

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q/A

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

For Quarter Ended: **June 30, 2006**

Commission File Number: **0-29507**

**CHANTICLEER HOLDINGS, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or Jurisdiction of  
Incorporation or Organization)

**20-2932652**

(IRS Employer ID No)

**4500 Cameron Valley Parkway, Suite 270, Charlotte, NC 28211**

(Address of principal executive office) (zip code)

**(704) 366-5122**

(Issuer's telephone number)

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

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

Large accelerated filer  Accelerated filer  Non-accelerated filer

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

The number of shares outstanding of registrant's common stock, par value \$.0001 per share, as of June 30, 2006, was 7,689,461 shares.

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# Chanticleer Holdings, Inc.

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**PART 1: FINANCIAL INFORMATION**

**ITEM 1: CONDENSED FINANCIAL STATEMENTS**

**Chanticleer Holdings, Inc.**  
**Statements of Net Assets**  
**June 30, 2006 and December 31, 2005**

	2006 (Unaudited)	2005
<b>ASSETS</b>		
<b>Investments:</b>		
Non-affiliate investments (cost: 2006 - \$1,177,321; 2005 - \$222,819)	\$ 1,316,963	\$ 257,000
Affiliate investments (cost: 2006 - \$1,100,000)	1,100,000	-
Total investments	2,416,963	257,000
Cash and cash equivalents	155,840	2,217,525
Accounts receivable	23,758	-
Prepaid expenses and other assets	15,475	27,446
Fixed assets, net	37,357	35,065
<b>TOTAL ASSETS</b>	2,649,393	2,537,036
<b>LIABILITIES</b>		
Accounts payable	5,595	7,684
Accrued expenses	88	-
Note payable	100,704	-
<b>TOTAL LIABILITIES</b>	106,387	7,684
<b>NET ASSETS</b>	\$ 2,543,006	\$ 2,529,352
Commitments and contingencies		
Composition of net assets:		
Common stock, \$.0001 par value. Authorized 200,000,000 shares; issued and outstanding 7,689,461 shares at June 30, 2006 and 8,606,211 shares at December 31, 2005	\$ 769	\$ 861
Additional paid in capital	2,799,831	3,716,489
Stock subscription receivable	-	(1,000,000)
Accumulated deficit:		
Accumulated net operating loss	(386,935)	(173,179)
Net realized loss on investments	(10,301)	(49,000)
Net unrealized appreciation of investments	139,642	34,181
Net assets	\$ 2,543,006	\$ 2,529,352
Net asset value per share	\$ 0.3307	\$ 0.2939

See accompanying notes to condensed financial statements.

**Chanticleer Holdings, Inc.**  
**Statements of Operations**  
**For the Three Months Ended June 30, 2006 and 2005**  
**(Unaudited)**

	<b>2006</b>	<b>2005</b>
<b>Income from operations:</b>		
Interest and dividend income:		
Non-affiliates	\$ 4,063	\$ 2
Affiliate	7,793	-
Management fee income from affiliated investment	14,304	-
	26,160	2
<b>Expenses:</b>		
Salaries and wages	49,906	8,224
Professional fees	17,992	21,550
Shareholder services	3,992	305
Interest expense	997	380
Insurance expense	8,305	-
Dues and subscriptions	9,972	-
Rent expense	10,747	-
Travel and entertainment expense	17,399	-
General and administrative expense	21,425	521
	140,735	30,980
<b>Loss before income taxes</b>	<b>(114,575)</b>	<b>(30,978)</b>
<b>Income taxes</b>	<b>-</b>	<b>-</b>
<b>Net loss from operations</b>	<b>(114,575)</b>	<b>(30,978)</b>
<b>Net realized and unrealized gains (losses):</b>		
Net realized gain (loss) on investments, with no income tax provision	32,835	(49,000)
Change in unrealized appreciation (depreciation) of investments, net of deferred tax expense of \$0	(28,754)	36,000
Net decrease in net assets from operations	<b>\$ (110,494)</b>	<b>\$ (43,978)</b>
<b>Net decrease in net assets from operations per share, basic and diluted</b>	<b>\$ (0.0144)</b>	<b>\$ (0.0090)</b>
<b>Weighted average shares outstanding</b>	<b>7,689,461</b>	<b>4,890,110</b>

See accompanying notes to condensed financial statements.

