pay to HOA a continuing royalty fee (the "Continuing Royalty Fee") equal to five percent (5%) of Franchisee's monthly Gross Sales (as defined in Section IV.G. of this Agreement) of the Restaurant, so that HOA actually receives such payment by the end of ten (10) days after the end of such calendar month.

C. Local Advertising. Franchisee shall spend each calendar year a minimum of four percent (4.0%) of the Gross Sales of the Restaurant on local advertising and promotion (the "Local Advertising Expenditure"). In the event HOA establishes an International Advertising Fund (as set forth in Section IV.D. of this Agreement), Franchisee may reduce the amount of its Local Advertising Expenditure by the amount of the International Advertising Fee.

D. International Advertising Fee. HOA may establish an international advertising fund (the "International Advertising Fund") for its franchisees located outside the United States. In the event that HOA establishes the International Advertising Fund, Franchisee shall pay to HOA an international advertising fee (the "International Advertising Fee") equal to one percent (1%) of Franchisee's monthly Gross Sales of the Restaurant, so that HOA actually receives such payment by the end of ten (10) days after the end of such calendar month. HOA or HOA's designee will maintain and administer the International Advertising Fee in an International Advertising Fund as provided in Section X.C. of this Agreement.

E. Casualties. Franchisee's obligation to pay the Continuing Royalty Fee and the International Advertising Fee, if imposed (collectively, the "Fees"), shall not be altered by the occurrence of any casualty or event that would cause a temporary closing of the Restaurant for a period of more than five (5) days. In the event that such a casualty or event occurs, the Fees to be paid by Franchisee for each calendar month in which such Restaurant is closed shall be the average of all Fees payable by Franchisee during the immediately-preceding twelve (12) calendar months, or such lesser period as the Restaurant has been open if the Restaurant has been open fewer than twelve (12) calendar months.

F. Past-Due Payments. Any payment that HOA does not actually receive by the end of the specified date shall be deemed past due. If any payment is past due, in addition to HOA's right to exercise all rights and remedies available to HOA under Section XIII. of

this Agreement, Franchisee shall pay to HOA, in addition to the past-due amount, interest on such amount from the date it came due until the date HOA actually receives such payment. The rate of such interest shall be the lesser of: (i) eighteen percent (18%) per annum; or (ii) the maximum rate allowed by the laws of Franchisee's jurisdiction or any successor or substitute law (hereinafter the "Default Rate"), until paid in full.

G. Gross Sales. As used in this Agreement, "Gross Sales" shall include all revenue related to the sale of products and performance of services in, at, about, through, or from the Restaurant, whether for cash or credit, and regardless of collection in the case of credit, and income of every kind and nature related to the Restaurant, including without limitation insurance proceeds and condemnation awards for loss of sales, profits, or business; and further including without limitation amounts from games, ATM fees, liquor, gift cards, catering, and catering vehicles; provided, however, that "Gross Sales" shall not include: (i) revenues from sales taxes or other add-on taxes Franchisee collects from guests and actually transmits to the appropriate taxing authority; (ii) tips guests give and that are charged to the guests' credit or debit cards; and (iii) the retail value of any complimentary services, discounts, trade-outs, credit card fees, cash refunds to guests, and coupons used by guests (collectively, the "Comps"), up to a maximum of two percent (2%) of Gross Sales in the aggregate. In no event may Franchisee exclude or deduct from Franchisee's Gross Sales greater than two percent (2%) of such Gross Sales for Comps. The sale and delivery of products and services away from the Restaurant without HOA's consent is strictly prohibited; however, should such sales occur, Franchisee shall include such sales in computing Gross Sales.

H. Currency Conversion. All amounts payable to HOA under this Agreement shall be paid in United States Dollars. On or about the first (1st) business day of each calendar month, HOA will notify Franchisee of the exchange rate for payments for that month. HOA will base such exchange rate on the prevailing exchange rate as reported in the "Currency Trading" section of *The Wall Street Journal* (or its future equivalent), or such other source as HOA reasonably deems appropriate, on or for the first business day of each calendar month.

I. Legal Restrictions on Payment. If at any time any legal restriction shall be imposed on the purchase of United States Dollars, or on the removal of the United States Dollars from Franchisee's jurisdiction, Franchisee shall notify HOA immediately; and in such event, to the extent permitted by Law, HOA may direct Franchisee to make payment to HOA in such other currency or in such other jurisdiction as HOA may select. Franchisee shall use its best efforts to obtain any consents or authorizations that may be necessary to effect payment in United States Dollars in compliance with applicable Law, at Franchisee's sole cost and expense. HOA's acceptance of payment in a currency other than United States Dollars shall not relieve Franchisee of its obligation to make future payments in United States Dollars to the extent permitted by applicable Law.

J. Taxation. With respect to all amounts Franchisee is obligated to pay HOA, Franchisee shall, if required by Law, deduct the amount of any withholding taxes or other required taxes due directly from the amount due HOA and shall remit the tax directly to the appropriate taxing authorities at the time payment is made to HOA. Franchisee shall promptly provide HOA with a copy of the transmittal letter to the taxing authority that accompanies any such tax payment. Franchisee will cooperate fully with HOA in any dealings with any taxing authorities in any effort by HOA to reduce the amount of taxes payable and to obtain refunds, credits, or exemptions. Franchisee shall promptly obtain

tax receipts from the appropriate taxing authorities evidencing any tax payment made and shall promptly submit such tax receipt to HOA.

K. Payment of Amounts Owed.

1. Franchisee shall pay HOA all Continuing Royalty Fees, International Advertising Fees, and any and all other sums Franchisee owes HOA, by automatic debit, wire transfer, or such other means as HOA may specify from time to time. Franchisee shall promptly execute all documentation HOA or Franchisee's bank may require in order to effect such payments. Franchisee shall pay any and all fees, costs, or expenses incurred in connection with any currency exchange and the transmission of any payment to HOA. Franchisee shall include with any payment to HOA calculations showing the determination and amount of such payment.

2. Franchisee shall pay all amounts due to HOA under this Agreement without counterclaim or set-off.

V. DUTIES OF FRANCHISEE

A. Franchisee acknowledges and agrees that every detail of the Franchised Business, including without limitation the uniformity of appearance, service, products, and advertising of Franchisee's Restaurant, is important to Franchisee, HOA, the Hooters System, and HOA's other franchisees, in order to maintain the Hooters System's high and uniform operating standards, to increase the demand for the products and services, and to protect HOA's reputation and goodwill.

B. If Franchisee is or becomes a corporation, limited partnership, general partnership, limited liability company, or other business entity, Franchisee shall comply with Section XII. of this Agreement and the following requirements:

1. Franchisee shall confine its activities exclusively to the operation of the Franchised Business, and the Franchised Business shall confine its activities exclusively to the development, opening, and operation of the Restaurant.

2. Franchisee's Certificate or Articles of Incorporation, Bylaws, Partnership Agreement, Articles of Organization, Operating Agreement, or comparable governing documents shall at all times provide that: (i) Franchisee's activities shall be confined exclusively to the operation of the Franchised Business, and the Franchised Business's activities shall be confined exclusively to the development, opening, and operation of the Restaurant; and (ii) the issuance, redemption, purchase for cancellation, and transfer of voting stock, partnership interests, membership interests, or other equity interests in Franchisee, are restricted by the terms of this Agreement.

3. Franchisee shall provide to HOA copies of Franchisee's Certificate or Articles of Incorporation, Bylaws, Partnership Agreement, Articles of Organization, Operating Agreement, or comparable governing documents, and any other documents HOA may reasonably request, and any amendments to any of them, so that HOA actually receives such copies by the end of ten (10) days after HOA requests such copies.

4. Franchisee shall maintain stop transfer instructions against the transfer on its record of any equity securities (voting or otherwise) except in compliance with Section XII. and Section XV. of this Agreement. All securities Franchisee issues shall bear the following legend, which shall be printed legibly and conspicuously on each stock certificate or other evidence of ownership interest:

THE TRANSFER OF THESE SECURITIES IS SUBJECT TO THE TERMS AND CONDITIONS OF A FRANCHISE AGREEMENT WITH HOOTERS OF AMERICA, LLC DATED [INSERT DATE]. REFERENCE IS MADE TO SUCH AGREEMENT AND TO THE RESTRICTIVE PROVISIONS OF THE [INSERT TYPE OF CERTIFICATE] OF THIS [INSERT TYPE OF ENTITY].

5. Franchisee shall maintain a current list of all owners of record and all beneficial owners of any class of voting equity of Franchisee and shall furnish the list to HOA so that HOA actually receives such list by the end of ten (10) days after HOA requests such list.

6. If Franchisee is a partnership, Franchisee shall maintain a current list of all general and limited partners, and a list of all owners of record and all beneficial owners of any class of voting equity of Franchisee and such general and limited partners, and shall furnish such list to HOA so that HOA actually receives such list by the end of ten (10) days after HOA requests such list.

C. Each Principal of Franchisee, and such of Franchisee's other equityholders as HOA may specify, shall enter into a continuing guaranty agreement in the form attached to this Agreement as Exhibit A (the "Guaranty"). HOA may amend or modify the form of such Guaranty from time to time as to equityholders signing the Guaranty after the Effective Date of this Agreement.

D. Franchisee assumes all costs, liability, expense, and responsibility for locating, obtaining, and developing the Approved Location for the Restaurant and for constructing and equipping the Restaurant at such Approved Location. Franchisee shall not make any binding commitment to a prospective vendor or lessor of real estate with respect to the Approved Location unless HOA approves such Approved Location in accordance with the procedures set forth in this Agreement and unless the lease documents for such Approved Location provide, without limitation: (i) that the landlord shall provide HOA with notice of any default thereunder at least thirty (30) days prior to any termination of the lease, specifying such default and granting HOA the right (but not the obligation) to cure any such default within such period; and (ii) that the landlord approves of HOA as an assignee of Franchisee's interest thereunder. FRANCHISEE ACKNOWLEDGES THAT HOA'S APPROVAL OF AN APPROVED LOCATION AND THE RENDERING OF ASSISTANCE IN THE SELECTION OF AN APPROVED LOCATION DOES NOT CONSTITUTE HOA'S REPRESENTATION, PROMISE, WARRANTY, OR GUARANTY THAT A HOOTERS RESTAURANT AT THAT APPROVED LOCATION WILL BE PROFITABLE OR OTHERWISE SUCCESSFUL.

E. Franchisee shall, at its expense, and to HOA's satisfaction, comply with all of the following requirements:

1. Before commencing Construction of the Restaurant, Franchisee shall submit a site plan to HOA, including a footprint of the proposed building, and

architectural, kitchen, and signage drawings, for HOA's approval. Franchisee, at its option, may use any architect or engineer HOA currently uses to prepare detailed plans and specifications for the Construction of the Restaurant.

2. Franchisee shall: (i) use a qualified general contractor or construction supervisor to supervise the Construction of the Restaurant and the completion of all improvements; and (ii) submit to HOA a statement providing the name and contact information of such general contractor or construction supervisor.

3. Franchisee shall cause such Construction to be performed only in accordance with the site plan and the plans and specifications HOA approved. No changes will be made to such approved plans and specifications, or to the Construction, or to any of the materials used in the Restaurant, or to interior and exterior colors of the Restaurant, without HOA's express prior written consent.

4. Franchisee shall obtain and shall thereafter maintain all licenses, permits, and certifications required for lawful Construction of the Restaurant, including without limitation building, zoning, access, parking, driveway access, sign, and occupancy permits and licenses, and shall certify in writing to HOA that it has obtained all such licenses, permits, and certifications.

5. Franchisee shall obtain and shall thereafter maintain all health, life, safety, alcoholic beverage, and other licenses, permits, and certifications required for operation of the Restaurant and shall certify in writing to HOA prior to the Opening Date that it has obtained all such licenses, permits, and certifications.

F. HOA will provide its manager training program to up to six (6) of Franchisee's manager-in-training ("MIT") personnel. If Franchisee is an individual, Franchisee and Franchisee's management personnel must complete HOA's manager training program to HOA's reasonable satisfaction prior to Franchisee's opening of the Restaurant for business. If Franchisee is a corporation, partnership, limited liability company, or other business entity, at least one (1) Principal of Franchisee and Franchisee's management personnel must complete HOA's manager training program to HOA's reasonable satisfaction prior to Franchisee's opening of the Restaurant for business. At HOA's option, key personnel Franchisee subsequently employs must also complete HOA's manager training program to HOA's reasonable satisfaction. HOA may, at its discretion, make available additional training programs, seminars, and refresher courses to Franchisee and Franchisee's designated personnel from time to time. All such training will take place at the locations HOA designates. HOA may, at any time, discontinue management training and decline to certify Franchisee or Franchisee's designated personnel who fail to demonstrate an understanding acceptable to HOA of the management training. If HOA discontinues the management training of Franchisee or Franchisee's designated personnel, Franchisee shall have thirty (30) days to present HOA with an acceptable alternative candidate for the manager training program. If HOA reasonably determines that Franchisee is unable or unwilling to provide individuals who can complete the manager training program to HOA's reasonable satisfaction, or if HOA reasonably determines that the individuals whom Franchisee has presented for manager training lack the skills to operate the Restaurant successfully, HOA will have the right to terminate this Agreement pursuant to Section XIII.D.7. hereof. HOA will provide instructors and training materials for all required training programs. Franchisee shall be responsible for all expenses Franchisee or its personnel incur in connection with any

training programs, including without limitation wage and benefit costs, and the costs of transportation, lodging, and meals.

G. Franchisee shall designate at least one (1) manager (the "General Manager") of the Restaurant who shall have authority over the other managers. If Franchisee is an individual, Franchisee may serve as General Manager. Franchisee's designated General Manager shall devote his or her full time, energy, and best efforts to the management and operation of the Restaurant. Franchisee will require such General Manager to complete, to HOA's reasonable satisfaction, an HOA-approved manager training program by the end of ninety (90) days after such individual's appointment to serve as General Manager.

H. HOA will offer Franchisee the training resources for Franchisee's hourly employees described in this Section V.H. HOA will provide such training at Franchisee's Restaurant prior to, during, and immediately after Franchisee's opening of the Restaurant for business. Franchisee must give HOA not less than thirty (30) days notice of when training should begin. In order for training to begin, Franchisee must have received such governmental approvals as are required to open the Restaurant for business, and all refrigeration, kitchen, and cooking equipment must be functioning.

1. Pre-Opening Training (FOR FRANCHISEE'S FIRST RESTAURANT). As to Franchisee's first Restaurant under this Agreement, HOA shall furnish the following training assistance:

   a. Two (2) training coordinators. HOA is responsible for all compensation, costs, and expenses of the training coordinators.

   b. Up to six (6) certified front-of-house trainers, as HOA designates, for seven (7) days of training. HOA is responsible for the wages of the front-of-house trainers for such seven (7) days.

   c. Up to four (4) back-of-house trainers, as HOA designates, for fourteen (14) days of training. HOA is responsible for the wages of the back-of-house trainers for the first seven (7) days. Franchisee is responsible for the wages of the back-of-house trainers after such seven (7) days.

   d. One or two bar trainers, as HOA designates, for seven (7) days of training. Franchisee shall pay HOA $150.00 USD to $200.00 USD minimum total compensation per bar trainer for each lunch shift and $150.00 USD to $200.00 USD minimum total compensation per bar trainer for each dinner shift each bar trainer works

   e. Up to ten (10) jumpstarters. The general complement for the opening of a franchisee's first Restaurant is six (6) Hooters Girl jumpstarters and four (4) cook jumpstarters. Such jumpstarters will generally commence working in the Restaurant on the Restaurant's opening day. Franchisee shall pay HOA $150.00 USD to $200.00 USD minimum total compensation per Hooters Girl jumpstarter for each lunch shift and $150.00 USD to $200.00 USD minimum total compensation per Hooters Girl jumpstarter for each dinner shift each Hooters Girl jumpstarter works. Hooters Girl jumpstarters shall be entitled to keep guests' tips. Franchisee shall pay HOA $150.00 USD to $200.00 USD minimum total

compensation per shift for each cook jumpstarter, depending on the experience of such cook jumpstarter.

f. HOA shall have the right to increase the minimum compensation of such bar trainers, Hooters Girl jumpstarters, and cook jumpstarters as needed to respond to changes in business conditions, supply and demand, and like factors, with prior written notice to Franchisee. Jumpstarters generally work in the Restaurant during the first seven (7) days after opening.

2. Pre-opening Training (FOR FRANCHISEE'S SECOND OR SUBSEQUENT RESTAURANTS). As to Franchisee's second or subsequent Restaurants under this Agreement, if applicable, HOA shall furnish two (2) training coordinators. HOA will pay the costs and expenses of the training coordinators.

a. Prior to the time Franchisee opens its second or any additional Restaurants, Franchisee shall cause key employees from Franchisee's first Restaurant to be trained as certified trainers in accordance with the Manuals. Franchisee's certified trainers and Hooters Girl jumpstarters will then conduct the training of new employees in the second or additional Restaurants.

b. Franchisee will be responsible for the costs and expenses of its certified trainers and Hooters Girl jumpstarters used in opening the second or additional Restaurants.

3. Franchisee shall pay HOA the expenses of HOA's trainers, Hooters Girl jumpstarters, and cook jumpstarters. Expenses shall include, without limitation, travel expenses, per diem, and lodging expenses. Travel within 250 miles of an HOA restaurant is by automobile, and drivers are paid $0.20 (U.S.) per mile. Travel farther than 250 miles is by commercial airline with tickets booked to minimize fares, subject to availability. Per diem is currently $25.00 USD per day unless HOA approves some other amount in advance. Lodging rates can be negotiated locally at Franchisee's discretion; however, Franchisee must select and designate lodging with consideration for safety, security, cleanliness of the facility, and proximity of the lodging to the Restaurant. HOA may change the above-stated rates from time to time, on prior written notice to Franchisee.

4. HOA will provide Franchisee with invoices for amounts owed under this Section V.H. HOA may require Franchisee to pre-pay all or a portion of such amounts. Franchisee shall pay such amounts so that HOA actually receives payment by the end of thirty (30) days after HOA delivers each such invoice.

I. Franchisee shall use the Approved Location solely for the operation of the Restaurant. Franchisee shall not use or permit the use of the Approved Location for any other purpose or activity at any time without first obtaining HOA's written consent. Franchisee shall keep the Restaurant open and in normal operation for a minimum of seven (7) days a week, fifty-two (52) weeks per year, during the hours of 11:00 a.m. to 12:00 midnight Monday through Thursday, 11:00 a.m. to 1:00 a.m. Friday and Saturday, and 11:00 a.m. to 10:00 p.m. on Sundays; provided, however, Franchisee may close the Restaurant on two (2) holidays that Franchisee selects and that are considered national holidays within

Franchisee's jurisdiction, subject to HOA's approval. HOA may specify different minimum hours and days of operation from time to time in the Manuals or otherwise. All such minimum days and hours of operation are subject to local ordinances and lease restrictions, if any. Franchisee shall not locate or permit to be located on or about the Restaurant premises or any other area of the Approved Location any slot machines or gambling devices, or any coin-operated machines for vending of any merchandise, or entertainment devices for the playing of electronic or manual games or for any similar purpose, except as prescribed in the Manuals or as HOA may otherwise approve in writing. Franchisee shall not permit the sale of products or services not included in the Hooters System without HOA's prior express written consent. HOA, in its sole discretion, may prescribe conditions under which Franchisee may sell such products or services.

J. Franchisee shall display all signs and other promotional materials HOA may require, to the extent permitted by applicable constitutions, statutes, ordinances, rules, regulations, court orders, and decisional authority (hereinafter collectively the "Laws") of all national, state, provincial, regional, and local governmental authorities having jurisdiction over the Restaurant. The color, size, design, and location of such signs shall be as HOA specifies or approves. Franchisee shall not place additional signs, posters, or other décor items in, on, or about the Approved Location without HOA's prior written consent.

K. Franchisee shall comply with, and shall cause the Franchised Business, the Approved Location, the Restaurant, and any Operating Company (as defined in Section XII.C. of this Agreement) to comply with, all applicable Laws. Franchisee shall be solely responsible for ensuring that all requirements set forth in this Agreement and all other requirements related to the development, opening, and operation of the Restaurant, including without limitation all requirements related to employment, employment discrimination, building design, building construction, hygiene, food and beverage products, and alcoholic beverages, comply with any and all Laws. In the event that any requirement set forth in this Agreement or any other requirement related to the development, opening, and operation of the Restaurant violates any Law, and as a result Franchisee does not comply with this Agreement or other requirements related to the development, opening, and operation of the Restaurant, the existence or enforcement of such Law shall not excuse Franchisee's noncompliance and shall not prevent HOA from asserting that such noncompliance constitutes a default of this Agreement. Franchisee acknowledges and agrees that it has taken any and all steps necessary to ensure that this Agreement and all other requirements related to the development, opening, and operation of the Restaurant comply with all applicable Laws.

L. Franchisee shall maintain the interior and exterior of the Restaurant, and all other areas of the Approved Location, in first-class repair and condition, and in compliance with all of HOA's maintenance and operating standards. In connection with such maintenance, Franchisee shall make such additions, alterations, and repairs to the Approved Location, and such replacement of items in and about the Restaurant, as HOA may require, which additions, alterations, and repairs may include, without limitation, periodic repainting, refinishing, and repairing of the Restaurant interior and exterior and replacing of obsolete or worn signs, furnishings, fixtures, and equipment.

M. Franchisee acknowledges and agrees that it is in Franchisee's best interests, and in the best interests of the Hooters System, that Franchisee's Restaurant be clean, up-to-date, well-maintained, and well-appointed. Therefore, Franchisee acknowledges and agrees

that Franchisee will, at HOA's request, remodel, redecorate, equip, improve, and modify (collectively, "Renovate") the Restaurant to conform such Restaurant to: (i) the building design, trade dress, color schemes, signage, and presentation of trademarks and service marks consistent with HOA's then-current image; (ii) the requirements set forth in the Manuals; and (iii) the condition, state of repair, and general appearance of Hooters restaurants that HOA reasonably deems desirable. HOA and Franchisee acknowledge and agree that the Renovations are intended to be periodic remodeling, redecorating, equipping, improvement to, and modification of, Franchisee's Restaurant, and that nothing contained in this Section V.M. will affect Franchisee's obligation to maintain its Restaurant in compliance with the other provisions of this Agreement and the Manuals. Notwithstanding anything set forth in this Section V.M. to the contrary, HOA will not require Franchisee to Renovate the Restaurant more often than one (1) time every five (5) years.

N. Franchisee shall operate the Restaurant in strict compliance with such methods, standards, and specifications as HOA may from time to time prescribe in the Manuals or otherwise in writing, to maintain maximum efficiency and productivity and to ensure that the highest degree of quality, appearance, and service is uniformly maintained. Without limiting the generality of the foregoing, Franchisee specifically agrees:

1. To maintain in sufficient supply, and to use at all times, only such products, materials, supplies, ingredients, and like items as HOA may require, and to refrain from deviating therefrom by using nonconforming items without HOA's prior written consent;

2. To use at all times only such methods of preparation, methods of service, and like methods as HOA may require, including without limitation HOA's standards and specifications for preparation and presentation of products served; and to refrain from deviating therefrom by using nonconforming methods without HOA's prior written consent;

3. To maintain the highest standards of cleanliness, health, and sanitation;

4. To obtain such products, equipment, services, and supplies as HOA may require, for the appropriate handling, preparation, presentation, selling, and service of any food or beverage products;

5. To require clean uniforms conforming to such specifications as to color, design, and like factors as HOA may designate from time to time, to be worn by all of Franchisee's personnel at all times while working at, in, through, or on behalf of the Restaurant, and to cause all personnel to present a clean, neat appearance and to render competent and courteous service to guests;

6. To permit HOA, at any reasonable time, to remove from the Restaurant samples of items without payment therefor, in amounts reasonably necessary for testing by HOA or an independent laboratory to determine whether such samples meet HOA's then-current standards and specifications. HOA may require Franchisee to bear the cost of such testing if HOA has not previously approved the supplier of the item, or if the sample fails to conform to HOA's specifications;

7. Not to install or permit to be installed on or about the Restaurant premises, without HOA's prior written consent, any furnishings, fixtures, equipment, décor, signage, or other improvements not previously approved as meeting HOA's standards and specifications;

8. To employ a sufficient number of trained and qualified personnel to operate the Restaurant at its maximum capacity; and

9. To maintain sufficient inventories to operate the Restaurant at its maximum capacity.

O. HOA may require Franchisee to purchase or lease certain products, equipment, services, and supplies, including without limitation furnishings, fixtures, equipment, signage, and other items required for the operation of the Restaurant, solely from suppliers (including manufacturers, distributors, and other sources), that demonstrate, to HOA's continuing reasonable satisfaction, the ability to meet HOA's then-current standards and specifications for such items; that possess adequate quality controls and capacity to supply Franchisee's needs promptly and reliably; and that HOA has first approved in writing and has not thereafter withdrawn from the approved supplier list. HOA will list such items and suppliers in the Manuals or in periodic bulletins and newsletters HOA may supply. If Franchisee desires to purchase any items from an unapproved supplier, Franchisee shall submit to HOA a written request for HOA's consent to use such supplier, and shall have such supplier acknowledge in writing that Franchisee is an independent entity from HOA and that HOA is not liable for debts Franchisee incurs. HOA shall have the right to require that its representatives be permitted to inspect the supplier's facilities, and that samples from the supplier be delivered to HOA or to an independent laboratory that HOA designates for testing. Franchisee will pay a charge not to exceed the reasonable cost of the inspection and the actual cost of the test. HOA may also require that the supplier comply with such other reasonable requirements as HOA may deem appropriate, including without limitation payment of reasonable continuing inspection fees and administrative costs. HOA reserves the right, following HOA's consent to use any supplier, to reinspect the facilities and products of such supplier and to revoke its consent on the supplier's failure to continue to meet any of HOA's then-current standards. If, in providing products, equipment, services, or supplies to Franchisee, any third party may obtain access to any of HOA's Confidential Information or Trade Secrets (as defined in the Confidentiality Agreement attached to this Agreement as Exhibit B), HOA may require, as a condition of approval of such supplier, that the supplier execute covenants of non-disclosure and non-competition in a form HOA provides.

P. Franchisee shall grant HOA the right to enter the Restaurant premises at any reasonable time to inspect, photograph, audiotape, or videotape the Restaurant and the equipment and operations at the Restaurant, to ensure compliance with this Agreement and the Manuals; provided, however, that HOA, in the exercise of such right, shall use all reasonable efforts to prevent disruption or interference with the operation of the Restaurant. Franchisee shall cooperate with HOA in such inspections by rendering such assistance as HOA may reasonably request, and shall enforce and comply with all inspection standards HOA may establish; and, on reasonable notice from HOA, and without limiting HOA's other rights under this Agreement, shall take such steps as may be necessary to correct immediately the deficiencies detected during any such inspection, including without limitation immediately desisting from the further use of any products,

equipment, services, or supplies, including without limitation advertising material, that do not conform to HOA's then-current standards or specifications.

Q. Franchisee shall not engage in any trade practice or other activity, and shall not offer any product or service, that HOA determines to be harmful to the goodwill of, or to reflect unfavorably on the reputation of, Franchisee, HOA, the Restaurant, the products sold at the Restaurant, or the Hooters System; or that constitutes a deceptive or unfair trade practice; or that otherwise violates any applicable Law.

R. Franchisee shall give HOA advance written notice of Franchisee's intent to institute legal action against HOA, stating with specificity the basis for such proposed action, and shall grant HOA thirty (30) days from HOA's receipt of such notice to cure the alleged act on which such legal action is to be based.

S. In any equipment or trade fixture lease or financing that Franchisee enters into in connection with the Franchised Business, Franchisee shall include a provision approving HOA as transferee without any right to accelerate or to modify such lease or financing, and requiring the lessor or lender to send notice of any default of such lease or financing to HOA at HOA's then-current address and to give HOA thirty (30) days from the date HOA receives such notice of default to cure such default. HOA is under no duty or obligation whatsoever to cure such default, but should HOA elect to cure such default, Franchisee shall reimburse and indemnify HOA for any costs and expenses HOA incurs in connection with the cure of such default, on HOA's written request, so that HOA actually receives such reimbursement by the end of ten (10) days after HOA requests such reimbursement.

T. Franchisee may, at its expense, create its own website and social media sites for the Restaurant. To do so, Franchisee must submit all website and social media site plans and information to HOA for HOA's prior written consent. Franchisee's website, and the content of all Franchisee's social media sites, must conform to HOA's then-current standards. Franchisee must: (i) execute the Internet Web Sites and Listings Agreement attached to this Agreement as Exhibit F contemporaneously with Franchisee's execution of this Agreement; and (ii) keep HOA advised at all times of all of Franchisee's website and social media site addresses and domain names.

U. In the event that Franchisee's jurisdiction requires HOA to register its franchise offering in such jurisdiction or to record or register this Agreement, the trademark license granted by this Agreement, or any documents, amendments, or agreements related to this Agreement, or in the event such jurisdiction requires such recordal or registration in order to enforce this Agreement or any of the rights granted under this Agreement, HOA will effect such registration or recordals. Franchisee will reimburse HOA for the amount of the reasonable costs and expenses HOA incurs in effecting such registration or recordals, including without limitation translation costs, filing fees, and reasonable attorneys' fees and costs, so that HOA actually receives such reimbursement by the end of ten (10) days after demand therefor.

V. Franchisee will immediately notify HOA, in writing, of any act, omission, or circumstance that: (i) would constitute a default by Franchisee of this Agreement or any other agreement to which Franchisee and HOA are parties; or (ii) would reasonably be expected to impair Franchisee's ability to fulfill its obligations to HOA. Franchisee will not intentionally, willfully, or negligently: (a) misrepresent any matter to HOA; or (b) fail

to immediately notify HOA of any matter as to which this Agreement requires Franchisee to notify HOA.

VI. PROPRIETARY MARKS

A. HOA represents with respect to the Proprietary Marks that:

1. Pursuant to the License Agreement originally dated July 21, 1984, and subsequently amended, between HOA and HILP, a Florida limited partnership, as successor in interest to Hooters, Inc., a Florida corporation, HOA has been granted the exclusive right to use and to license others to use the Proprietary Marks to establish Hooters restaurants in the jurisdiction in which Franchisee's Restaurant is to be located.

2. The current registration status of the Proprietary Marks in Franchisee's jurisdiction is set forth on Exhibit G to this Agreement. Franchisee acknowledges that HOA does not covenant, warrant, represent, or agree that it has the sole or exclusive right to use the Proprietary Marks in Franchisee's jurisdiction, or that use of the Proprietary Marks in Franchisee's jurisdiction does not violate the rights of any other person.

3. HOA has taken, and shall take or cause to be taken, all steps reasonably necessary to preserve and protect the ownership and validity of the Proprietary Marks that HOA has designated for use in the Hooters System.

B. Franchisee covenants, warrants, represents, and agrees that:

1. Franchisee will use only the Proprietary Marks HOA designates, and will use them only in the manner HOA authorizes and permits. Franchisee acknowledges and agrees that any unauthorized use of the Proprietary Marks will constitute an infringement of HOA's rights.

2. Franchisee will use the Proprietary Marks only for the operation of the Franchised Business and the Restaurant, and only at the Restaurant or in advertising for the Restaurant.

3. Unless HOA otherwise authorizes or requires, Franchisee will operate and advertise the Restaurant only under the name "Hooters" without prefix or suffix, except to describe the location of the Restaurant.

4. Franchisee will identify itself as the owner of the Franchised Business in connection with any use of the Proprietary Marks, including without limitation on invoices, order forms, receipts, and contracts, and at such conspicuous locations on the premises of the Restaurant as HOA may require. The form and content of such identification will comply with HOA's standards and specifications.

5. Franchisee will not use any Proprietary Mark: (i) to incur any obligation or indebtedness on behalf of HOA; (ii) as a part of Franchisee's corporate or other legal name; (iii) in any part of a website domain name without HOA's prior written consent, which consent HOA will not unreasonably withhold; or (iv) on a

website, including without limitation a social media site, without HOA's prior written consent.

6. Franchisee will file for and maintain, at its sole cost and expense, all trade name or business name registrations required by HOA or by Law.

