Franchise Holdings International, Inc. Form 10-Q June 02, 2016

#### **UNITED STATES**

#### SECURITIES AND EXCHANGE COMMISSION

**WASHINGTON, D.C. 20549** 

## **FORM 10-Q**

(Mark One)

x QUARTERLY REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarterly Period Ended March 31, 2016

or

" TRANSITION REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition period from \_\_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 000-27631

# FRANCHISE HOLDINGS INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

#### **NEVADA**

65-0782227

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

## 3120 Rutherford Road Suite 414 Voughan Ontorio Canada L4K

#### Vaughan, Ontario, Canada L4K 0B2

(Address of principal executive offices) (Zip Code)

#### (888) 554-8789

| (888) 554-8/89  |
|---|
| Registrant's telephone number, including area code  |
|   |
|   |
| (Former name, former address and former fiscal year, if changed since last report)  |
|   |
| 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 proceeding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been |

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting

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

Smaller reporting company

Large accelerated filer "Accelerated filer "

(Do not check if a smaller reporting company)

Non-accelerated filer

subject to such filing requirements for the past 90 days. Yes x No "

(Check One).

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date.

As of May 20, 2016, the number of shares outstanding of the registrant's class of common stock was 67,288,142.

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#### PART I. FINANCIAL INFORMATION

#### **Item 1. Financial Statements**

## Franchise Holdings International, Inc.

Condensed Consolidated Balance Sheets

Unaudited

| Assets Current Assets   |    | March 31,<br>2016<br>(Unaudited) | Dec | eember 31,<br>2015 |
|---|----|----------------------------------|-----|--------------------|
| Cash and cash equivalents   | \$ | _                                | \$  | 14,466             |
| Accounts receivable   | Ψ  | 60,634                           | Ψ   | 95,563             |
| Inventory   |    | 101,358                          |     | 129,006            |
| Related party receivable  |    | 10,631                           |     | 8,950              |
| Prepaid expenses and deposits                                       |    | 8,107                            |     | 4,606              |
| <b>Total Current Assets</b>   |    | 180,730                          |     | 252,591            |
|   |    |                                  |     |                    |
| Property and Equipment, Net   |    | 39,245                           |     | 39,401             |
|   |    |                                  |     |                    |
| Intangible Assets, Net  |    | 10,703                           |     | 10,780             |
|   |    |                                  |     |                    |
| Total Assets  | \$ | 230,678                          | \$  | 302,772            |
| Liabilities and Shareholders' Equity (Deficit)  Current Liabilities |    |                                  |     |                    |
| Bank overdraft  | \$ | 1,316                            | \$  | -                  |
| Accounts payable and accrued liabilities                            |    | 270,540                          |     | 248,300            |
| Income taxes payable  |    | 4,958                            |     | 4,653              |
| Current portion of promissory notes payable, net of                 |    |                                  |     |                    |
| discount (note 3)   |    | 46,105                           |     | 41,456             |
| Total Current Liabilities   |    | 322,919                          |     | 294,409            |
|   |    |                                  |     |                    |
| Promissory Note Payable, Net of Current                             |    |                                  |     |                    |
| Portion (note 3)  |    | -                                |     | 4,644              |

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| Total Liabilities                                       | 322,919          | 299,053     |
|---|------------------|-------------|
| Comittments and Contingencies                           |                  |             |
|   |                  |             |
| Shareholders' Equity (Deficit)                          |                  |             |
|   |                  |             |
| Common stock, \$0.0001 par value, 100,000,000 shares    |                  |             |
| authorized, 67,288,142 and 66,885,082 shares issued and |                  |             |
| outstanding as of March 31, 2016 and December 31, 2015  |                  |             |
| respectively  | 6,729            | 6,689       |
| Additional paid in capital                              | 4,072,637        | 3,984,662   |
| Cumulative translation adjustment                       | (14,818)         | (6,212)     |
| Share subscriptions payable                             | -                | 88,015      |
| Share subscriptions receivable                          | (17,500)         | (17,500)    |
| Accumulated deficit                                     | (4,139,289)      | (4,051,935) |
|   |                  |             |
| Total Shareholders' Equity (Deficit)                    | (92,241)         | 3,719       |
|   |                  |             |
| Total Liabilities and Shareholders' Equity (Deficit)    | \$<br>230,678 \$ | 302,772     |

See accompanying notes to the unaudited condensed consolidated financial statements.