**Chanticleer Holdings, Inc.**  
**Statements of Operations**  
**For the Six Months Ended June 30, 2006 and 2005**  
**(Unaudited)**

	<b>2006</b>	<b>2005</b>
<b>Income from operations:</b>		
Interest and dividend income:		
Non-affiliates	\$ 22,153	\$ 2
Affiliate	7,793	-
Management fee income from affiliated investment	14,304	-
	44,250	2
<b>Expenses:</b>		
Salaries and wages	98,457	8,224
Professional fees	20,230	24,550
Shareholder services	6,565	965
Interest expense	997	810
Insurance expense	17,454	-
Dues and subscriptions	13,619	-
Rent expense	18,390	-
Travel and entertainment expense	26,505	-
General and administrative expense	55,789	520
	258,006	35,069
<b>Loss before income taxes</b>	(213,756)	(35,067)
<b>Income taxes</b>	-	-
<b>Net loss from operations</b>	(213,756)	(35,067)
<b>Net realized and unrealized gains (losses):</b>		
Net realized gain (loss) on investments, with no income tax provision	38,699	(49,000)
Change in unrealized appreciation (depreciation) of investments, net of deferred tax expense of \$0	105,461	(18,500)
Net decrease in net assets from operations	\$ (69,596)	\$ (102,567)
<b>Net decrease in net assets from operations per share, basic and diluted</b>	\$ (0.0091)	\$ (0.0231)
<b>Weighted average shares outstanding</b>	7,683,806	4,447,514

See accompanying notes to condensed financial statements.

**Chanticleer Holdings, Inc.**  
**Statements of Cash Flows**  
**For the Six Months Ended June 30, 2006 and 2005**  
**(Unaudited)**

	<b>2006</b>	<b>2005</b>
<b>Cash flows from operating activities</b>		
Net decrease in net assets from operations	\$ (69,596)	\$ (102,567)
Adjustments to reconcile net decrease in net assets from operations to net cash used in operating activities:		
Change in unrealized (appreciation) depreciation of investments	(105,461)	18,500
(Gain) loss on sale of investments	(38,699)	49,000
Depreciation	3,906	-
(Increase) decrease in accounts receivable	(23,758)	-
(Increase) decrease in prepaid expenses and other assets	11,971	(10,000)
Increase (decrease) in accounts payable and accrued expenses	(2,001)	35,824
Net cash used in operating activities	(223,638)	(9,243)
<b>Cash flows from investing activities</b>		
Purchase of investments	(2,197,729)	-
Proceeds from sale of investments	181,926	-
Purchase of fixed assets	(6,198)	-
Net cash used by investing activities	(2,022,001)	-
<b>Cash flows from financing activities</b>		
Proceeds from sale of common stock	83,250	-
Loan proceeds	100,704	-
Loan from shareholder	-	55,000
Net cash provided by financing activities	183,954	55,000
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(2,061,685)</b>	<b>45,757</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>2,217,525</b>	<b>500</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 155,840</b>	<b>\$ 46,257</b>
<b>Supplemental Cash Flow Information</b>		
<b>Cash paid for interest and income taxes</b>		
Interest	\$ 997	\$ 810
Income taxes	-	-
<b>Non-cash investing and financing activities</b>		
Cancellation of stock subscription receivable	\$ 1,000,000	\$ -
Exchange of investment for common stock which was retired	-	56,000
Issue common stock in exchange for assumption of accounts payable	-	48,017

See accompanying notes to condensed financial statements.