7. Franchisee will promptly execute any powers of attorney or other documents HOA deems necessary to obtain or enhance protection for the Proprietary Marks, to maintain the continued validity and enforceability of the Proprietary Marks, to further HOA's exercise of its rights under this Agreement, or otherwise. In connection with Franchisee's foregoing obligations, Franchisee hereby appoints HOA, and such other reasonably acceptable firms or individuals as HOA may designate (such firms or individuals being referred to in this Agreement as the "Trademark Representative") to obtain any registration of Franchisee. Franchisee shall not take any action related to any registration, or cancellation of any registration, of any Proprietary Mark, without HOA's express prior written consent. On registering such a business name, Franchisee will execute in blank and give to HOA a then-current business name form (the "Business Name Form") necessary to notify the appropriate authority of a change in the entity operating under the relevant name. HOA will not file the Business Name Form until the expiration or termination of this Agreement. HOA may complete any part of the Business Name Form.

8. In the event that any person or entity commences or threatens litigation against Franchisee related to the Proprietary Marks, Franchisee will promptly notify HOA and will cooperate fully in defending or settling such litigation, as determined exclusively by HOA.

C. Franchisee expressly acknowledges and agrees that:

1. As between HOA and Franchisee, HOA has the sole and exclusive right and interest in and to the Proprietary Marks and the goodwill associated with and symbolized by them.

2. The Proprietary Marks are valid, distinctive, and serve to identify HOA as the source of the goods and services offered pursuant to those marks and by those who are authorized to operate under the Hooters System.

3. Franchisee will not directly or indirectly contest the validity, distinctiveness, or ownership of the Proprietary Marks, or HOA's right to license the Proprietary Marks, either during the Term or thereafter.

4. Franchisee has no ownership interest or other interest in or to the Proprietary Marks, except the license granted by this Agreement.

5. In the event HOA substitutes different Proprietary Marks for the Proprietary Marks Franchisee is then using, Franchisee will promptly effect such substitution at Franchisee's sole cost and expense.

6. Any and all goodwill related to Franchisee's use of the Hooters System or the Proprietary Marks will inure solely and exclusively to the benefit of HOA, and

on termination or expiration of this Agreement and the license granted under this Agreement, no monetary amount will be assigned as attributable to any goodwill associated with Franchisee's use of the Hooters System or the Proprietary Marks.

7. The license of the Proprietary Marks granted to Franchisee under this Agreement is nonexclusive, and HOA thus has and retains the rights, among others:

   a. To use the Proprietary Marks itself in connection with selling products and services;

   b. To grant other licenses for the Proprietary Marks, in addition to those licenses already granted to existing franchisees and otherwise; and

   c. To develop and establish other systems using marks similar to the Proprietary Marks, or any other marks, and to grant licenses or franchises thereto at any locations whatsoever, without providing any rights or compensation to Franchisee.

8. HOA and HILP each has the unrestricted right to engage, directly or indirectly, through its or their employees, representatives, licensees, assigns, agents, and others, at wholesale, retail, and otherwise, in the production, distribution, and sale of products bearing the Proprietary Marks licensed under this Agreement or other names or marks, including without limitation products included as part of the Hooters System. Franchisee will not under any circumstances engage in any wholesale trade or sale of Hooters System products for resale.

VII. HOOTERS OF AMERICA MANUALS

A. In order to protect the reputation and goodwill of HOA and the Proprietary Marks, to maintain the high standards of operation under the Hooters System, and to protect the investments of HOA and HOA's other franchisees, Franchisee shall conduct the Franchised Business and the Restaurant in compliance with this Agreement, the Manuals, and such other written directives as HOA may issue from time to time whether or not such directives are made part of the Manuals, and any other manuals, videotapes, or materials HOA may create or approve for use in the operation of the Hooters System, the Franchised Business, or the Restaurant.

B. Franchisee shall at all times treat the Manuals, any written directives of HOA, any other manuals, videotapes, and materials, including without limitation any restaurant plans and specifications and any supplements to any of them, and the information contained in any of them, that HOA created or approves for use in the Hooters System, the Franchised Business, or the Restaurant, in trust and as Confidential Information or a Trade Secret.

C. The Manuals, written directives, other manuals and materials, and any other confidential communications HOA provides or approves, shall at all times remain the sole property of HOA and shall at all times be kept and maintained in a secure place on the Restaurant premises.

D. HOA may add to, delete from, or modify the contents of the Manuals and any other written directives, manuals, and materials created or approved for use in the operation of the Hooters System, the Franchised Business, or the Restaurant. Franchisee expressly

agrees that such contents shall be deemed effective on receipt by Franchisee or at such other time as HOA may otherwise specify.

E. Franchisee shall at all times ensure that its copy of the Manuals is kept current and up-to-date. In the event of any dispute as to the contents of the Manuals, the master copy of the Manuals that HOA maintains shall be controlling.

F. Franchisee acknowledges and agrees that: (i) the Manuals will not be tailored for use in any country other than the United States; (ii) the Manuals will be in the English language; (iii) Franchisee may need to tailor the Manuals for use in Franchisee's jurisdiction; (iv) Franchisee may need to translate the Manuals for use in Franchisee's jurisdiction; (v) Franchisee must comply with the Manuals; and (vi) in the event of any conflict between a provision of the Manuals for use in the United States, in English, and a provision of the Manuals as tailored for use in Franchisee's jurisdiction, in some other language, HOA's version of the Manuals, in English, will prevail.

VIII. CONFIDENTIAL INFORMATION

A. Franchisee shall strictly comply with the terms of the Confidentiality Agreement attached to this Agreement as Exhibit B. The Confidentiality Agreement is hereby incorporated into this Agreement as if fully set forth herein.

B. Franchisee shall, without request by HOA, cause its Principals, General Manager, managers, and any other personnel, agents, or representatives having access to any of HOA's Confidential Information or Trade Secrets, including without limitation the Manuals, to execute Exhibit A to the Confidentiality Agreement, to provide the date and such party's address as required by Exhibit A, and to deliver a fully-executed, dated original of Exhibit A to HOA, prior to and as a condition precedent to granting such person access to the Confidential Information or Trade Secrets.

C. Franchisee agrees that any failure to comply with the requirements of this Section VIII. or the Confidentiality Agreement will cause HOA irreparable injury for which HOA has no adequate remedy at law. Therefore, Franchisee agrees that HOA will have the right to injunctive relief, including without limitation a decree for specific performance, to compel Franchisee's compliance with this Section VIII. and the Confidentiality Agreement. Franchisee will pay all court costs and reasonable attorneys' fees HOA incurs related to obtaining specific performance of, or that HOA incurs related to obtaining an injunction against violation of, this Section VIII. or the Confidentiality Agreement together with all damages HOA may incur related to Franchisee's failure to comply with the requirements of this Section VIII. or the Confidentiality Agreement.

IX. ACCOUNTING AND RECORDS

A. Franchisee shall maintain, and shall preserve for at least four (4) years after the dates of their preparation, full, complete, and accurate books, records, and accounts, prepared in accordance with generally-accepted accounting principles of Franchisee's jurisdiction, consistently applied, in the form and manner HOA prescribes.

B. Franchisee shall submit to HOA:

1. After the opening of the Restaurant: (i) a royalty report, on a calendar month basis, in the form HOA prescribes, that accurately states all Gross Sales during each preceding calendar month and that provides such other data or information as HOA may require, so that HOA actually receives such report by the end of ten (10) days after the end of each calendar month; (ii) profit and loss statements and balance sheets prepared in accordance with generally-accepted accounting principles consistently applied for each accounting period, so that HOA actually receives such information by the end of fifteen (15) days after the end of each month covered by the report; and (iii) copies of all tax returns that Franchisee is required by law to file related to the Restaurant, so that HOA actually receives such returns by the end of ten (10) days after the end of the applicable tax reporting period.

2. Reports of daily receipts, vendor purchases, payroll payments, and such other forms, reports, records, and information as HOA may request from time to time, and reports of all rebates, discounts, allowances, marketing assistance, or other benefits received from vendors, on forms HOA provides to Franchisee or in the form HOA specifies.

3. Such records, reports, documents, data, certificates, and other information related to this Agreement, Franchisee's obligations, the Franchised Business, or the Restaurant, as HOA may require, so that HOA actually receives such items by the end of ten (10) days after HOA requests that Franchisee submit such items to HOA.

C. Franchisee shall, at its expense, provide to HOA a profit and loss statement and balance sheet, accompanied by a review report certified by Franchisee's chief executive officer or chief financial officer, within ninety (90) days after the end of each of Franchisee's fiscal years, showing the results of operations of the Restaurant during such fiscal year. HOA reserves the right to require Franchisee to have such review report prepared by an independent certified public accountant in Franchisee's jurisdiction satisfactory to HOA.

D. HOA and its designated agents shall have the right, at all reasonable times, to examine and copy, at HOA's expense, the books, records, tax returns, and tax filings of Franchisee, any Operating Company, the Franchised Business, and the Restaurant. HOA shall also have the right, at any time, to have an independent audit made of the books of the Franchised Business and the Restaurant. If an inspection should reveal that any payments to HOA have been understated in any report to HOA, Franchisee shall immediately pay to HOA the amount understated on HOA's demand, plus interest on such amount from the date such amount came due until paid, at the Default Rate, calculated on a daily basis. If an inspection discloses an understatement in any payment to HOA of two percent (2%) or more, Franchisee shall, in addition, reimburse HOA for any and all costs and expenses related to the inspection (including without limitation travel, food, lodging, and wage expenses of HOA's personnel, and reasonable accounting and legal fees and costs); and, at HOA's discretion, shall submit audited financial statements prepared, at Franchisee's expense, by an independent certified public accountant satisfactory to HOA. If an inspection discloses an understatement in any payment to HOA of four percent (4%) or more, such act or omission shall constitute grounds for termination of this Agreement pursuant to Section XIII.A.4. of this Agreement. The foregoing remedies shall be in addition to any other remedies HOA may have pursuant to this Agreement or at law, in equity, or otherwise.

E. Franchisee shall comply with the daily accounting and reporting procedures HOA prescribes, as modified from time to time, and shall purchase the accounting and reporting equipment, including without limitation point of sale equipment, that HOA requires.

X. ADVERTISING

A. HOA may, from time to time, provide to Franchisee, at Franchisee's expense, such advertising and promotional plans and materials as HOA deems advisable for local advertising. HOA may develop advertising programs for the promotion of the Proprietary Marks or merchandise offered at Hooters restaurants, and Franchisee must comply with the requirements of such programs.

B. Franchisee will comply with its local advertising obligations set forth in Section IV.D. of this Agreement. Franchisee may conduct such additional local advertising and promotion of the Restaurant as Franchisee deems appropriate. All advertising and promotion Franchisee conducts shall conform to such standards and requirements as HOA may specify. Franchisee shall submit to HOA for HOA's prior written approval (except with respect to product prices to be charged) samples of all advertising and promotional plans and materials that Franchisee desires to use and that HOA has not prepared or previously approved. Franchisee shall display the Proprietary Marks in the manner HOA prescribes on all signs and other advertising and promotional materials used in connection with the Franchised Business.

C. International Advertising Fund.

1. If HOA establishes the International Advertising Fund, Franchisee will pay the International Advertising Fee as set forth in Section IV.D. of this Agreement. HOA or HOA's designee will maintain the International Advertising Fee in the International Advertising Fund, on terms HOA determines. HOA or its designee will direct all advertising and promotional programs with sole discretion over the creative concepts, content, sponsorships, materials, and endorsements for any marketing programs, together with the geographic, market, and media placement, and allocation thereof. Franchisee acknowledges and agrees that HOA may use the International Advertising Fund, in HOA's sole discretion, to, among other things, fund advertising, promotional, and public relations activities; pay costs of producing, preparing, distributing, and using marketing, advertising, and other materials and programs; administer national, regional, and other marketing programs; purchase sports sponsorships; purchase media; employ advertising, public relations, and other agencies and firms; support market research; and pay reasonable administrative costs and overhead related to such uses. In connection therewith, the International Advertising Fund shall have the right to hire consultants, some of whom may be affiliated with HOA, such as an in-house advertising agency, to assist with marketing programs and materials for the Hooters System. Franchisee acknowledges and agrees that the International Advertising Fund shall be used to maximize general public recognition and acceptance of the Proprietary Marks and all Hooters restaurants, and that HOA is not obligated in administering the International Advertising Fund to undertake expenditures for Franchisee that are equivalent to Franchisee's contribution, or to ensure that any particular franchisee benefits directly or pro rata from expenditures the International Advertising Fund makes. On Franchisee's written

request, HOA will furnish or cause to be furnished to Franchisee, not more than once annually, an accounting of the International Advertising Fund's receipts and disbursements.

2. The International Advertising Fund, all contributions to the International Advertising Fund, and any earnings on such contributions, will be used exclusively to meet any and all costs of maintaining, administering, researching, directing, preparing, and conducting advertising or promotional activities.

3. All sums Franchisee pays to the International Advertising Fund will be maintained in an account separate from the other monies of HOA, and will not be used to defray any of HOA's expenses, except for such reasonable administrative costs and overhead as HOA may incur in activities reasonably related to the administration or direction of the International Advertising Fund and advertising programs for franchisees under the Hooters System. The International Advertising Fund will not otherwise inure to HOA's benefit. HOA or its designee will maintain separate bookkeeping accounts for the International Advertising Fund.

4. HOA anticipates that most contributions to and earnings of the International Advertising Fund will be expended for advertising or promotional purposes during the taxable year in which the International Advertising Fund receives such contributions and earnings. To the extent that excess amounts remain in the International Advertising Fund at the end of such taxable year, all expenditures in the following taxable year will be made first out of accumulated earnings from previous years, next out of earnings in the current year, and finally from contributions. HOA, in its sole discretion, may spend in any fiscal year an amount greater or less than any aggregate contributions to the International Advertising Fund in that year. HOA may cause the International Advertising Fund to borrow from HOA or its affiliates or other lenders to cover deficits of the International Advertising Fund. HOA may cause the International Advertising Fund to invest any surplus for future use. HOA may apply Franchisee's International Advertising Fee payments, in HOA's sole discretion, to any obligations Franchisee owes to HOA or any of HOA's affiliates.

5. The International Advertising Fund is not and will not be an asset of HOA or its designee. HOA shall not have any direct or indirect liability or obligation to Franchisee, the International Advertising Fund, or otherwise, related to the maintenance, management, direction, administration, or otherwise of the International Advertising Fund. Franchisee acknowledges and agrees that: (i) Franchisee's and HOA's rights and obligations with respect to the International Advertising Fund and all related matters are governed solely by this Agreement; and (ii) this Agreement and the International Advertising Fund are not in the nature of a "trust," "fiduciary relationship," or similar special arrangement, and are rather an arms-length commercial relationship between independent business entities for their independent economic benefit.

6. Although HOA intends that the International Advertising Fund be of perpetual duration, HOA retains the right to terminate the International Advertising Fund. HOA will not terminate the International Advertising Fund until all monies in the International Advertising Fund have been expended for advertising or

promotional purposes or returned to contributors on the basis of their respective contributions.

D. HOA may require Franchisee to participate in cooperative advertising programs with certain suppliers or approved sources of goods. Franchisee shall have the right to sell its products and offer services at any price Franchisee may determine, and shall in no way be bound by any price that HOA may recommend or suggest.

XI. INSURANCE

A. Franchisee shall obtain, prior to the commencement of any operations under this Agreement, and shall maintain in full force and effect at all times, at Franchisee's expense, an insurance policy or policies insuring Franchisee, together with HOA, HILP, and Franchisee's and their respective directors, officers, shareholders, general partners, limited partners, members, employees, and agents, as additional insureds, against any demand or claim related to personal injury, death, or property damage, or any other loss, expense, liability, damage, or damages whatsoever, arising out of or related to the Franchised Business.

B. Such policy or policies shall be written by an insurance company satisfactory to HOA, and shall be in accordance with standards and specifications set forth in the Manuals or otherwise in writing from time to time, and shall include, at a minimum (except as HOA may specify additional coverages and higher policy limits from time to time), the following initial minimum coverages:

1. (i) Commercial General Liability Insurance, including coverage for products liability, completed operations liability, contractual liability, personal injury, advertising injury, fire damage, medical expenses, and liquor liability; plus (ii) non-owned automobile liability insurance and, if Franchisee owns, rents, or identifies any vehicles with any Proprietary Mark or if vehicles are used in connection with the operation of the Franchised Business, automobile liability coverage for owned, non-owned, scheduled, and hired vehicles; plus (iii) excess liability umbrella coverage for the general liability and automobile liability coverages. All such coverages shall be on an occurrence basis and shall provide for waivers of subrogation.

2. Comprehensive crime and blanket employee dishonesty insurance.

3. All-risk property insurance, including theft and flood coverage (when applicable), covering the Restaurant building, improvements, furniture, fixtures, equipment, and food and beverage products. Coverage shall be written in a value that will cover not less than eighty percent (80%) of the replacement cost of the building and one hundred percent (100%) of the replacement cost of the contents of the building.

4. Business interruption insurance of not less than $50,000 per month for loss of income and other expenses with a limit of not less than six (6) months of coverage.

5. Employer's liability and workers' compensation insurance, as applicable Law may now or later require.

6. The monetary amounts of the coverages set forth in Sections XI.B.1. through XI.B.4. of this Agreement shall be the amounts that a reasonably prudent businessperson would maintain in connection with the opening and operation of restaurants similar to Franchisee's Restaurant and a business similar to the Franchised Business, all within the jurisdiction where Franchisee's Territory is located.

C. The amount of coverage of each policy HOA requires Franchisee to obtain and maintain shall be the amount that a reasonably prudent businessperson would obtain and maintain for a restaurant similar to the Restaurant, and for a business similar to the Franchised Business, in Franchisee's jurisdiction.

D. Franchisee's obligation to obtain and maintain the foregoing policy or policies in the amounts specified shall not be limited in any way by reason of any insurance that HOA may maintain, nor shall Franchisee's performance of such obligations relieve Franchisee of liability under the indemnity provisions set forth in Section XVIII. of this Agreement.

E. Prior to the opening of the Restaurant, and thereafter at least thirty (30) days prior to the expiration of any such policy, Franchisee shall deliver to HOA certificates of insurance evidencing the proper coverage with limits not less than those required under this Agreement. All certificates shall expressly provide that the insurer will give HOA not less than thirty (30) days' prior written notice in the event of material alteration to, termination of, non-renewal of, or cancellation of, the coverages evidenced by such certificates.

XII. TRANSFER OF INTEREST

A. Transfer by HOA. HOA shall have the absolute right to transfer, assign, and delegate all or any part of its rights and obligations under this Agreement to any person or entity HOA deems appropriate. Such transfer, assignment, or delegation shall effect a complete novation as to the right or obligation transferred, assigned, or delegated. After such transfer, assignment, or delegation, Franchisee shall look solely to the transferee, assignee, or delegatee, and not to HOA, for the satisfaction of any obligation transferred, assigned, or delegated. HOA may also, without Franchisee's consent, transfer, assign, or otherwise alter any or all of the ownership in HOA.

B. Transfer by Franchisee or Principals.

1. "Principal" of Franchisee shall mean: (i) a natural person who owns or holds a ten percent (10%) or greater share of the equity of Franchisee; and (ii) a natural person who owns or holds a ten percent (10%) or greater interest in any business entity that holds a ten percent (10%) or greater equity interest in Franchisee. If there are no such natural persons, "Principals" shall mean the eight (8) natural persons who own or hold the greatest shares of equity of Franchisee. An equityholder shall be deemed to "own" equity where such ownership is direct, indirect, or beneficial. Franchisee's Principals and other equityholders as of the Effective Date, and the percentage and type of equity of Franchisee each such equityholder owns or holds, and the manner of such holding, are set forth on Exhibit E to this Agreement.

2. Franchisee acknowledges and agrees that: (i) this Agreement is a contract for the personal services of Franchisee and its Principals; and (ii) HOA has granted this Agreement in reliance on information Franchisee and its Principals provided related to Franchisee's and such Principals' business skills, business acumen, personal character, education, credit rating, and financial resources (collectively, the "Principal Qualifications"). Franchisee hereby directs any party construing this Agreement, including without limitation any court, mediator, master, or other party acting as a trier of fact or law, to conclusively presume that this Agreement is a contract for the personal services of Franchisee and its Principals.

3. Principals shall own and hold a majority of the equity in Franchisee and any Operating Company. The remaining equity in Franchisee and any Operating Company may be owned or held by non-Principal natural persons not to exceed ten (10) in number, directly, indirectly, or beneficially, with HOA's prior written consent, which consent HOA may grant or withhold in HOA's sole discretion.

4. HOA's prior written consent is a necessary condition precedent to the sale, assignment, delegation, transfer, conveyance, gift, pledge, mortgage, encumbrance, or hypothecation (collectively, the "Transfer") of any of the following:

   a. Any direct, indirect, or beneficial interest of Franchisee or any equityholder in Franchisee, the Franchised Business, any Operating Company, this Agreement, the Franchise granted under this Agreement, any Approved Location, any Restaurant, or all or substantially all of the assets of the Franchised Business except as expressly permitted in this Agreement; and

   b. Franchisee, the Franchised Business, any Operating Company, this Agreement, the Franchise granted under this Agreement, any Approved Location, any Restaurant, or all or substantially all of the assets of the Franchised Business, except as expressly permitted in this Agreement.

5. Except as specifically provided in this Agreement, HOA has the absolute and unfettered right to withhold its consent to a Transfer of any interest described in Section XII.B.4. of this Agreement (collectively, any "Interest"). Any permitted transferee must satisfy the Principal Qualifications. In addition, HOA may, in its sole discretion, require any or all of the following as conditions precedent to HOA's consent to such Transfer:

   a. Franchisee and its affiliates must satisfy all monetary obligations and other outstanding obligations owed to HOA, HOA's affiliates, and Franchisee's other creditors.

   b. Franchisee and its affiliates must have substantially complied with this Agreement, any amendment to this Agreement, and all other agreements between Franchisee or such affiliates on the one hand, and HOA or HOA's affiliates on the other hand; and, at the time of Transfer, must not be in default of any such agreements.

c. Franchisee, Principals, transferor, and transferee must duly execute and deliver to HOA's then-current form of transfer and assumption agreement, which transfer and assumption agreement: (i) will require the transferee to assume and agree to discharge all of the obligations of the transferor; (ii) will provide that the transferor shall remain liable for all of the obligations to HOA and HOA's affiliates in connection with the Franchised Business arising prior to the effective date of the Transfer; and (iii) will contain a Release in substantially the form attached as Exhibit H to this Agreement.

d. If the Transfer is a Transfer of Franchisee, the Franchised Business, any Operating Company, the Franchise granted under this Agreement, any Approved Location, any Restaurant, or all or substantially all of the assets of the Franchised Business, the transferee must enter into HOA's then-current form of international franchise agreement (the "Replacement Franchise Agreement"). The provisions of the Replacement Franchise Agreement may differ materially from the provisions of this Agreement. HOA will not require the transferee to pay the initial franchise fee set forth in Section IV.A. of this Agreement. The initial term of the Replacement Franchise Agreement shall be the balance remaining of the Initial Term of this Agreement.

e. The transferee, at its expense, must Renovate the Restaurant, and must complete such Renovation by the end of the reasonable time HOA may specify.

f. The transferee and, if applicable, the transferee's designated general manager, must complete any training programs then in effect for new franchisees prior to the effective date of such Transfer, on such terms and conditions as HOA may reasonably require.

g. Except in the case of a Transfer to an Operating Company, transferor or transferee must pay HOA a Transfer fee in an amount equal to twenty percent (20%) of HOA's then-current initial franchise fee (the "Transfer Fee").

h. The transferee must agree to a sublease, or to a transfer and assumption, of the lease of the Approved Location from the original franchisee, and must obtain the landlord's approval prior to any transfer or sublease, if applicable.

6. Any purported Transfer that does not comply with this Section XII.B. shall be voidable by HOA, and shall be a default of this Agreement that shall permit HOA to terminate this Agreement pursuant to Section XIII.A.7. of this Agreement.

C. Transfer to Franchisee's Operating Company.

1. As used in this Agreement, "Operating Rights" shall mean the right and obligation to operate a specific Restaurant: (i) under, and in compliance with, this

Agreement; and (ii) subject to the consent of HOA set forth in HOA's form of Consent to Transfer of Operating Rights.

2. Franchisee may transfer the Operating Rights to a specific Restaurant to an operating company (the "Operating Company"). Franchisee or Principals must own and hold (directly, indirectly, and beneficially) a majority of the voting equity of such Operating Company. Such transfer shall be subject to HOA's consent, which consent HOA will not unreasonably withhold; provided, however, as a condition precedent to such transfer:

   a. Franchisee and Operating Company must enter into HOA's then-current form of consent to transfer of operating rights, which consent to transfer of operating rights: (i) will require the Operating Company to assume and agree to discharge all of the operating rights and obligations of Franchisee; (ii) will provide that Franchisee shall remain liable for all of the obligations to HOA and HOA's affiliates in connection with the Restaurant; and (iii) will contain a Release in substantially the form attached as Exhibit H to this Agreement;

   b. The Operating Company must comply, except as otherwise approved in writing by HOA, with the requirements set forth in Section V.B. of this Agreement; and

   c. The Operating Company must execute HOA's then-current form of Registered User Agreement for filing with the appropriate governmental agencies in all applicable jurisdictions.

3. Any purported transfer of Operating Rights that does not comply with Section XII.C.2. shall be voidable by HOA, and shall be a default of this Agreement that shall permit HOA to terminate this Agreement pursuant to Section XIII.A.7. of this Agreement.

4. In the event of any transfer to an Operating Company, whether such transfer is permitted or unpermitted, and regardless of whether HOA, Franchisee, and Operating Company have entered into HOA's then-current form of consent to transfer of Operating Rights, all provisions of this Agreement that grant HOA the right to terminate this Agreement as a result of acts, omissions, circumstances, or defaults of Franchisee shall be expanded to permit HOA to terminate this Agreement as a result of acts, omissions, circumstances, or defaults of Operating Company, as if the term "Franchisee" specifically included Operating Company. By way of example, and not by way of limitation, the provisions of this Agreement that grant HOA the right to terminate this Agreement as a result of Franchisee's failure to pay HOA sums Franchisee owes HOA shall likewise grant HOA the right to terminate this Agreement as a result of Operating Company's failure to pay HOA sums Operating Company owes HOA. By way of further example, and not by way of limitation, the provisions of this Agreement that grant HOA the right to terminate this Agreement as a result of Franchisee's insolvency shall likewise grant HOA the right to terminate this Agreement as a result of Operating Company's insolvency.

5. HOA will not charge Franchisee a Transfer Fee for the transfer of Operating Rights set forth in this Section XII.C.; provided, however, Franchisee shall reimburse HOA for HOA's actual costs related to such transfer of Operating Rights.

D. Right of First Refusal.

1. Franchisee and any Principal who desires to accept any bona fide offer from a third party to purchase any Interest shall notify HOA in writing of each such offer, and shall provide such information and documentation related to the offer as HOA may require, including without limitation a true copy of any such offer. HOA shall have the right and option, exercisable within twenty (20) business days after HOA receives such written notification, to send written notice to the seller that HOA may desire to purchase the Interest on substantially the same terms and conditions as offered by the third party. To enable HOA to determine whether it will exercise its option, Franchisee or Principal, as appropriate, and the third party shall provide such information and documentation, including without limitation financial statements, as HOA may require. In the event that HOA elects to purchase such Interest, closing on such purchase must occur within ninety (90) days after the date of notice to the seller of HOA's election to purchase such Interest. HOA's election not to exercise the option afforded by this Section XII.D. shall not constitute a waiver of any other provision of this Agreement, including all of the requirements of this Section XII. related to a proposed Transfer of any Interest. Any subsequent change in the terms of any offer prior to closing shall constitute a new offer subject to the same rights of first refusal by HOA as in the case of an initial offer.

2. In the event that the consideration, terms, or conditions offered by a third party are such that HOA may not reasonably be required to furnish the same consideration, terms, or conditions, then HOA may purchase such Interest for the reasonable equivalent in cash. If the parties cannot agree within a reasonable time on the cash consideration, HOA will designate an independent appraiser experienced in appraising such Interest, and the determination of such appraiser shall be conclusive and binding on all parties.

E. Transfer On Death or Mental Incompetence. On the death or mental incompetence of any Principal, the executor, administrator, or personal representative of such individual shall Transfer within one (1) year after such death or mental incompetence the Interest owned and controlled by the Principal to a natural person or persons who satisfy the Principal Qualifications, and whom HOA approves. Mental incompetence, for purposes of this Agreement, shall mean the appointment of a guardian for the Principal by a court of competent jurisdiction. Such Transfers, including without limitation Transfers by devise or inheritance, shall be subject to the same conditions as any inter vivos Transfer. However, in the case of Transfer by devise or inheritance, if the heirs or beneficiaries of any such Principal are unable to satisfy the conditions in this Section XII. within such one (l) year period, HOA may terminate this Agreement or may exercise its option to purchase the Interest at fair market value, as determined by an independent appraiser HOA designates, which determination shall be conclusive and binding on all parties.

F. Interim Operation of the Restaurant. Pending assignment on the death of the Principal, or in the event of any temporary or permanent mental incompetence or physical disability of

the Principal, a manager shall be employed for the operation of the Restaurant who has successfully completed an HOA-approved manager training program, to serve as General Manager and to operate the Restaurant for the account of Franchisee. If the Restaurant is not being managed by such General Manager, HOA may appoint a General Manager to operate the Restaurant until an approved assignee is able to assume the management and operation of the Restaurant, but in no event for a period exceeding one (1) year without the approval of the Principal's personal representative. Such General Manager shall be deemed an employee of Franchisee. All funds from the operation of the Restaurant during the period of management by such appointed or approved General Manager shall be kept in a separate fund, and all expenses of the Restaurant, including the compensation of such General Manager and the costs and travel and living expenses of such General Manager (collectively, the "Management Expenses"), shall be charged to such fund. As compensation for the management services provided, in addition to the Fees due under this Agreement, HOA shall charge such fund the full amount of the direct expenses HOA incurs during such period of management for and on behalf of Franchisee, provided that HOA shall only have a duty to use reasonable efforts and shall not be liable to Franchisee, the Principal, any personal representative of the Principal, the Operating Company, or any person or entity having an interest therein, for any debts, losses, or obligations the Restaurant incurs, or to any creditor of Franchisee or the Principal, during any period in which the HOA-appointed or approved General Manager operates the Restaurant.

G. Non-Waiver of Claims. Neither HOA's consent to any proposed Transfer of any Interest nor HOA's election not to exercise its option to purchase any Interest shall be deemed to constitute a waiver of any claims HOA may have against the transferor, nor shall it be deemed a waiver of HOA's right to demand exact compliance with this Agreement or any future rights or options of HOA.