Condensed Consolidated Statements of Operations and Other Comprehensive Loss

For the three month periods ended March 31, 2016 and 2015

Unaudited

|   | J) | <b>2016</b><br>Jnaudited) | (U | <b>2015</b> Inaudited) |
|---|----|---------------------------|----|------------------------|
| Net Sales   | \$ | 93,508                    | \$ | 78,176                 |
| Cost of Goods Sold                                    |    | 87,217                    |    | 62,286                 |
| Gross Profit  |    | 6,291                     |    | 15,890                 |
| Operating Expenses                                    |    |                           |    |                        |
| General and administrative                            |    | 29,830                    |    | 18,067                 |
| Sales and marketing                                   |    | 21,381                    |    | 8,365                  |
| Professional fees                                     |    | 34,371                    |    | 13,984                 |
| Loss (gain) on foreign exchange                       |    | (1,368)                   |    | 450                    |
| Total operating expenses                              |    | 84,214                    |    | 40,866                 |
| Loss from operations                                  |    | (77,923)                  |    | (24,976)               |
| Other Income (Expense)                                |    |                           |    |                        |
| Interest expense                                      |    | (9,431)                   |    | (710)                  |
| Total other income (expense)                          |    | (9,431)                   |    | (710)                  |
| Net Loss for the period                               |    | (87,354)                  |    | (25,686)               |
| Other Comprehensive Income (Loss)                     |    |                           |    |                        |
| Foreign currency translation adjustment               |    | (8,606)                   |    | (5,537)                |
|   |    |                           |    |                        |
| Comprehensive Loss for the period                     | \$ | (95,960)                  | \$ | (31,223)               |
| Weighted Average Number of Shares (basic and diluted) |    | 67,265,996                |    | 3,403,907              |
| Loss per Weighted Average Share (basic and diluted)   | \$ | -                         | \$ | -                      |

See accompanying notes to the unaudited condensed consolidated financial statements.

Condensed Consolidated Statements of Cash Flows

For the three month periods ended March 31, 2016 and 2015

Unaudited

|  | (Uı | 2016<br>naudited) | 2015<br>(Unaudited)                   |
|--|-----|-------------------|---------------------------------------|
| Cash Flows from Operating Activities   | Φ.  | (O= 0= 1)         | <b>*</b> ( <b>* * * * * * * * * *</b> |
| Net Loss   | \$  | (87,354)          | \$ (25,686)                           |
| Adjustments to reconcile net loss to net cash used in operating activities:  Depreciation and amortization |     | 222               | 152                                   |
| Accretion of debt discount   |     | 233               | 153                                   |
| Fair value of services rendered by shareholder   |     | 4,081             | 10,072                                |
| Tail value of services reflected by shareholder  |     | (83,040)          | ,                                     |
| Changes in operating assets and liabilities:   |     | (65,040)          | (15,461)                              |
| Decrease (increase) in accounts receivable   |     | 34,929            | 1,938                                 |
| Decrease (increase) in inventory   |     | 27,648            | (83,777)                              |
| Decrease (increase) in prepaid expenses and deposits   |     | (3,501)           | (1,316)                               |
| Decrease (increase) in related party receivables   |     | (1,681)           | 485                                   |
| Increase (decrease) in income taxes payable  |     | 305               | (467)                                 |
| Increase (decrease) in accounts payable and accrued liabilities  |     | 22,240            | 83,684                                |
|  |     | 79,940            | 547                                   |
| Net cash used in operating activities  |     | (3,100)           | (14,914)                              |
| ı C  |     | (=, ==,           | ( )-                                  |
| Cash Flows from Investing Activities   |     |                   |                                       |
| Purchase of property and equipment   |     | -                 | (2,061)                               |
| Transaction costs  |     | _                 | (53,150)                              |
| Purchase of intangible assets  |     | -                 | (3,110)                               |
| Net cash used in investing activities  |     | -                 | (58,321)                              |
|  |     |                   |                                       |
| Cash Flows from Financing Activities   |     |                   |                                       |
| Overdraft proceeds   |     | 1,316             | -                                     |
| Share subscription proceeds  |     | -                 | 279,800                               |
| Payments to related parties  |     | -                 | (6,954)                               |
| Repayments of promissory notes payable   |     | (4,076)           | -                                     |
|  |     |                   |                                       |
| Net cash (used in) provided by financing activities  |     | (2,760)           | 272,846                               |
|  |     |                   |                                       |
| Effects of Foreign Currency Translation  |     | (8,606)           | (5,537)                               |
| Change in each   |     |                   |                                       |
| Change in cash   |     | (14,466)          | 194,074                               |
| Cash and cash equivalents beginning of period  |     | 14,466            | 155,735                               |