**Chanticleer Holdings, Inc.**  
**Statements of Changes in Net Assets**  
**For the Six Months Ended June 30, 2006 and 2005**  
**(Unaudited)**

	<b>2006</b>	<b>2005</b>
<b>Changes in net assets from operations</b>		
Net loss from operations	\$ (213,756)	\$ (35,067)
Realized gain (loss) on sale of investments, net	38,699	(49,000)
Change in net unrealized appreciation (depreciation) of investments, net	105,461	(18,500)
Net decrease in net assets from operations	(69,596)	(102,567)
<b>Capital stock transactions</b>		
Common stock issued for cash	83,250	-
Common stock issued for accounts payable	-	48,017
Common stock retired in disposition of investment	-	(56,000)
Net increase (decrease) in net assets from stock transactions	83,250	(7,983)
Net increase (decrease) in net assets	13,654	(110,550)
Net assets at beginning of year	2,529,352	113,302
Net assets at end of period	\$ 2,543,006	\$ 2,752

See accompanying notes to condensed financial statements.

**Chanticleer Holdings, Inc.**  
**Financial Highlights**  
**For the Six Months Ended June 30, 2006 and 2005**  
**(Unaudited)**

	<b>2006</b>	<b>2005</b>
<b>PER SHARE INFORMATION</b>		
Net asset value, beginning of period	\$ 0.2939	\$ 0.0300
Net decrease from operations	(0.0278)	(0.0079)
Net change in realized gains (losses) and unrealized appreciation (depreciation) of investments, net	0.0187	(0.0152)
Net increase from stock transactions	0.0459	(0.0064)
Net asset value, end of period	\$ 0.3307	\$ 0.0005
<b>Per share market value: (1)</b>		
Beginning of period	\$ 1.30	\$ 0.00
End of period	1.25	0.00
Investment return, based on market price at end of period (2)	-4%	0%
<b>RATIOS/SUPPLEMENTAL DATA</b>		
Net assets, end of period	2,543,006	2,752
Average net assets	2,587,035	53,890
Annualized ratio of expenses to average net assets	20%	130%
Annualized ratio of net increase (decrease) in net assets from operations to average net assets	-5%	-381%
Common stock outstanding at end of period	7,689,461	5,000,000
Weighted average shares outstanding during period	7,683,806	4,447,514

(1) The Company began trading on July 27, 2005. Prior to that time, the Company's stock did not trade. Accordingly, the market value is assumed to be \$.0001, the par value of the common stock, prior to July 27, 2005.

(2) Periods of less than one year are not annualized.

**Chanticleer Holdings, Inc.**  
**Schedule of Investments**  
**As of June 30, 2006**  
**(Unaudited)**

<u>Shares/ Interest</u>	<u>Quarter Acquired</u>		<u>Original Cost</u>	<u>Fair Value</u>	<u>Percent Net Assets</u>
<b><u>NON-AFFILIATE INVESTMENTS</u></b>					
<b>NON-INCOME PRODUCING INVESTMENTS</b>					
145,000	Jun-04 Sep-05	American Resource Management, Inc. (Pink Sheets: ARMM); energy resource-based holding company	\$ 7,540	\$ 5,800	0%
15,000	Sep-05 Dec-05	Tandy Leather Factory, Inc. (AMEX:TLF); specialty retailer and wholesale distributor of leather products, tools and leather finishes and kits	72,052	102,600	4%
800,000	Sep-05	Special Projects Group (Pink Sheets:SPLJ) distributor and marketer of security and defense products and training manuals	102,403	120,000	5%
19,071	Jun-06	SM&A (NASDAQ:WINS); A leading provider of business strategy, proposal development and program services for winning and delivering competitive procurements.	114,124	116,333	5%
300	Jun-06	Professionals Direct, Inc. (OTCBB:PFLD); provides lawyer liability insurance and underwriting and other services to insurance companies	6,522	6,300	0%
33.3%	Mar-06	LFM Management, LLC, dba 1st Choice Mortgage (Privately held); Direct to consumer brokerage company	250,000	250,000	10%
1,205	Mar-06	Bouncing Brain Productions, LLC (Privately held); Inventor promotion company	250,000	250,000	10%
TOTAL NON-INCOME PRODUCING			802,641	851,033	33%
<b>LOAN INVESTMENTS</b>					
Loan	Mar-06	ADD-A-MAN, LLC (Privately held); Note receivable with interest at 10% due September 2, 2006	50,000	50,000	2%
Loan	Jun-06	Lifestyle Innovations, Inc. (OTCBB:LFSI); note and accounts receivable investment of approximately \$1,200,000, non-interest bearing	100,000	100,000	4%
TOTAL LOANS			150,000	150,000	6%
<b>DIVIDEND PAYING INVESTMENT</b>					
2,100	Mar-06 Jun-06	Polaris Industries Partners, Inc. (NYSE:PII); manufacturer of ATV's, snowmobiles and motorcycles	96,465	90,930	4%
<b>OIL AND GAS PROPERTY INVESTMENTS</b>					
37.5%	Mar-06	Deep Rock LLC; working interest in two oil and gas properties	128,216	225,000	9%
TOTAL NON-AFFILIATE INVESTMENTS			1,177,322	1,316,963	52%