XIII. DEFAULT AND TERMINATION

A. Franchisee shall be in default of this Agreement, and all rights granted under this Agreement shall terminate, in their entirety or as to one or more Restaurants, at HOA's option, immediately on notice to Franchisee, on the occurrence of any of the following events:

1. If Franchisee or any Operating Company shall become insolvent, which shall mean that any one or more of the following apply to Franchisee or Operating Company:

   a. A petition in bankruptcy, insolvency, or like proceeding is filed or a case in bankruptcy, insolvency, or like proceeding is commenced by Franchisee or any Operating Company, or is commenced against Franchisee or Operating Company and is not dismissed within thirty (30) days;

   b. Franchisee or any Operating Company is adjudicated bankrupt, insolvent, or in any similar financial circumstance;

   c. Franchisee or any Operating Company takes or attempts to take the benefit of any law for the relief of debtors;

d. Proceedings for a composition of creditors or like proceedings under any Law are commenced by Franchisee or any Operating Company, or are commenced against Franchisee or any Operating Company and are not dismissed within thirty (30) days;

e. Franchisee or any Operating Company makes a general assignment for the benefit of creditors;

f. A proceeding for the appointment of a receiver, liquidator, manager, or other custodian (permanent or temporary) of Franchisee, any Operating Company, the assets of Franchisee, the assets of any Operating Company, the Franchised Business, the assets of the Franchised Business, the Restaurant, or the assets of the Restaurant, or any part of any of the foregoing, is commenced by Franchisee or any Operating Company, or is commenced against Franchisee or any Operating Company and is not dismissed within thirty (30) days;

g. A receiver, liquidator, manager, or other custodian (permanent or temporary) of Franchisee, the assets of Franchisee, any Operating Company, the assets of any Operating Company, the Franchised Business, the assets of the Franchised Business, the Restaurant, or the assets of the Restaurant, or any part of the foregoing: (i) is appointed by Franchisee or any Operating Company; or (ii) is appointed by a court of competent jurisdiction or by private instrument or otherwise and such appointment is not dismissed within thirty (30) days;

h. Execution is levied against any ownership interest in, or assets of, Franchisee, any Operating Company, the Franchised Business, or the Restaurant;

i. Any interest in, or asset of, Franchisee, any Operating Company, the Franchised Business, or the Restaurant is sold after levy thereon by any sheriff, marshal, bailiff, clerk of court, or comparable governmental authority;

j. Franchisee or Operating Company is evicted from the premises of the Approved Location or Restaurant;

k. HOA reasonably determines that Franchisee or any Operating Company is unable to pay all of its indebtedness as such indebtedness comes due, as evidenced by Franchisee's or Operating Company's actual failure to pay such indebtedness as such indebtedness comes due, or otherwise;

l. HOA reasonably determines that Franchisee's or any Operating Company's capital is insufficient to carry on Franchisee's or Operating Company's business transactions and all business transactions in which it is required to engage, as evidenced by Franchisee's or Operating Company's actual failure to carry on such business transactions, or otherwise;

m. An unappealed final judgment against Franchisee or Operating Company remains unsatisfied for thirty (30) days, unless a *supersedeas* bond or like bond guarantying payment is filed;

n. Franchisee or any Operating Company is dissolved or is wound up; or

o. Franchisee or any Operating Company, jointly or severally, fails on three (3) or more occasions during any twelve (12) consecutive month period to pay when due any sum Franchisee or such Operating Company is required to pay HOA or HOA's affiliates, whether or not Franchisee or Operating Company cure such failure to pay;

2. If Franchisee, any Operating Company, or any Principal is convicted of or pleads nolo contendere to a felony, fraud, sale of illegal drugs, crime involving moral turpitude, crime that is directly related to the Franchised Business, or any other crime that HOA determines to have an adverse effect on the Restaurant, the Hooters System, the Proprietary Marks, the goodwill associated with the Proprietary Marks, or HOA's interest in the Proprietary Marks;

3. If, in violation of Sections VII. or VIII. of this Agreement, or if in violation of the Confidentiality Agreement or Exhibit A to the Confidentiality Agreement, Franchisee, its Principals, any Operating Company, such Operating Company's principals, or the personnel of such Franchisee or Operating Company required to sign Exhibit A disclose or divulge the contents of the Manuals or any of HOA's other Confidential Information or Trade Secrets to any person or entity not authorized to receive such information;

4. If Franchisee or any Operating Company maintains false books or records, or submits any false reports to HOA; or if any inspection of Franchisee's or any Operating Company's records discloses an understatement of payments due to HOA of four percent (4%) or more;

5. Except as otherwise provided in this Agreement, if Franchisee or any Operating Company at any time ceases to operate or otherwise abandons the Franchised Business, or otherwise forfeits the right to do or transact business in the jurisdiction where the Restaurant is located;

6. If Franchisee or any Operating Company fails to open the Restaurant by the later of: (i) the Opening Date prescribed in Section I.C.1. of this Agreement; or (ii) the last extension of time, if any, that HOA grants Franchisee or such Operating Company to open the Restaurant;

7. In the event of the intentional, willful, or grossly negligent breach by Franchisee, any Operating Company, or any Principal of any of the covenants, warranties, representations, agreements, or obligations of Franchisee, Operating Company, or Principal set forth in this Agreement or the Manuals;

8. If Franchisee or the Restaurant are nationalized; or

9. Franchisee or any Operating Company, jointly or severally, defaults under this Agreement three (3) or more times during any twelve (12) consecutive month period, whether or not Franchisee or Operating Company cure such defaults.

B. Franchisee shall have five (5) days after HOA's delivery of written notice of default within which to cure any default under this Section XIII.B., and to provide evidence of such cure to HOA. If Franchisee has not cured such default by the end of such cure period, HOA shall have the right to terminate this Agreement in its entirety or as to one or more Restaurants, at HOA's option, on notice to Franchisee. Franchisee shall be subject to termination under this Section XIII.B. on the occurrence of any of the following events:

1. If Franchisee or any Operating Company fails, refuses, or neglects promptly to pay when due the Continuing Royalty Fee or any other monies owing to HOA or HOA's affiliates, or to pay when due the International Advertising Fee, or to submit the royalty report or other financial information that Franchisee is required to provide HOA; or if Franchisee or any Operating Company makes any false statements in connection with any of the foregoing;

2. If Franchisee or any Operating Company sells unauthorized products or products not meeting HOA's specifications;

3. If a threat or danger to public health or safety results from the maintenance or operation of the Restaurant;

4. If Franchisee or any Operating Company fails to maintain any of the standards or procedures HOA prescribes in this Agreement, the Manuals, or otherwise in writing;

5. If Franchisee or any Operating Company misuses or makes any unauthorized use of the Proprietary Marks or otherwise materially impairs the goodwill associated with the Proprietary Marks or HOA's rights in the Proprietary Marks;

6. If Franchisee or any Operating Company engages in any business or markets any service or product under a name or mark that, in HOA's opinion, is confusingly similar to the Proprietary Marks or the Hooters System;

7. If Franchisee or any Operating Company, through alteration of restaurant design, trade dress, décor, product selection, product restrictions, image, or inventory, fails to maintain the character and nature of the Restaurant; or

8. If Franchisee or any Operating Company fails to provide HOA with the governing documents, other documents, forms, reports, records, certificates, tax returns, information, reports, data, certificates, notification, or other information that Franchisee is required to provide HOA as set forth in this Agreement.

C. Franchisee shall have ten (10) days after HOA's delivery of written notice of default within which to cure any default under this Section XIII.C., and to provide evidence of such cure to HOA. If Franchisee has not cured such default by the end of such cure period, HOA shall have the right to terminate this Agreement in its entirety or as to one or more Restaurants, at HOA's option, on notice to Franchisee. Franchisee shall be

subject to termination under this Section XIII.C. on the occurrence of any of the following events:

1. If Franchisee fails to: (i) comply with the in-term agreements set forth in the Confidentiality Agreement attached as Exhibit B to this Agreement; or (ii) obtain execution of the confidentiality agreement for individuals attached to the Confidentiality Agreement (the "Individual Confidentiality Agreement") as Exhibit A by all persons required to execute such Individual Confidentiality Agreement;

2. If Franchisee fails to: (i) comply with the in-term covenants set forth in the Covenant Not to Compete attached as Exhibit C to this Agreement; or (ii) obtain execution of the covenant not to compete for individuals attached to the Covenant Not to Compete (the "Individual Covenant Not to Compete") as Exhibit A by all persons required to execute such Individual Covenant Not to Compete; or

3. If Franchisee or any Operating Company closes or otherwise ceases to operate any Restaurant without HOA's prior written consent.

D. Franchisee shall have thirty (30) days after HOA's delivery of written notice of default within which to cure any default under this Section XIII.D., and to provide evidence of such cure to HOA. If Franchisee has not cured such default by the end of such cure period, HOA shall have the right to terminate this Agreement in its entirety or as to one or more Restaurants, at HOA's option, on notice to Franchisee. Franchisee shall be subject to termination under this Section XIII.D. on the occurrence of any of the following events:

1. If Franchisee's or any Operating Company's alcoholic beverage license is revoked or suspended for any reason;

2. If Franchisee or any Operating Company, by act or omission, commits or permits a violation of any Law, in the absence of a good-faith dispute over such Law's application or legality and without promptly resorting to an appropriate administrative or judicial forum for relief therefrom;

3. If Franchisee or any Operating Company fails to pay when due all undisputed bills, invoices, and statements from third-party suppliers of goods and services to the Franchised Business, Approved Location, or Restaurant, including without limitation rent and other payments due under the lease of the Approval Location, and payments Franchisee or any Operating Company owes contractors or other trade creditors;

4. If Franchisee or any Operating Company fails to pay when due any taxes or other governmental charges;

5. If Franchisee or any Operating Company defaults under any real property or equipment lease for or related to the Franchised Business, Approved Location, or Restaurant, or under any mortgage, chattel mortgage, conditional bill of sale, title retention contract, or security agreement of any kind or character, and does not

cure such default within any grace period provided by the lease or security instrument;

6. If Franchisee or any Operating Company, without HOA's prior written consent, enters into a management agreement or consulting arrangement related to the Restaurant with any person, or with an entity not wholly owned by Franchisee;

7. If HOA reasonably determines that Franchisee or any Operating Company are unable or unwilling to provide individuals who can complete HOA's manager training program to HOA's reasonable satisfaction, or if HOA reasonably determines that the individuals Franchisee or any Operating Company have provided for manager training lack the skills required to operate the Restaurant successfully;

8. If an approved transfer is not effected within the times set forth in Section XII.E. of this Agreement, following a Principal's death or mental incompetence; or

9. If Franchisee or any Operating Company, by act or omission, commits or permits a violation of any of the terms or provisions of this Agreement or the Manuals not specifically addressed in this Section XIII.

E. Any and all claims (except for monies due HOA) arising out of or related to: (i) the offer for sale, sale, negotiation, administration, or termination of the Franchise or this Agreement; (ii) the development, opening, operation, or closure of a Restaurant; or (iii) the relationship between the parties to this Agreement, shall be barred unless an action at law or in equity is properly filed in a court of competent jurisdiction within one (1) year after the date Franchisee or any Operating Company on the one hand, or HOA on the other hand, knows or should have known of the facts giving rise to such claim, except to the extent any Law provides for a shorter period of time to bring a claim.

XIV. OBLIGATIONS ON TERMINATION OR EXPIRATION

On termination or expiration of this Agreement for any reason, all rights granted to Franchisee under this Agreement shall immediately terminate, and:

A. Franchisee shall immediately cease to operate the business franchised under this Agreement, and shall not thereafter, directly or indirectly, represent to the public or hold itself out as a present or former franchisee of HOA.

B. Franchisee shall immediately and permanently cease to use, in any manner whatsoever, any or all of: (i) HOA's Confidential Information or Trade Secrets; and (ii) the Proprietary Marks. Without limiting the generality of the foregoing, Franchisee shall cease to use all signs, advertising materials, displays, stationery, forms, and any other articles that display the Proprietary Marks; provided, however, that this Section XIV.B. shall not apply to the operation by Franchisee of any other franchise under the Hooters System that HOA may separately and independently have granted to Franchisee and that HOA has not terminated.

C. Franchisee shall remove or change all signs, displays, furniture, fixtures, equipment, and other trade dress, and shall change all colors of buildings and other structures, to the extent required to distinguish the Restaurant from its former appearance and from any

other Hooters restaurants, and shall comply with HOA's other restaurant de-identification requirements (collectively, to "De-Identify" the Restaurant), so that the Restaurant is fully De-Identified by the end of ten (10) days after the termination or expiration of this Agreement.

1. If Franchisee fails to fully De-Identify the Restaurant by the end of ten (10) days after the termination or expiration of this Agreement, HOA and its agents shall have the right to enter onto the premises of the Restaurant without prior notice to Franchisee, and without liability for trespass, and to De-Identify the Restaurant at Franchisee's expense, which amounts Franchisee agrees to pay so that HOA actually receives such payment by the end of ten (10) days after demand therefor.

2. Franchisee will provide HOA with photographic or other evidence of the De-Identification satisfactory to HOA. If Franchisee fails to provide HOA with satisfactory photographic or other evidence of De-Identification so that HOA actually receives such evidence by the end of ten (10) days after the by the end of ten (10) days after the termination or expiration of this Agreement, HOA shall have the right to enter onto the premises of the Restaurant without prior notice to Franchisee, and without liability for trespass, to inspect the Restaurant at Franchisee's expense, which amounts Franchisee agrees to pay so that HOA actually receives such payment by the end of ten (10) days after demand therefor.

D. Franchisee shall: (i) comply with its obligations set forth in the Internet Web Sites and Listings Agreement attached to this Agreement as Exhibit F; and (ii) take such action as may be necessary to cancel any assumed name or equivalent registrations of Franchisee that contain the mark "Hooters" or any other Proprietary Mark. Franchisee shall furnish HOA with confirmation that Franchisee has fulfilled such obligations by the end of thirty (30) days after termination or expiration of this Agreement.

E. Franchisee shall not, in connection with any other business, use any reproduction, counterfeit, copy, or colorable imitation of the Proprietary Marks, either in connection with such other business or the promotion of such other business or otherwise, that may cause or constitute confusion, mistake, or deception, or that is likely to dilute HOA's rights in or to the Proprietary Marks, and further shall not use any designation of origin or description or representation that falsely suggests or represents an association or former association with HOA or the Hooters System.

F. Payments.

1. Franchisee shall pay to HOA and HOA's affiliates, so that HOA and its affiliates actually receive such payment by the end of ten (10) days after the termination or expiration of this Agreement, all sums owing to HOA and its affiliates accrued through the effective date of termination or expiration.

2. If HOA terminates this Agreement prior to the expiration of the Initial Term, Franchisee shall pay to HOA, so that HOA actually receives such payment by the end of ten (10) days after such termination:

   a. An amount equal to the Fees payable by Franchisee for the lesser of: (i) the balance of the Initial Term remaining; or (ii) the twelve (12)

calendar month period immediately prior to the effective date of HOA's termination of this Agreement; or

b. If HOA terminates this Agreement and the Restaurant has not been open for business for twelve (12) calendar months, the amount of Fees payable by Franchisee for the periods Franchisee was obligated to pay Fees prior to the effective date of HOA's termination of this Agreement, projected to twelve (12) calendar months; or

c. If HOA terminates this Agreement before Franchisee's obligation to pay Fees has commenced, the average amount of Fees payable by HOA's international franchisees generally, for the twelve (12) calendar month period immediately prior to the effective date of HOA's termination of this Agreement.

d. Franchisee acknowledges and agrees, and hereby directs any party construing this Agreement, including without limitation any court, mediator, master, or other party acting as a trier of fact or law, to conclusively presume, that the damages set forth in this Section XIV.F.2.: (i) are true liquidated damages; (ii) are intended to compensate HOA for the harm HOA will suffer as a result of the premature termination of this Agreement; (iii) are not a penalty; (iv) are a reasonable estimate of HOA's probable loss resulting from the premature termination of this Agreement, viewed as of the date of this Agreement; (v) shall be in lieu of, and not in addition to, actual damages for loss of the benefit of the bargain that HOA is entitled to receive; and (vi) shall, subject to clause (v) above, be in addition to all other rights HOA may have to legal or equitable relief.

3. If HOA terminates this Agreement as a result of Franchisee's default of this Agreement, Franchisee shall pay to HOA all costs and expenses HOA may incur related to such default and termination, including without limitation attorneys' fees and costs that HOA incurs related to: (i) drafting notices, demands, and other documents related to such default and termination; (ii) obtaining decrees for specific performance; (iii) obtaining injunctive or other relief; (iv) collection of amounts owed; and (v) appeal; so that HOA actually receives such payments by the end of ten (10) days after demand therefor.

4. The obligations set forth in this Section XIV.F., until paid in full, shall be and constitute a lien in favor of HOA against any and all of Franchisee's personal property, furnishings, fixtures, equipment, signage, inventory, and other assets.

G. Franchisee shall immediately deliver to HOA all manuals, including the Manuals; all records, files, instructions, correspondence, and other materials related to the operation of the Franchised Business, including without limitation brochures, agreements, and invoices, in Franchisee's possession or under Franchisee's control, and all copies thereof (all of which Franchisee acknowledges are HOA's property), and shall retain no copy or record of any of the foregoing, except Franchisee's copy of this Agreement and of any correspondence between the parties and any other documents that Franchisee reasonably needs for compliance with any provision of Law.

H. Within ten (10) days after the termination of this Agreement, Franchisee and HOA shall, on the demand of either, arrange for an inventory to be made, at HOA's cost if demanded by HOA, and at Franchisee's cost if demanded by Franchisee, of all of the assets of the Restaurant, including without limitation resaleable merchandise, the décor package, signage, and any items bearing the Proprietary Marks. HOA shall have the option to purchase from Franchisee any or all such items at fair market value, as determined by an independent appraiser HOA designates, which determination by such appraiser shall be conclusive and binding on all parties. HOA may exercise such option within thirty (30) days after the date HOA receives such appraisal, for closing of purchase and sale within sixty (60) days after the date HOA exercises such option.

I. Any right or interest Franchisee, any Operating Company, any Principal, any affiliate, or any person or entity otherwise under Franchisee's direction or control (collectively, a "Licensed Party") has in any Beer or Wine License, Malt Beverage Permit, Mixed Beverage License, Retail On-Premises Consumption License, Liquor License, Mini-Bottle Permit, Sunday Sales Permit, Local Option Permit, Consumption by Drink Permit, Entertainment Permit, Outdoor Permit, or any other alcoholic beverage license or permit related to the Restaurant (collectively, a "Liquor License") shall automatically transfer to HOA or its designee. Franchisee shall have five (5) days after HOA's delivery of written notice of termination or expiration of this Agreement to commence all procedures necessary to transfer or relocate all Liquor Licenses to HOA; or, if HOA designates another party to receive such Liquor License, to such designee, and to notify HOA in writing of such commencement. Licensed Party shall promptly use all commercially reasonable efforts to obtain the necessary approvals from any state or local authority for the prompt transfer or relocation of the Liquor License.

1. If applicable law does not permit the transfer or relocation of the Liquor License, Licensed Party shall have five (5) days after HOA's delivery of written notice of termination or expiration of this Agreement to contact all applicable authorities regarding, and to initiate, all procedures necessary to apply for a new Liquor License in the name of HOA or its designee in all applicable jurisdictions, and shall notify HOA in writing of such initiation. Licensed Party shall join and cooperate with HOA in promptly procuring a replacement Liquor License. Both Licensed Party and HOA shall immediately fulfill any directives or requirements from all applicable authorities in order to expedite the transfer or relocation of the existing Liquor License or acquisition of a new Liquor License.

2. Franchisee shall pay or promptly arrange for the full payment of all taxes of any kind or nature whatsoever, including without limitation property taxes, personal property taxes, sales, use, withholding, and any other taxes, that may affect title or the rights to any Liquor License in any way.

3. Franchisee shall indemnify and hold HOA harmless for any and all of any Licensed Party's liabilities and obligations related to the rights of HOA or its designee to own, possess, and use any Liquor License.

J. In the event that Franchisee closes or ceases to operate a Restaurant, but such closure or cessation of operation does not involve or is not accompanied by termination of this Agreement, Franchisee shall pay to HOA, so that HOA actually receives such payment by the end of ten (10) days after such closure or cessation of operation:

1. An amount equal to the Fees payable by Franchisee as to such Restaurant for the lesser of the balance of the Initial Term remaining or the twelve (12) calendar month period immediately prior to the date Franchisee closes or ceases to operate the Restaurant; or

2. If Franchisee closes or ceases to operate the Restaurant and the Restaurant has not been open for business for twelve (12) calendar months, the amount of Fees payable by Franchisee for the months the Restaurant has been open for business projected to twelve (12) calendar months; or

3. If Franchisee ceases its effort to open the Restaurant, the average amount of Fees payable by HOA's international franchisees generally, for the twelve (12) calendar month period immediately prior to the date HOA determines that Franchisee ceased its effort to open the Restaurant.

4. Franchisee acknowledges and agrees, and hereby directs any party construing this Agreement, including without limitation any court, mediator, master, or other party acting as a trier of fact or law, to conclusively presume, that the damages set forth in this Section XIV.J.: (i) are true liquidated damages; (ii) are intended to compensate HOA for the harm HOA will suffer as a result of the premature closure or cessation of operation of the Restaurant; (iii) are not a penalty; (iv) are a reasonable estimate of HOA's probable loss resulting from the premature closure or cessation of operation of the Restaurant, viewed as of the date of this Agreement; (v) shall be in lieu of, and not in addition to, actual damages for loss of the benefit of the bargain that HOA is entitled to receive; and (vi) shall, subject to clause (v) above, be in addition to all other rights HOA may have to legal or equitable relief.

5. The obligations set forth in this Section XIV.J., until paid in full, shall be and constitute a lien in favor of HOA against any and all of Franchisee's personal property, furnishings, fixtures, equipment, signage, inventory, and other assets.

K. In the event that Franchisee closes or ceases to operate a Restaurant, but such closure or cessation of operation does not involve or is not accompanied by termination of this Agreement, any and all rights Franchisee may have had related to the former Protected Territory of such Restaurant shall terminate and revert automatically and without notice to HOA; provided, however, if such former Protected Territory is within Franchisee's Option Territory, such former Protected Territory will remain a part of the Option Territory for as long as such Option Territory remains in effect, and on termination or expiration of Franchisee's rights to the Option Territory shall terminate and revert automatically and without notice to HOA.

L. If applicable Law does not permit HOA to collect the liquidated damages set forth in Section XIV.F.2 or Section XIV.J of this Agreement, HOA will be entitled to collect actual damages equal to: (i) the loss of the benefit of the bargain HOA would have received had Franchisee fully performed its obligations; plus (ii) HOA's out-of-pocket costs and expenses, including without limitation HOA's reasonable attorneys' fees and costs, and further including without limitation HOA's reasonable attorneys' fees and costs of appeal, and further including without limitation HOA's reasonable attorneys' fees and costs of collection.

XV. COVENANTS

A. Franchisee covenants, warrants, represents, and agrees that Franchisee shall devote its full time, energy, and best efforts to the management and operation of the Franchised Business.

B. Franchisee covenants, warrants, represents, and agrees that, during the term of this Agreement, except as HOA may otherwise approve in writing, Franchisee shall not, either directly or indirectly, for itself or through, on behalf of, or in conjunction with, any person or other entity, employ or seek to employ any person who is at that time, or who has been within the immediately-preceding sixty (60) days, employed by HOA or by any other franchisee or affiliate of HOA, or otherwise directly or indirectly induce such person to leave his or her employment.

C. Franchisee specifically acknowledges that, as an HOA franchisee, Franchisee will receive valuable specialized training and confidential information, including, without limitation HOA's Confidential Information and Trade Secrets, and other information regarding HOA's operational, sales, promotional, and marketing methods and techniques.

D. HOA's form of Covenant Not to Compete is attached to this Agreement as Exhibit C. Franchisee will deliver an original of such Covenant Not to Compete, executed by Franchisee, together with an original of this Agreement, to HOA. Franchisee will comply with the terms of the Covenant Not to Compete. The Covenant Not to Compete is hereby incorporated into this Agreement as if fully set forth herein.

E. HOA's form of Individual Covenant Not to Compete is attached to the Covenant Not to Compete as Exhibit A. Franchisee will, automatically and without HOA's request, cause Franchisee's: (i) Principals; (ii) Managers; (iii) directors, officers, and managers (if Franchisee is a corporation, limited liability company, or similar business entity); (iv) general partners and limited partners (including without limitation each holder of a direct or beneficial interest of ten percent (10%) or more in any corporation, limited liability company, or other business entity that controls, directly or indirectly, any general or limited partner); and (v) other personnel in employment or similar capacities HOA specifies (collectively, the "Covenanting Personnel"), to execute such Individual Covenant Not to Compete, to provide the date and such party's address as required by such Individual Covenant Not to Compete, and to deliver a fully-executed, dated original of such Individual Covenant Not to Compete to HOA, prior to and as a condition precedent to such person coming within the scope of persons defined as "Covenanting Personnel."

F. Franchisee expressly agrees that the existence of any claims it may have against HOA, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by HOA of the covenants in this Section XV. Franchisee agrees to pay all damages, costs, and expenses (including reasonable attorneys' fees) HOA may incur in connection with the enforcement of this Section XV.

XVI. TAXES, PERMITS, AND INDEBTEDNESS

A. Franchisee shall pay when due all taxes levied or assessed, including, without limitation unemployment and sales taxes, and all accounts payable and other indebtedness of every kind Franchisee incurs in the conduct of the Franchised Business.

B. Should any taxing authority impose on HOA any "franchise" or other tax that is based on the gross sales, gross revenues, business activities, or operation of the Franchised Business or the Restaurant, except for federal or state income taxes, Franchisee will reimburse HOA an amount equal to the amount of such taxes and related costs and expenses imposed on or paid by HOA, unless the tax is credited against income tax otherwise payable by HOA. Franchisee will make such reimbursement so that HOA actually receives such reimbursement by the end of ten (10) days after delivery of written notice by HOA that HOA is entitled to reimbursement for payment of such taxes and other amounts.

C. In the event of any bona fide dispute as to Franchisee's liability for taxes assessed or other indebtedness, Franchisee may contest the validity or the amount of the tax or indebtedness in accordance with the procedures of the taxing authority or applicable law; however, in no event shall Franchisee permit a tax sale or seizure by levy or execution or similar writ or warrant, or attachment by a creditor, including without limitation foreclosure, eviction, or repossession, to occur against the premises of the Restaurant, or any improvements to such premises, or any furnishings, fixtures, equipment, or other assets of the Restaurant.

D. Franchisee shall notify HOA in writing within five (5) days of the commencement of any action, suit, or proceeding, and of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality, arising out of or related to the Franchised Business.

XVII. INDEPENDENT CONTRACTOR

A. HOA and Franchisee acknowledge and agree that: (i) this Agreement does not create a fiduciary relationship between the parties hereto or any affiliated or related parties or entities; (ii) Franchisee is an independent contractor; and (iii) nothing in this Agreement is intended to or shall be construed to constitute either party as an agent, legal representative, subsidiary, joint venturer, partner, employee, or servant of the other for any purpose whatsoever.

B. Franchisee shall hold itself out to the public as an independent contractor operating the Franchised Business pursuant to a franchise from HOA. Franchisee will take all such actions as may be required to notify all interested persons or entities of such independent contractual relationship by exhibiting a notice of such relationship in a conspicuous place in the Restaurant, the content and form of which notice HOA shall have the right to specify.

C. Franchisee acknowledges and agrees that nothing in this Agreement authorizes Franchisee, and that Franchisee shall have no authority, to make any contract, agreement, warranty, or representation on behalf of HOA, or to incur any debt or other obligation in HOA's name; and that HOA shall in no event assume liability for, or be deemed liable hereunder or thereunder as a result of any such action; nor shall HOA be liable by reason of any act or omission of Franchisee in its conduct of the Franchised Business or for any claim or judgment arising out of or related to the Franchised Business against Franchisee or HOA.

D. Franchisee acknowledges and agrees that: (i) HOA's business is the business of developing the System, granting franchises to independent business operators to use the

System, and servicing independent operators of franchised businesses in the System; (ii) Franchisee's Franchised Business is the business of operating the Restaurant; and (iii) the business HOA operates and the business Franchisee operates are separate and distinct businesses engaged in separate and distinct activities.

E. Enforcement.

1. Franchisee, for itself, its Principals, and its employees, hereby covenants, warrants, represents, and agrees that neither it nor they nor any of them will: (i) make or raise any claim, counterclaim, crossclaim, affirmative defense, or demand; (ii) commence, or cause or permit to be commenced; (iii) prosecute, or cause or permit to be prosecuted; or (iv) assist or cooperate in the commencement or prosecution of, any suit or action at law or in equity or otherwise, any arbitration or like proceeding, or any administrative or agency proceeding, against or related to HOA, HOA's affiliates, or HOA's or such affiliates' directors, officers, shareholders, partners, members, employees, agents, or attorneys (collectively, the "HOA Parties"), alleging any matter contrary to any acknowledgment or agreement set forth in this Section XVII. of this Agreement.

2. Franchisee, for itself, its Principals, and its employees, hereby acknowledges and agrees that in the event of any breach of Section XVII.E.1 of this Agreement, the HOA Parties would be irreparably injured and without adequate remedy at law. Therefore, in the event of a breach or a threatened or attempted breach of any provision of Section XVII.E.1, Franchisee, for itself, its Principals, and its employees, agrees that HOA and the other HOA Parties will be entitled, in addition to any other remedies such HOA Parties may have at law or in equity or otherwise, to a preliminary and permanent injunction and a decree for specific performance of the terms of Section XVII.E.1, without the necessity of showing actual or threatened damage and without being required to furnish a bond or other security.

3. Franchisee hereby covenants, warrants, represents, and agrees that it has the authority to bind its Principals and employees to this Section XVII. of this Agreement.

XVIII. INDEMNIFICATION

A. As used in this Section XVIII., the term "Losses and Expenses" shall include, without limitation, any and all obligations, debts, claims, demands, rights, actions, causes of action, loss, losses, damage, damages, expenses, costs, liability, and liabilities of any nature or kind; including without limitation reasonable accountants', attorneys', and expert witness fees and costs; costs of investigation and proof of facts; court costs and other expenses of litigation; and travel and living expenses, together with compensation for damages to HOA's reputation and goodwill, costs of or resulting from delays, financing, costs of advertising material and media time or space, and costs of changing, substituting, or replacing such advertising material and media time or space, and any and all expenses of recalls, refunds, compensation, public notices, and other amounts arising out of or related to such matters.

B. Franchisee shall, at all times, fully indemnify and hold harmless HOA and its affiliates, and HOA's and such affiliates' directors, officers, shareholders, partners, members, employees, agents, and attorneys, and the predecessors, successors, heirs, and assigns of any and all of the foregoing (collectively, the "Indemnitees"), from all Losses and Expenses arising out of or related to Franchisee, any Operating Company, the Franchised Business, the Approved Location, and the development, opening, operation, or closure of the Restaurant. Such obligations shall include, without limitation, Losses and Expenses incurred in connection with:

1. Any action, suit, proceeding, claim, demand, investigation, or inquiry (formal or informal), or any settlement thereof (whether or not a formal proceeding or action has been instituted) that arises out of or is related to any of the foregoing;

2. Franchisee's default of any covenant, warranty, representation, agreement, or obligation set forth in this Agreement or any schedule, exhibit, addendum, attachment, or amendment to this Agreement;

3. Franchisee's default or alleged default of any other agreement;

4. Franchisee's violation or alleged violation of any Law, any standard or directive, or any industry standard, including without limitation violations resulting from Franchisee's use of the Hooters System;

5. Libel, slander, or any other form of defamation by Franchisee; and

6. Acts, errors, or omissions of Franchisee or any of Franchisee's directors, officers, shareholders, partners, members, employees, agents, and attorneys.

This indemnification shall include losses alleging the negligence of any Indemnitee, including without limitation negligence in the supervision and inspection of the Restaurant, the training of a Restaurant employee, and the Hooters System standards, but excluding any case in which the Indemnitee is determined by a court of competent jurisdiction to have engaged in grossly negligent or willful misconduct. The indemnification set forth in this Section XVIII. shall survive the termination or expiration of this Agreement.

C. Franchisee shall promptly notify HOA of any action, suit, proceeding, claim, demand, inquiry, investigation, or default described in Section XVIII.B. If HOA is or may be named as a party in any action, suit, or proceeding, HOA may elect to undertake, but shall not be obligated to undertake, the defense or settlement thereof, at Franchisee's cost and expense. No such undertaking by HOA shall, in any manner or form, diminish Franchisee's obligation to indemnify HOA and to hold it harmless.

D. With respect to any action, suit, proceeding, claim, demand, inquiry, or investigation, HOA may, at any time and without notice, in order to protect persons or property or the reputation or goodwill of HOA or others, order, consent, or agree to any settlement or take any remedial or corrective action that HOA deems expedient; if, in HOA's sole judgment, there are reasonable grounds to believe that:

1. Any of the acts, omissions, or circumstances giving rise to the action, suit, proceeding, claim, demand, inquiry, or investigation, in fact occurred; or

2. Any act, error, or omission of Franchisee may result directly in or indirectly in damage, injury, or harm to any person or any property.

E. All losses and expenses incurred under this Section XVIII. shall be chargeable to and paid by Franchisee pursuant to Franchisee's obligations of indemnity under this Agreement.

F. Under no circumstances shall the Indemnitees be required or obligated to seek recovery from third parties or to otherwise mitigate their losses in order to maintain a claim against Franchisee. Franchisee agrees that the failure to pursue such recovery or to mitigate loss shall in no way reduce the amounts the Indemnitees may recover from Franchisee.

G. The Indemnitees assume no liability whatsoever for any acts, errors, or omissions of any persons with whom Franchisee may contract, regardless of the purpose. Franchisee shall hold harmless and indemnify the Indemnitees and each of them for all Losses and Expenses that may arise out of any acts, errors, or omissions of persons with whom Franchisee may contract.

XIX. APPROVALS AND WAIVERS

A. Whenever this Agreement requires the prior approval or consent of HOA, Franchisee shall make a timely written request to HOA for such approval or consent, and Franchisee shall obtain such approval or consent in writing.