| l |
|---|
|---|

- \$ 349,809

See accompanying notes to the unaudited condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements

For the three month periods ended March 31, 2016 and 2015

Unaudited

#### 1. Basis of Presentation and Going Concern

#### a) Interim Financial Information

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with GAAP for interim financial information pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (SEC). Accordingly, they do not include all of the information and notes required by GAAP for complete financial statements. In the opinion of management, all adjustments and reclassifications considered necessary in order to make the financial statements not misleading and for a fair and comparable presentation have been included and are of a normal recurring nature. Operating results for the three month period ended March 31, 2016 are not necessarily indicated of the results that may be expected for the year ending December 31, 2016. The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the Company's Annual Report on Form 10 K for the year ended December 31, 2015 filed with the SEC on May 9, 2016.

#### b) Functional and Presentation Currency

These interim financial statements are presented in United States Dollars. The functional currency of the Company is the Canadian Dollar. For purposes of preparing these interim financial statements, balances denominated in Canadian Dollars outstanding at March 31, 2016 were converted into United States Dollars at a rate of 1.2987 Canadian Dollars to one United States Dollar. Transactions denominated in Canadian Dollars for the period ended March 31, 2016 were converted into United States Dollars at a rate of 1.3748 Canadian Dollars to one United States Dollar.

#### c) Use of Estimates

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

#### e) Going Concern

These condensed unaudited financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. During the three month period ended March 31, 2016, the Company incurred a net loss of \$87,354, and as of that date, the Company's accumulated deficit was \$4,139,289. While the Company has demonstrated the ability to generate revenue, there are no assurances that it will be able to achieve level of revenues adequate to generate sufficient cash flow from operations or obtain additional financing through private placements, public offerings and/or bank financing necessary to support our working capital requirements. To the extent that funds generated from any private placements, public offerings and/or bank financing are insufficient, we will have to raise additional working capital. No assurance can be given that additional financing will be available, or if available, will be on acceptable terms. These conditions raise substantial doubt about our ability to continue as a going concern. If adequate working capital is not available we may be forced to discontinue operations, which would cause investors to lose their entire investment.

Notes to the Condensed Consolidated Financial Statements

For the three month periods ended March 31, 2016 and 2015

Unaudited

#### 2. Significant Accounting Policies

The accounting polices used in the preparation of these interim unaudited consolidated financial statements are consistent with those of the Company's audited financial statements for the year ended December 31, 2015.

#### 3. Promissory Notes Payable

In October, 2015, the Company entered into a secured promissory note with an investor in the principal amount of 102,000 Canadian Dollars (\$79,768). The Company received proceeds of 75,000 Canadian Dollars (\$58,653) and 27,000 Canadian Dollars (\$21,115) was recorded as an original issue discount which will be accreted over the life of the note to interest expense. The promissory note requires a daily payment of 324 Canadian Dollars (\$249) until January 26, 2017 and carries a 40.0% interest rate. The promissory note is secured by all assets of the Company. The outstanding principal balance on the note at March 31, 2016 was 77,943 Canadian Dollars (\$60,016) and the carrying amount of the original issue discount was 18,067 Canadian Dollars (\$13,911). The outstanding principal balance on the note at December 31, 2015 was 87,480 Canadian Dollars (\$63,208) and the carrying amount of the original issue discount was 23,677 Canadian Dollars (\$17,108).