Continued

**Chanticleer Holdings, Inc.**  
**Schedule of Investments, Continued**  
**As of June 30, 2006**  
**(Unaudited)**

<u>Shares/ Interest</u>	<u>Quarter Acquired</u>		<u>Original Cost</u>	<u>Fair Value</u>	<u>Percent Net Assets</u>
		NON-AFFILIATE INVESTMENTS	1,177,322	1,316,963	52%
<b><u>AFFILIATE INVESTMENT</u></b>					
22.0%	Mar-06 Jun-06	Chanticleer Investors LLC (Privately held); Investment LLC	1,100,000	1,100,000	43%
		Total affiliate investment	<u>1,100,000</u>	<u>1,100,000</u>	<u>43%</u>
		Total investments at June 30, 2006	<u>\$ 2,277,322</u>	<u>2,416,963</u>	<u>95%</u>
		Cash and other assets, less liabilities		<u>126,043</u>	<u>5%</u>
		Net assets at June 30, 2006		<u>\$ 2,543,006</u>	<u>100%</u>

See accompanying notes to condensed financial statements.

**Chanticleer Holdings, Inc.**  
**Schedule of Investments**  
**As of December 31, 2005**

<u>Shares/ Interest</u>	<u>Quarter Acquired</u>		<u>Original Cost</u>	<u>Fair Value</u>	<u>Percent Net Assets</u>
<b><u>NON-AFFILIATE INVESTMENTS</u></b>					
<b>NON-INCOME PRODUCING INVESTMENTS</b>					
500,000	Jun-04	American Resource Management, Inc. (Pink Sheets:	\$ 26,000	\$ 20,000	1%
	Jul-05	ARMM); energy resource-based holding company			
20,000	Sep-05	Tandy Leather Factory, Inc. (AMEX:TLF); specialty	96,819	137,000	5%
	Oct-05	retailer and wholesale distributor of leather products, tools and leather finishes and kits			
			<u>122,819</u>	<u>157,000</u>	<u>6%</u>
<b>LOAN INVESTMENT</b>					
Loan	Sep-05	PPCT Holdings, Inc. (Privately held);	100,000	100,000	4%
	Oct-05	manufacturer and distributor of security products and training manuals; 6% note due September 1, 2006			
		<b>Total investments at December 31, 2005</b>	<u>\$ 222,819</u>	<u>\$ 257,000</u>	<u>10%</u>
		<b>Cash and other assets, less liabilities</b>		<u>2,272,352</u>	<u>90%</u>
		<b>Net assets at December 31, 2005</b>		<u>\$ 2,529,352</u>	<u>100%</u>

See accompanying notes to condensed financial statements.

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

**A. Nature of Business and Significant Accounting Policies**

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

On April 10, 2005, the Company's sole shareholder returned 2,950,000 shares of the Company's common stock in exchange for the Company's investment in Sanguaro Holdings Corp. Simultaneously, nine individuals assumed certain of the Company's liabilities in the amount of \$48,017 in exchange for 3,950,000 shares of the Company's common stock.