B. HOA makes no representations, warranties, or guaranties on which Franchisee may rely, and assumes no liability or obligation to Franchisee, by providing any waiver, approval, consent, or suggestion to Franchisee or in connection with any consent, or by reason of any neglect, delay, or denial of any request therefor.

C. No failure of HOA to exercise any power reserved to it in this Agreement, or to insist on compliance by Franchisee with any obligation or condition in this Agreement, and no custom or practice of the parties at variance with the terms of this Agreement, shall constitute a waiver of HOA's rights to demand exact compliance with any of the terms of this Agreement. Waiver by HOA of any particular default shall not affect or impair HOA's right with respect to any subsequent default of the same or of a different nature; nor shall any delay, forbearance, or omission by HOA to exercise any power or right arising out of any breach or default by Franchisee of any of the terms, provisions, or covenants of this Agreement affect or impair HOA's rights; nor shall such delay, forbearance, or omission constitute a waiver by HOA of any rights under this Agreement or any right to obtain relief for any subsequent breach or default.

XX. NOTICES

A. Any and all notices required or permitted under this Agreement shall be in writing, shall be in the English language, and shall be: (i) personally delivered; or (ii) delivered by international courier service, such as UPS, Federal Express, or DHL, to the respective parties at the following addresses unless and until a different address has been designated by written notice to the other party:

Notices to HOA:

Hooters of America, LLC
1815 The Exchange
Atlanta, Georgia, USA 30339
Attention: General Counsel

with simultaneous written copy, which shall not constitute notice, to:

A. J. Block, Jr., Esq.
Fine and Block
2060 Mt. Paran Road, N.W.
Atlanta, Georgia, USA 30327

Notices to Franchisee:

Attention:

B. Any notice delivered under Section XX.A. of this Agreement shall be deemed to have been given on the earlier of: (i) the date and time of receipt; (ii) three (3) business days after having been deposited with an international courier service for express delivery; or (iii) the intended recipient's failure or refusal to accept delivery.

XXI. ENTIRE AGREEMENT

A. This Agreement, including the exhibits, attachments, and amendments to it, is a complete integration that sets forth the entire agreement between HOA and Franchisee, fully superseding any and all prior negotiations, agreements, representations, or understandings between HOA and Franchisee, whether oral or written, related to the subject matter of this Agreement. HOA and Franchisee hereby expressly confirm that there are no other oral or written agreements, "side-deals," arrangements, or understandings between HOA and Franchisee except as expressly set forth in this Agreement or in a duly-executed written amendment to this Agreement. No course of dealing, whether occurring before or after the Effective Date of this Agreement, shall operate to amend, modify, terminate, or waive any express written provision of this Agreement.

B. Except for those acts that this Agreement permits HOA to take unilaterally, no amendment, change, or variance from this Agreement will be binding on HOA unless such amendment, change, or variance is set forth with particularity in a written agreement duly executed by HOA's authorized officer and by Franchisee.

C. Franchisee hereby covenants, warrants, represents, and agrees that it will not: (i) make or raise any claim, counterclaim, crossclaim, affirmative defense, or demand; (ii) commence, or cause or permit to be commenced; (iii) prosecute, or cause or permit to be prosecuted; or (iv) assist or cooperate in the commencement or prosecution of, any suit or action at law or in equity or otherwise, alleging or asserting any matter contrary to Sections XXI.A. or XXI.B. of this Agreement.

XXII. SEVERABILITY AND CONSTRUCTION

A. No Implied Covenant. HOA and Franchisee have negotiated the terms of this Agreement and agree that neither party shall claim the existence of an implied covenant of good faith and fair dealing to contravene or limit any express written term or provision of this Agreement.

B. Partial Invalidity. If any term or provision of this Agreement is declared invalid or unenforceable for any reason, such provision will be modified to the minimum extent necessary to make it valid and enforceable; or, if it cannot be so modified, then severed, and the remaining provisions of this Agreement will remain in full force and effect. The parties agree that they would have signed the Agreement as so modified.

C. Interpretation. The table of contents and section headings in this Agreement are inserted for convenience only and will not affect the meaning or construction of this Agreement. Except as otherwise set forth in this Agreement, the language of this Agreement will be construed simply according to its fair meaning and not strictly for or against either party. Both parties have been represented by skilled and experienced counsel in the transaction resulting in the execution of this Agreement, and both parties are skilled and experienced business professionals; and as a result, both parties shall be deemed to have drafted this Agreement and in no event will any adverse construction of this Agreement be attributed to HOA as the drafting party. The Recitals of this Agreement are a material part of this Agreement, and shall in no event be considered mere prefatory material or surplusage. "Herein," "hereof," and "hereunder" refer to this Agreement as a whole and not to any particular part. Words importing the singular number only shall include the plural and vice-versa, and words importing the masculine gender shall include the feminine and neuter genders and vice-versa. The word "including" means "including without limiting the scope or generality" of any description preceding such word, and the word "or" means, and is used in the inclusive sense of, "and/or." References to documents, instruments, or agreements shall be deemed to refer as well to all addenda, exhibits, schedules, or amendments thereto.

D. Survival of Obligations. All obligations of this Agreement, whether HOA's or Franchisee's, that expressly or by their terms require performance after the termination or expiration of this Agreement, or that by their nature would reasonably be expected to continue in effect after termination or expiration of this Agreement, including without limitation the Guaranty, Confidentiality Agreement, Individual Confidentiality Agreement, Covenant Not to Compete, and Individual Covenant Not to Compete, required to be given under this Agreement, will continue in full force and effect after and notwithstanding its termination or expiration, until they are satisfied in full or by their nature expire.

E. Calculation of Days. Except where this Agreement expressly requires "business days" in any calculation of time, all references to "days" shall mean "calendar days." Where this Agreement requires "business days" in any calculation of time, "business days" shall mean "U.S. business days."

F. Submission of Agreement. Submission of this Agreement to Franchisee does not constitute an offer to enter into a contract. This Agreement will become effective only on its execution by HOA and Franchisee, and will not be binding on HOA unless and until it is signed by HOA's authorized officer and delivered to Franchisee.

G. Counterparts. This Agreement may be executed in multiple counterparts, and each copy so executed shall be deemed an original.

H. Further Assurances. Franchisee shall execute and deliver all documents and agreements that HOA may require in order to further the intent of this Agreement, promptly on HOA's request.

XXIII. FORCE MAJEURE

Except for: (i) the covenants and obligations of the Franchisee set forth in Section I. of this Agreement; and (ii) monetary obligations under this Agreement, and except as otherwise specifically provided in this Agreement, if either party to this Agreement shall be delayed or hindered in or prevented from the performance of any act required under this Agreement by reason of strikes, lock-outs, labor troubles, inability to procure materials, failure of power, war, acts of terror, riots, insurrection, or other causes beyond the reasonable control of the party required to perform such work or act under the terms of this Agreement not the fault of such party (a "Force Majeure"), then performance of such act shall be excused during the period of such Force Majeure. The party whose performance is affected by a Force Majeure shall give prompt, written notice to the other party of such Force Majeure. If there shall be a Force Majeure that HOA deems economically harmful or otherwise detrimental to HOA or the Hooters System, then HOA shall be entitled to terminate this Agreement on ninety (90) days' written notice to Franchisee; provided, however, that HOA may withdraw such notice if, within such ninety (90) day period, HOA determines that the economically harmful or otherwise detrimental effects have ceased.

XXIV. APPLICABLE LAW; DISPUTE RESOLUTION

A. Governing Law. All matters related to this Agreement, including without limitation all matters related to the making, existence, construction, enforcement, and sufficiency of performance of this Agreement, shall be determined exclusively in accordance with, and governed exclusively by, the laws of the State of Georgia, USA applicable to agreements made and to be entirely performed in the State of Georgia, which laws shall prevail in the event of any conflict of laws. Notwithstanding the foregoing, if any matter related to this Agreement would be unenforceable under the laws of the State of Georgia, but would be enforceable under the laws of Franchisee's jurisdiction, then the laws of Franchisee's jurisdiction shall apply to such matter.

B. Forum, Venue, and Jurisdiction. In the event of any dispute arising out of or related to this Agreement, including without limitation any dispute arising out of or related to the making of this Agreement, such dispute shall be resolved exclusively through litigation. The exclusive forum and venue for such litigation shall be a state or federal court having jurisdiction over the subject matter in or for the city or county where HOA's principal business office is located. Franchisee hereby irrevocably accepts and submits to, generally and unconditionally, the exclusive jurisdiction of any such state or federal courts having jurisdiction over the subject matter and hereby waives, to the extent permitted by applicable law, defenses based on jurisdiction, venue, or forum non conveniens. The provisions of this Section XXIV.B. shall remain in full force and effect after the expiration or termination of this Agreement.

C. Waivers.

1. Waiver of Class Action Litigation. Litigation arising out of or related to this Agreement shall be conducted on an individual, not a class-wide, basis. No litigation under this Agreement may be consolidated with any other litigation involving us and any other person without HOA's prior written consent.

2. Waiver of Trial By Jury. HOA and Franchisee hereby waive trial by jury in any litigation arising out of or related to this Agreement.

3. Waiver of Punitive Damages. HOA and Franchisee hereby waive any right to or claim for punitive, exemplary, consequential, multiplied, enhanced, or speculative damages.

D. No Limitation. No right or remedy conferred on or reserved to HOA or Franchisee by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy set forth in this Agreement or by law or equity provided or permitted, but each shall be cumulative of every other right or remedy.

E. Injunctive Relief. Nothing set forth in this Agreement contained shall bar HOA's right to obtain injunctive relief against threatened conduct that shall cause it loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions.

F. Registered Agent. Franchisee irrevocably constitutes and appoints C.T. Corporation, at its Atlanta, Georgia, USA address, and its successors, to be its true and lawful agent, to receive service of any lawful process in any civil litigation or proceeding arising out of or related to this Agreement. Service on such agent shall have the same force and validity as if HOA had obtained valid personal service on Franchisee. Franchisee shall furnish its current address to C.T. Corporation, and shall pay such fees to C.T. Corporation as are necessary to retain C.T. Corporation as Franchisee's agent for service of process, at all times during the term of this Agreement.

XXV. ENGLISH LANGUAGE REQUIRED

A. The English language shall be used in all dealings and communications between HOA and Franchisee. All training, seminars, and programs HOA conducts, and all franchisee meetings, shall be in the English language. All notices, correspondence, memos, emails, and other communications, whether written or oral, between HOA and Franchisee shall be in the English language. All materials, including without limitation all advertising, promotional, marketing, recruiting, and training materials; all agreements; and all Manuals, other manuals, rules of operations, policy directives, standards and specifications, instructions, and operating procedures, shall be in the English language. In the event that any Law requires any material HOA provides to Franchisee to be translated into another language, Franchisee, at its sole cost and expense, shall have such material translated in accordance with such Law. Franchisee, in its discretion and at its sole cost and expense, may have materials HOA provides to Franchisee, or communications HOA sends Franchisee, translated into another language. Franchisee shall provide HOA with a copy of any material HOA provides to Franchisee that is translated into another language, for HOA's approval prior to any use or dissemination of such material, which approval HOA will not unreasonably withhold or delay. Franchisee

shall be solely responsible for the truth, accuracy, and completeness of any translations, notwithstanding any review or approval of such material by HOA. Any and all translations of material that HOA may provide to Franchisee shall be the sole and exclusive property of HOA and shall inure to the benefit of HOA. In the event of any conflict between any material in English and the translated version of such material, the English version of such material shall control.

B. HOA and Franchisee have requested that this Agreement and any amendments to this Agreement be drafted in English. This Agreement and such amendments may be translated into Franchisee's native language or some other language. In the event of any conflict between the English language version and the translated version, the English language version shall prevail.

XXVI. ACKNOWLEDGMENTS

A. Reasonable Business Judgment. HOA acknowledges and agrees that it will, and Franchisee acknowledges and agrees that HOA may, use Reasonable Business Judgment in the exercise of HOA's rights, discharge of its obligations, and exercise of its discretion, and in all circumstances where HOA is required to give its consent, unless this Agreement expressly provides some other standard. "Reasonable Business Judgment" shall mean that HOA's determinations or choices will prevail, even if other alternatives are also reasonable or arguably preferable, if HOA intends to benefit, or is acting in a way that could benefit, the Hooters System (by, for example, enhancing the value of the Proprietary Marks, increasing franchisee or guest satisfaction, or increasing HOA's financial strength). Franchisee agrees to this concept of Reasonable Business Judgment in acknowledgment of the fact that HOA should have at least as much discretion in administering the Hooters System as a corporate board of directors has in directing a corporation and because the long-term interests of the Hooters System, all franchisees and owners of franchised businesses in the Hooters System, and HOA and its owners, taken together, require that HOA have the latitude to exercise Reasonable Business Judgment. HOA shall not be required to consider a franchisee's particular economic or other circumstances or to slight HOA's own economic or other business interests when HOA exercises its Reasonable Business Judgment. Franchisee acknowledges and agrees that: (i) HOA has a legitimate interest in seeking to maximize the return to its equityholders; and (ii) the fact that HOA or its affiliates benefit economically from an action will not be relevant to showing that HOA did not exercise Reasonable Business Judgment. Neither Franchisee nor any third party (including without limitation any third party acting as a trier of fact or law) shall substitute Franchisee's, his, her, or its judgment for HOA's Reasonable Business Judgment. In a given situation, Franchisee shall have the burden of establishing, by clear and convincing proof, that HOA failed to exercise Reasonable Business Judgment.

B. Nature of Obligations.

1. Franchisee acknowledges and agrees that: (i) all obligations HOA owes under this Agreement HOA owes to Franchisee alone; and (ii) no other person or entity, including without limitation Franchisee's affiliates, and Franchisee's and such affiliates' directors, officers, shareholders, partners, members, employees, and agents, and the predecessors, successors, heirs, and assigns of any of them, shall be entitled to rely on, enforce, or obtain relief for breach of, any of HOA's

obligations arising out of or related to this Agreement, whether directly, indirectly, by subrogation, as an intended third-party beneficiary, or otherwise.

2. Franchisee acknowledges and agrees that: (i) all obligations of HOA under this Agreement are owed by HOA alone; and (ii) no other person or entity, including without limitation HOA's officers, members, employees, and agents, and HOA's affiliates and their directors, officers, shareholders, partners, members, employees, and agents, and the predecessors, successors, heirs, and assigns of any of them, shall be subject to liability under this Agreement.

C. Revenue. HOA may require Franchisee to purchase or lease products, equipment, services, and supplies from HOA, HOA's affiliates, or third parties HOA designates or approves. Franchisee acknowledges and agrees that HOA and HOA's affiliates may enter into agreements with third parties, including without limitation suppliers and distributors, under which HOA and HOA's affiliates may derive revenue, profits, and other benefits, including without limitation rebates, discounts, allowances, or marketing assistance, as a result of consideration Franchisee pays to such third parties for purchases or leases HOA requires Franchisee to make. Franchisee further acknowledges and agrees that HOA may require Franchisee to purchase or lease products, equipment, services, and supplies from HOA and HOA's affiliates, that HOA and its affiliates may include a reasonable markup in the price HOA and its affiliates charge Franchisee, and that HOA and its affiliates may derive revenue and profit from purchases or leases HOA requires Franchisee to make from HOA or its affiliates.

D. Business Risks. Franchisee acknowledges and agrees that: (i) it has conducted an independent investigation of the business contemplated by this Agreement; (ii) it understands that such business involves business risks; and (iii) it understands that making a success of the Franchised Business depends largely on Franchisee's business skill, effort, and business acumen.

E. Review of Documents. Franchisee acknowledges and agrees that: (i) HOA's review of any lease, loan agreement, purchase agreement, sale agreement, assignment, transfer agreement, site plan, or other agreement or document Franchisee proposes to enter into or provides is intended solely to ensure that HOA's interests are adequately protected; (ii) HOA is not undertaking any such review on Franchisee's behalf or for Franchisee's benefit; (iii) HOA's review will not replace review by Franchisee's accountant, attorney, architect, and other business and professional advisors; and (iv) HOA will have no responsibility or liability related to such review.

F. Variances. Franchisee acknowledges and agrees that: (i) HOA may from time to time approve exceptions or changes to the standards and specifications of the Hooters System (including, without limitation, the amount and payment terms of any fee) that HOA deems necessary or desirable under particular circumstances (the "Variances"); (ii) Franchisee will have no right to require HOA to disclose any Variances to Franchisee or to grant Franchisee the same or similar Variances; and (iii) other franchisees, whether existing now or in the future, will operate under different forms of agreements, and that as a result their rights and obligations may differ materially from Franchisee's rights and obligations.

G. No Unauthorized Representations or Commitments. Franchisee acknowledges and agrees that: (i) HOA does not permit any agreements or commitments, and does not

approve any changes in this Agreement, except by means of a written amendment signed by the parties to this Agreement; and (ii) if any representations or commitments, or any promises of changes in this Agreement, have been made to Franchisee that are not in an amendment signed by HOA's authorized officer and delivered to Franchisee, such representations, commitments, and promises will not be enforceable.

H. Receipt; No Contrary Representations; No Financial Performance Representations.

1. Franchisee acknowledges that it received HOA's International Franchise Disclosure Document at least fourteen (14) days prior to the date on which Franchisee executed this Agreement or paid HOA any consideration related to the Franchise. Franchisee further acknowledges and agrees that it received a copy of this complete Agreement, the attachments to this Agreement, and all agreements related to this Agreement, if any, complete and with all blanks filled in, at least five (5) business days prior to the date on which Franchisee executed this Agreement or paid HOA any consideration related to the Franchise.

2. Franchisee acknowledges and agrees that neither HOA nor any person or entity acting on HOA's behalf has made any representation, commitment, claim, or statement to Franchisee that is different from, or that is contrary to, any of the representations, commitments, claims, or statements contained in HOA's International Franchise Disclosure Document.

3. Franchisee acknowledges and agrees that neither HOA nor any person or entity acting on HOA's behalf has made any oral, written, visual, or other representation, commitment, claim, or statement from which any level or range of actual or potential sales, costs, income, expenses, profits, cash flow, or otherwise might be ascertained, related to a Hooters franchise, that is different from, contrary to, or not contained in, HOA's International Franchise Disclosure Document.

4. Franchisee acknowledges and agrees that the acknowledgments and agreements set forth in this Section XXVI.H.: (i) are intended to show that this Agreement supports the disclosures set forth in HOA's International Franchise Disclosure Document, and that this Agreement does not waive or contravene such disclosures; (ii) are not Franchisee's waiver of its right to relief for violation of any laws governing the offer and sale of franchises, but are rather Franchisee's acknowledgment and agreement that no such violations occurred; and (iii) are being relied on by HOA to its detriment in connection with HOA's decision to enter into this Agreement with Franchisee.

5. The only exceptions to the acknowledgments and agreements set forth in this Section XXVI.H. are as follows:

None

_____

_____. INITIALS: _____

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Agreement as of the Effective Date set forth above.

HOA:	**FRANCHISEE:**
HOOTERS OF AMERICA, LLC	
By: _____	By: _____
Terrance M. Marks	
Title: Chief Executive Officer	Title:

EXHIBIT A

TO THE HOOTERS OF AMERICA, LLC INTERNATIONAL FRANCHISE AGREEMENT

PERSONAL GUARANTY OF FRANCHISEE'S PRINCIPALS

PERSONAL GUARANTY OF FRANCHISEE'S PRINCIPALS

THIS GUARANTY (the "Guaranty") is made by the Guarantor named on the signature pages of this Guaranty (whether one or more, the "Guarantor") in favor of HOOTERS OF AMERICA, LLC, a Georgia, USA limited liability company with its principal business address at 1815 The Exchange, Atlanta, Georgia, USA 30339 (hereinafter "HOA"), as of the date set forth beneath such Guarantor's signature.

RECITALS

A. HOA, as franchisor, and _____ (the "Franchisee"), as franchisee, are entering into that certain Hooters® international franchise agreement (the "Franchise Agreement") contemporaneously with Guarantor's execution of this Guaranty and as a part of the same transaction.

B. As an express condition precedent to, and in consideration of, HOA entering into the Franchise Agreement, HOA has required that Guarantor guaranty: (i) the payment and performance of all monetary covenants and agreements of Franchisee contained in the Franchise Agreement and any other agreements related to the Franchise Agreement or the business franchised under the Franchise Agreement (such monetary covenants and agreements being referred to collectively in this Guaranty as the "Monetary Covenants"); and (ii) the performance of all non-monetary covenants and agreements of Franchisee contained in the Franchise Agreement and any other agreements related to the Franchise Agreement or the business franchised under the Franchise Agreement (such non-monetary covenants and agreements being referred to collectively in this Guaranty as the "Non-Monetary Covenants") (the Monetary Covenants and Non-Monetary Covenants being referred to collectively in this Guaranty as the "Covenants").

C. Guarantor is a Principal (as defined in the Franchise Agreement) of Franchisee, and as such anticipates benefit from the transactions contemplated under and evidenced by the Franchise Agreement and any other agreements related to the Franchise Agreement or the business franchised under the Franchise Agreement (the Franchise Agreement and such other agreements being referred to collectively in this Guaranty as the "Agreements"), and is therefore willing to execute this Guaranty.

D. HOA would not have entered into the Franchise Agreement without Guarantor's guaranties and agreements set forth in this Guaranty, which guaranties and agreements HOA has relied on to its detriment.

NOW, THEREFORE, in consideration of the foregoing, and in further consideration of the Franchise Agreement and the mutual promises and commitments set forth therein, and in further consideration of Ten and No/100 United States Dollars ($10.00 USD) in-hand paid to Guarantor, and for other good and valuable consideration, the receipt and sufficiency of all of which Guarantor hereby acknowledges, Guarantor agrees as follows:

1. **Guaranty**.

1.1 Guarantor hereby guaranties the due and punctual payment and performance when due of all Monetary Covenants and the due and punctual performance when due of all Non-Monetary Covenants.

1.2 Guarantor agrees that, as to all Monetary Covenants, this Guaranty is a guaranty of payment and not of collection.

1.3 Guarantor agrees that the guaranties Guarantor is giving under this Guaranty: (i) are full, complete, continuing, absolute, unconditional, primary, and unlimited in amount; and (ii) specifically include amounts owed to HOA prior to the date Guarantor made this Guaranty, as well as amounts owed to HOA after the date Guarantor made this Guaranty.

1.4 Guarantor agrees that HOA may at any time, without impairing, releasing, or affecting in any way the obligations of Guarantor under this Guaranty, and without further notice to Guarantor, and without further consent by Guarantor:

1.4.1 Add to, delete from, or modify in any respect the Franchise Agreement and any other Agreements, even if such additions, deletions, or modifications increase Guarantor's liability under this Guaranty;

1.4.2 Add additional agreements to the Agreements, even if such additional agreements increase Guarantor's liability under this Guaranty;

1.4.3 Extend or waive any time for Franchisee's or any other person's or entity's performance of, or compliance with, any covenant, warranty, representation, agreement, or obligation to be performed or observed under the Agreements; or waive such performance or compliance; or consent to a failure of, or departure from, such performance or compliance; and

1.4.4 Release any person or other entity primarily or secondarily liable under the Franchise Agreement or other Agreements, or this Guaranty.

1.5 Guarantor hereby subordinates to the Covenants all obligations that Franchisee may owe to Guarantor; including without limitation those obligations Franchisee may owe to Guarantor under any covenant, warranty, representation, agreement, contract, note, guaranty, accommodation, claim, action, or right of action, and any other obligations of Franchisee to Guarantor, however and whenever created, arising, or evidenced, whether direct or indirect, absolute or contingent or otherwise, and whether now due or to become due.

2. **Joint and Several Guaranty**. If there is more than one Guarantor, all the terms, conditions, and obligations set forth in this Guaranty shall be joint and several.

3. **Payment and Performance**. If Franchisee fails to pay or perform any Monetary Covenant or fails to perform any Non-Monetary Covenant, HOA may proceed directly against Guarantor without first proceeding against or notifying Franchisee or any other guarantor. On notice from HOA that Franchisee has failed to pay or perform any Monetary Covenant or to perform any Non-Monetary Covenant: (i) Guarantor will pay all amounts owed under any Monetary Covenant so that HOA actually receives the amounts owed by the end of five (5) days after demand therefor; and (ii) subject to Clause (i) above, Guarantor will commence performing all other obligations to be performed immediately after HOA's demand for such performance and shall thereafter use Guarantor's best efforts to complete such performance to HOA's satisfaction.

4. **Waivers by Guarantor**. Guarantor hereby waives:

4.1 Notice of default arising out of or related to the Agreements whether such defaults are related to the Covenants or otherwise;

4.2 Notice of acceptance of this Guaranty, notice of settlement or compromise of differences, notice of suit, and notice of any arrangement or settlement made with Franchisee or any other guarantor, in or out of court;

4.3 All rights Guarantor now has or in the future may have to compel HOA to proceed against any other party before proceeding against, or as a condition of proceeding against, Guarantor; and

4.4 Any rights that may be conferred by Official Code of Georgia Annotated Sections 10-7-23, 10-7-24, and 13-1-11, or any similar provisions of the laws of any other jurisdiction.

5. **No Waiver By HOA**. No delay or failure by HOA in the exercise of any right, power, or remedy related to this Guaranty shall operate as a waiver thereof, and no single or partial exercise by HOA of any right, power, or remedy shall preclude any further exercise thereof or the exercise of any other right, power, or remedy.

6. **Notices**. All communications required or permitted to be given under this Guaranty shall be in writing and shall be deemed to have been duly given: (i) when received in person by the other party; (ii) three (3) business days after being sent by reputable commercial courier service for express delivery to the address provided under this Guaranty; or (iii) on the intended recipient's failure or refusal to accept delivery of any communication given pursuant to this Guaranty, which failure or refusal shall be deemed constructive delivery effective on the earlier of the date of such refusal or the times set forth in Clauses (i) and (ii) of this Section 6. UPS, Federal Express, and any successors thereto shall conclusively be deemed "reputable commercial courier services." For the purposes of this Guaranty:

6.1 The address of Guarantor is as set forth below his or her signature at the end of this Guaranty.

6.2 The address of HOA is set forth in the caption of this Guaranty. Guarantor shall direct any notice it delivers to HOA to the attention of HOA's General Counsel.

6.2.1 Guarantor shall deliver a simultaneous written copy of any notice to HOA to:

Richard E. Johnson, Esq.
The Johnson Franchise Law Firm, LLC
3440 Blue Springs Road NW
Suite 201
Kennesaw, Georgia, USA 30144

6.2.2 Delivery of the copy as set forth in Section 6.2.1 of this Guaranty: (i) shall not constitute notice; and (ii) shall be an express condition precedent to the validity of any notice Guarantor delivers to HOA.

6.3 Either party may designate another address at any time by delivering written notice to the other in the manner set forth in this Section 6.

7. **Heirs, Personal Representatives, Successors, and Assigns**. The provisions of this Guaranty shall bind Guarantor and Guarantor's estate, heirs, personal representatives, and assigns, and shall benefit HOA and HOA's successors and assigns. Guarantor shall not assign this Guaranty without HOA's prior written consent.

8. **Dispute Resolution**.

8.1 Governing Law. All matters arising out of or related to this Guaranty, including without limitation all matters arising out of or related to the making, existence, construction, enforcement, and sufficiency of performance of this Guaranty, shall be determined exclusively in accordance with, and governed exclusively by, the laws of the State of Georgia, USA applicable to agreements made and to be entirely performed within the State of Georgia, which laws shall prevail in the event of any conflict of laws.

8.2 Forum, Venue, and Jurisdiction. In the event of any dispute arising out of or related to this Guaranty, including without limitation any dispute arising out of or related to the making of this Guaranty, such dispute shall be resolved exclusively through litigation. The exclusive forum and venue for such litigation shall be a state or federal court in or for Cobb County, Georgia, USA having jurisdiction over the subject matter. Guarantor hereby irrevocably accepts and submits to, generally and unconditionally, the exclusive jurisdiction of any state or federal court in or for Cobb County, Georgia having jurisdiction over the subject matter, and hereby waives all defenses based on jurisdiction, venue, or forum non conveniens.

8.3 Waiver of Trial By Jury. Guarantor hereby waives trial by jury in any litigation arising out of or related to this Guaranty.

8.4 Costs and Attorneys' Fees. In the event of any dispute or litigation arising out of or related to this Guaranty, including without limitation any dispute or litigation arising out of or related to the making of this Guaranty, Guarantor shall pay HOA, on demand, HOA's costs, including without limitation HOA's reasonable attorneys' fees and costs, and further including without limitation HOA's reasonable attorneys' fees and costs of appeal, and further including without limitation HOA's reasonable attorneys' fees and costs of collection, so that HOA actually receives such amounts by the end of ten (10) days after demand therefor. In the event of any default under this Guaranty, Guarantor shall pay HOA, on demand, HOA's costs arising out of or related to such default, including without limitation HOA's reasonable attorneys' fees and costs, and further including without limitation HOA's reasonable attorneys' fees and costs of collection, so that HOA actually receives such amounts by the end of ten (10) days after demand therefor.

9. **Miscellaneous**.

9.1 Continuity; No Release. This Guaranty and the obligations of Guarantor shall remain in full force and effect after and notwithstanding: (i) the termination, expiration, or transfer of the Franchise Agreement or any of the other Agreements; (ii) the transfer of Guarantor's equity in Franchisee; (iii) the termination or expiration of Guarantor's relationship with Franchisee; (iv) the dissolution or termination of existence of Franchisee; (v) the termination of operation of Franchisee; (vi) the death of Guarantor; or (vii) any other event or occurrence, except as HOA may expressly agree in an enforceable bilateral written agreement duly executed by HOA's authorized officer and Guarantor and duly delivered to Guarantor.

9.2 Construe In Favor of Enforcement. In the event of any dispute, litigation, or like event or occurrence arising out of or related to Guarantor's obligations set forth in this Guaranty, or arising out of or related to the matters set forth in this Guaranty, Guarantor hereby directs any third party construing this Guaranty, including without limitation any court, mediator, master, or other party acting as trier of fact or law, to construe the provisions of this Guaranty broadly in favor of enforcement.

9.3 Merger; Entire Guaranty, Compliance. This Guaranty is a complete integration that sets forth the entire agreement between the parties, fully superseding any and all prior negotiations, agreements, representations, or understandings between HOA and Guarantor, whether oral or written, related to the subject matter of this Guaranty. Guarantor hereby expressly affirms that there are no oral or written agreements, "side-deals," arrangements, or understandings between HOA and Guarantor except as expressly set forth in this Guaranty. No course of dealing, whether occurring before or after the date Guarantor made this Guaranty, shall operate to amend, terminate, or waive any express written provision of this Guaranty. Notwithstanding anything set forth in this Section 9.3 to the contrary, if HOA or HOA's affiliates have received any other guaranties related to the Franchise Agreement or the other Agreements, from Guarantor or otherwise, such other guaranties shall remain in full force and effect notwithstanding this Guaranty, and such other guaranties shall be deemed a supplement to, and in addition to, this Guaranty.

9.4 Interpretation. The word "including" means "including without limiting the scope or generality" of any word or words related thereto, and the words "and" and "or" mean, and are used in the inclusive sense of, "and/or." References to agreements, documents, guaranties, and like agreements and instruments shall be deemed to refer as well to all schedules, exhibits, addenda, attachments, and amendments thereto.

9.5 Guarantor Is Not Beneficiary. Guarantor acknowledges and agrees that notwithstanding anything set forth in this Guaranty or any other agreement to the contrary: (i) all obligations HOA owes under the Franchise Agreement and any other agreements are owed to Franchisee alone, and not to Guarantor; (ii) Guarantor shall not be entitled to rely on, enforce, or obtain relief for breach of, any of HOA's obligations arising out of or related to the Franchise Agreement or any other agreement, whether directly, indirectly, by subrogation, as an intended third-party beneficiary, or otherwise; and (iii) Guarantor will not make or raise any claim, counterclaim, crossclaim, affirmative defense, or demand, that alleges, asserts, or otherwise raises any matter contrary to Clause (i) or Clause (ii) of this Section 9.5.

9.6 Partial Invalidity. If any provision of this Guaranty is declared invalid or unenforceable, such provision shall be modified to the minimum extent necessary to make it valid and enforceable; and if it cannot be so modified, then severed. The balance of this Guaranty shall remain in full force and effect, and Guarantor agrees that it, he, or she would have signed this Guaranty as so modified.

9.7 Effect of Recitals. The Recitals to this Guaranty shall be construed as a material and enforceable part of this Guaranty for all purposes, and shall in no event be considered prefatory language or mere surplusage.

