

Hooters of America, Inc. Concerned About Chanticleer's Acquisition Attempts

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Hooters of America, Inc. (HOA) stated that it has concerns over Chanticleer Holdings' announcement that it plans to acquire Texas Wings. Texas Wings is HOA's largest franchisee.

It operates 45 Hooters Restaurants in the state of Texas under franchise agreements with Atlanta-based HOA. Texas Wings' franchise agreements require Texas Wings to obtain HOA's consent before it enters into any transfer agreement. The franchise agreements also require Texas Wings to grant HOA a right of first refusal. Although Chanticleer announced that Texas Wings has signed an asset purchase agreement with Chanticleer, Texas Wings has not requested or obtained HOA's consent, nor has it recognized HOA's right of first refusal, in violation of its franchise agreements with HOA.

HOA is also concerned that Chanticleer is announcing yet another acquisition when Chanticleer has apparently not yet closed a transaction with Hooters Inc. (HI), an HOA licensee. HI operates 22 Hooters locations in Chicago, New York City and the Tampa Bay area. In March, Chanticleer announced plans to acquire HI and close no later than July 31. Chanticleer holds no rights to acquire franchisees without HOA's consent, and it appears Chanticleer may not be able to close announced transactions in a timely fashion.

Coby Brooks, the President and CEO of HOA, stated, "Although I am pleased that our franchisees may be in a position to monetize the equity they have built under years of HOA leadership, I do not want anyone to distract our system with promises that may not be fulfilled. Hooters is performing well, even during challenging economic times. However, our success is not guaranteed, and it can be threatened when operators start thinking about cashing out versus taking care of our guests. We are concerned that Chanticleer may be attempting to create an illusion that it has certain rights and understandings that extend beyond what it actually has."

Hooters franchisees are concerned as well. "Hooters of America is the standard bearer for the Hooters concept. The Franchisees are very happy with the direction HOA has taken the brand over the past few years under Coby Brooks' direction. We have spent 25 years building the Hooters Brand with Hooters of America and have just completed an agreement for a new 20-year extension for all franchisees. Our focus is on the long run," stated Gary McCully the President of Hooters Franchisee Association.

Hooters of America, Inc. is the franchisor and operator of over 440 Hooters restaurants in 42 states and 27 foreign countries.

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