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Franchise Holdings International, Inc.  
Form 10-Q  
February 11, 2011

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

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

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

For the Quarterly period ended December 31, 2010

Commission File No. 0-27631

Franchise Holdings International, Inc.  
(Exact Name of Registrant as specified in its charter)

Nevada  
(State or other jurisdiction  
of incorporation)

65-0782227  
(IRS Employer File Number)

5910 South University Boulevard, C-18, Unit  
165  
Littleton, Colorado  
(Address of principal executive offices)

80121-2800  
(zip code)

(303) 220-5001  
Registrant's telephone number, including area code

Securities to be Registered Pursuant to Section 12(b) of the Act: None

Securities to be Registered Pursuant to Section 12(g) of the Act:

Common Stock, \$.0001 per share par value

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

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

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Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T(Section 232.405 of this chapter) during the preceding 12 months(or such shorter period that the registrant was required to submit and post such files. Yes ☐ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of “large accelerated filer,” “accelerated filer,” and “small reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐

Accelerated filer ☐

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

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

The number of shares outstanding of the Registrant’s common stock, as of the latest practicable date, December 31, 2010, was 2,840,864.

FORM 10-Q

Franchise Holdings International, Inc.

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PART I FINANCIAL INFORMATION

For purposes of this document, unless otherwise indicated or the context otherwise requires, all references herein to “we,” “us,” and “our,” refer to FRANCHISE HOLDINGS INTERNATIONAL, INC., a Nevada corporation.

ITEM 1. FINANCIAL STATEMENTS

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FRANCHISE HOLDINGS INTERNATIONAL, INC.

FINANCIAL STATEMENTS  
(Unaudited)

Quarter Ended December 31, 2010

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FRANCHISE HOLDINGS INTERNATIONAL, INC.  
(A Development Stage Company)  
Balance Sheets

	December 31, 2010 (Unaudited)	September 30, 2010 (Audited)
Assets		
Cash	\$155	\$670
Liabilities and Shareholders' Deficit		
Liabilities:		
Accounts payable	\$5,383	\$1,556
Total liabilities	5,383	1,556
Shareholders' deficit:		
Common stock, \$.0001 par value; 20,000,000 shares authorized, 2,840,864 and 2,840,864 shares issued and outstanding, respectively	284	284
Additional paid-in capital	3,864,772	3,863,539
Accumulated deficit	(3,910,365)	(3,910,365)
Equity accumulated during development stage	40,081	45,656
Total shareholders' deficit	(5,228 )	(886 )
Total liabilities and shareholders' deficit	\$155	\$670

The accompanying notes are an integral part of the financial statements.

FRANCHISE HOLDINGS INTERNATIONAL, INC.  
(A Development Stage Company)  
Statements of Operations  
(Unaudited)

	For The Three Months Ended December 31,		March 12, 2001 (Inception) Through December 31, 2010
	2010	2009	2010
Revenues	\$—	\$—	\$—
Operating expenses:			
General and administrative	5,575	5,522	112,788
Total operating expenses	5,575	5,522	112,788
Loss from operations	(5,575 )	(5,522 )	(112,788 )
Other income (expense):			
Gain on debt relief	—	—	388,095
Interest expense	—	—	(235,226 )
Income (loss) before income taxes	(5,575 )	(5,522 )	40,081
Provision for income taxes	—	—	—
Net income (loss)	\$(5,575 )	\$(5,522 )	\$40,081
Basic and diluted income (loss) per share	\$(0.00 )	\$(0.00 )	
Basic and diluted weighted average common shares outstanding	2,840,864	2,840,864	

The accompanying notes are an integral part of the financial statements.

FRANCHISE HOLDINGS INTERNATIONAL, INC.  
(A Development Stage Company)  
Statements of Cash Flows  
(Unaudited)

	For The Three Months Ended December 31,		March 12, 2001 (Inception) Through December 31, 2010
	2010	2009	2010
Cash flows from operating activities:			
Net income (loss)	\$(5,575 )	\$(5,522 )	\$40,081
Adjustments to reconcile net income (loss) to net cash used in operating activities:			
Amortization and depreciation	—	—	475
Loss on disposal of fixed asset	—	—	1,408
Gain on debt relief	—	—	(388,095 )
Compensatory stock issuances	—	—	2,750
Changes in operating assets and liabilities:			
Accounts payable	3,827	2,297	24,259
Accrued expenses.	—	—	233,519
Indebtedness to related parties	—	3,225	87,431
Net cash (used in) provided by operating activities	(1,748 )	—	1,828
Cash flows from financing activities:			
Capital contributed by related parties	1,233	—	13,977
Notes payable - payments	—	—	(25,650 )
Notes payable - borrowings	—	—	10,000
Net cash (used in) provided by financing activities	1,233	—	(1,673 )
Net change in cash	(515 )	—	155
Cash, beginning of period	670	—	—
Cash, end of period	\$155	\$—	\$155
Supplemental disclosure of cash flow information:			
Cash paid during the period for:			
Income taxes	\$—	\$—	\$—
Interest	\$—	\$—	\$—

The accompanying notes are an integral part of the financial statements.