The amounts repayable under the secured promissory note as at March 31, 2016 were as follows:

| Balance owing, March 31, 2016    | \$<br>46,105 |
|----------------------------------|--------------|
|                                  |              |
| Less amounts due within one year | (46,105)     |
|                                  |              |
|                                  | \$<br>_      |

The amounts repayable under the secured promissory note as at December 31, 2015 were as follows:

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| Balance owing, December 31, 2015 | \$<br>46,100 |
|----------------------------------|--------------|
| Less amounts due within one year | (41,456)     |
|                                  | \$<br>4,644  |

#### 4. Common Stock

The Company is authorized to issue 100,000,000 shares of its common stock with a par value of \$0.0001. All shares are ranked equally with regards to the Company's residual assets.

During the three months ended March 31, 2016, the Company issued 403,060 common shares, the proceeds of which were received during the year ended December 31, 2015.

Notes to the Condensed Consolidated Financial Statements

For the three month periods ended March 31, 2016 and 2015

Unaudited

#### 5. Related Party Transactions

During the period ended March 31, 2016, the Company recorded salaries expense of \$5,808 (2015 \$0) office and general expenses of \$0 (2015 \$10,072) related to services rendered to the Company by its major shareholder.

#### 6. Financial Instruments

#### Credit Risk

The Company is exposed to credit risk on the accounts receivable from its customers. In order to reduce its credit risk, the Company has adopted credit policies which include the analysis of the financial position of its customers and the regular review of their credit balances. The Company incurred bad debt expense of \$0 during the period ended March 31, 2016 (2015 \$0).

#### **Currency Risk**

The Company is exposed to currency risk on its sales and purchases denominated in Canadian Dollars. The Company actively manages these risks by adjusting its pricing to reflect currency fluctuations and purchasing foreign currency at advantageous rates.

#### **Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities. The Company relies on cash flows generated from operations, as well as injections of capital through the issuance of the Company's capital stock to settle its liabilities when they become due.

#### **Concentration of Supplier Risk**

The Company purchases all of its inventory from one supplier source in Asia. The Company carries significant strategic inventories of these materials to reduce the risk associated with this concentration of suppliers. Strategic inventories are managed based on demand. To date, the Company has been able to obtain adequate supplies of the materials used in the production of its products in a timely manner from existing sources. The loss of this key supplier or a delay in shipments could have an adverse effect on its business.

Notes to the Condensed Consolidated Financial Statements

For the three month periods ended March 31, 2016 and 2015

Unaudited

#### **6. Financial Instruments** (continued)

#### **Concentration of Customer Risk**

The following table includes the percentage of the Company's sales to significant customers for the three months ended March 31, 2016 and 2015. A customer is considered to be significant if they account for greater than 10% of the Company's annual sales.

|            | 2016 | 2015 |  |
|------------|------|------|--|
| Customer A | 47.4 | 27.3 |  |
| Customer B | 13.5 | -    |  |
| Customer C | 11.0 | -    |  |
| Customer D | 10.2 | 3.9  |  |
| Customer E | 0.2  | 48.5 |  |
|            |      |      |  |
|            | 82.3 | 79.7 |  |

The loss of any of these key customers could have an adverse effect on the Company's business.

#### 7. Reclassification

Certain comparative figures have been re classified to conform to the current period's presentation.

#### 8. Evaluation of Subsequent Events

Subsequent to March 31, 2016, the Company entered into a Equity Purchase Agreement (the "Agreement") pursuant to which the Company will issue up to \$1,000,000 of the Company's common stock. All sales of the Company's stock pursuant to the Agreement are subject to the Company fulfilling certain conditions contained therein, including the filing and effectiveness of a registration document with the SEC to register the shares of the common stock to be sold.

The Company evaluated all subsequent events after the balance sheet date through June 1, 2016, the date the financial statements were available to be issued, and concluded there were no events or transactions occurring during this period that required recognition or disclosure in the financial statements other than that mentioned above.

#### Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following management's discussion and analysis ("MD&A") should be read in conjunction with financial statements of FNHI, and its wholly-owned subsidiary, Truxmart, Ltd. for the three months ended March 31, 2016 and 2015, and the notes thereto. Additional information relating to FNHI is available at www.truxmart.ca

#### Safe Harbor for Forward-Looking Statements

Certain statements included in this MD&A constitute forward-looking statements, including those identified by the expressions *anticipate*, *believe*, *plan*, *estimate*, *expect*, *intend*, and similar expressions to the extent they relate to FNHI or its management. These forward-looking statements are not facts, promises, or guarantees; rather, they reflect current expectations regarding future results or events. These forward-looking statements are subject to risks and uncertainties that could cause actual results, activities, performance, or events to differ materially from current expectations. These include risks related to revenue growth, operating results, industry, products, and litigation, as well as the matters discussed in FNHI's MD&A under *Risk Factors*. Readers should not place undue reliance on any such forward-looking statements. FNHI disclaims any obligation to publicly update or to revise any such statements to reflect any change in the Company's expectations or in events, conditions, or circumstances on which any such statements may be based, or that may affect the likelihood that actual results will differ from those set forth in the forward-looking statements.

The following discussion of our financial condition and results of operations should be read in conjunction with our financial statements and the related notes included in this report.

Revenue

For the three months ended March 31, 2016, revenue generated from the entire line of Truxmart products was \$93,508, compared to \$78,176 for the three months ended March 31, 2015. The year over year increase of approximately 20% was mainly attributable to the availability of inventory to satisfy customer orders. During the three months ended March 31, 2015 the Company incurred a shortage of inventory that resulted in a reduced amount of sales for the quarter.

For the three months ended March 31, 2016, revenue generated in Canada was \$65,204 compared to \$28,655 for the same period in 2015, an increase of 128%. The relative weakening of the Canadian Dollar compared to the United States Dollar during the first three months of fiscal 2016, a decrease of approximately 11% year-over-year, continued to have a negative effect on reported revenues as a result of translating the sales denominated in Canadian Dollars to United States Dollars for financial statement reporting purposes. Canadian Dollar Sales increased to CAD\$89,641 from CAD\$35,577, an increase of 152% during three months ended March 31, 2016. For the three months ended March 31, 2016, revenue generated in the United States was \$28,304 compared to \$49,511 for the same period in 2015. This represents a year-over-year decrease in US- source revenue of approximately 43%, and is primarily attributable to limited inventory in stock.

Sales from online retailers of the TruXmart products decreased from \$42,108 in the three months ended March 31, 2015 to \$28,697 in the three months ended March 31, 2016, a decrease of 32%. The online retailers accounted for over 30% of total revenue for the three months ended March 31, 2016, compared to 53% for the three months ended March 31, 2015. Distributor sales increase from \$8,413 in 2015, to \$61,448 in 2016. The remaining revenues consist of sales from key area dealers.

Currently, TruXmart has one major distributor in Canada, one in the United States, along with its own contracted distribution and inventory facility in Depew, NY. This does not include multiple independent online retailers.

| Although TruXmart currently supports a total of 16 dealers and distributors, TruXmart believes the trend of increasing sales through online retailers will continue to outpace the traditional distribution business model. Moreover, reputable online retailer's customers tend to provide larger sales volumes, greater margin of profit as well as greater protection against price erosion.   |
|---|
| Cost of Sales   |
| Cost of sales increased for the first three months of fiscal 2016, when compared to the first three months of fiscal 2015, by 40% from \$62,286 to \$87,217. Our cost of sales, as a percentage of sales, was approximately 93% and 80% for three months ended March 31, 2016 and 2015, respectively.   |
| Within cost of sales, freight costs accounted for 14% of cost of sales during the three months ended March 31, 2016, whereas in 2015, it accounted for 20% of cost of sales. The decrease in the percentage of cost of sales is due to the majority of the sales for the quarter ended March 31, 2016 being to Canadian customers that generally have lower shipping costs than sales to U.S. customers. Freight costs were \$12,475 and \$12,670 for the three month periods ended March 31, 2016 and 2015 respectively.                                     |
| TruXmart provides its distributors and online retailers an "all-in" wholesale price. This includes any import duty charges, taxes and shipping charges. Discounts are applied if the distributor or retailer chooses to use their own shipping process. Certain exceptions apply on rare occasions where product is shipped outside the contiguous United Sates or from the United States to Canada. Volume discounts are also offered to certain higher volume customers.  |
| Gross Margin  |
| Gross margin percentage for the three month periods ended March 31, 2016 and 2015 were 7% and 20% respectively. The decrease in gross margin is primarily related to the fluctuation in foreign exchange rates used to translate Canadian Dollar sales into United States Dollars for purposes of financial reporting – while sales denominated in Canadian Dollars increased by 152% and United States Dollars decreased by 43%, the increase in aggregate sales reported in United States Dollars was only 20% as a result of the weakened Canadian Dollar. |
| Operating Expenses  |
| Operating expenses for the three months ended March 31, 2016 were \$84,214 compared to \$40,866 for the three months ended March 31, 2015. Our general and administrative expense increased by \$11,763, from \$18,067 to \$29,830, during the three months ended March 31, 2016. This increase is a result of increased rent and utilities expense as a result of the Company's move to a new location subsequent to March 31, 2015, as  |