9.8 Further Assurances. Guarantor covenants, warrants, represents, and agrees that Guarantor will perform such acts and execute and deliver such agreements or other documents to HOA as HOA may require to effect the intent of this Guaranty, and that Guarantor will not unduly delay or condition the performance of such acts or execution of such agreements or other documents.

9.9 Date. The date shown beneath Guarantor's signature is for reference purposes only. If Guarantor does not date this Guaranty, Guarantor hereby grants HOA the right to enter the Effective Date of the Franchise Agreement in the space for such date, and Guarantor agrees that Guarantor shall be deemed to have given HOA this Guaranty as of the Effective Date of the Franchise Agreement. Guarantor's omission of the date, and HOA's entry of the date described in this Section 9.9, shall not impair, release, or affect in any way Guarantor's covenants, warranties, representations, agreements, or obligations set forth in, arising out of, or related to this Guaranty.

I, AS GUARANTOR, ACKNOWLEDGE AND AGREE THAT I HAVE READ AND FULLY UNDERSTAND ALL OF THE TERMS OF THIS GUARANTY. I HAVE HAD A FULL AND FAIR OPPORTUNITY TO CONSULT WITH AN ATTORNEY OF MY CHOOSING RELATED TO THIS GUARANTY AND I HAVE EITHER DONE SO OR HAVE KNOWINGLY, INTELLIGENTLY, AND VOLUNTARILY ELECTED NOT TO DO SO. I HAVE NOT RECEIVED, AND I AM NOT RELYING ON, ANY REPRESENTATION OR PROMISE BY HOA OR ANY PERSON ACTING ON HOA'S BEHALF ARISING OUT OF OR RELATED TO THIS GUARANTY, OTHER THAN THOSE THAT ARE EXPRESSLY SET FORTH IN THIS GUARANTY.

I, AS GUARANTOR, ACKNOWLEDGE, AGREE, AND REITERATE THAT, AS SET FORTH IN SECTION 1.3 OF THIS GUARANTY, THE GUARANTIES I AM GIVING UNDER THIS GUARANTY: (I) ARE FULL, COMPLETE, CONTINUING, ABSOLUTE, UNCONDITIONAL, PRIMARY, AND UNLIMITED IN AMOUNT; AND (II) SPECIFICALLY INCLUDE AMOUNTS OWED TO HOA PRIOR TO THE DATE I MADE THIS GUARANTY, AS WELL AS AMOUNTS OWED TO HOA AFTER THE DATE I MADE THIS GUARANTY.

I, AS GUARANTOR, ACKNOWLEDGE AND AGREE THAT I AM SIGNING THIS GUARANTY OF MY OWN FREE WILL AND VOLITION AND WITHOUT ANY DURESS OR COERCION.

IN WITNESS WHEREOF, intending to be legally bound by this Guaranty, I have duly executed and delivered this Guaranty as of the date set forth beneath my signature:

_____	_____
Guarantor	Guarantor
_____	_____
Print Name	Print Name
Date: _____, 20____	Date: _____, 20____
Address:	Address:
_____	_____
_____	_____
_____	_____
_____	_____

[SIGNATURES CONTINUED ON FOLLOWING PAGE]

_____	_____
Guarantor	Guarantor
_____	_____
Print Name	Print Name
Date: _____, 20____	Date: _____, 20____
Address:	Address:
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
Guarantor	Guarantor
_____	_____
Print Name	Print Name
Date: _____, 20____	Date: _____, 20____
Address:	Address:
_____	_____
_____	_____
_____	_____
_____	_____

[SIGNATURES CONTINUED ON FOLLOWING PAGE]

_____	_____
Guarantor	Guarantor
_____	_____
Print Name	Print Name
Date: _____, 20____	Date: _____, 20____
Address:	Address:
_____	_____
_____	_____
_____	_____
_____	_____

EXHIBIT B

TO THE HOOTERS OF AMERICA, LLC INTERNATIONAL FRANCHISE AGREEMENT

CONFIDENTIALITY AGREEMENT

CONFIDENTIALITY AGREEMENT

THIS AGREEMENT (the "Agreement") is made and entered into the _____ day of _____, 20____ (the "Effective Date"), by and between HOOTERS OF AMERICA, LLC, a Georgia, USA limited liability company with its principal business address at 1815 The Exchange, Atlanta, Georgia, USA 30339 ("HOA"), and _____, a _____ _____ with its principal business address at _____ (the "Franchisee").

RECITALS

A. HOA, as franchisor, and Franchisee, as franchisee, are entering into that certain Hooters® international franchise agreement between HOA and Franchisee contemporaneously with, and as a material part of the same transaction as, this Agreement (such franchise agreement, together with all schedules, exhibits, addenda, attachments, and amendments to it, being referred to collectively in this Agreement as the "Franchise Agreement").

B. HOA would not have entered into the Franchise Agreement without Franchisee's covenants, warranties, representations, agreements, and acknowledgments set forth in this Agreement, all of which HOA has relied on to its detriment.

NOW, THEREFORE, in consideration of the foregoing, and in further consideration of the additional consideration acknowledged in this Agreement, and in further consideration of the mutual promises and commitments set forth in this Agreement, and in further consideration of the Franchise Agreement and the mutual promises and commitments set forth therein, and in further consideration of Ten and No/100 United States Dollars ($10.00 USD) in-hand paid to Franchisee, and for other good and valuable consideration, the receipt and sufficiency of all of which Franchisee hereby acknowledges, Franchisee agrees as follows:

1. **Definitions**. As used in this Agreement:

1.1 Specific Definitions.

1.1.1 Confidential Information. "Confidential Information" means any information that HOA discloses to Franchisee that HOA designates as confidential or that, by its nature, would reasonably be expected to be held in confidence or kept secret, whether such disclosure occurred prior to or after the Effective Date of this Agreement. Without limiting the definition of "Confidential Information," all the following shall be conclusively presumed to be Confidential Information whether or not HOA designates them as such: (i) all information that HOA has marked or designated as confidential; (ii) all Hooters System Manuals, together with all similar directives and documentation; (iii) HOA's training programs and the material contained in them; (iv) HOA's rules, guidelines, standards, specifications, plans, programs, procedures, and agreements, related to the development, opening, and operation of restaurants; (v) HOA's cost information; and (vi) all other information that HOA provides to Franchisee in confidence, except where such information is a Trade Secret.

1.1.2 Trade Secret. "Trade Secret" means information that derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who may obtain economic value from its disclosure or use, whether Franchisee obtained such information prior to or after the Effective Date of this Agreement. Without limiting the definition of "Trade Secret," all the following shall be conclusively presumed to be Trade Secrets whether or not HOA designates them as such: (i) the Hooters System's guest lists, and the

contact information of such guests, including without limitation guest lists and contact information compiled by Franchisee; (ii) HOA's food and beverage recipes, lists of ingredients, preparation instructions, and serving instructions; (iii) HOA's advertising, marketing, and public relations strategies; (iv) HOA's marketing analyses; (v) products and services that HOA proposes to introduce, but that it has not yet introduced; and (vi) HOA's expansion plans.

1.1.3 Obligors. "Obligors" shall mean: (i) Franchisee's Principals; (ii) Franchisee's Managers; (iii) Franchisee's other management personnel; (iv) any and all of Franchisee's other personnel, agents, or representatives having access to any of HOA's Confidential Information or Trade Secrets by or through Franchisee or as a result of Franchisee's relationship with HOA; and (v) other personnel in employment or similar capacities that HOA specifies.

1.2 Limitation. The terms "Confidential Information" and "Trade Secrets" do not include, regardless of the means of disclosure: (i) information generally known to the trade or the public at the time HOA discloses it to Franchisee; (ii) information that becomes known to the trade or the public after HOA discloses it to Franchisee, unless it becomes known due to Franchisee's breach of this Agreement; or (iii) information Franchisee can prove was known to Franchisee at the time HOA disclosed it to Franchisee. Notwithstanding the foregoing, Franchisee acknowledges and agrees that although some of the information contained in the Confidential Information and Trade Secrets may already be known by Franchisee or its personnel or be in the public domain, HOA has compiled such information in the Confidential Information and Trade Secrets at HOA's considerable effort and expense, and as a result such compilations shall be Confidential Information and Trade Secrets despite such knowledge of Franchisee or its personnel and despite the presence of such items in the public domain.

1.3 Other Definitions. Capitalized terms used but not otherwise defined in this Agreement shall have the same meanings as are ascribed to them in the Franchise Agreement.

2. **Ownership and Protection of Confidential Information and Trade Secrets**.

2.1 Ownership.

2.1.1 Franchisee acknowledges and agrees that HOA's Confidential Information and Trade Secrets are and shall remain HOA's sole and exclusive property.

2.1.2 Franchisee acknowledges and agrees that HOA's Confidential Information and Trade Secrets: (i) are expressly copyrighted by copyright notice and hence protected under the U.S. Copyright Act, or are unpublished works nonetheless protected under the U.S. Copyright Act; and (ii) include HOA's valuable confidential information and trade secrets.

2.1.3 Franchisee acknowledges and agrees that HOA has made substantial investment in the Confidential Information and Trade Secrets, which investment may be recouped only if HOA's rights set forth in the provisions of the Franchise Agreement governing the protection of HOA's intellectual property, HOA's rights set forth in this Agreement, HOA's rights set forth in Exhibit A to this Agreement, HOA's rights established by Law, and HOA's other rights arising out of or related to HOA's intellectual property, are honored.

2.2 Acknowledgments. Franchisee acknowledges and agrees that:

2.2.1 The Confidential Information and Trade Secrets are not, by definition, generally known in the trade; that they are beyond Franchisee's present skill and experience; and that for Franchisee

to develop such Confidential Information and Trade Secrets on its own would be expensive, time-consuming, and difficult;

2.2.2 The Confidential Information and Trade Secrets would, if disclosed to a third party or used by Franchisee in violation of this Agreement, provide the third party or Franchisee with an unfair competitive advantage, and that they would be economically valuable to the third party or Franchisee in the development of a competing business or otherwise;

2.2.3 The Confidential Information and Trade Secrets contain HOA's commercially valuable confidential information and trade secrets; and

2.2.4 Unauthorized disclosure or use of all or any part of HOA's Confidential Information or Trade Secrets would cause HOA great and irreparable harm for which there is no adequate remedy at law.

2.3 Protection. In recognition of, acknowledgment of, and agreement with, Section 1, Section 2.1, and Section 2.2 of this Agreement, Franchisee covenants, warrants, represents, and agrees that:

2.3.1 Franchisee will limit access to the Confidential Information and Trade Secrets to Obligors who have first duly executed and delivered the confidentiality agreement for individuals in the form attached to this Agreement as Exhibit A, and who have a legitimate business need to know of such Confidential Information and Trade Secrets in order to further the operation of the Franchised Business and Franchisee's Restaurant.

2.3.2 Neither Franchisee nor any Obligor will directly or indirectly use, copy, duplicate, record, or otherwise reproduce all or any part of the Confidential Information or Trade Secrets for any purpose not directly and materially related to complying with Franchisee's obligations under the Franchise Agreement.

2.3.3 If Franchisee is licensed to use any of HOA's proprietary computer programs, Franchisee will not, nor will Franchisee attempt to, translate, decompile, decode, modify, merge, or otherwise alter the object code of such programs.

2.3.4 Franchisee will not, during the term of the Franchise Agreement: (i) appropriate or use any Confidential Information or Trade Secret for any purpose not directly and materially related to complying with Franchisee's obligations under the Franchise Agreement; (ii) use any Confidential Information or Trade Secret at any place except the Franchised Business and Franchisee's Restaurant; (iii) disclose or reveal any portion of the Confidential Information or Trade Secrets to any person, other than to Obligors who have first duly executed and delivered the confidentiality agreement for individuals in the form attached to this Agreement as Exhibit A and who have a legitimate business need to know of such Confidential Information and Trade Secrets in order to further the operation of the Franchised Business and Franchisee's Restaurant; or (iv) otherwise disclose any Confidential Information or Trade Secret to any other person or entity except as HOA expressly authorizes.

2.3.5 Franchisee will not, for two (2) years after the expiration or termination of the Franchise Agreement for any reason: (i) appropriate or use any Confidential Information for any purpose; or (ii) disclose any Confidential Information to any other person or entity.

2.3.6 Franchisee will not, at any time after the expiration or termination of the Franchise Agreement for any reason: (i) appropriate or use any Trade Secret for any purpose; or (ii) disclose any Trade Secret to any other person or entity.

2.3.7 Franchisee will not store such Confidential Information or Trade Secrets in a computer retrieval or database or otherwise make such Confidential Information or Trade Secrets available to any third party, except as set forth in the Franchise Agreement, as set forth in this Agreement, or as HOA specifically authorizes.

2.3.8 Franchisee will at all times use Franchisee's best efforts to prevent unauthorized copying or disclosure of any Confidential Information or Trade Secrets.

2.3.9 Franchisee will use Franchisee's best efforts to collect all copies of the Confidential Information and Trade Secrets from each person or entity gaining access to them, at such time as such person or entity no longer has need to know of such Confidential Information or Trade Secrets. On termination or expiration of the Franchise Agreement, or earlier as HOA may request, Franchisee will return to HOA at Franchisee's expense or will destroy, as HOA may direct, any or all Confidential Information and Trade Secrets, all copies thereof, and all other tangible things containing information from or otherwise derived from such Confidential Information and Trade Secrets then in Franchisee's actual or constructive possession.

2.3.10 Franchisee will cause Obligors having access to any of HOA's Confidential Information or Trade Secrets by or through Franchisee or as a result of Franchisee's relationship with HOA to execute HOA's confidentiality agreement for individuals in the form attached to this Agreement as Exhibit A, and to comply with such Exhibit A. Franchisee will immediately notify HOA in writing of any default of Exhibit A by any Obligor required to execute Exhibit A. Franchisee will, on HOA's demand, commence such legal proceedings as may be required to compel the compliance of any Obligor with the covenants, warranties, representations, and agreements set forth in Exhibit A, and will prosecute such legal proceedings to their conclusion, at Franchisee's sole cost and expense. Franchisee will, on HOA's demand, tender such legal proceedings to HOA, and HOA may prosecute such legal proceedings at Franchisee's risk. If HOA demands such tender, any and all costs related to such tender, and any and all costs of such legal proceedings, including without limitation HOA's attorneys' fees and costs, and further including without limitation HOA's attorneys' fees and costs related to counterclaims, cross-claims, affirmative defenses, appeals, and collection of amounts owed, will be within the scope of Franchisee's indemnification obligations set forth in the Franchise Agreement and otherwise.

2.3.11 HOA may from time to time modify HOA's form of confidentiality agreement for individuals attached to this Agreement as Exhibit A. If HOA modifies Exhibit A, Franchisee will, on HOA's request: (i) cause the Obligors to duly execute, date, and deliver originals of such modified Exhibit A to Franchisee; and (ii) deliver to HOA such duly-executed and dated originals so that HOA actually receives such originals by the end of ten (10) days after HOA delivers such modified form to Franchisee for execution.

3. **Unfair Competition**. Franchisee acknowledges and agrees that, and hereby directs any third party construing this Agreement, including without limitation any court, mediator, master, or other party acting as a trier of fact or law, to conclusively presume that: (i) any breach by Franchisee of Section 2 of this Agreement constitutes a deceptive and unfair trade practice and unfair competition; and (ii) Section 1 and Section 2 of this Agreement are HOA's reasonable effort under the circumstances to maintain the confidentiality of HOA's Confidential Information and the secrecy of HOA's Trade Secrets.

4. **Works Made for Hire**. If Franchisee prepares derivative works from the Confidential Information or Trade Secrets, or if Franchisee causes such derivative works (for example, architectural and construction plans) to be prepared, such works shall be prepared as a work made for hire. If such works are prepared by an independent contractor, Franchisee shall cause them to be prepared under a written agreement stipulating that they are prepared as a work made for hire. Franchisee shall, without HOA's request, and without payment of any compensation therefor, assign the rights in and to any and all such works to HOA.

5. **Burden of Proof**. If a dispute arises as to whether particular information is Confidential Information or a Trade Secret, Franchisee shall bear the burden of proving that such information is outside the ambit of "Confidential Information" or "Trade Secrets" subject to this Agreement.

6. **Remedies**. If Franchisee defaults under this Agreement, or if any Obligor or other party required to execute the confidentiality agreement for individuals attached to this Agreement as Exhibit A defaults under such Exhibit A, or if any such default is threatened or appears to be imminent: (i) HOA shall be entitled to all remedies at law or in equity or otherwise for such default or threatened or imminent default; and (ii) HOA shall be entitled, in addition to any other remedies HOA may have at law or in equity or otherwise, to a preliminary and permanent injunction and a decree for specific performance of the terms of this Agreement or such Exhibit A without the necessity of showing actual or threatened damage and without being required to furnish a bond or other security.

7. **Construction**.

7.1 Governing Law. All matters arising out of or related to this Agreement, including without limitation all matters arising out of or related to the making, existence, construction, enforcement, and sufficiency of performance of this Agreement, shall be determined exclusively in accordance with, and governed exclusively by, the laws of the State of Georgia, USA applicable to agreements made and to be entirely performed within the State of Georgia, which laws shall prevail in the event of any conflict of laws.

7.2. Forum, Venue, and Jurisdiction. In the event of any dispute arising out of or related to this Agreement, including without limitation any dispute arising out of or related to the making of this Agreement, such dispute shall be resolved exclusively through litigation. The exclusive forum and venue for such litigation shall be a state or federal court in or for Cobb County, Georgia, USA having jurisdiction over the subject matter. Franchisee hereby irrevocably accepts and submits to, generally and unconditionally, the exclusive jurisdiction of any state or federal court in or for Cobb County, Georgia, having jurisdiction over the subject matter, and hereby waives all defenses based on jurisdiction, venue, or forum non conveniens.

7.3 Waiver of Trial By Jury. HOA and Franchisee hereby waive trial by jury in any litigation arising out of or related to this Agreement.

7.4 Attorneys' Fees and Costs. In the event of any dispute or litigation arising out of or related to this Agreement, including without limitation any dispute or litigation arising out of or related to the making of this Agreement, Franchisee shall pay to HOA, on demand, HOA's costs, including without limitation HOA's reasonable attorneys' fees and costs, and further including without limitation HOA's reasonable attorneys' fees and costs of appeal, and further including without limitation HOA's reasonable attorneys' fees and costs of collection, so that HOA actually receives such amounts by the end of ten (10) days after demand therefor. In the event of any default under this Agreement, Franchisee shall pay to HOA, on demand, HOA's costs arising out of or related to such default, including without limitation HOA's reasonable attorneys' fees and costs, and further including without limitation HOA's reasonable

attorneys' fees and costs of collection, so that HOA actually receives such amounts by the end of ten (10) days after demand therefor.

7.5 Construction. This Agreement shall be construed to maximize protection for: (i) HOA's legitimate business interests, including without limitation the interests of HOA's other franchisees; (ii) the confidentiality of HOA's Confidential Information and the secrecy of HOA's Trade Secrets; (iii) the integrity of the Hooters System; (iv) HOA's investment in the System; (v) the investment of HOA's other franchisees in their franchised businesses; and (vi) the goodwill associated with the System.

8. **Miscellaneous**.

8.1 Continuity; No Release. This Agreement and Franchisee's obligations set forth in this Agreement shall remain in full force and effect after and notwithstanding: (i) the termination, expiration, or transfer of the Franchise Agreement, whether such transfer is permitted or unpermitted; (ii) the transfer of Franchisee's interest in the Franchise Agreement, whether such transfer is permitted or unpermitted; (iii) the dissolution of existence or termination of operation of Franchisee; (iv) the termination of Franchisee's relationship with HOA; or (v) any other event or occurrence.

8.2 Construe In Favor of Enforcement. In the event of any dispute, litigation, or like event or occurrence arising out of or related to Franchisee's obligations set forth in this Agreement, or arising out of or related to the matters set forth in this Agreement, Franchisee hereby directs any third party construing this Agreement, including without limitation any court, mediator, master, or other party acting as trier of fact or law, to construe the provisions of this Agreement broadly in favor of enforcement.

8.3 Merger; Entire Agreement, Compliance. This Agreement, together with the Franchise Agreement, is a complete integration that sets forth the entire agreement between the parties, fully superseding any and all prior negotiations, agreements, representations, or understandings between HOA and Franchisee, whether oral or written, related to the subject matter of this Agreement and the Franchise Agreement. Franchisee hereby expressly affirms that there are no oral or written agreements, "side-deals," arrangements, or understandings between HOA and Franchisee except as expressly set forth in this Agreement and the Franchise Agreement. No course of dealing, whether occurring before or after the date HOA and Franchisee made this Agreement, shall operate to amend, terminate, or waive any express written provision of this Agreement. Notwithstanding anything set forth in this Section 8.3 to the contrary, if Franchisee has given HOA or any of HOA's affiliates any other agreements governing the protection of HOA's intellectual property, such other agreements shall remain in full force and effect notwithstanding this Agreement, and such other agreements shall be deemed a supplement to, and in addition to, this Agreement.

8.4 Interpretation. The word "including" means "including without limiting the scope or generality" of any word or words related thereto, and the words "and" and "or" mean, and are used in the inclusive sense of, "and/or." References to agreements, documents, guaranties, and like agreements and instruments shall be deemed to refer as well to all schedules, exhibits, addenda, attachments, and amendments thereto.

8.5 Partial Invalidity. If any provision of this Agreement is declared invalid or unenforceable, such provision shall be modified to the minimum extent necessary to make it valid and enforceable; and if it cannot be so modified, then severed. The balance of this Agreement shall remain in full force and effect, and Franchisee agrees that it would have signed this Agreement as so modified.

8.6 Effect of Recitals. The Recitals to this Agreement shall be construed as a material and enforceable part of this Agreement for all purposes, and shall in no event be considered prefatory language or mere surplusage.

8.7 Further Assurances. Franchisee covenants, warrants, represents, and agrees that it will perform such acts and execute and deliver such agreements or other documents to HOA as HOA may require to effect the intent of this Agreement, and that Franchisee will not unduly delay or condition the performance of such acts or execution of such agreements or other documents.

8.8 Successors and Assigns. This Agreement shall be binding on the parties hereto and on their respective predecessors, successors, heirs, and assigns.

8.9 Notices. The parties shall send any notice, consent, request, or similar material to the other in writing in the same manner as set forth in the Franchise Agreement for the delivery of notices.

IN WITNESS WHEREOF, the parties to this Agreement, intending to be legally bound by this Agreement, have duly executed and delivered this Agreement as of the Effective Date.

HOA:	**FRANCHISEE:**
HOOTERS OF AMERICA, LLC	
By: _____	By: _____
Terrance M. Marks	
Title: Chief Executive Officer	Title:

INDIVIDUAL CONFIDENTIALITY AGREEMENT

I, by my signature set forth below, agree to be bound by and to comply with this Confidentiality Agreement (the "Agreement").

A. I am an owner, employee, or independent contractor of _____ (the "Employer"). Employer is a franchisee of Hooters of America, LLC ("HOA"), under a Hooters® franchise agreement between HOA and Employer. The franchise agreement is a legally binding contract.

B. HOA owns a wide variety of confidential information and trade secrets. HOA is granting Employer access to its confidential information and trade secrets. HOA needs to secure the confidentiality of its confidential information and the secrecy of its trade secrets, so that HOA's legitimate interests, including the interests of HOA's other franchisees, and the integrity and goodwill of HOA and its affiliates, and the integrity of HOA's and such affiliates' various businesses, are protected.

C. HOA would not have entered into the franchise relationship with Employer unless Employer agreed to have its personnel in positions like mine sign this Agreement.

D. I acknowledge and agree that I will receive good and valuable consideration from my agreement to be bound by this Agreement and to comply with it, in that: (i) without this Agreement Employer would not employ me or place me in my position; or (ii) if I am already a part of Employer's organization in a position that requires me to sign this Agreement and agree to be bound by it, without this Agreement Employer would terminate my employment or remove me from my position.

NOW, THEREFORE, in consideration of the foregoing, and for other good and valuable consideration, the receipt and sufficiency of all of which I hereby acknowledge, I hereby covenant, warrant, represent, and agree as follows:

1. **Definitions**. In this Agreement:

1.1 "Confidential Information" means any information related to HOA that Employer or HOA discloses to me that Employer or HOA designates as confidential; or that, by its nature, they would reasonably expect me to hold in confidence or keep secret, whether such disclosure occurred prior to or after the date I made this Agreement. Without limiting the definition of "Confidential Information," I agree that all the following shall be conclusively presumed to be Confidential Information whether or not Employer or HOA designates them as such: (i) all information that Employer or HOA has marked or designated as confidential; (ii) all Hooters System Manuals, together with all similar directives and documentation; (iii) Employer's or HOA's training programs and the material contained in them; (iv) Employer's or HOA's rules, guidelines, standards, specifications, plans, programs, procedures, and agreements, related to the development, opening, and operation of restaurants; (v) Employer's or HOA's cost information; and (vi) all other information that Employer or HOA gives to me in confidence, except where such information is a Trade Secret.

1.2 "Trade Secret" means information that derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who may obtain economic value from its disclosure or use, whether I obtained such information prior to or after the date I made this Agreement. Without limiting the definition of "Trade Secret," I agree that all the following shall be conclusively presumed to be Trade Secrets whether or not Employer or HOA designates them as such: (i) all guest lists, and the contact information of such guests; (ii) all food and beverage recipes, lists of ingredients, preparation instructions, and serving instructions; (iii) HOA's advertising, marketing, and public relations strategies; (iv) HOA's marketing analyses;

(v) products and services that HOA proposes to introduce, but that HOA has not yet introduced; and (vi) HOA's expansion plans.

1.3 The terms "Confidential Information" and "Trade Secrets" do not include, regardless of the means of disclosure: (i) information generally known to the trade or the public at the time Employer or HOA discloses it to me; (ii) information that becomes known to the trade or the public after Employer or HOA discloses it to me, unless it becomes known due to my breach of this Agreement; or (iii) information I can prove was known to me at the time Employer or HOA disclosed it to me.

2. **Ownership and Protection of Confidential Information and Trade Secrets**.

2.1 Ownership.

2.1.1 I acknowledge and agree that the Confidential Information and Trade Secrets are and shall remain HOA's sole and exclusive property.

2.1.2 I acknowledge and agree that the Confidential Information and Trade Secrets: (i) are expressly copyrighted by copyright notice and hence protected under the U.S. Copyright Act, or they are unpublished works nonetheless protected under the U.S. Copyright Act; and (ii) include HOA's valuable confidential information and trade secrets.

2.1.3 I acknowledge and agree that HOA has made substantial investment in the Confidential Information and Trade Secrets, which investment may be recouped only if HOA's rights set forth in the provisions of the Franchise Agreement governing the protection of HOA's intellectual property, HOA's rights set forth in this Agreement, HOA's rights established by Law, and HOA's other rights arising out of or related to HOA's intellectual property, are honored.

2.2 Acknowledgments. I acknowledge and agree that the Confidential Information and Trade Secrets are not, by definition, generally known in the trade; that they are beyond my present skill and experience; and that for me to develop such Confidential Information and Trade Secrets on my own would be expensive, time-consuming, and difficult. I further acknowledge and agree that the Confidential Information and Trade Secrets would, if disclosed to a third party or used by me in violation of this Agreement, provide the third party or me with an unfair competitive advantage, and that they would be economically valuable to the third party or me in the development of a competing business or otherwise.

2.3 Protection. In recognition, acknowledgment, and agreement with Section 1, Section 2.1, and Section 2.2 of this Agreement, and in consideration of Employer's employment of me or Employer's placement or retention of me in my position, and in further consideration of the disclosure of the Confidential Information and Trade Secrets to me, I covenant, warrant, represent, and agree that:

2.3.1 I will not, during the term of my employment or placement with Employer: (i) appropriate or use any Confidential Information or Trade Secret for any purpose other than the operation of Employer's franchised business; (ii) use any Confidential Information or Trade Secret at any place except Employer's franchised business and restaurants developed, opened, and operated in connection with Employer's franchised business; (iii) disclose or reveal any portion of the Confidential Information or Trade Secrets to any person, other than to Employer's directors, officers, owners, management employees, and others who have a legitimate business need to know of them in order to further the operation of Employer's franchised business and restaurants; or (iv) disclose any Confidential Information or Trade Secret to any other person or entity except as Employer or HOA expressly authorizes.

2.3.2 I will not, for two (2) years after the termination or expiration of my employment or placement with Employer for any reason: (i) appropriate or use any Confidential Information for any purpose; or (ii) disclose any Confidential Information to any other person or entity.

2.3.3 I will not, at any time after the termination or expiration of my employment or placement with Employer for any reason: (i) appropriate or use any Trade Secret for any purpose; or (ii) disclose any Trade Secret to any other person or entity.

2.3.4 I will not copy, duplicate, record, or otherwise reproduce any of the Confidential Information or Trade Secrets, in whole or in part; store such Confidential Information or Trade Secrets in a computer database; or otherwise make such Confidential Information or Trade Secrets available to any third party, except as set forth in this Agreement or as HOA specifically authorizes.

2.3.5 I will at all times use my best efforts to prevent unauthorized copying or disclosure of any Confidential Information or Trade Secrets.

2.3.6 On termination or expiration of my employment or placement with Employer for any reason, or when I am no longer assigned to work with any Confidential Information or Trade Secrets, I will promptly surrender to Employer all copies of any Confidential Information or Trade Secrets and any copies, notes, memoranda, and like material concerning or derived from the Confidential Information or Trade Secrets.

2.3.7 HOA may from time to time modify the form of confidentiality agreement that HOA requires individuals like me to sign. If HOA modifies such form, I will, on Employer's or HOA's request, duly execute, date, and deliver originals of such modified confidentiality agreement to Employer or HOA so that Employer or HOA actually receives such originals by the end of ten (10) days after Employer's or HOA's request for them.

3. **Unfair Competition**. I acknowledge and agree that, and I hereby direct any third party construing this Agreement, including without limitation any court, mediator, master, or other party acting as a trier of fact or law to conclusively presume that: (i) any breach by me of Section 2 of this Agreement constitutes a deceptive and unfair trade practice and unfair competition; and (ii) Section 1 and Section 2 of this Agreement are HOA's reasonable effort under the circumstances to maintain the confidentiality of its Confidential Information and the secrecy of its Trade Secrets.

4. **Works Made for Hire**. If Employer directs me to create works derived from any Confidential Information or Trade Secrets, such works shall be deemed works made for hire and Employer shall own all copyrights in such works, subject to its obligations to assign such rights to HOA.

5. **Burden of Proof**. If a dispute arises as to whether particular information is Confidential Information or a Trade Secret, I agree that I will bear the burden of proving that such information is outside the ambit of "Confidential Information" or "Trade Secrets" subject to this Agreement.

6. **Remedies**. If I default under this Agreement, or if I threaten any default, or if any default appears to be imminent, I acknowledge and agree that: (i) Employer and HOA shall be entitled to all remedies at law or in equity or otherwise for such default or threatened or imminent default; and (ii) Employer and HOA shall be entitled, in addition to any other remedies Employer and HOA may have at law or in equity or otherwise, to a preliminary and permanent injunction and a decree for specific performance of the provisions of this Agreement without the necessity of showing actual or threatened damage and without being required to furnish a bond or other security.

7. **Limitation**. I understand that this is not an employment agreement of any kind.

8. **Construction**.

8.1 Governing Law. All matters arising out of or related to this Agreement, including without limitation all matters arising out of or related to the making, existence, construction, enforcement, and sufficiency of performance of this Agreement, shall be determined exclusively in accordance with, and governed exclusively by, the laws of the State of Georgia, USA applicable to agreements made and to be entirely performed within the State of Georgia, which laws shall prevail in the event of any conflict of laws.

8.2. Forum, Venue, and Jurisdiction. In the event of any dispute arising out of or related to this Agreement, including without limitation any dispute arising out of or related to the making of this Agreement, such dispute shall be resolved exclusively through litigation. The exclusive forum and venue for such litigation shall be a state or federal court in or for Cobb County, Georgia, USA having jurisdiction over the subject matter. I hereby irrevocably accept and submit to, generally and unconditionally, the exclusive jurisdiction of any state or federal court in or for Cobb County, Georgia, having jurisdiction over the subject matter, and hereby waive all defenses based on jurisdiction, venue, or forum non conveniens.