FRANCHISE HOLDINGS INTERNATIONAL, INC.  
(A Development Stage Company)  
Notes to Financial Statements  
(Unaudited)

Note 1: Organization, Operations and Summary of Significant Accounting Policies

Franchise Holdings International, Inc. was incorporated in the State of Nevada on April 2, 2003. FSGI Corporation was incorporated in the State of Florida on May 15, 1997, and in a reorganization on December 21, 1998 with another corporation named The Martial Arts Network On-Line, Inc. (originally incorporated in Florida on May 23, 1996) changed its name to TMAN Global.Com, Inc. Franchise Holdings International, Inc. and TMAN Global.Com, Inc. consummated a merger on April 30, 2003 whereby Franchise Holdings International, Inc. exchanged 1 common share for all the 90,861 outstanding common shares of TMAN Global.Com, Inc. The purpose of the transaction was a change of domicile. Pursuant to the merger terms, Franchise Holdings International, Inc. was the surviving corporation and TMAN Global.Com, Inc. ceased to exist. The accompanying financial statements include the activities of Franchise Holdings International, Inc. and its predecessor corporations, which are collectively referred to herein as the "Company". Currently the Company is engaged in evaluating franchise opportunities, and is considered to be in the development stage.

Basis of Presentation

The accompanying unaudited financial statements have been prepared in accordance with the instructions to Form 10-Q and do not include all of the information and disclosures required by generally accepted accounting principles for complete financial statements. The financial statements presented herein have been prepared by the Company in accordance with the accounting policies in its Form 10-K for the year ended September 30, 2010 and should be read in conjunction with the notes thereto.

All adjustments which are, in the opinion of management, necessary for a fair presentation of the results of operations for the interim periods have been made and are of a recurring nature unless otherwise disclosed herein. The results of operations for such interim periods are not necessarily indicative of operations for a full year.

Going Concern

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. As shown in the accompanying financial statements, the Company has a limited operating history and has suffered losses since inception. These factors, among others, may indicate that the Company will be unable to continue as a going concern.

In recent years, we have relied upon our president and certain shareholders to contribute capital to maintain our limited operations (see Note 2). There is no assurance that these contributions will continue, or that we will be successful in raising the capital required to continue our operations.

The financial statements do not include any adjustments relating to the recoverability and classification of assets and/or liabilities that might be necessary should we be unable to continue as a going concern. Our continuation as a going concern is dependent upon our ability to meet our obligations on a timely basis, and, ultimately to attaining

profitability.

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FRANCHISE HOLDINGS INTERNATIONAL, INC.  
(A Development Stage Company)  
Notes to Financial Statements  
(Unaudited)

Development Stage Company

We are in the development stage in accordance with the Accounting and Reporting by Development Stage Enterprises Topic of the Financial Accounting Standards Board's Accounting Standards FASB ASC (FASB ASC).

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

The Company considers all highly liquid investments with an original maturity of three months or less as cash equivalents.

Fair Value of Financial Instruments

The carrying amounts of cash and current liabilities approximate fair value because of the short-term maturity of these items. These fair value estimates are subjective in nature and involve uncertainties and matters of significant judgment, and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect these estimates. We do not hold or issue financial instruments for trading purposes, nor do we utilize derivative instruments.

The FASB ASC clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. It also requires disclosure about how fair value is determined for assets and liabilities and establishes a hierarchy for which these assets and liabilities must be grouped, based on significant levels of inputs as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Quoted prices in active markets for similar assets and liabilities and inputs that are observable for the asset or liability.

Level 3: Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

The determination of where assets and liabilities fall within this hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Earnings (Loss) per Common Share

We report earnings (loss) per share using a dual presentation of basic and diluted earnings (loss) per share. Basic earnings (loss) per share excludes the impact of common stock equivalents. Diluted earnings (loss) per share utilizes the average market price per share when applying the treasury stock method in determining common stock equivalents. At December 31, 2010, there were no variances between the basic and diluted loss per share as there were no potentially dilutive securities outstanding.