well as increased shipping and freight expenses due to the increased costs associated with shipping our new hard cover which costs about twice the amount of the current tonneau cover to ship. Sales and marketing increased by \$13,016 to \$21,381 from \$8,365 during the three months ended March 31, 2016. This increase is due to increased personnel costs paid for sales services as well as amounts paid to a consultant with respect to sales training. Professional fees which include accounting, legal and consulting fees, increased from \$13,984 for the three months ended March 31, 2015 to \$34,371 for the three months ended March 31, 2016. The increase is related to increased accounting and legal services

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|--|
| between the two periods.   |
| Other Income and Expenses  |
| Late in the 2015 fiscal year, the Company borrowed funds for working capital requirements in exchange for a promissory note. During the three month period ended March 31, 2016, the Company incurred interest of \$6,317 related to this note. The balance of the other expenses consists of bank charges and other interest charges. |

| Net Loss   |
|--|
| Net loss for the three months ended March 31, 2016 was \$87,354 compared to a net loss of \$25,686 for the three months ended March 31, 2015. The increase in the net loss was mainly due to the increase in various expenses, in particular professional fees, sales and marketing and shipping expenses, as well as reduced gross margin as discussed above.   |
| Liquidity and Capital Resources  |
| Cash Flow Activities   |
| Cash decreased from \$14,466 at December 31, 2015 to \$0 at March 31, 2016. The decrease was primarily the result of the timing of inbound payments from customers, and outbound payments to vendors as well as the repayment of the promissory note payable. Accounts receivable decreased by \$34,929 from \$95,563 at December 31, 2015 to \$60,634 at March 31, 2016. Inventory decreased by \$27,648 from \$129,006 at December 31, 2015 to \$101,358 at March 31, 2016 largely as a result of the timing of the receipt of inventory shipments. Accounts payable and accrued liabilities increased by \$22,240 from \$248,300 at December 31, 2015 to \$270,540 at March 31, 2016. The increase in payables is related to the accrual of various professional fees during the three months ended March 31, 2016. |
| Financing Activities   |
| During the first three months of fiscal 2016, TruXmart funded working capital requirements principally through cash flows from operations. During the three month period ended March 31, 2016, the Company did not raise capital through private placements of shares of the Company's common stock. During the three months ended March 31, 2016, the Company repaid \$4,076 of the promissory note payable.  |
| Off-Balance Sheet Arrangements   |
| We have no off-balance sheet arrangements with any party.  |
| Critical Accounting Policies   |
| Our discussion and analysis of results of operations and financial condition are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and  |

expenses, and related disclosure of contingent assets and liabilities. We evaluate our estimates on an ongoing basis, including those related to

provisions for uncollectible accounts receivable, inventories, valuation of intangible assets and contingencies and litigation. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

The accounting polices used in the preparation of the interim unaudited consolidated financial statements and Form 10-Q for the three months ended March 31, 2016 are consistent with those of the Company's audited financial statements and Form 10-K for the year ended December 31, 2015.

| Item 3. ( | <b>Quantitative and (</b> | Qualitative | <b>Disclosures</b> | about N | Market Risk |
|-----------|---------------------------|-------------|--------------------|---------|-------------|
|-----------|---------------------------|-------------|--------------------|---------|-------------|

As a "smaller reporting company," as defined by Rule 12b-2 of the Exchange Act, we are not required to provide the information in this Item.