8.3 Waiver of Trial By Jury. I hereby waive trial by jury in any litigation arising out of or related to this Agreement.

8.4 Attorneys' Fees and Costs. In the event of any dispute or litigation arising out of or related to this Agreement, including without limitation any dispute or litigation arising out of or related to the making of this Agreement, I will pay HOA, on demand, HOA's costs, including without limitation HOA's reasonable attorneys' fees and costs, and further including without limitation HOA's reasonable attorneys' fees and costs of appeal, and further including without limitation HOA's reasonable attorneys' fees and costs of collection, so that HOA actually receives such amounts by the end of ten (10) days after HOA demands payment. In the event of any default under this Agreement, I will pay HOA, on demand, HOA's costs arising out of or related to such default, including without limitation HOA's reasonable attorneys' fees and costs, and further including without limitation HOA's reasonable attorneys' fees and costs of collection, so that HOA actually receives such amounts by the end of ten (10) days after HOA demands payment.

9. **Miscellaneous**.

9.1 Continuity; No Release. This Agreement and my obligations under it shall remain in full force and effect after and notwithstanding: (i) the expiration or termination of my employment or other relationship with Employer; (ii) the expiration or termination of the relationship between HOA and Employer; (iii) the transfer of Employer's franchise or business; or (iv) any other event or occurrence.

9.2 Construe In Favor of Enforcement. In the event of any dispute, litigation, or like event or occurrence arising out of or related to my obligations set forth in this Agreement, or arising out of or related to the matters set forth in this Agreement, I hereby direct any third party construing this Agreement, including without limitation any court, mediator, master, or other party acting as trier of fact or law, to construe the provisions of this Agreement broadly in favor of enforcement.

9.3 Merger; Entire Agreement, Compliance. This Agreement sets forth the entire agreement between Employer and HOA on the one hand, and me on the other hand, fully superseding any and all prior negotiations, agreements, representations, or understandings, whether oral or written, related to the

subject matter of this Agreement. I hereby expressly affirm that there are no oral or written agreements, "side-deals," arrangements, or understandings between Employer or HOA on the one hand, and me on the other hand, related to the subject matter of this Agreement, except as expressly set forth in this Agreement. No course of dealing, whether occurring before or after the date I signed this Agreement, shall operate to amend, terminate, or waive any express written provision of this Agreement. Notwithstanding anything set forth in this Section 9.3 to the contrary, if I have signed, or if I sign in the future, any other agreements governing the protection of HOA's intellectual property, such other agreements shall remain in full force and effect notwithstanding this Agreement, and such other agreements shall be deemed a supplement to, and in addition to, this Agreement.

9.4 Interpretation. The word "including" means "including without limiting the scope or generality" of any word or words related thereto, and the words "and" and "or" mean, and are used in the inclusive sense of, "and/or." References to agreements, documents, guaranties, and like agreements and instruments shall be deemed to refer as well to all schedules, exhibits, addenda, attachments, and amendments thereto.

9.5 I Am Not a Beneficiary. I acknowledge and agree that notwithstanding anything set forth in this Agreement or any other agreement to the contrary: (i) all obligations HOA owes are owed to Employer only, and not to me; (ii) I shall not be entitled to rely on, enforce, or obtain relief for breach of, any of HOA's obligations arising out of or related to any agreement, whether directly, indirectly, by subrogation, as an intended third-party beneficiary, or otherwise; and (iii) I will not make or raise any claim, counterclaim, crossclaim, affirmative defense, or demand, that alleges, asserts, or otherwise raises any matter contrary to Clause (i) or Clause (ii) of this Section 9.5.

9.6 Partial Invalidity. If any provision of this Agreement is declared invalid or unenforceable, such provision shall be modified to the minimum extent necessary to make it valid and enforceable; and if it cannot be so modified, then severed. The balance of this Agreement shall remain in full force and effect, and I agree that I would have signed it as so modified.

9.7 Effect of Recitals. The Recitals to this Agreement shall be construed as a material and enforceable part of this Agreement for all purposes, and shall in no event be considered prefatory language or mere surplusage.

9.8 Further Assurances. I covenant, warrant, represent, and agree that I will perform such acts and execute and deliver such agreements or other documents to HOA as HOA may require to effect the intent of this Agreement, and that I will not unduly delay or condition the performance of such acts or execution of such agreements or other documents.

9.9 Successors and Assigns. This Agreement shall be binding on me and my personal representatives, successors, heirs, and assigns.

9.10 Notices. I acknowledge and agree that:

9.10.1 HOA may send any notice, demand, consent, request, document, or similar material to me in writing at the address set forth beneath my signature to this Agreement.

9.10.2 Any notice, demand, consent, request, document, or similar material shall be deemed to have been duly delivered: (i) when I receive the item; (ii) three (3) business days after being sent by reputable commercial courier service for express delivery to me at the address shown beneath my signature; or (iii) on my failure or refusal to accept delivery of the item, which failure or refusal shall be deemed constructive delivery effective on the earlier of the date of such refusal or the time set forth in

Clause (ii) of this Section 9.10.2. UPS, Federal Express, and any successors to them shall conclusively be deemed "reputable commercial courier services."

9.10.3 I may designate another address at any time by delivering written notice to HOA in the manner set forth in this Section 9.10.

9.11 Date. If I do not date this Agreement in the space provided for the date beneath my signature: (i) such failure by me shall have no effect on the effectiveness of this Agreement; (ii) this Agreement shall be deemed effective as of the date that Employer employs me or places me in a position that requires me to execute this Agreement, whichever is earlier; and (iii) HOA may, if it desires to do so, enter such date as HOA deems appropriate.

I ACKNOWLEDGE AND AGREE THAT I HAVE READ AND FULLY UNDERSTAND ALL OF THE PROVISIONS OF THIS AGREEMENT. I HAVE HAD A FULL AND FAIR OPPORTUNITY TO CONSULT WITH AN ATTORNEY OF MY CHOICE RELATED TO THIS AGREEMENT AND I HAVE EITHER DONE SO OR HAVE KNOWINGLY, INTELLIGENTLY, AND VOLUNTARILY ELECTED NOT TO DO SO. I HAVE NOT RECEIVED, AND I AM NOT RELYING ON, ANY REPRESENTATION OR PROMISE BY EMPLOYER OR HOA, OR ANY PERSON ACTING ON EMPLOYER'S OR HOA'S BEHALF, ARISING OUT OF OR RELATED TO THIS AGREEMENT, EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT.

I ACKNOWLEDGE AND AGREE THAT THIS AGREEMENT SPECIFICALLY APPLIES TO CONFIDENTIAL INFORMATION AND TRADE SECRETS THAT I RECEIVED BEFORE I MADE THIS AGREEMENT, AS WELL AS CONFIDENTIAL INFORMATION AND TRADE SECRETS THAT I RECEIVED AFTER I MADE THIS AGREEMENT.

I ACKNOWLEDGE AND AGREE THAT I AM SIGNING THIS AGREEMENT OF MY OWN FREE WILL AND VOLITION AND WITHOUT ANY DURESS OR COERCION.

IN WITNESS WHEREOF, intending to be legally bound by this Agreement, I have duly executed and delivered this Agreement as of the date set forth beneath my signature:

_____	_____
Signature	Signature
_____	_____
Print Name	Print Name
Date: _____, 20____	Date: _____, 20____
Address:	Address:
_____	_____
_____	_____
_____	_____
_____	_____

[SIGNATURES CONTINUED ON FOLLOWING PAGE]

Signature

Print Name

Date: ______________________, 20____

Address:

Signature

Print Name

Date: ______________________, 20____

Address:

Signature

Print Name

Date: ______________________, 20____

Address:

Signature

Print Name

Date: ______________________, 20____

Address:

Signature

Print Name

Date: ______________________, 20____

Address:

Signature

Print Name

Date: ______________________, 20____

Address:

EXHIBIT C

TO THE HOOTERS OF AMERICA, LLC INTERNATIONAL FRANCHISE AGREEMENT

COVENANT NOT TO COMPETE

COVENANT NOT TO COMPETE

THIS COVENANT (the "Covenant") is made and entered into the _____ day of _____, 20____ (the "Effective Date"), by and between HOOTERS OF AMERICA, LLC, a Georgia, USA limited liability company with its principal business address at 1815 The Exchange, Atlanta, Georgia, USA 30339 ("HOA"), and _____, a _____ _____ with its principal business address at _____ (the "Franchisee").

RECITALS

A. HOA, as franchisor, and Franchisee, as franchisee, are entering into that certain Hooters® international franchise agreement between HOA and Franchisee contemporaneously with, and as a material part of the same transaction as, this Agreement (such franchise agreement, together with all schedules, exhibits, addenda, attachments, and amendments to it, being referred to collectively in this Covenant as the "Franchise Agreement").

B. HOA would not have entered into the Franchise Agreement without Franchisee's covenants, warranties, representations, agreements, and acknowledgments set forth in this Covenant, all of which HOA has relied on to its detriment.

NOW, THEREFORE, in consideration of the foregoing, and in further consideration of the additional consideration acknowledged in this Covenant, and in further consideration of the mutual promises and commitments set forth in this Covenant, and in further consideration of the Franchise Agreement and the mutual promises and commitments set forth therein, and in further consideration of Ten and No/100 United States Dollars ($10.00 USD) in-hand paid to Franchisee, and for other good and valuable consideration, the receipt and sufficiency of all of which Franchisee hereby acknowledges, Franchisee agrees as follows:

1. **Definitions**. As used in this Covenant:

1.1 Specific Definitions.

1.1.1 Competing Activity. "Competing Activity" shall mean: (i) developing, opening, or operating any Competing Business; or (ii) authorizing, assisting, or inducing another to develop, open, or operate a Competing Business.

1.1.2 Competing Business. "Competing Business" shall mean a restaurant or bar concept that: (i) features female sex appeal; or (ii) focuses on the sale of chicken wings. Without limiting the generality of the foregoing, all of the following businesses shall conclusively be deemed to be Competing Businesses: (a) Tilted Kilt, Winghouse, Twin Peaks, Bikinis, and any other restaurant or bar concept that features female sex appeal; and (b) Buffalo Wild Wings, Buffalo's, and any other restaurant concept that focuses on the sale of chicken wings.

1.1.3 Covenanting Personnel. "Covenanting Personnel" shall mean Franchisee's: (i) Principals; (ii) Managers; (iii) directors, officers, and managers (if Franchisee is a corporation, limited liability company, or similar business entity); (iv) general partners and limited partners (including without limitation each holder of a direct or beneficial interest of ten percent (10%) or more in any corporation, limited liability company, or other business entity that controls, directly or indirectly, any general or limited partner); and (v) other personnel in employment or similar capacities HOA specifies.

1.2 Other Definitions. Capitalized terms used but not otherwise defined in this Covenant shall have the same meanings as are ascribed to them in the Franchise Agreement.

2. **Covenant Not to Compete**.

2.1 Restrictive Covenant. Franchisee covenants, warrants, represents, and agrees that it will comply with the following restrictions, all of which Franchisee acknowledges and agrees are reasonable and necessary to protect: (i) HOA's legitimate business interests, including without limitation the interests of HOA's other franchisees; (ii) the confidentiality of HOA's Confidential Information and the secrecy of HOA's Trade Secrets; (iii) the integrity of the Hooters System; (iv) HOA's investment in the System; (v) the investment of HOA's other franchisees in their franchised businesses; and (vi) the goodwill associated with the System:

2.1.1 In-Term Covenant Not to Compete. Franchisee covenants, warrants, represents, and agrees that it will not, during the term of the Franchise Agreement, individually or jointly with others, directly or indirectly, by, through, on behalf of, or in conjunction with, any other person or entity: (i) engage in a Competing Activity, other than under the Franchise Agreement or another agreement with HOA; (ii) act as a director, officer, shareholder, partner, member, employee, independent contractor, consultant, principal, agent, or proprietor, or participate or assist in the establishment or operation of, directly or indirectly, any business engaged in a Competing Activity, except that Franchisee may purchase or hold less than five percent (5%) of the shares of any publicly-traded business engaged in a Competing Activity; or (iii) divert or attempt to divert any business from the Hooters System, within: (a) any of Franchisee's Protected Territories or former Protected Territories; (b) any of Franchisee's Option Territories or former Option Territories; or (c) the protected territory or option territory of any other franchisee or affiliate of HOA.

2.1.2 Post-Term Covenant Not to Compete. Franchisee covenants, warrants, represents, and agrees that it will not, beginning at the expiration or termination of the Franchise Agreement and continuing for two (2) years thereafter or two (2) years after a court of competent jurisdiction enters an order enforcing this Section 2 of this Covenant, whichever occurs last, individually or jointly with others, directly or indirectly, by, through, on behalf of, or in conjunction with, any other person or entity, (i) engage in a Competing Activity, other than another business Franchisee operates pursuant to an agreement with HOA; (ii) act as a director, officer, shareholder, partner, member, employee, independent contractor, consultant, principal, agent, or proprietor, or participate or assist in the establishment or operation of, directly or indirectly, any business engaged in a Competing Activity, except that Franchisee may purchase or hold less than five percent (5%) of the shares of any publicly-traded business engaged in a Competing Activity; or (iii) divert or attempt to divert any business from the Franchised Business or the Hooters System, within: (a) any of Franchisee's Protected Territories or former Protected Territories; (b) any of Franchisee's Option Territories or former Option Territories; or (c) a protected territory or option territory of any other franchisee or affiliate of HOA.

2.2 Directives. In the event of any dispute related to this Section 2 of this Covenant, Franchisee hereby directs any third party construing this Covenant, including without limitation any court, mediator, master, or other party acting as trier of fact or law:

2.2.1 To conclusively presume that the restrictions set forth in this Section 2 of this Covenant are reasonable and necessary in order to protect: (i) HOA's legitimate business interests, including without limitation the interests of HOA's other franchisees; (ii) the confidentiality of HOA's Confidential Information and the secrecy of HOA's Trade Secrets; (iii) the integrity of the Hooters System; (iv) HOA's investment in the System; (v) the investment of HOA's other franchisees in their franchised businesses; and (vi) the goodwill associated with the System.

2.2.2 To conclusively presume that this Section 2 of this Covenant was made freely and voluntarily by Franchisee, as an independent business operator to which HOA delivered good and valuable consideration, in an arms-length commercial transaction between skilled and experienced business professionals.

2.2.3 To conclusively presume that the restrictions set forth in this Section 2 of this Covenant will not unduly burden Franchisee's ability to earn a livelihood.

2.2.4 To construe this Section 2 of this Covenant under Laws governing distribution contracts between commercial entities in an arms-length business transaction, and not under Laws governing contracts of employment.

2.2.5 To conclusively presume that any violation of any of the terms of this Section 2 of this Covenant: (i) was accompanied by the misappropriation and inevitable disclosure of HOA's confidential information, trade secrets, and other methods and procedures; and (ii) constitutes a deceptive and unfair trade practice and unfair competition.

3. **Enforcement**. Franchisee acknowledges and agrees that:

3.1 Each of the covenants set forth in Section 2 of this Covenant shall be construed as independent of any other covenant or provision of this Covenant. If all or any portion of a covenant set forth in Section 2 of this Covenant is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision in a proceeding to which HOA is a party, Franchisee will be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of Section 2.

3.2 HOA shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in Section 2 of this Covenant, or any portion thereof, without Franchisee's consent, effective immediately on HOA's delivery of written notice of such reduction to Franchisee; and Franchisee shall comply forthwith with any covenant as so modified.

3.3 The existence of any claims Franchisee may have against HOA, whether or not arising from this Covenant, shall not constitute a defense to HOA's enforcement of the covenants set forth in Section 2 of this Covenant.

3.4 Franchisee will cause all its Covenanting Personnel to execute the Individual Covenant Not to Compete attached as Exhibit A to this Covenant and to comply with such Individual Covenant Not to Compete. Franchisee will deliver a fully-executed, dated original of each Individual Covenant Not to Compete to HOA prior to and as a condition precedent to such individual coming within the scope of persons defined as "Covenanting Personnel." Franchisee will immediately notify HOA in writing of any default of any Individual Covenant Not to Compete or the obligations set forth in the Individual Covenant Not to Compete by any Covenanting Personnel required to execute such Individual Covenant Not to Compete. Franchisee will, on HOA's demand, commence such legal proceedings as may be required to compel the compliance of any Covenanting Personnel with such Individual Covenant Not to Compete, and will prosecute such legal proceedings to their conclusion. As between HOA and Franchisee, all such legal proceedings will be prosecuted Franchisee's sole cost and expense. Franchisee will, on HOA's demand, tender such legal proceedings to HOA, and HOA may prosecute such legal proceedings at Franchisee's risk. If HOA demands such tender, any and all costs related to such tender, and any and all costs of such legal proceedings, including without limitation HOA's attorneys' fees and costs, and further including without limitation HOA's attorneys' fees and costs related to counterclaims, cross-claims,

appeals, and collection of amounts owed, shall be within the scope of Franchisee's indemnification obligations set forth in Section XVIII. of the Franchise Agreement and otherwise.

3.5 HOA may from time to time modify the form of Individual Covenant Not to Compete. If HOA modifies the Individual Covenant Not to Compete, Franchisee will, on HOA's request: (i) cause the Covenanting Personnel to duly execute and date originals of such modified Individual Covenant Not to Compete; and (ii) deliver to HOA such duly-executed and dated originals so that HOA actually receives such originals by the end of ten (10) days after HOA delivers such originals to Franchisee for execution by the Covenanting Personnel.

4. **Injunctive Relief**. Franchisee acknowledges and agrees that any failure to comply with the requirements of Section XV. of the Franchise Agreement, this Covenant, or any Individual Covenant Not to Compete, will cause HOA irreparable harm for which HOA has no adequate remedy at law. Therefore, Franchisee agrees that HOA will have the right to injunctive relief, including without limitation a decree for specific performance, to compel Franchisee's compliance with Section XV. of the Franchise Agreement and this Covenant, and to compel the compliance of all Covenanting Personnel with all Individual Covenants Not to Compete, without the necessity of showing actual or threatened damage and without being required to furnish a bond or other security.

5. **Dispute Resolution**.

5.1 Governing Law. All matters arising out of or related to this Covenant, including without limitation all matters arising out of or related to the making, existence, construction, enforcement, and sufficiency of performance of this Covenant, shall be determined exclusively in accordance with, and governed exclusively by, the laws of the State of Georgia, USA applicable to agreements made and to be entirely performed within the State of Georgia, which laws shall prevail in the event of any conflict of laws.

5.2 Forum, Venue, and Jurisdiction. In the event of any dispute arising out of or related to this Covenant, including without limitation any dispute arising out of or related to the making of this Covenant, such dispute shall be resolved exclusively through litigation. The exclusive forum and venue for such litigation shall be a state or federal court in or for Cobb County, Georgia, USA having jurisdiction over the subject matter. Franchisee hereby irrevocably accepts and submits to, generally and unconditionally, the exclusive jurisdiction of any state or federal court in or for Cobb County, Georgia having jurisdiction over the subject matter, and hereby waives all defenses based on jurisdiction, venue, or forum non conveniens.

5.3 Waiver of Trial By Jury. HOA and Franchisee hereby waive trial by jury in any litigation arising out of or related to this Covenant.

5.4 Attorneys' Fees and Costs. In the event of any dispute or litigation arising out of or related to this Covenant, including without limitation any dispute or litigation arising out of or related to the making of this Covenant, Franchisee shall pay to HOA, on demand, HOA's costs, including without limitation HOA's reasonable attorneys' fees and costs, and further including without limitation HOA's reasonable attorneys' fees and costs of appeal, and further including without limitation HOA's reasonable attorneys' fees and costs of collection, so that HOA actually receives such amounts by the end of ten (10) days after demand therefor. In the event of any default under this Covenant, Franchisee shall pay to HOA, on demand, HOA's costs arising out of or related to such default, including without limitation HOA's reasonable attorneys' fees and costs, and further including without limitation HOA's reasonable attorneys' fees and costs of collection, so that HOA actually receives such amounts by the end of ten (10) days after demand therefor.

5.5 Construction. This Covenant shall be construed to maximize protection for: (i) HOA's legitimate business interests, including without limitation the interests of HOA's other franchisees; (ii) the confidentiality of HOA's Confidential Information and the secrecy of HOA's Trade Secrets; (iii) the integrity of the Hooters System; (iv) HOA's investment in the System; (v) the investment of HOA's other franchisees in their franchised businesses; and (vi) the goodwill associated with the System.

6. **Miscellaneous**.

6.1 Continuity; No Release. This Covenant and Franchisee's obligations set forth in this Covenant shall remain in full force and effect after and notwithstanding: (i) the termination, expiration, or transfer of the Franchise Agreement, whether such transfer is permitted or unpermitted; (ii) the transfer of Franchisee's interest in the Franchise Agreement, whether such transfer is permitted or unpermitted; (iii) the dissolution of existence or termination of operation of Franchisee; (iv) the termination of Franchisee's relationship with HOA; or (v) any other event or occurrence.

6.2 Construe In Favor of Enforcement. In the event of any dispute, litigation, or like event or occurrence arising out of or related to Franchisee's obligations set forth in this Covenant, or arising out of or related to the matters set forth in this Covenant, Franchisee hereby directs any third party construing this Covenant, including without limitation any court, mediator, master, or other party acting as trier of fact or law, to construe the provisions of this Covenant broadly in favor of enforcement.

6.3 Merger; Entire Agreement, Compliance. This Covenant, together with the Franchise Agreement, is a complete integration that sets forth the entire agreement between the parties, fully superseding any and all prior negotiations, agreements, representations, or understandings between HOA and Franchisee, whether oral or written, related to the subject matter of this Covenant and the Franchise Agreement. Franchisee hereby expressly affirms that there are no oral or written agreements, "side-deals," arrangements, or understandings between HOA and Franchisee except as expressly set forth in this Covenant and the Franchise Agreement. No course of dealing, whether occurring before or after the Effective Date of this Covenant, shall operate to amend, terminate, or waive any express written provision of this Covenant. Notwithstanding anything set forth in this Section 6.3 to the contrary, if Franchisee has given HOA or any of HOA's affiliates any other agreements governing the protection of HOA's intellectual property, such other agreements shall remain in full force and effect notwithstanding this Covenant, and such other agreements shall be deemed a supplement to, and in addition to, this Covenant.

6.4 Interpretation. The word "including" means "including without limiting the scope or generality" of any word or words related thereto, and the words "and" and "or" mean, and are used in the inclusive sense of, "and/or." References to agreements, documents, guaranties, and like agreements and instruments shall be deemed to refer as well to all schedules, exhibits, addenda, attachments, and amendments thereto.

6.5 Partial Invalidity. If any provision of this Covenant is declared invalid or unenforceable, such provision shall be modified to the minimum extent necessary to make it valid and enforceable; and if it cannot be so modified, then severed. The balance of this Covenant shall remain in full force and effect, and Franchisee agrees that it would have signed this Covenant as so modified.

6.6 Effect of Recitals. The Recitals to this Covenant shall be construed as a material and enforceable part of this Covenant for all purposes, and shall in no event be considered prefatory language or mere surplusage.

6.7 Further Assurances. Franchisee covenants, warrants, represents, and agrees that it will perform such acts and execute and deliver such agreements or other documents to HOA as HOA may

require to effect the intent of this Covenant, and that Franchisee will not unduly delay or condition the performance of such acts or execution of such agreements or other documents.

6.8 Successors and Assigns. This Covenant shall be binding on the parties hereto and on their respective predecessors, successors, heirs, and assigns.

6.9 Notices. The parties shall send any notice, consent, request, or similar material to the other in writing in the same manner as set forth in the Franchise Agreement for the delivery of notices.

IN WITNESS WHEREOF, the parties to this Covenant, intending to be legally bound by this Covenant, have duly executed and delivered this Covenant as of the Effective Date.

HOA:	**FRANCHISEE:**
HOOTERS OF AMERICA, LLC	
By: _____	By: _____
Terrance M. Marks	
Title: Chief Executive Officer	Title:

INDIVIDUAL COVENANT NOT TO COMPETE

I, by my signature set forth below, agree to be bound by and to comply with this Covenant Not to Compete (the "Covenant").

A. I am an owner, employee, or independent contractor of _____ (the "Employer"). Employer is a franchisee of Hooters of America, LLC ("HOA") under a Hooters® franchise agreement between HOA and Employer. The franchise agreement is a legally binding contract.

B. HOA owns a wide variety of confidential information and trade secrets. HOA is granting Employer access to its confidential information, trade secrets, and other methods and procedures. HOA needs to secure the confidentiality of its confidential information, the secrecy of its trade secrets, and its other methods and procedures, so that HOA's legitimate interests, including the interests of HOA's other franchisees, the integrity and goodwill of HOA and its affiliates, and the integrity of HOA's and such affiliates' various businesses, are protected.

C. HOA would not have entered into the franchise relationship with Employer unless Employer agreed to have its personnel in employment positions like mine sign this Covenant, agree to be bound by it, and agree to comply with it.

D. I acknowledge and agree that I will receive good and valuable consideration from my agreement to be bound by this Covenant and to comply with it, in that: (i) without this Covenant Employer would not employ me or place me in my position; or (ii) if I am already a part of Employer's organization in a position that requires me to sign this Covenant and agree to be bound by it, without this Covenant Employer would terminate my employment or remove me from my position.

NOW, THEREFORE, in consideration of the foregoing, and for other good and valuable consideration, the receipt and sufficiency of all of which I hereby acknowledge, I hereby covenant, warrant, represent, and agree as follows:

1. **Definitions**. In this Covenant:

1.1 Competing Activity. "Competing Activity" will mean: (i) owning, maintaining, operating, engaging in, or having any interest in, any restaurant or bar concept that features female sex appeal or that focuses on the sale of chicken wings; (ii) acting as a director, officer, shareholder, partner, member, employee, independent contractor, consultant, principal, agent, or proprietor, or participating or assisting in the establishment or operation of, directly or indirectly, any restaurant or bar concept that features female sex appeal or that focuses on the sale of chicken wings; or (iii) diverting or attempting to divert any business from Employer's Franchised Business, from HOA, or from any other franchised businesses operating under the Hooters System.

1.1.1 Without limiting the generality of Section 1.1(i) of this Covenant, Tilted Kilt, Winghouse, Twin Peaks, Bikinis, and similar restaurant or bar concepts are concepts that feature female sex appeal.

1.1.2 Without limiting the generality of Section 1.1(i) of this Covenant, Buffalo Wild Wings, Buffalo's, and similar restaurant or bar concepts are concepts that focus on the sale of chicken wings.

1.2 Franchised Business. "Franchised Business" will mean the business that Employer operates under its franchise agreement with HOA.

1.3 System. "System" will mean businesses operating under the "Hooters" trademarks, trade names, service marks, logotypes, and other commercial symbols.

2. **Covenant Not to Compete**.

2.1 Restrictive Covenant. In consideration of Employer's employment of me, or in consideration of Employer's placement or retention of me in my position with Employer's organization, I covenant, warrant, represent, and agree that I will comply with the following restrictions, all of which I acknowledge and agree are reasonable and necessary to protect Employer's and HOA's legitimate interests:

2.1.1 Covenant Not to Compete During the Term of My Employment. I will not, during the term of my employment or other placement with Employer, individually or jointly with others, directly or indirectly, by, through, on behalf of, or in conjunction with, any person or entity: (i) own, maintain, operate, engage in, or have any interest in, any business engaged in a Competing Activity, other than my employment or placement with Employer, without HOA's prior written consent, except that I may passively own or hold less than five percent (5%) of the shares of any publicly-traded business engaged in a Competing Activity; (ii) act as a director, officer, employee, independent contractor, consultant, principal, agent, or proprietor, or otherwise participate or assist in the establishment or operation of, directly or indirectly, any business engaged in a Competing Activity; or (iii) divert or attempt to divert any business from Employer's Franchised Business, or from any other businesses operating under the Hooters System, within: (a) any of Employer's Protected Territories or former Protected Territories; (b) any of Employer's Option Territories or former Option Territories; or (c) the protected territory or option territory of any other franchisee or affiliate of HOA.

2.1.2 Covenant Not to Compete After the Term of My Employment. I will not, beginning with the date that Employer no longer employs me or the date that I no longer hold a position in Employer's organization, and continuing for two (2) years thereafter, or for two (2) years after a court of competent jurisdiction enters an order enforcing this Section 2 of this Covenant, whichever occurs last, individually or jointly with others, directly or indirectly, by, through, on behalf of, or in conjunction with, any person or entity: (i) own, maintain, operate, engage in, or have any interest in, any business engaged in a Competing Activity, without HOA's prior written consent, except that I may passively own or hold less than five percent (5%) of the shares of any publicly-traded business engaged in a Competing Activity; (ii) act as a director, officer, employee, independent contractor, consultant, principal, agent, or proprietor, or otherwise participate or assist in the establishment or operation of, directly or indirectly, any business engaged in a Competing Activity; or (iii) divert or attempt to divert any business from Employer's Franchised Business, from HOA, or from any other businesses operating under the Hooters System, within: (a) any of Employer's Protected Territories or former Protected Territories; (b) any of Employer's Option Territories or former Option Territories; or (c) the protected territory or option territory of any franchisee or affiliate of HOA.

2.2 Directives. If there is any dispute related to this Section 2 of this Covenant, I hereby direct any third party construing this Covenant, including without limitation any court, mediator, master, or other party acting as trier of fact or law:

2.2.1 To conclusively presume that the restrictions set forth in this Section 2 are reasonable and necessary in order to protect: (i) HOA's legitimate business interests, including without limitation the interests of HOA's other franchisees; (ii) the confidentiality of HOA's confidential information, the secrecy of HOA's trade secrets, and HOA's other methods and procedures; (iii) the integrity of the Hooters System; (iv) HOA's investment in the System; (v) the investment of HOA's other franchisees in their franchised businesses; and (vi) the goodwill associated with the System.

2.2.2 To conclusively presume that this Section 2 was made freely and voluntarily by me, as a skilled and experienced businessperson to whom Employer and HOA delivered good and valuable consideration.

2.2.3 To conclusively presume that the restrictions set forth in this Section 2 will not will not unduly burden my ability to earn a livelihood.

2.2.4 To conclusively presume that my violation of any of the provisions of this Section 2 of this Covenant: (i) was accompanied by the misappropriation and inevitable disclosure of HOA's confidential information, trade secrets, and other methods and procedures; and (ii) constitutes a deceptive and unfair trade practice and unfair competition.

2.2.5 To construe this Section 2 under laws governing distribution contracts between commercial entities in an arms-length business transaction, and not under laws governing contracts of employment.

3. **Enforcement**. I acknowledge and agree that:

3.1 Each of the covenants set forth in Section 2 of this Covenant shall be construed as independent of any other covenant or provision of this Covenant. If all or any portion of a covenant set forth in Section 2 of this Covenant is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision in a proceeding to which HOA is a party, I will be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of Section 2.

3.2 HOA shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in Section 2 of this Covenant, or any portion thereof, without my consent, effective immediately on delivery by HOA of written notice of such reduction to me; and I will immediately be bound by and comply with any covenant as so modified.

3.3 The existence of any claims I may have against Employer or HOA, whether or not they arise from this Covenant, shall not constitute a defense to the enforcement by Employer or HOA of the provisions of this Covenant.

4. **Injunctive Relief**. I agree that any failure to comply with the requirements of this Covenant will cause Employer and HOA irreparable harm for which they have no adequate remedy at law. Therefore, I agree that Employer and HOA will have the right to injunctive relief, including without limitation a decree for specific performance, to compel me to comply with this Covenant, without the necessity of showing actual or threatened damage and without being required to furnish a bond or other security.

5. **Construction**.

5.1 Governing Law. All matters arising out of or related to this Covenant, including without limitation all matters arising out of or related to the making, existence, construction, enforcement, and sufficiency of performance of this Covenant, shall be determined exclusively in accordance with, and governed exclusively by, the laws of the State of Georgia, USA applicable to agreements made and to be entirely performed within the State of Georgia, which laws shall prevail in the event of any conflict of laws.

5.2 Forum, Venue, and Jurisdiction. In the event of any dispute arising out of or related to this Covenant, including without limitation any dispute arising out of or related to the making of this

Covenant, such dispute shall be resolved exclusively through litigation. The exclusive forum and venue for such litigation shall be a state or federal court in or for Cobb County, Georgia, USA having jurisdiction over the subject matter. I hereby irrevocably accept and submit to, generally and unconditionally, the exclusive jurisdiction of any state or federal court in or for Cobb County, Georgia having jurisdiction over the subject matter, and hereby waive all defenses based on jurisdiction, venue, or forum non conveniens.