FRANCHISE HOLDINGS INTERNATIONAL, INC.  
(A Development Stage Company)  
Notes to Financial Statements  
(Unaudited)

Income Taxes

We account for income taxes as required by the Income Tax Topic of the FASB ASC, which requires recognition of deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax liabilities and assets are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse.

We have analyzed filing positions in all of the federal and state jurisdictions where we are required to file income tax returns, as well as all open tax years in these jurisdictions. The Company has identified its federal tax return and its state tax return in Colorado as "major" tax jurisdictions, as defined. We are not currently under examination by the Internal Revenue Service or any other jurisdiction. The Company believes that its income tax filing positions and deductions will be sustained on audit and does not anticipate any adjustments that will result in a material adverse effect on the Company's financial condition, results of operations, or cash flow. Therefore, no reserves for uncertain income tax positions have been recorded.

Fiscal year

The Company employs a fiscal year ending September 30.

Stock-Based Compensation

Stock-based compensation is accounted for under ASC 718 (formerly - SFAS No. 123 (revised 2004)), "Share-Based Payment", using the modified prospective method. ASC 718 requires the recognition of the cost of employee services received in exchange for an award of equity instruments in the financial statements and is measured based on the grant date fair value of the award. ASC 718 also requires the stock option compensation expense to be recognized over the period during which an employee is required to provide service in exchange for the award (generally the vesting period)

Note 2: Related Party Transactions

During the three months ended December 31, 2010, an officer and shareholders contributed \$1,233 to the Company for working capital.

In 2008 and 2009 an officer provided the Company \$13,165 and \$55,485 in working capital advances for ongoing operations. The same officer in 2009 contributed \$82,260 in debt relief to the Company (inclusive of the amounts noted in the previous sentence). The officer also gave 26,000 of the Company's common shares, owned by him, to other debtors in settlement of \$18,000 in stock subscriptions payable and \$170,729 in notes payable, which the officer then contributed to capital.

Note 3: Income taxes

The Company has incurred net operating losses during all periods presented resulting in a deferred tax asset, which has been fully allowed for; therefore, the net benefit and expense resulted in no income tax provision.

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## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS AND PLAN OF OPERATION

The following discussion of our financial condition and results of operations should be read in conjunction with, and is qualified in its entirety by, the consolidated financial statements and notes thereto included in, Item 1 in this Quarterly Report on Form 10-Q. This item contains forward-looking statements that involve risks and uncertainties. Actual results may differ materially from those indicated in such forward-looking statements.

### Forward-Looking Statements

This Quarterly Report on Form 10-Q and the documents incorporated herein by reference contain forward-looking statements. Such forward-looking statements are based on current expectations, estimates, and projections about our industry, management beliefs, and certain assumptions made by our management. Words such as "anticipates", "expects", "intends", "plans", "believes", "seeks", "estimates", variations of such words, and similar expressions are intended to identify such forward-looking statements. These statements are not guarantees of future performance and are subject to certain risks, uncertainties, and assumptions that are difficult to predict; therefore, actual results may differ materially from those expressed or forecasted in any such forward-looking statements. Unless required by law, we undertake no obligation to update publicly any forward-looking statements, whether as a result of new information, future events, or otherwise. However, readers should carefully review the risk factors set forth herein and in other reports and documents that we file from time to time with the Securities and Exchange Commission, particularly the Annual Reports on Form 10-K, Quarterly reports on Form 10-Q and any Current Reports on Form 8-K.

### Overview and History

We were originally incorporated as FSGI Corporation under the laws of the State of Florida in 1997 as a holding company for the purpose of acquiring Financial Standards Group, Inc. (FSG). That year FSGI Corporation acquired FSG, a Florida company organized in October 1989, to assist credit unions in performing financial services. FSG offered financial services to credit unions as a wholly-owned subsidiary until its sale in January 2000.

On December 21, 1998, FSGI Corporation, at the time a publicly traded company trading on the OTCBB as FSGI, acquired all of the outstanding common stock of The Martial Arts Network On-Line, Inc., a wholly owned subsidiary of The Martial Arts Network, Inc. The Martial Arts Network On-Line, Inc., a company organized under the laws of the State of Florida, was developed in 1996 by its parent company The Martial Arts Network, Inc. as an electronic forum dedicated to promoting education and awareness of martial arts through its web site. Upon issuance of shares, and options to purchase shares of FSGI Corporation's common stock to The Martial Arts Network, Inc., that company became the controlling stockholder of FSGI Corporation.