#### **Item 4. Controls and Procedures**

Evaluation of Disclosure Controls and Procedures

We carried out an evaluation, under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, of the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)). Based upon that evaluation, our principal executive officer and principal financial officer concluded that, as of the end of the period covered in this report, our disclosure controls and procedures were not effective to ensure that information required to be disclosed in reports filed under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the required time periods and is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Our management, including our principal executive officer and principal financial officer, does not expect that our disclosure controls and procedures or our internal controls will prevent all error or fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. To address the material weaknesses, we performed additional analysis and other post-closing procedures in an effort to ensure our consolidated financial statements included in this annual report have been prepared in accordance with generally accepted accounting principles. Accordingly, management believes that the financial statements included in this report fairly present in all material respects our financial condition, results of operations and cash flows for the periods presented.

Change In Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during our last fiscal year that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Attestation Report of the Registered Public Accounting Firm

This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to temporary rules of the SEC

that permit us to provide only management's report in this annual report.

#### **Inherent Limitations over Internal Controls**

FNHI's management does not expect that its disclosure controls or its internal control over financial reporting will prevent or detect all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within FNHI have been detected. These inherent limitations include the realities that judgments in decision making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of controls effectiveness to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

Our disclosure controls and procedures are designed to provide reasonable assurance of that our reports will be accurate. Our Chief Executive Officer and Principal Accounting Officer concludes that our disclosure controls and procedures were effective at that reasonable assurance level, as of the end of the period covered by this Form 10-Q. Our future reports shall also indicate that our disclosure controls and procedures are designed for this reason and shall indicate the related conclusion by the Chief Executive Officer and Principal Accounting Officer as to their effectiveness.

| PART II OTHER INFORMATION  |  |  |  |
|--|--|--|--|
| Item 1. Legal Proceedings  |  |  |  |
| We are not a party to any material or legal proceeding and, to our knowledge, none is contemplated or threatened.                            |  |  |  |
| Item 2. Unregistered Sales of Equity Securities and Use of Proceeds  |  |  |  |
| During the three months ended March 31, 2016, the Company did not complete any unregistered sale of equity securities.                       |  |  |  |
| Item 3. Defaults Upon Senior Securities  |  |  |  |
| There have been no defaults upon senior securities.  |  |  |  |
| Item 4. Submission of Matters to a Vote of Security Holders  |  |  |  |
| None.  |  |  |  |
| Item 5. Other Information  |  |  |  |
| As a "smaller reporting company," as defined by Rule 12b-2 of the Exchange Act, we are not required to provide the information in this Item. |  |  |  |
| 15   |  |  |  |

#### Item 6. Exhibits

(a) Exhibits

#### EXHIBIT NO. DESCRIPTION

| 3.1* | Articles of Incorporation  |
|------|--|
|      |  |
| 3.2* | By-Laws  |
|      |  |
| 3.3# | Articles of Merger of TMAN Global.com, Inc. and Franchise Holdings International, Inc. |
|      |  |
| 31.1 | Section 302 Certification of Chief Executive Officer                                   |
|      |  |
| 31.2 | Section 302 Certification of Chief Financial Officer                                   |
|      |  |
| 32.1 | Section 906 Certification of Chief Executive Officer                                   |
|      |  |
| 32.2 | Section 906 Certification of Chief Financial Officer                                   |

<sup>\*</sup> Filed as an exhibit to the registrant's Form 10-QSB, filed October 13, 1999 and incorporated by reference herein.

<sup>#</sup> Filed as an exhibit to the registrant's Form 10-Q, filed April 24, 2009 and incorporated by reference herein.

#### **SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

#### FRANCHISE HOLDINGS INTERNATIONAL, INC.

Dated: June 2, 2016

By: /s/ Steven Rossi Steven Rossi

> Chairman of the Board, Chief Executive Officer, Chief Financial Officer and Principal Accounting

Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Dated: June 2, 2016

By: /s/ Steven Rossi

Steven Rossi

Chairman of the Board, Chief Executive

Officer,

Chief Financial Officer and Principal

Accounting Officer