5.3 Waiver of Trial By Jury. I hereby waive trial by jury in any litigation arising out of or related to this Covenant.

5.4 Attorneys' Fees and Costs. In the event of any dispute or litigation arising out of or related to this Covenant, including without limitation any dispute or litigation arising out of or related to the making of this Covenant, I will pay HOA, on demand, HOA's costs, including without limitation HOA's reasonable attorneys' fees and costs, and further including without limitation HOA's reasonable attorneys' fees and costs of appeal, and further including without limitation HOA's reasonable attorneys' fees and costs of collection, so that HOA actually receives such amounts by the end of ten (10) days after HOA demands payment. In the event of any default under this Covenant, I will pay HOA, on demand, HOA's costs arising out of or related to such default, including without limitation HOA's reasonable attorneys' fees and costs, and further including without limitation HOA's reasonable attorneys' fees and costs of collection, so that HOA actually receives such amounts by the end of ten (10) days after HOA demands payment.

6. **Miscellaneous**.

6.1 Continuity; No Release. This Covenant and my obligations under it shall remain in full force and effect after and notwithstanding: (i) the expiration or termination of my employment or other relationship with Employer; (ii) the expiration or termination of the relationship between HOA and Employer; (iii) the transfer of Employer's franchise or business; or (iv) any other event or occurrence.

6.2 Construe In Favor of Enforcement. In the event of any dispute, litigation, or like event or occurrence arising out of or related to my obligations set forth in this Covenant, or arising out of or related to the matters set forth in this Covenant, I hereby direct any third party construing this Covenant, including without limitation any court, mediator, master, or other party acting as trier of fact or law, to construe the provisions of this Covenant broadly in favor of enforcement.

6.3 Merger; Entire Agreement, Compliance. This Covenant sets forth the entire agreement between Employer and HOA on the one hand, and me on the other hand, fully superseding any and all prior negotiations, agreements, representations, or understandings, whether oral or written, related to the subject matter of this Covenant. I hereby expressly affirm that there are no oral or written agreements, "side-deals," arrangements, or understandings between Employer or HOA on the one hand, and me on the other hand, except as expressly set forth in this Covenant. No course of dealing, whether occurring before or after the date I signed this Covenant, shall operate to amend, terminate, or waive any express written provision of this Covenant. Notwithstanding anything set forth in this Section 6.3 to the contrary, if I have signed, or if I sign in the future, any other agreements governing the protection of Employer's or HOA's intellectual property, such other agreements shall remain in full force and effect notwithstanding this Covenant, and such other agreements shall be deemed a supplement to, and in addition to, this Covenant.

6.4 Interpretation. The word "including" means "including without limiting the scope or generality" of any word or words related thereto, and the words "and" and "or" mean, and are used in the inclusive sense of, "and/or." References to agreements, documents, guaranties, and like agreements and

instruments shall be deemed to refer as well to all schedules, exhibits, addenda, attachments, and amendments thereto.

6.5 I Am Not a Beneficiary. I acknowledge and agree that notwithstanding anything set forth in this Covenant or any other agreement to the contrary: (i) all obligations HOA owes are owed to Employer only, and not to me; (ii) I shall not be entitled to rely on, enforce, or obtain relief for breach of, any of HOA's obligations arising out of or related to any agreement, whether directly, indirectly, by subrogation, as an intended third-party beneficiary, or otherwise; and (iii) I will not make or raise any claim, counterclaim, crossclaim, affirmative defense, or demand, that alleges, asserts, or otherwise raises, any matter contrary to Clause (i) or Clause (ii) of this Section 6.5.

6.6 Partial Invalidity. If any provision of this Covenant is declared invalid or unenforceable, such provision shall be modified to the minimum extent necessary to make it valid and enforceable; and if it cannot be so modified, then severed. The balance of this Covenant shall remain in full force and effect, and I agree that I would have signed it as so modified.

6.7 Effect of Recitals. The Recitals to this Covenant shall be construed as a material and enforceable part of this Covenant for all purposes, and shall in no event be considered prefatory language or mere surplusage.

6.8 Further Assurances. I covenant, warrant, represent, and agree that I will perform such acts and execute and deliver such agreements or other documents to HOA as HOA may require to effect the intent of this Covenant, and that I will not unduly delay or condition the performance of such acts or execution of such agreements or other documents.

6.9 Successors and Assigns. This Covenant shall be binding on me and my personal representatives, successors, heirs, and assigns.

6.10 Notices. I acknowledge and agree that:

6.10.1 HOA may send any notice, demand, consent, request, document, or similar material to me in writing at the address set forth beneath my signature to this Covenant.

6.10.2 Any notice, demand, consent, request, document, or similar material shall be deemed to have been duly delivered: (i) when I receive the item; (ii) one (1) business day after being sent by reputable commercial courier service for express delivery to me at the address shown beneath my signature; or (iii) on my failure or refusal to accept delivery of the item, which failure or refusal shall be deemed constructive delivery effective on the earlier of the date of such refusal or the time set forth in Clause (ii) of this Section 6.10.2. UPS, Federal Express, and any successors to them shall conclusively be deemed "reputable commercial courier services."

6.10.3 I may designate another address at any time by delivering written notice in the manner set forth in this Section 6.10, to:

Hooters of America, LLC
1815 The Exchange
Atlanta, Georgia 30339
Attn.: General Counsel

6.11 Date. If I do not date this Covenant in the space provided for the date beneath my signature: (i) such failure by me shall have no effect on the effectiveness of this Covenant; (ii) this

Covenant shall be deemed effective as of the date that Employer employs me or places me in a position that requires me to execute this Covenant, whichever is earlier; and (iii) HOA may, if it desires to do so, enter such date as HOA deems appropriate.

I ACKNOWLEDGE AND AGREE THAT I HAVE READ AND FULLY UNDERSTAND ALL OF THE PROVISIONS OF THIS COVENANT. I HAVE HAD A FULL AND FAIR OPPORTUNITY TO CONSULT WITH AN ATTORNEY OF MY CHOICE RELATED TO THIS COVENANT AND I HAVE EITHER DONE SO OR HAVE KNOWINGLY, INTELLIGENTLY, AND VOLUNTARILY ELECTED NOT TO DO SO. I HAVE NOT RECEIVED, AND I AM NOT RELYING ON, ANY REPRESENTATION OR PROMISE BY EMPLOYER OR HOA, OR ANY PERSON ACTING ON EMPLOYER'S OR HOA'S BEHALF, ARISING OUT OF OR RELATED TO THIS COVENANT, EXCEPT AS EXPRESSLY SET FORTH IN THIS COVENANT.

I ACKNOWLEDGE AND AGREE THAT: (I) BEFORE I SIGNED THIS COVENANT, EMPLOYER PROVIDED ME WITH FULL, COMPLETE, AND ACCURATE DESCRIPTIONS OF EMPLOYER'S PROTECTED TERRITORIES, FORMER PROTECTED TERRITORIES, OPTION TERRITORIES, AND FORMER OPTION TERRITORIES; (II) BEFORE I SIGNED THIS COVENANT, EMPLOYER AND HOA GAVE ME A FULL AND FAIR OPPORTUNITY TO OBTAIN FULL, COMPLETE, AND ACCURATE DESCRIPTIONS OF THE PROTECTED TERRITORIES AND OPTION TERRITORIES OF FRANCHISEES OR AFFILIATES OF HOA, AND I EITHER OBTAINED SUCH DESCRIPTIONS OR I KNOWINGLY, INTELLIGENTLY, AND VOLUNTARILY ELECTED NOT TO OBTAIN THEM; AND (III) I AM SOLELY AND EXCLUSIVELY RESPONSIBLE FOR ASCERTAINING THE SCOPE OF EMPLOYER'S PROTECTED TERRITORIES, FORMER PROTECTED TERRITORIES, OPTION TERRITORIES, AND FORMER OPTION TERRITORIES; AND THE PROTECTED TERRITORIES AND OPTION TERRITORIES OF OTHER FRANCHISEES OR AFFILIATES OF HOA.

I FURTHER ACKNOWLEDGE AND AGREE THAT I AM SIGNING THIS COVENANT OF MY OWN FREE WILL AND VOLITION AND WITHOUT ANY DURESS OR COERCION.

IN WITNESS WHEREOF, agreeing to be legally bound hereby, I have duly executed and delivered this Covenant as of the date set forth below.

_____	_____
Signature	Signature
_____	_____
Print Name	Print Name
Date: _____, 20____	Date: _____, 20____
Address:	Address:
_____	_____
_____	_____
_____	_____
_____	_____

Signature

Print Name

Date: ______________________, 20____

Address:

____
____
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Signature

Print Name

Date: ______________________, 20____

Address:

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Signature

Print Name

Date: ______________________, 20____

Address:

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Signature

Print Name

Date: ______________________, 20____

Address:

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Signature

Print Name

Date: ______________________, 20____

Address:

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Signature

Print Name

Date: ______________________, 20____

Address:

____
____
____
____

EXHIBIT D

TO THE HOOTERS OF AMERICA, LLC INTERNATIONAL FRANCHISE AGREEMENT

OPTION ADDENDUM

OPTION ADDENDUM

THIS OPTION ADDENDUM (the "Option Addendum") is made and entered into the _____ day of _____, 20____ (the "Effective Date"), by and between HOOTERS OF AMERICA, LLC, a Georgia, USA limited liability company with its principal business address at 1815 The Exchange, Atlanta, Georgia, USA 30339 (hereinafter "HOA"), and _____, a _____ _____ with its principal business address at _____ _____ (the "Franchisee").

RECITALS

A. HOA is the franchisor and Franchisee is the franchisee under that certain Hooters® international franchise agreement between HOA and Franchisee of even date with this Option Addendum (such franchise agreement, together with all schedules, exhibits, addenda, attachments, and amendments to it, being referred to collectively in this Option Addendum as the "Franchise Agreement").

B. HOA and Franchisee mutually desire to enter into this Option Addendum, to grant Franchisee the right to develop, open, and operate the additional Hooters Restaurants (the "Additional Restaurants") set forth in the table contained in Section 4 of this Option Addendum (the "Development Schedule").

NOW, THEREFORE, in consideration of the foregoing and the mutual promises and commitments set forth in this Option Addendum, and in further consideration of the Franchise Agreement and the mutual promises and commitments set forth therein, and for other good and valuable consideration, the receipt and sufficiency of all of which the parties hereby acknowledge, the parties to this Option Addendum hereby agree as follows:

1. **Grant of Option Rights**. HOA hereby grants to Franchisee, and Franchisee hereby accepts, the exclusive option to develop, open, and operate the Additional Restaurants set forth in the Development Schedule within the territory set forth on Exhibit A to this Option Addendum (the "Option Territory"), as set forth in, and subject to, the Franchise Agreement and this Option Addendum (such grant of rights being referred to collectively as the "Option").

2. **Option Fee**. Franchisee will pay HOA the sum of Fifteen Thousand and No/100 United States Dollars ($15,000 USD) (the "Option Fee") for each Additional Restaurant set forth in the Development Schedule, contemporaneously with Franchisee's delivery of this Option Addendum, executed by Franchisee, to HOA. All Option Fees that Franchisee is obligated to pay HOA under this Option Addendum shall be deemed fully earned and nonrefundable on HOA's execution of this Option Addendum, in consideration of HOA's grant of the rights set forth in this Option Addendum, HOA's costs and expenses related to this Option Addendum, HOA's lost opportunities to enfranchise others or to develop company-owned Restaurants in the Option Territory, and other consideration.

3. **Option Franchise Fee**. Franchisee will pay HOA an initial option franchise fee in the amount of Seventy-Five Thousand and No/100 United States Dollars ($75,000 USD) (the "Option Franchise Fee") for each Option that Franchisee exercises pursuant to this Option Addendum, contemporaneously with Franchisee's exercise of such Option, as set forth in Section 6.1 of this Option Addendum.

4. **Time Periods**. The Option to develop, open, and operate each Additional Restaurant shown in the Development Schedule, to the extent granted by this Option Addendum, may be exercised by Franchisee only within the following time periods, and provided Franchisee opens each such Additional Restaurant on or before the applicable Restaurant Opening Date set forth in such Development Schedule:

Development Schedule		
Additional Restaurant No.	Latest Exercise Date (On or Before)	Restaurant Opening Date (On or Before)
1		
2		
3		
4		
5		

Nothing contained in this Section 4 shall extend the rights HOA granted to Franchisee in Section 1 of this Option Addendum, or grant or create additional rights.

5. **Option Territory**. The site of any Additional Restaurant as to which Franchisee exercises an Option must be within the Option Territory.

6. **Exercise of Option**.

6.1 To exercise an Option under this Option Addendum, Franchisee must, prior to the expiration of the applicable Latest Exercise Date set forth in the Development Schedule, deliver to HOA: (i) written notice of the exercise the Option related to such Latest Exercise Date; and (ii) the Option Franchise Fee set forth in Section 3 of this Option Addendum.

6.2 If Franchisee fails to exercise any Option by the end of the Latest Exercise Date set forth in the Development Schedule, or if Franchisee fails to open any Additional Restaurant by the Restaurant Opening Date set forth in the Development Schedule, or if Franchisee fails to perform any other act set forth in Section 6.1 of this Option Addendum by the date required: (i) such failure shall be conclusively deemed to be an election by Franchisee not to exercise any of its remaining Option rights set forth in this Option Addendum; (ii) all of Franchisee's rights set forth in this Option Addendum shall expire automatically and without further notice; and (iii) HOA shall have the right to retain all Option Fees and Option Franchise Fees paid.

6.3 Provided Franchisee exercises an Option in the manner described in Section 6.1 of this Option Addendum, and on HOA's approval of the proposed site in accordance with Section 8 of this Option Addendum, HOA will deliver to Franchisee an addendum to the Franchise Agreement designating such proposed site as an Approved Location, as defined in the Franchise Agreement, in the form attached to this Option Addendum as Exhibit B or in HOA's then-current form (the "Addendum"), which Addendum Franchisee shall execute and deliver to HOA so that HOA actually receives it by the end of ten (10) business days after Franchisee receives such Addendum from HOA. On the parties' execution and delivery of the Addendum, HOA and Franchisee shall be bound by all of the terms, conditions, requirements, and duties set forth in the Franchise Agreement as to such Approved Location.

7. **Conditions Precedent to Exercise of Option**.

7.1 Franchisee's right to exercise an Option to develop, open, and operate an Additional Restaurant pursuant to this Option Addendum shall be subject to Franchisee's satisfaction of the following conditions precedent:

7.1.1 At the time Franchisee desires to exercise any such Option, Franchisee must not be in default of any provision of the Franchise Agreement or any other agreement to which HOA or any of its affiliates on the one hand, and Franchisee or any of its affiliates on the other, are parties; and

7.1.2 Franchisee and all of its affiliates must have substantially complied with all the terms and conditions of the Franchise Agreement and any other agreement to which HOA or any of its affiliates on the one hand, and Franchisee or any of its affiliates on the other, are parties, during the terms of such agreements.

7.2 If the Franchise Agreement is terminated or expires, the grant of rights set forth in this Option Addendum shall automatically terminate or expire simultaneously with such termination or expiration of the Franchise Agreement, and HOA shall have the right to retain all Option Fees and Option Franchise Fees paid.

8. **Site Selection**.

8.1 Franchisee will submit for evaluation by HOA site approval request documents for each proposed site for a Hooters Restaurant. HOA will review the site approval request documents and conduct such other investigations of the proposed site as it determines necessary to properly evaluate such proposed site, which investigation may include an evaluation of the financial terms of the acquisition or rental of the proposed site. Approval of any proposed site shall be at HOA's sole discretion. HOA will notify Franchisee promptly of the acceptance, acceptance with contingencies or conditions, or rejection of a proposed site. HOA's notice of acceptance of any site will be accompanied by an Addendum, as provided in Section 6.3 of this Option Addendum. HOA's notice of rejection of any site will set forth HOA's reasons for any such rejection. HOA will pay all reasonable travel expenses that HOA's agents or employees may incur (the "Costs") in connection with the inspection of Franchisee's first proposed site for each Additional Restaurant, and Franchisee shall pay all Costs for inspection of additional, alternative, or subsequent sites Franchisee proposes, so that HOA actually receives such payment by thirty (30) days after HOA delivers written request for payment of such Costs to Franchisee.

8.2 Franchisee acknowledges that no proposed site shall be approved except by written acceptance signed by an officer of HOA authorized to approve and accept a proposed site, and that no other representations, approvals, or acceptances, whether oral or written, shall be of any effect.

8.3 FRANCHISEE ACKNOWLEDGES THAT HOA'S APPROVAL OF A PROPOSED SITE IS HOA'S AGREEMENT THAT SUCH PROPOSED SITE SATISFIES HOA'S MINIMUM SITE SELECTION CRITERIA ONLY, AND THAT SUCH APPROVAL DOES NOT CONSTITUTE ANY REPRESENTATION, WARRANTY, OR GUARANTY BY HOA THAT SUCH SITE WILL BE A SUCCESSFUL LOCATION FOR A HOOTERS RESTAURANT.

8.4 HOA reserves the right to revoke any site acceptance within ninety (90) days after the date thereof if: (i) a Hooters Restaurant is not under construction at the site in accordance with a fully-executed Addendum for such site, as provided in this Option Addendum; or (ii) Franchisee does not execute and deliver such Addendum to HOA as set forth in this Option Addendum.

9. **Construction Plans and Site Acquisition**.

9.1 Property Acquisition. On receipt of HOA's written acceptance of a proposed site, Franchisee shall immediately take the necessary steps to acquire the site by purchase, lease, or sublease, and to otherwise obtain the rights to develop, open, and operate a Hooters Restaurant on the site.

9.2 Site Plan Approval. On HOA's approval of a site requiring the construction of new improvements, HOA will, on Franchisee's written request, provide Franchisee with a set of plans for a Hooters Restaurant that has already been constructed. Franchisee shall engage a licensed architect or engineer to conform the plans to all applicable codes and requirements, and to local site conditions, prior to submission of such plans to HOA. Franchisee shall submit to HOA a site plan for HOA's approval. Such site plan must be reviewed and approved by HOA in writing prior to commencement of construction. Rejection of any site plan shall be at HOA's sole discretion, and HOA will notify Franchisee in writing of any rejection of the site plan, setting forth HOA's reasons for such rejection. If alterations of any kind are required to be made to the site plan other than alterations necessary to conform the site plan to applicable codes and requirements or to adapt the site plan to site topography or soil conditions, as approved by HOA, or to any of HOA's construction plans, specifications, or layouts, for any reason, HOA must approve such alterations in writing before any work is begun on the site. Franchisee shall reimburse HOA for all HOA's costs for any site plan or alteration of standard construction plans, specifications, and layouts, including without limitation costs incurred for soil tests, engineering and architectural fees, and fees required to comply with any applicable codes and requirements.

9.3 Renovation Plan Approval. If Franchisee is renovating an existing building, HOA must approve all plans and specifications, including a site plan, in writing, prior to commencement of any such renovation. Rejection of any plans and specifications shall be at HOA's sole discretion, and HOA will notify Franchisee in writing of such rejection and will set forth the reasons for rejection. HOA will, on Franchisee's written request, provide Franchisee with HOA's standard floor plan specifications and examples of such floor plan specifications; provided, however, Franchisee, at Franchisee's expense, shall provide final working drawings, which HOA must review and approve in writing prior to commencement of construction.

9.4 Notification of Construction Commencement. As soon as Franchisee has received HOA's written approval of a site plan and construction plans, has acquired the right to use the site, has obtained all permits and governmental approvals, and has otherwise obtained all rights required to develop, open, and operate the Hooters Restaurant on the site, Franchisee shall notify HOA of such facts in writing, which writing shall be delivered in the manner set forth in the provisions of the Franchise Agreement that govern delivery of notices.

10. **Conditions of Construction**. Prior to the commencement of construction or renovation of any Additional Restaurant, Franchisee must satisfy the following conditions precedent:

10.1 Franchisee must have obtained an Addendum to the Franchise Agreement, fully executed by both Franchisee and HOA, as specified in Section 6 of this Option Addendum, for the site;

10.2 HOA must have approved the site, and any contingencies or conditions to which such approval is subject must have been met, as specified in Section 8 of this Option Addendum;

10.3 HOA must have approved Franchisee's site plan and all proposed construction plans, specifications, and layouts, as specified in Section 9 of this Option Addendum; and

10.4 Franchisee must have obtained the right to use the site, obtained all necessary permits and governmental approvals, and otherwise obtained all rights required to develop, open, and operate the Additional Restaurant, as specified in Section 11 of this Option Addendum.

11. **Commencement of Construction**.

11.1 Construction. On receipt from HOA of the executed Addendum for an Additional Restaurant, Franchisee shall commence and complete construction of or renovation for a Hooters Restaurant at the Approved Location in accordance with the terms of the Franchise Agreement and this Option Addendum.

11.2 Deviation from Approved Plan. Franchisee shall not deviate from the approved site plan, construction plans, or specifications, in any manner in the construction or renovation of the Hooters Restaurant without HOA's prior written approval. If at any time HOA determines that Franchisee has not constructed or renovated the Hooters Restaurant in accordance with the plans and specifications HOA approved, HOA shall, in addition to all other remedies, have the right to obtain an injunction from a court of competent jurisdiction against the continued construction, opening, or operation of the Hooters Restaurant. Franchisee shall pay all legal fees and expenses HOA incurs in connection with any such litigation, including such fees and expenses related to an action for injunctive relief as contemplated hereby, on demand by HOA.

12. **No New Franchise Conveyed**. Franchisee is a franchisee of HOA. The exercise of an Option hereunder: (i) shall not be deemed to be the sale of a franchise; (ii) shall not be deemed to be the grant of new franchise rights; and (iii) shall be deemed to be the addition to the existing Franchise Agreement of the Additional Restaurant that relates to such Option, which addition shall become effective at the time HOA and Franchisee have executed and delivered an Addendum with respect to the Approved Location.

13. **Transfer of Interest**. If the Franchise Agreement is transferred to a third party pursuant to the Franchise Agreement, this Option Addendum shall also be transferred to such transferee.

14. **Waiver and Delay**. No waiver or delay in enforcement of any term, covenant, or condition of this Option Addendum shall be construed as a waiver of any breach or a waiver of the right to enforce any term, covenant, or condition of this Option Addendum. HOA's acceptance of any payment from Franchisee shall not be, and shall not be construed to be, a waiver of any breach of any term, covenant, or condition of the Franchise Agreement or this Option Addendum.

15. **Entire Agreement**. This Option Addendum, together with the Franchise Agreement, constitutes a complete integration that sets forth the entire agreement between HOA and Franchisee related to the subject matter of this Option Addendum, and supersedes all prior negotiations, understandings, representations, and agreements, if any, related to the subject matter of this Option Addendum. Franchisee acknowledges that Franchisee is entering into this Option Addendum as a result of its own independent investigation of the business and not as a result of any representations by HOA.

16. **Amendment**. This Option Addendum may not be amended orally, but may be amended only by a written instrument signed by the parties. Franchisee expressly acknowledges that no oral promises or declarations were made to it and that the obligations of HOA are confined exclusively to the terms herein. Franchisee understands and assumes the business risks inherent in this enterprise.

17. **Applicable Law; Dispute Resolution**. In the event of any dispute arising out of or related to this Option Addendum, including without limitation any dispute rising out of or related to the making, enforcement, or sufficiency of performance of this Option Addendum, such dispute shall be subject to, and governed by, Section XXIV. of the Franchise Agreement.

18. **Notices**. Any notice required or permitted to be given hereunder shall be in writing and shall be delivered in the manner set forth in the provisions of the Franchise Agreement that govern delivery of notices.

19 **Miscellaneous; Construction and Interpretation**.

19.1 Time is of the essence to the exercise of all of Franchisee's rights, and to the performance of all of Franchisee's obligations, arising out of or related to this Option Addendum.

19.2 Capitalized terms used but not otherwise defined in this Option Addendum shall have the same meanings as are ascribed to them in the Franchise Agreement.

20. **Submission of Option Addendum**. Submission of this Option Addendum to Franchisee does not constitute an offer to enter into a contract. This Option Addendum shall not be binding on HOA until it has been signed by an officer of HOA authorized to execute contracts and has been delivered to Franchisee.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Option Addendum as of the Effective Date.

HOA:	**FRANCHISEE:**
HOOTERS OF AMERICA, LLC	
By: _____	By: _____
Terrance M. Marks	
Title: Chief Executive Officer	Title:

EXHIBIT A
TO THE OPTION ADDENDUM

OPTION TERRITORY

Franchisee's Option Territory shall be all that area within:

as the borders of such Option Territory are configured as of the date of this Option.

HOA and Franchisee specifically agree that such Option Territory is granted to Franchisee on an exclusive basis so long as Franchisee: (i) is in compliance with the Development Schedule; and (ii) is not in default of any provision of the Franchise Agreement or this Option Addendum.

At such time as Franchisee opens each Additional Restaurant specified in the Development Schedule set forth in Section 4 of this Option Addendum, the Franchise Agreement with respect to such Restaurant, which Franchise Agreement grants Franchisee an exclusive eight (8) kilometer radius around each such Restaurant location, shall control, and the Option Territory as to such Restaurant will expire automatically and without further notice.

At such time as Franchisee or any Operating Company develops the last Additional Restaurant shown in the Development Schedule, or on the expiration or termination of Franchisee's rights set forth in the Option Addendum, all parts of the Option Territory that are not within the Protected Territory of any of Franchisee's Restaurants shall revert automatically and without further notice to HOA.

Accepted and agreed to as of the Effective Date of this Option Addendum.

HOA:	**FRANCHISEE:**
HOOTERS OF AMERICA, LLC	
By: _____	By: _____
Terrance M. Marks	
Title: Chief Executive Officer	Title:

EXHIBIT B
TO THE OPTION ADDENDUM

APPROVED LOCATION

Address: _____
_____
_____
_____
_____

Date of Approval: _____, 20____

HOA:

HOOTERS OF AMERICA, LLC

By: _____
Terrance M. Marks
Title: Chief Executive Officer

FRANCHISEE:

By: _____

Title:

EXHIBIT E

TO THE HOOTERS OF AMERICA, LLC INTERNATIONAL FRANCHISE AGREEMENT

LIST OF FRANCHISEE'S PRINCIPALS

LIST OF FRANCHISEE'S PRINCIPALS

The full legal name and address of each of Franchisee's Principals, and the percentage of equity in Franchisee each such Principal owns or holds, are as follows:

____
Full Name
Street Address:
____
____
____
____
Pct. of Equity Owned or Held: ________%

____
Full Name
Street Address:
____
____
____
____
Pct. of Equity Owned or Held: ________%

____
Full Name
Street Address:
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Pct. of Equity Owned or Held: ________%

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Full Name
Street Address:
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Pct. of Equity Owned or Held: ________%

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Full Name
Street Address:
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____
Pct. of Equity Owned or Held: ________%

____
Full Name
Street Address:
____
____
____
____
Pct. of Equity Owned or Held: ________%

[LIST CONTINUES ON FOLLOWING PAGE;
SIGNATURES CONTAINED ON FOLLOWING PAGE]

_____	_____
Full Name	Full Name
Street Address:	Street Address:
_____	_____
_____	_____
_____	_____
_____	_____
Pct. of Equity Owned or Held: _____%	Pct. of Equity Owned or Held: _____%

Franchisee hereby certifies that the information set forth on this List is true and correct.

FRANCHISEE:

By: _____

Title:

EXHIBIT F

TO THE HOOTERS OF AMERICA, LLC INTERNATIONAL FRANCHISE AGREEMENT

INTERNET WEB SITES AND LISTINGS AGREEMENT

INTERNET WEB SITES AND LISTINGS AGREEMENT

THIS INTERNET WEB SITES AND LISTINGS AGREEMENT (the "Agreement") is made and entered into the _____ day of _____, 20____ (the "Effective Date"), by and between HOOTERS OF AMERICA, LLC, a Georgia, USA limited liability company with its principal business address at 1815 The Exchange, Atlanta, Georgia, USA 30339 (hereinafter "HOA"), and _____ _____, a _____ _____ with its principal business address at _____ (hereinafter the "Franchisee").

RECITALS

A. Franchisee desires to enter into that certain Hooters® international franchise agreement between HOA, as franchisor, and Franchisee, as franchisee, of even date with this Agreement (the "Franchise Agreement").

B. HOA would not enter into the Franchise Agreement without Franchisee's agreement to enter into, comply with, and be bound by, all the terms and provisions of this Agreement.

NOW, THEREFORE, in consideration of the foregoing and the mutual promises and commitments set forth in this Agreement, and in further consideration of the Franchise Agreement and the mutual promises and commitments set forth therein, and for other good and valuable consideration, the receipt and sufficiency of all of which the parties hereby acknowledge, the parties hereby agree as follows:

1. **Definitions**.

1.1. "Termination" of the Franchise Agreement shall include, but shall not be limited to, the voluntary termination, involuntary termination, or natural expiration of the Franchise Agreement.

1.2 Capitalized terms used but not otherwise defined in this Agreement shall have the same meanings as are ascribed to them in the Franchise Agreement.

2. **Transfer; Appointment**.

2.1 Interest in Internet Web Sites and Listings. Franchisee has, or may acquire during the Term of the Franchise Agreement, certain right, title, and interest in and to certain domain names, hypertext markup language ("html"), uniform resource locator ("url") addresses, and access to corresponding Internet web sites, and the right to hyperlink to certain web sites and listings on various Internet search engines and other social networking media, business networking media, and marketing media sites, applications, and platforms, all as modified and expanded from time to time as technology progresses and otherwise (collectively, the "Internet Web Sites and Listings") related to the Franchised Business or the Proprietary Marks (all of which right, title, and interest is referred to in this Agreement as Franchisee's "Interest").

2.2 Transfer. On Termination of the Franchise Agreement:

2.2.1 Franchise shall immediately and without request therefor provide HOA with a full and complete written list and description of any and all Internet Web Sites and Listings; and

2.2.2 If HOA directs Franchisee to do so, Franchisee shall immediately direct all Internet Service Providers, domain name registries, Internet search engines, and other listing agencies

(collectively, the "Internet Companies") with which Franchisee has Internet Web Sites and Listings: (i) to transfer all Franchisee's Interest in such Internet Web Sites and Listings to HOA; and (ii) to execute such documents and take such actions as may be necessary to effectuate such transfer. In the event HOA does not desire to accept any or all of such Internet Web Sites and Listings, Franchisee shall immediately direct the Internet Companies to terminate such Internet Web Sites and Listings or shall take such other actions with respect to the Internet Web Sites and Listings as HOA may direct.

2.3 Appointment; Power of Attorney. Franchisee hereby constitutes and appoints HOA and any officer or agent of HOA, for HOA's benefit under the Franchise Agreement and this Agreement or otherwise, with full power of substitution, as Franchisee's true and lawful attorney-in-fact with full power and authority in Franchisee's place and stead, and in Franchisee's name or the name of any affiliated person or affiliated company of Franchisee, on Termination of the Franchise Agreement, to take any and all appropriate action and to execute and deliver any and all documents that may be necessary or desirable to accomplish the purposes of this Internet Listing Agreement. Franchisee further agrees that this appointment constitutes a power coupled with an interest and is irrevocable. Without limiting the generality of the foregoing, Franchisee hereby grants to HOA the power and right to do the following:

2.3.1 Direct the Internet Companies to transfer all or any part of Franchisee's Interest in and to the Internet Web Sites and Listings to HOA or any third party HOA designates;

2.3.2 Direct the Internet Companies to terminate all or any part of the Internet Web Sites and Listings; and

2.3.3 Execute the Internet Companies' standard assignment forms or other documents in order to effect such transfer or termination of Franchisee's Interest.

2.4 Certification of Termination. Franchisee hereby directs the Internet Companies that they shall accept, as conclusive proof of Termination of the Franchise Agreement, HOA's written statement, signed by an officer or agent of HOA, that the Franchise Agreement has Terminated.

2.5 Cessation of Obligations. After the Internet Companies have duly transferred all Franchisee's Interest in such Internet Web Sites and Listings to HOA, or after the Internet Companies have duly terminated Franchisee's Interest in such Internet Web Sites and Listings, as between Franchisee and HOA, Franchisee will have no further Interest in, or obligations under, such Internet Web Sites and Listings. Notwithstanding the foregoing, Franchisee shall remain liable to each and all of the Internet Companies for the sums Franchisee is obligated to pay such Internet Companies for obligations Franchisee incurred before the date HOA duly accepted the transfer of such Interest, or for any other obligations not subject to the Franchise Agreement or this Agreement.