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

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations for interim reporting. The Company believes that the disclosures contained herein are adequate to make the information presented not misleading. However, these financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report for the period ended December 31, 2005, which is included in the Company's Form 10-K.

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

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

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

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

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

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

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

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

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

- (4) **Cash and Cash Equivalents** - For purposes of the statement of cash flows, the Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.
- (5) **Investments in Affiliates and Non-Affiliates** - Pursuant to the requirements of the 1940 Act, our Board of Directors is responsible for determining, in good faith, the fair value of our securities and assets for which market quotations are not readily available. In making its determination, the Board of Directors will consider valuation appraisals provided by an independent valuation service provider, when considered necessary. Equity securities in public companies that carry certain restrictions on resale are generally valued at a discount from the market value of the securities as quoted on a national securities exchange or by a national securities association.

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

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

- (6) **Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.
- (7) **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 bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment. Due to its limited operations, the Company has provided a valuation allowance for the full amount of the deferred tax assets.

## B. Investments

Investments at June 30, 2006 and December 31, 2005, may be summarized as follows:

	<u>2006</u>	<u>2005</u>
Investments at cost	\$ 2,277,321	\$ 222,819
Unrealized appreciation of investments, net	139,642	34,181
Fair value of investments	<u>\$ 2,416,963</u>	<u>\$ 257,000</u>

Investments are detailed on schedules on pages 9 through 11, hereof. The valuations are determined by the Board of Directors based upon applicable quantitative and qualitative factors.

Activity in investments during the six months ended June 30, 2006, is summarized as follows:

Investments at cost, December 31, 2005	\$ 222,819
Purchases	2,197,729
Sales	(143,227)
Investments at cost, June 30, 2006	<u>\$ 2,277,321</u>

### VALUATION OF INVESTMENTS

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

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

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

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

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

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

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

## NON-AFFILIATE INVESTMENTS

### NON-INCOME PRODUCING INVESTMENTS

The Company's investments in American Resource Management, Inc. (Pink Sheets:ARMM), Tandy Leather Factory, Inc. (AMEX:TLF), Special Projects Group (Pink Sheets:SPLJ), SM&A (NASDAQ:WINS), and Professional Direct, Inc. (OTCBB:PFLD) are quoted as indicated. The Investment Committee and the Board of Directors valued each of these investments based on its closing price at the end of June 2006.

The Company made an investment in LFM Management, LLC, dba 1<sup>st</sup> Choice Mortgage in March 2006. This is a privately held consumer brokerage business which just began operation at the end of March 2006. The Investment Committee and the Board of Directors valued this investment at its cost of \$250,000 at June 30, 2006.

The Company made an investment in Bouncing Brain Production, LLC at the end of January 2006. This is a privately held inventor promotion company which has only recently commenced operations. The Investment Committee and the Board of Directors valued this investment at its cost of \$250,000 at June 30, 2006.

### DIVIDEND PAYING INVESTMENT

The Company's investment in Polaris Industries Partners, Inc. (NYSE:PII) is valued by the Investment Committee and the Board of Directors at its closing price at the end of June 2006.

### LOAN INVESTMENTS

The Investment Committee and the Board of Directors valued the loan to ADD-A-MAN, LLC at the principal amount of the loan. The Company invested \$100,000 in notes and accounts receivable of Lifestyle Innovations, Inc. with a face value of approximately \$1,200,000 in June 2006. These obligations are expected to ultimately be converted into common stock. The Investment Committee and the Board of Directors valued this investment at its cost of \$100,000 at June 30, 2006.

### OIL AND GAS PROPERTY INVESTMENTS

The Company invested \$128,000 to drill two oil and gas wells in which they own an interest of 37.5%. The Investment Committee and the Board of Directors valued these two properties at \$225,000 based on an estimate of recoverable reserves provided by the operator of the wells.