TMANglobal.com, Inc. ("TMAN"), a corporation formed under the laws of the State of Florida, as the result of a merger between FSGI Corporation and The Martial Arts Network On-Line, Inc. on December 21, 1998.

Franchise Holdings was incorporated in the State of Nevada on April 2, 2003. Franchise Holdings International, Inc. completed a merger with TMAN Global.com Inc. on April 30, 2003. This merger was in the nature of a change in domicile of the Florida corporation to the State of Nevada, as well as the acquisition of a new business. Since the inception of our current business operations, we have been in the business of acquiring franchise, license and distribution rights in new and emerging growth companies.

We have not been subject to any bankruptcy, receivership or similar proceeding.

### Results of Operations

The following discussion involves our results of operations for the three months ending December 31, 2010. This compares to the three months ending December 31, 2009.

Comparing our operations, we had revenues of \$-0- for the three months ended December 31, 2010 and \$-0- for the three months ending December 31, 2009.

Operating expenses, which include general and administrative expenses for the three months ended December 31, 2010 were \$5,575 and \$5,522 for the three months ended December 31, 2009.

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The major components of operating expenses include salaries, general and administrative, professional fees, and telephone expenses.

We believe that operating expenses in current operations should remain fairly constant

We had a net loss of \$5,575 for the three months ended December 31, 2010, compared to a net loss of \$5,522 for the three months ended December 31, 2009.

We believe that overhead cost in current operations should remain fairly constant.

#### Liquidity and Capital Resources

As of December 31, 2010, we had cash or cash equivalents of \$155. As of December 31, 2009, we had cash or cash equivalents of \$-0-.

Net cash used or provided by operating activities of \$(1,748) for the three month period ended December 31, 2010, compared to cash used or provided by operating activities of \$-0- for the three month period ended December 31, 2009. We anticipate that overhead costs in current operations will remain fairly constant.

Cash flows provided by investing activities was \$-0- for the three month period ended December 31, 2010, compared to cash used or provided for investing activities of \$-0- for the three month period ended December 31, 2009.

Cash flows provided by financing activities was \$1,233 for the period ended December 31, 2010, compared to cash used or provided by financing activities of \$-0- for the three month period ended December 31, 2009.

We believe that we have sufficient capital in the short term for our current level of operations. This is because we believe that we can attract sufficient product sales and services within our present organizational structure and resources to become profitable in our operations. We can control the substantial part of our expenses by foregoing the hiring of extra personnel and plan to use this to adjust our expenses. If we are unsuccessful in adequately adjusting our expenses, which we do not foresee at this time, we may need additional financing of some type, which we do not now possess, to continue our operations.

Additional resources would be needed to expand into additional locations, which we have no plans to do at this time. We do not anticipate needing to raise additional capital resources in the next twelve months.

Our principal source of liquidity will be our operations or through loans by our sole officer and director, of which there can be no assurance. There are currently no arrangements with our sole officer and director to fund our operations, if needed. We expect variation in revenues to account for the difference between a profit and a loss. Also business activity is closely tied to the economy of Denver and the U.S. economy. In any case, we try to operate with minimal overhead. Our primary activity will be to seek to develop clients and, consequently, our sales. If we succeed in obtaining a base and generating sufficient sales, we will become profitable. We cannot guarantee that this will ever occur. Our plan is to build our company in any manner that will be successful.

#### Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements with any party.



#### Recently Issued Accounting Pronouncements

We do not expect the adoption of any recently issued accounting pronouncements to have a significant impact on our net results of operations, financial position, or cash flows.

#### Seasonality

We do not expect our sales to be impacted by seasonal demands for our products and services.

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

None.

#### ITEM 4. CONTROLS AND PROCEDURES

Not applicable

## PART II. OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

There are no legal proceedings, to which we are a party, which could have a material adverse effect on our business, financial condition or operating results.

### ITEM 1A. RISK FACTORS

Not Required of Smaller Reporting Companies

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

None

### ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

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

None

### ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS

Number Description

3.1*	Articles of Incorporation
3.2*	Bylaws
3.3 *	Articles of Merger of TMAN Global.com, Inc. and FRANCHISE HOLDINGS INTERNATIONAL, INC.
31.1	Certification of CEO/CFO pursuant to Sec. 302
32.1	Certification of CEO/CFO pursuant to Sec. 906

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\* Previously filed

We filed no reports on Form 8-K during the quarter of the fiscal year ended December 31, 2010.

SIGNATURES

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 on February 11, 2011.

Franchise Holdings International, Inc.

By: /s/ A.J. Boisdrenghien  
A.J. Boisdrenghien , President and  
Chief Executive and Financial Officer

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