3. **Miscellaneous**.

3.1 Release. Franchisee hereby releases, remises, acquits, and forever discharges each and all of the Internet Companies and each and all of their parent corporations, subsidiaries, affiliates, directors, officers, shareholders, partners, members, employees, agents, and attorneys, and the predecessors, successors, heirs, and assigns of any and all of them, from and against any and all obligations, debts, claims, demands, rights, actions, causes of action, loss, losses, damage, damages, expenses, costs, liability, and liabilities of any nature or kind, contingent or fixed, known or unknown, at law or in equity or otherwise, arising out of, asserted in, assertable in, or in any way related to, this Agreement and the matters set forth in this Agreement.

3.2 Indemnification. Except as otherwise set forth in this Agreement, Franchisee is solely responsible for any and all costs and expenses related to Franchisee's performance, Franchisee's nonperformance, and HOA's enforcement of this Agreement, which costs and expenses Franchisee shall pay to HOA in full, without defense or setoff, on demand. Franchisee agrees that Franchisee shall indemnify, defend, and hold harmless HOA and its officers, members, employees, agents, and attorneys, and its affiliates and each and all of such affiliates' directors, officers, shareholders, partners, members, employees, agents, and attorneys, and the predecessors, successors, heirs, and assigns of any and all of them, from and against, and shall reimburse HOA and any and all of them for, any and all obligations, debts, claims, demands, rights, actions, causes of action, loss, losses, damage, damages, expenses, costs, liability, and liabilities of any nature or kind, arising out of or related to, this Agreement and the matters set forth in this Agreement.

3.3 No Duty. The powers conferred on HOA under this Agreement are solely to protect HOA's interests and shall not impose on HOA any duty to exercise any such powers. In no event shall HOA be obligated to accept the transfer of any or all of Franchisee's Interest in any or all such Internet Web Sites and Listings.

3.4 Further Assurances. Franchisee agrees that at any time after the date of this Agreement, Franchisee shall perform such acts and execute and deliver such documents as may be necessary to effect the intent of this Agreement or to assist in or accomplish the purposes of this Agreement.

3.5 Successors, Assigns, and Affiliates. All HOA's rights and powers, and all Franchisee's obligations, under this Agreement shall be binding on Franchisee's successors, assigns, and affiliated persons or entities as if they had duly executed this Agreement.

3.6 Guaranty. Franchisee's payment and performance obligations under this Agreement shall be within the scope of the Guaranty that Franchisee's Principals executed in connection with the Franchise Agreement.

3.7 Survival. This Agreement shall survive the Termination of the Franchise Agreement.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Agreement as of the Effective Date.

HOA:	**FRANCHISEE:**
HOOTERS OF AMERICA, LLC	
By: _____	By: _____
Terrance M. Marks	
Title: Chief Executive Officer	Title:

EXHIBIT G

TO THE HOOTERS OF AMERICA, LLC INTERNATIONAL FRANCHISE AGREEMENT

STATUS OF PROPRIETARY MARKS IN FRANCHISEE'S JURISDICTION

STATUS OF PROPRIETARY MARKS
IN FRANCHISEE'S JURISDICTION

The status of the Proprietary Marks in Franchisee's jurisdiction is as follows:

MARKS	SERVICES/GOODS CLASS	DATE FILED	SERIAL NUMBER	REGISTRATION NUMBER

EXHIBIT H

TO THE HOOTERS OF AMERICA, LLC INTERNATIONAL FRANCHISE AGREEMENT

FORM OF RELEASE

PRELIMINARY NOTE

This Exhibit H contains parts of sample agreements. These parts include two types of provisions: (i) the Caption, Recitals, and Consideration Clause; and (ii) the Release.

The Caption, Recitals, and Consideration Clause are included in this Exhibit H to provide definitions and to show context. The Release (Sections 1 through 4) contains the release, estoppel, covenant not to sue, and indemnification provisions, together with the related provisions, described in Sections II.B.6, XII.B.5.c, and XII.C.2.a of the Franchise Agreement.

Except for Sections 1 through 4, the actual agreements Franchisee would sign in connection with Sections II.B.6, XII.B.5.c, or XII.C.2.a would contain additional provisions, and substantially different provisions, than the provisions set forth in this Exhibit H. Sections 1 through 4 would be modified as reasonably necessary and included in the applicable agreement.

[NAME OF AGREEMENT]

THIS [NAME OF AGREEMENT] (the "Agreement") is made and entered into the _____ day of _____, 20____ (the "Effective Date"), by and among HOOTERS OF AMERICA, LLC, a Georgia, USA limited liability company ("HOA"); _____, a _____ _____ (the "Franchisee"); [and] _____, an individual citizen of _____, and _____, an individual citizen of _____ (such individuals being referred to collectively in this Agreement as the "Principals") [; and _____, a _____ _____ ("Transferor"), and _____, a _____ _____ ("Transferee")].

RECITALS

A. HOA, as franchisor, and Franchisee, as franchisee, are parties to that certain Hooters® international franchise agreement dated _____, 20____ (such franchise agreement, together with all schedules, exhibits, addenda, attachments, and amendments to it, being referred to collectively in this Agreement as the "Franchise Agreement"), related to the Hooters franchise of Franchisee as described in such Franchise Agreement (the "Franchise").

[FOR USE WHERE FRANCHISEE IS RENEWING THE FRANCHISE]

B. The Initial Term of the Franchise will expire at the end of _____, 20____, and Franchisee desires to renew the Franchise.

C. Franchisee and Principals are required to execute this Agreement in order to fulfill those certain pre-existing legal obligations of Franchisee and Principals set forth in Section II.B.6. of the Franchise Agreement.

D. HOA is agreeable to such renewal, subject to, conditioned on, and in reliance on, compliance by Franchisee and Principals with Section II.B.6. of the Franchise Agreement.

E. Principals own and hold substantially all of the equity in Franchisee, derive substantial revenue from the Franchised Business, and anticipate substantial benefit from the renewal of the

Franchise, and hence from this Agreement, without which Agreement HOA would not agree to renew the Franchise.

NOW, THEREFORE, in consideration of the foregoing and the mutual promises and commitments set forth in this Agreement, and in further consideration of the Franchise Agreement, the Renewal Franchise Agreement, and the mutual promises and commitments set forth therein, and in further consideration of the sum of Ten and No/100 United States Dollars ($10.00 USD) in-hand paid to Franchisee and each Principal, and for other good and valuable consideration, the receipt and sufficiency of all of which the parties hereby acknowledge, the parties to this Agreement hereby agree as follows:

[FOR USE WHERE FRANCHISEE OR PRINCIPAL IS TRANSFERRING AN INTEREST]

B. [Franchisee] [Principal] desires to Transfer an Interest to Transferee.

C. Execution of this Agreement by Franchisee, Principals, Transferor, and Transferee is required in order to fulfill those certain pre-existing legal obligations of Franchisee, Principals, Transferor, and Transferee set forth in Section XII.B.5.c. of the Franchise Agreement.

D. HOA is agreeable to such Transfer, subject to, conditioned on, and in reliance on, compliance by Franchisee, Principals, Transferor, and Transferee with Section XII.B.5.c. of the Franchise Agreement.

E. Principals own and hold substantially all of the equity in Franchisee, derive substantial revenue from the Franchised Business, and anticipate substantial benefit from the Transfer, and hence from this Agreement, without which Agreement HOA would not consent to such Transfer.

NOW, THEREFORE, in consideration of the foregoing and the mutual promises and commitments set forth in this Agreement, and in further consideration of the Franchise Agreement and the Transfer, and in further consideration of the sum of Ten and No/100 United States Dollars ($10.00 USD) in-hand paid to Franchisee, each Principal, Transferor, and Transferee, and for other good and valuable consideration, the receipt and sufficiency of all of which the parties hereby acknowledge, the parties to this Agreement hereby agree as follows:

[RELEASE: FOR USE IN ALL SITUATIONS]

1. **Release; Estoppel; Covenant Not to Sue; Indemnification**.

1.1 Release. Franchisee, for itself and its affiliates, and for its and such affiliates' directors, officers, shareholders, partners, members, employees, agents, and attorneys, together with Principals, [Transferor, and Transferee,] and further together with and for the predecessors, successors, heirs, and assigns of any and all of the foregoing (collectively, the "Releasing Parties"), hereby release, remise, acquit, and forever discharge HOA and its officers, members, employees, agents, and attorneys, and HOA's affiliates and each and all of such affiliates' directors, officers, shareholders, partners, members, employees, agents, and attorneys, and the predecessors, successors, heirs, and assigns of any and all of them (collectively, the "Parties Released"), from and against any and all obligations, debts, claims, demands, rights, actions, causes of action, loss, losses, damage, damages, expenses, costs, liability, and liabilities of any nature or kind, contingent or fixed, known or unknown, at law or in equity or otherwise, that arise out of or are related to, or that may hereafter arise out of or relate to, for any matter prior to the Effective Date of this Agreement: (i) the Franchise Agreement; (ii) any and all other Hooters franchise agreements between HOA and any of the Releasing Parties; (iii) any and all Hooters restaurants owned, opened, operated, or closed by Franchisee or any of the other Releasing Parties; (iv) [other matters as

HOA deems appropriate]; and (v) the business relationship between any or all of the Parties Released on the one hand, and any or all of the Releasing Parties on the other hand; including, without limitation, the Hooters franchise offering, the Hooters franchise offering documents, the offer and sale of the Hooters franchise, and the registration, non-registration, exemption from registration, or non-exemption from registration of the Hooters franchise and the Hooters franchise offering.

1.1.2 [Franchisee and Principals] [Franchisee, Principals, Transferor, and Transferee], for themselves and the other Releasing Parties, hereby covenant, warrant, represent, and agree that neither they nor any of them have assigned or transferred any of the obligations, debts, claims, demands, rights, actions, causes of action, loss, losses, damage, damages, expenses, costs, liability, or liabilities described in this Section 1.1 of this Agreement to any third party.

1.1.3 If any Releasing Party raises or asserts any claim, obligation, demand, right, action, or cause of action described in this Section 1.1 of this Agreement, or alleges any debt, loss, losses, damage, damages, expense, cost, liability, or liabilities described in this Section 1.1 of this Agreement, this Section 1.1 shall be a complete and conclusive defense thereto.

1.2 Estoppel.

1.2.1 [Franchisee and Principals] [Franchisee, Principals, Transferor, and Transferee], for themselves and the other Releasing Parties, hereby acknowledge and agree that:

1.2.1.1 Neither the Parties Released nor any of them, at any time prior to the Effective Date of this Agreement, committed any default of the Franchise Agreement or any other agreement or document related to the Franchised Business, which other documents include, without limitation, the [Uniform Franchise Offering Circular] [Franchise Disclosure Document] that HOA delivered to Franchisee, as prospective franchisee, which delivery was due and proper in every respect;

1.2.1.2 Neither the Parties Released nor any of them, at any time prior to the Effective Date of this Agreement, committed any violation of any constitution, statute, rule, regulation, ordinance, case law, or any other law; including, without limitation, the FTC Franchise Rule, [jurisdiction's franchise Laws or other relevant Laws], or otherwise, arising out of or related to the Franchised Business, the Hooters franchise offering, the Hooters franchise offering documents, the offer and sale of the Hooters franchise, and the registration, non-registration, exemption from registration, or non-exemption from registration of the Hooters franchise and the Hooters franchise offering; and

1.2.1.3 Neither the Parties Released, nor any of them, owes the Releasing Parties, or any of them, any obligation, debt, claim, demand, right, action, cause of action, loss, losses, damage, damages, expense, cost, liability, or liabilities of any nature or kind, contingent or fixed, known or unknown, at law or in equity or otherwise, that arises out of or is related to, or that may hereafter arise out of or relate to, any matter that is within the scope of the Release set forth in Section 1.1 of this Agreement.

1.2.2 If any Releasing Party raises or asserts any obligation, claim, demand, right, action, or cause of action described in Section 1.1 or this Section 1.2 of this Agreement, or alleges any debt, loss, losses, damage, damages, expense, cost, liability, or liabilities described in Section 1.1 or this Section 1.2 of this Agreement, this Section 1.2 shall be a complete and conclusive defense thereto.

1.3 Covenant Not to Sue. [Franchisee and Principals] [Franchisee, Principals, Transferor, and Transferee], for themselves and the other Releasing Parties, hereby covenant, warrant, represent, and agree that neither they nor any of them will: (i) make or raise any claim, counterclaim, crossclaim,

affirmative defense, or demand; (ii) commence, or cause or permit to be commenced; (iii) prosecute, or cause or permit to be prosecuted; or (iv) assist or cooperate in the commencement or prosecution of, any suit or action at law or in equity or otherwise, any arbitration or like proceeding, or any administrative or agency proceeding, against or related to the Parties Released, or any of them, for any matter arising out of or related to, or that may hereafter arise out of or relate to: (a) the Release set forth in Section 1.1 of this Agreement; (b) any matter that is within the ambit of such Release; (c) the Estoppel set forth in Section 1.2 of this Agreement; or (d) any matter that is within the ambit of such Estoppel.

1.4 Indemnification. [Franchisee and Principals] [Franchisee, Principals, Transferor, and Transferee], for themselves and the other Releasing Parties, hereby covenant, warrant, represent, and agree that they and the other Releasing Parties: (i) will indemnify the Parties Released for, and will hold harmless the Parties Released from, any breach of Sections 1.1, 1.2, or 1.3 of this Agreement; and (ii) will pay the amount of all losses and expenses arising out of or related to any breach of Sections 1.1, 1.2, or 1.3 of this Agreement so that the Party Released to which such payment is owed actually receives such payment by end of ten (10) days after demand therefor. Such losses and expenses shall include, without limitation, attorneys' fees and costs, including without limitation attorneys' fees and costs of appeal, and further including without limitation attorneys' fees and costs of collection. Each Party Released shall have the right to counsel such Party Released reasonably chooses. No Party Released will be required to seek recovery from any insurer, other third party, or otherwise, or to mitigate any loss and expense, to maintain and recover fully a claim under this Section 1.4. No failure to pursue such recovery or to mitigate a loss or expense will in any way reduce or alter the amounts any Party Released is entitled to recover. The obligations of [Franchisee, Principals] [Franchisee, Principals, Transferor, Transferee], and the other Releasing Parties under this Section 1.4: (a) shall be joint and several; and (b) shall be within the ambit of all guaranties made by [Franchisee's Principals] [Franchisee's Principals, Transferor, Transferor's Principals, Transferee, Transferee's Principals], and other guarantors, all of which shall remain in full force and effect.

2. **Acknowledgments**.

2.1 Authority. [Franchisee and Principals] [Franchisee, Principals, Transferor, and Transferee] covenant, warrant, represent, and agree that they have the authority to bind themselves and the other Releasing Parties to Section 1, this Section 2, Section 3, and Section 4 of this Agreement. [Franchisee and Principals] [Franchisee, Principals, Transferor, and Transferee] acknowledge and agree that HOA is reasonably relying on [Franchisee's and Principals'] [Franchisee's, Principals', Transferor's, and Transferee's] covenants, warranties, representations, and agreements set forth in this Section 2.1 to HOA's detriment.

2.2 Full Effect. [Franchisee and Principals] [Franchisee, Principals, Transferor, and Transferee], for themselves and the other Releasing Parties, hereby expressly agree that Section 1.1 of this Agreement shall be given full force and effect according to each and all of its terms and provisions, express and implied, including without limitation: (i) those relating to unknown obligations, debts, claims, demands, rights, actions, causes of action, loss, losses, damage, damages, expenses, costs, liability, and liabilities, if any; and (ii) those relating to any obligations, debts, claims, demands, rights, actions, causes of action, loss, losses, damage, damages, expenses, costs, liability, and liabilities other than those specified.

2.3 Additional or Different Facts; Mistake of Fact; Assumption of Risk. [Franchisee and Principals] [Franchisee, Principals, Transferor, and Transferee] hereby acknowledge and agree that: (i) [Franchisee, Principals] [Franchisee, Principals, Transferor, Transferee], and the other Releasing Parties may discover facts different from or in addition to those they now know or believe to be true with respect to, or that there may be a mistake of fact with respect to, the obligations, debts, claims, demands,

rights, actions, causes of action, loss, losses, damage, damages, expenses, costs, liability, and liabilities of any nature whatsoever, and the other matters, that are the subject of the Release, Estoppel, Covenant Not to Sue, and Indemnification set forth in Section 1 of this Agreement; (ii) [Franchisee, Principals] [Franchisee, Principals, Transferor, Transferee], and such other Releasing Parties hereby expressly assume the risk of the existence of additional facts, different facts, or mistake of fact; and (iii) Section 1, this Section 2, Section 3, and Section 4 of this Agreement shall be and remain in full force and effect regardless of such additional facts, different facts, or mistake of fact.

2.4 Voluntary Nature of Agreement. [Franchisee and Principals] [Franchisee, Principals, Transferor, and Transferee], for themselves and the other Releasing Parties, hereby acknowledge and agree that: (i) [Franchisee and Principals] [Franchisee, Principals, Transferor, and Transferee] have freely and voluntarily entered into this Agreement, including without limitation the Release, Estoppel, Covenant Not to Sue, and Indemnification set forth in Section 1 of this Agreement; (ii) [Franchisee and Principals] [Franchisee, Principals, Transferor, and Transferee] have had a full and fair opportunity to consult with their legal counsel with respect to this Agreement, including without limitation such Release, Estoppel, Covenant Not to Sue, and Indemnification, and that they have in fact done so or have knowingly, intelligently, and voluntarily elected not to do so; and (iii) they have read and fully understand this Agreement.

2.5 Consideration. [Franchisee and Principals] [Franchisee, Principals, Transferor, and Transferee], for themselves and the other Releasing Parties, hereby acknowledge and agree that HOA is forbearing the exercise of certain rights in connection with this Agreement, and is granting [Franchisee and Principals] [Franchisee, Principals, Transferor, and Transferee] certain valuable rights in connection with this Agreement, in specific consideration of the Release, Estoppel, Covenant Not to Sue, and Indemnification set forth in Section 1 of this Agreement, without which Release, Estoppel, Covenant Not to Sue, and Indemnification HOA would not have agreed to forbear the exercise of such rights or granted Franchisee and Principals the rights related to this Agreement, which rights include without limitation, [the renewal of the Franchise] [HOA's consent to the Transfer of the Interest].

2.6 Beneficiaries. The Parties Released are first-party direct beneficiaries or intended third-party beneficiaries of Section 1, this Section 2, Section 3, and Section 4 of this Agreement, are entitled to enforce such sections, and are entitled to all the benefits of such sections.

2.7 Intent of the Parties; Essential Purpose. [Franchisee and Principals] [Franchisee, Principals, Transferor, and Transferee], for themselves and the other Releasing Parties, hereby acknowledge and agree that the intent of the parties as to Section 1 of this Agreement, and that the essential purpose of Section 1 of this Agreement, is that the Releasing Parties give the Parties Released: (i) a full and complete release, estoppel, and covenant not to sue for all matters prior to the Effective Date of this Agreement; and (ii) a full and complete indemnification for any breach of such release, estoppel, or covenant not to sue.

2.8 Remedies.

2.8.1 [Franchisee and Principals] [Franchisee, Principals, Transferor, and Transferee], for themselves and the other Releasing Parties, hereby acknowledge and agree that: (i) in the event of any breach of Section 1 of this Agreement, the Parties Released would be irreparably injured and without adequate remedy at law; and (ii) in the event of a breach or a threatened or attempted breach of any provision of Section 1, [Franchisee and Principals] [Franchisee, Principals, Transferor, and Transferee] agree that the Parties Released will be entitled, in addition to any other remedies such Parties Released may have at law or in equity or otherwise, to a preliminary and permanent injunction and a decree for

specific performance of the provisions of Section 1 without the necessity of showing actual or threatened damage and without being required to furnish a bond or other security.

2.8.2 In addition to the rights of the Parties Released set forth in Section 2.8.1 of this Agreement above, [Franchisee and Principals] [Franchisee, Principals, Transferor, and Transferee] hereby acknowledge and agree that any breach of Section 1 of this Agreement by the Releasing Parties, or any of them, will be a default of Section XIII.C. of the [Renewal] Franchise Agreement that will permit HOA to terminate the [Renewal] Franchise Agreement, after notice to Franchisee specifying the default, and after the expiration of the cure period set forth in Section XIII.C. and Franchisee's failure to cure such default by the end of such cure period.

3. **Miscellaneous**.

3.1 Time. Time is of the essence to the performance of all obligations of [Franchisee and Principals] [Franchisee, Principals, Transferor, and Transferee] to be performed under this Agreement and the [Renewal] Franchise Agreement.

3.2 Amendments. This Agreement may be amended only by a written agreement signed by the parties.

3.3 Previous Payments. [Franchisee and Principals] [Franchisee, Principals, Transferor, and Transferee] hereby acknowledge and agree that all sums of money [Franchisee and Principals] [Franchisee, Principals, Transferor, and Transferee], or any of their affiliates paid to HOA or HOA's affiliates are and shall remain the sole property of HOA and HOA's affiliates, and that [Franchisee, Principals] [Franchisee, Principals, Transferor, Transferee], and their affiliates shall not have any rights thereto.

3.4 Waiver and Delay. No waiver or delay by HOA in requiring strict compliance with any obligation of the [Renewal] Franchise Agreement or this Agreement, or in the exercise of any right or remedy provided in the [Renewal] Franchise Agreement or this Agreement or at law or in equity or otherwise, and no custom or practice at variance with the requirements of the [Renewal] Franchise Agreement or this Agreement, will constitute a waiver or modification of any such obligation, right, remedy, or requirement, or preclude the exercise of any such right or remedy or the right to require strict compliance with any obligation set forth in the [Renewal] Franchise Agreement or this Agreement, or will preclude, affect, or impair enforcement of any right or remedy provided in the [Renewal] Franchise Agreement or this Agreement or at law or in equity or otherwise. All remedies under the [Renewal] Franchise Agreement, this Agreement, at law, in equity, or otherwise, afforded to HOA shall be cumulative and not alternative, and may be exercised simultaneously or sequentially in any order.

3.5 Governing Law. All matters arising out of or related to the [Renewal] Franchise Agreement or this Agreement, including without limitation all matters arising out of or related to the making, existence, construction, enforcement, and sufficiency of performance of the [Renewal] Franchise Agreement or this Agreement, shall be determined exclusively in accordance with, and governed exclusively by, the laws of the State of Georgia, USA applicable to agreements made and to be entirely performed within the State of Georgia, which laws shall prevail in the event of any conflict of laws.

3.6 Forum, Venue, and Jurisdiction. In the event of any dispute arising out of or related to the [Renewal] Franchise Agreement or this Agreement, including without limitation any dispute arising out of or related to the making of the [Renewal] Franchise Agreement or this Agreement, such dispute shall be resolved exclusively through litigation. The exclusive forum and venue for such litigation shall be a state or federal court in or for Cobb County, Georgia, USA having jurisdiction over the subject

matter. [Franchisee and Principals] [Franchisee, Principals, Transferor, and Transferee], for themselves and the other Releasing Parties, hereby irrevocably accept and submit to, generally and unconditionally, the exclusive jurisdiction of any state or federal court in or for Cobb County, Georgia having jurisdiction over the subject matter and hereby waive, to the extent permitted by applicable law, defenses based on jurisdiction, venue, or forum non conveniens. The provisions of this Section 3.6 shall remain in full force and effect after the expiration or termination of the [Renewal] Franchise Agreement.

3.7 Waiver of Trial By Jury. HOA, for itself and the other Parties Released, and [Franchisee and Principals] [Franchisee, Principals, Transferor, and Transferee], for themselves and the other Releasing Parties, hereby waive trial by jury in any litigation arising out of or related to the [Renewal] Franchise Agreement or this Agreement.

3.8 Attorneys' Fees. In the event of any dispute or litigation arising out of or related to the [Renewal] Franchise Agreement or this Agreement, including without limitation any dispute or litigation arising out of or related to the making of the [Renewal] Franchise Agreement or this Agreement, Franchisee shall pay to HOA, on demand, HOA's costs, including without limitation HOA's reasonable attorneys' fees and costs, and further including without limitation HOA's reasonable attorneys' fees and costs of appeal, and further including without limitation HOA's reasonable attorneys' fees and costs of collection, so that HOA actually receives such amounts by the end of ten (10) days after demand therefor. In the event of any default under the [Renewal] Franchise Agreement or this Agreement, Franchisee shall pay to HOA, on demand, HOA's costs arising out of or related to such default, including without limitation HOA's reasonable attorneys' fees and costs, and further including without limitation HOA's reasonable attorneys' fees and costs of collection, so that HOA actually receives such amounts by the end of ten (10) days after demand therefor.

3.9 Further Assurances. [Franchisee and Principals] [Franchisee, Principals, Transferor, and Transferee] hereby covenant, warrant, represent, and agree that: (i) they will perform such acts and will execute and deliver such agreements and other documents to HOA as HOA may require to effect the intent of this Agreement; (ii) they will not condition the performance of such acts or the execution and delivery of such agreements and other documents; and (iii) they will not delay the performance of such acts or the execution and delivery of such agreements and other documents.

4. **Construction**.

4.1 Construe In Favor of Enforcement. In the event of any litigation or like event or occurrence arising out of or related to [Franchisee's and Principals'] [Franchisee's, Principals', Transferor's, and Transferee's], or any other Releasing Party's obligations set forth in this Agreement, or arising out of or related to the matters set forth in this Agreement, [Franchisee and Principals] [Franchisee, Principals, Transferor, and Transferee], for themselves and the other Releasing Parties, hereby direct any third party construing this Agreement, including without limitation any court, mediator, master, or other party acting as a trier of fact or law, to construe such provisions broadly in favor of enforcement.

4.2 Merger; Entire Agreement, Compliance. This Agreement, together with the [Renewal] Franchise Agreement, is a complete integration that sets forth the entire agreement between the parties, fully superseding any and all prior negotiations, agreements, representations, or understandings between [Franchisee and Principals] [Franchisee, Principals, Transferor, and Transferee] on the one hand, and HOA on the other hand, whether oral or written, arising out of or related to the matters set forth in this Agreement. [Franchisee, Principals] [Franchisee, Principals, Transferor, Transferee], and HOA hereby expressly affirm that there are no oral or written agreements, side-deals, arrangements, or understandings between [Franchisee and Principals] [Franchisee, Principals, Transferor, and Transferee] on the one hand,

and HOA on the other hand, arising out of or related to the matters set forth in this Agreement, except as expressly set forth in this Agreement. No course of dealing, whether occurring before or after the Effective Date of this Agreement, shall operate to amend, terminate, or waive any express written provision of this Agreement. In the event of any conflict between any provision of this Agreement and a provision of the [Renewal] Franchise Agreement, the provision set forth in this Agreement shall control. Except as amended by this Agreement, all provisions of the [Renewal] Franchise Agreement shall remain in full force and effect according to their terms, and the parties shall continue to be bound by the [Renewal] Franchise Agreement as modified by this Agreement.

4.3 Interpretation. The word "including" means "including without limiting the scope or generality" of any word or words related thereto, and the words "and" and "or" mean, and are used in the inclusive sense of, "and/or." References to agreements, documents, guaranties, and like agreements and instruments shall be deemed to refer as well to all schedules, exhibits, addenda, attachments, and amendments thereto.

4.4 Obligations Benefit Only Franchisee.

4.4.1 [Franchisee and Principals] [Franchisee, Principals, Transferor, and Transferee], for themselves and the other Releasing Parties, hereby: (i) acknowledge and agree that all obligations of HOA set forth in the [Renewal] Franchise Agreement and this Agreement shall benefit only Franchisee; (ii) acknowledge and agree that no individual or other entity except Franchisee shall have any right to rely on, enforce, benefit from, or obtain relief for breach of, any obligation of HOA set forth in the [Renewal] Franchise Agreement or this Agreement, either directly or by subrogation; and (iii) covenant, warrant, represent, and agree that neither Franchisee nor Transferee nor any other Releasing Party will make or raise any claim, counterclaim, crossclaim, affirmative defense, or demand, that alleges, asserts, or otherwise raises any matter contrary to Clause (i) or Clause (ii) of this Section 4.4.1.

4.4.2 [Franchisee and Principals] [Franchisee, Principals, Transferor, and Transferee], for themselves and the other Releasing Parties, hereby acknowledge and agree that: (i) in the event of any breach of Section 4.4.1 of this Agreement, HOA would be irreparably injured and without adequate remedy at law; and (ii) in the event of a breach or a threatened or attempted breach of any provision of Section 4.4.1 of this Agreement, HOA will be entitled, in addition to any other remedies HOA may have at law or in equity or otherwise, to a preliminary and permanent injunction and a decree for specific performance of the provisions of Section 4.4.1, without the necessity of showing actual or threatened damage and without being required to furnish a bond or other security.

4.5 Partial Invalidity. Except as otherwise set forth in this Section 4.5, if any provision of this Agreement is declared invalid or unenforceable for any reason, such provision shall be modified to the minimum extent necessary to make it valid and enforceable; or if it cannot be so modified, then severed, and the remaining provisions of this Agreement shall remain in full force and effect, and the parties agree that they would have signed this Agreement as so modified. Notwithstanding the foregoing, if any provision of Section 1, Section 2, Section 3, or this Section 4 shall be declared invalid or unenforceable such that the Release, Estoppel, Covenant Not to Sue, or Indemnification set forth in Section 1 of this Agreement partially, substantially, or completely fails of its essential purpose, the [renewal of the Franchise] [transfer of the Interest] shall be voidable by HOA. If HOA avoids the [renewal of the Franchise] [transfer of the Interest], such avoidance may be as of the Effective Date or as of any time thereafter, at HOA's discretion.

4.6 Effect of Recitals. The Recitals to this Agreement shall be construed as a material and enforceable part of this Agreement for all purposes, and shall in no event be considered prefatory language or mere surplusage.

4.7 No Adverse Construction. All parties to this Agreement are skilled and experienced business professionals, and all have contributed to the negotiation and drafting of this Agreement. As a result, in no event may any adverse construction of this Agreement be attributed to any party as the drafting party.

4.8 Survival of Obligations. All obligations of this Agreement that expressly or by their nature require performance after the termination or expiration of the [Renewal] Franchise Agreement, or that by their nature would reasonably be expected to continue in effect after termination or expiration of the [Renewal] Franchise Agreement, shall continue in full force and effect after and notwithstanding the termination or expiration of the [Renewal] Franchise Agreement, until they are satisfied in full or by their nature expire.

4.9 Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original, and all of which taken together shall constitute one and the same agreement.

4.10 Submission of Release; Effectiveness. Submission of this Agreement to [Franchisee and Principals] [Franchisee, Principals, Transferor, and Transferee] does not constitute an offer to enter into a contract. This Agreement shall not be binding on HOA unless and until: (i) it is duly executed by HOA's authorized officer; and (ii) such duly-executed Agreement is delivered to Franchisee.

IN WITNESS WHEREOF, the parties to this Agreement, intending to be legally bound by this Agreement, have duly executed and delivered this Agreement as of the Effective Date.

[FORM ONLY: SIGNATURES OF HOA, FRANCHISEE, PRINCIPALS, TRANSFEROR, AND TRANSFEREE, AS APPROPRIATE, INTENTIONALLY OMITTED]

Exhibit 21

LIST OF SUBSIDIARIES OF CHANTICLEER HOLDINGS, INC.

Name	Jurisdiction of Incorporation
Chanticleer Advisors, LLC	Nevada, U.S.A.
Avenel Ventures, LLC	Nevada, U.S.A.
Avenel Financial Services, LLC	Nevada, USA
Chanticleer Holdings Limited	Jersey
DineOut SA Ltd.	England
Chanticleer Holdings Australia Pty, Ltd.	Australia
Dimaflo (Pty.) Ltd.	South Africa
Tundraspex (Pty.) Ltd.	South Africa
Civisign (Pty.) Ltd.	South Africa
Diamlogix (Pty.) Ltd.	South Africa
Chanticleer and Shaw Foods (Pty.) Ltd.	South Africa
Kiarabrite (Pty.) Ltd.	South Africa

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the inclusion in this Registration Statement of Chanticleer Holdings, Inc. on Form S-1 of our audit report dated April 1, 2011, which includes an emphasis paragraph relating to an uncertainty as to the Company's ability to continue as a going concern.

We also consent to the reference to our Firm under the caption "Experts" in the Prospectus.

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

Tulsa, Oklahoma
December 2, 2011