### AFFILIATE INVESTMENT

The Company formed Chanticleer Investors LLC ("CI LLC") at the end of March 2006. CI LLC's purpose was to raise funds and make a loan to an individual secured by stock in a company he owned. Funding was initially intended to be \$12,500,000 and the loan was to be convertible into the stock which secured the loan. The Company is the manager of CI LLC and will receive a management fee of 1/3 of the interest charged on the note (2% of 6%). Funding for CI LLC was not completed until the second quarter of 2006, at which time a total of \$5,000,000 was raised. The only asset of CI LLC is a convertible note in the amount of \$5,000,000 which is secured by the stock into which it can be converted. The note bears interest at 6%, of which 2% is due the Company for management services. The remaining 4% is allocated pro-rata to the investors. The investment is valued by the Investment Committee and the Board of Directors at its cost of \$1,100,000 at June 30, 2006.

**C. Note Payable**

The Company has a one-year line-of-credit with a bank in the amount of \$250,000 which matures on June 21, 2007. The loan is guaranteed by the Chief Executive Officer of the Company and is collateralized by all inventory, chattel paper, accounts, equipment and general intangibles of the Company. The loan has a balance of \$100,704 at June 30, 2006, and bears interest at 8.25% per annum.

**D. Stockholders' Equity**

The Company has 200,000,000 shares of its \$0.0001 par value common stock authorized and 7,689,461 shares issued and outstanding at June 30, 2006. There are no warrants or options outstanding.

On May 2, 2005, the Company increased its authorized common stock from 100,000,000 shares to 200,000,000 shares.

During the six months ended June 30, 2006, the Company sold 83,250 shares of its common stock, pursuant to its Offering Circular under Regulation E promulgated under the Securities Act of 1933 for proceeds of \$83,250. In addition, during the six months ended June 30, 2006, the Company determined they were not going to be paid on the stock subscription receivable of \$1,000,000 and the related 1,000,000 shares have been returned to counsel to be cancelled.

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

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

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

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

## **Critical Accounting Policies and Estimates**

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

Pursuant to the requirements of the Investment Company Act of 1940 (the "1940 Act"), our Board of Directors is responsible for determining in good faith the fair value of our investments for which market quotations are not readily available. Although the securities of our portfolio companies may be quoted on the OTC Bulletin Board or the Pink Sheets, our Board of Directors is required to determine the fair value of such securities if the validity of the market quotations appears to be questionable, or if the number of quotations is such as to indicate that there is a thin or illiquid market in the security.

We will determine fair value to be the amount for which an investment could be exchanged in an orderly disposition over a reasonable period of time between willing parties other than in a forced or liquidation sale. Our valuation policy will consider the fact that no ready market may exist for substantially all of the securities in which we invest. Our investment policy is intended to provide a consistent basis for determining the fair value of the portfolio. We will record unrealized depreciation on investments when we believe that an investment has become impaired, including where realization of an equity security is doubtful. We will record unrealized appreciation if we believe that the underlying portfolio company has appreciated in value and, therefore, our equity security has also appreciated in value. The value of investments in publicly traded securities is determined using quoted market prices discounted for restriction on resale, if any.

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

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

## **Financial Condition**

Our net assets were \$2,543,006 and \$2,529,352 at June 30, 2006, and December 31, 2005, respectively. Net asset value per share was \$.3307 at June 30, 2006, and \$0.2939 at December 31, 2005.

The increase in net assets of \$13,654 includes net capital stock transactions in the amount of \$83,250 less the net decrease in net assets from operations of \$69,596.

**Three months ended June 30, 2006 compared to the three months ended June 30, 2005**

Income from operations amounted to \$26,160 in 2006 as compared to \$2 in 2005. The 2006 amount was a result of operating for the full period and also included investments with a value of \$2,416,963 as of June 30, 2006. At June 30, 2005, we only had investments of \$5,000 and net assets of \$2,752.

Net loss from operations during the three months ended June 30, 2006, was \$114,575 as compared to \$30,978 in the year earlier period. The increased loss is mainly the result of an increase in payroll of \$41,682 and an increase in general and administrative expenses in the amount of \$67,327. These increases are primarily due to our commencing operations during June 2005.

Net realized and unrealized gains and losses consisted of a realized gain of \$32,835 and unrealized depreciation of \$28,754 for a net gain of \$4,081 in 2006 as compared to a realized loss of \$49,000 and an unrealized gain of \$36,000 for a net loss of \$13,000 in 2005.

The above factors resulted in a net decrease in net assets from operations per share of \$.0144 in 2006 as compared to \$.0090 in 2005.

**Six months ended June 30, 2006 compared to the six months ended June 30, 2005**

Income from operations includes interest and dividend income of \$29,946 and management fee income of \$14,304 during the 2006 period, as compared to \$2 in the 2005 period. We did not commence operations as a BDC until June 2005. We had investments of \$5,000 and net assets of \$2,752 at June 30, 2005, as compared to investments of \$2,416,963 and net assets of \$2,543,006 at June 30, 2006.

Expenses increased from \$35,069 in 2005 to \$258,006 in 2006 (\$222,937 increase). Salaries and wages increased \$90,233 and other general and administrative expenses increased \$131,237 in 2006 as compared to the year earlier period. These increases are consistent with the increased period of operations from part of one month in 2005 to six months in 2006.

We realized a gain of \$38,699 in 2006 as compared to a loss of \$49,000 in 2005. We had an unrealized gain of \$105,461 in 2006 as compared to an unrealized loss of \$18,500 in 2005.

The above factors resulted in a net decrease in net assets from operations per share of \$.0091 in 2006 as compared to \$.0231 in 2005.

### ITEM 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

### ITEM 4: CONTROLS AND PROCEDURES

#### (a) Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in the reports that are filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in the reports that are filed under the Exchange Act is accumulated and communicated to management, including the principal executive officer, as appropriate, to allow timely decisions regarding required disclosure. Under the supervision of and with the participation of management, including the principal executive officer, the Company has evaluated the effectiveness of the design and operation of its disclosure controls and procedures as of June 30, 2006, and, based on its evaluation, our principal executive officer has concluded that these controls and procedures are effective.

#### (b) Changes in Internal Controls

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

The Company commenced operations as a 1940 Act BDC in June 2005. As the new business plan is implemented, the Company expects to expand current internal controls.

## PART II - OTHER INFORMATION

### ITEM 1: LEGAL PROCEEDINGS

Not applicable.

### ITEM 1A: RISK FACTORS

Not applicable.

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

None in current quarter.

### ITEM 3: DEFAULTS UPON SENIOR SECURITIES

Not applicable.

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

Not applicable.

### ITEM 5: OTHER INFORMATION

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

### ITEM 6: EXHIBITS

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

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

**SIGNATURE**

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

CHANTICLEER HOLDINGS, INC.

Date: October 24, 2006

By: /s/ Michael D. Pruitt

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

CHANTICLEER HOLDINGS, INC. FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 2006  
CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Michael D. Pruitt, certify that:

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

/s/ Michael D. Pruitt

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Michael D. Pruitt  
Chief Executive Officer and  
Chief Financial Officer  
October 24, 2006

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CHANTICLEER HOLDINGS, INC. FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 2006  
CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED  
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Michael D. Pruitt, certify that

1. I am the Chief Executive Officer and Chief Financial Officer of Chanticleer Holdings, Inc.
2. Attached to this certification is Form 10-Q for the quarter ended June 30, 2006, a periodic report (the "periodic report") filed by the issuer with the Securities Exchange Commission pursuant to Section 13(a) or 15(d) of the Securities and Exchange Act of 1934 (the "Exchange Act"), which contains financial statements.
3. I hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that
  - The periodic report containing the financial statements fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act, and
  - The information in the periodic report fairly presents, in all material respects, the financial condition and results of operations of the issuer for the periods presented.

October 24, 2006

/s/ Michael D. Pruitt

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Michael D. Pruitt  
Chief Executive Officer and  
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by Chanticleer Holdings, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

This certification will not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that section. This certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934 even if the document with which it is submitted to the Securities and Exchange Commission is so incorporated by reference.

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