

ONE Group Hospitality, Inc.  
Form 10-Q  
November 16, 2015

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D. C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2015

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT  
OF 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 000-52651

THE ONE GROUP HOSPITALITY, INC.  
(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of incorporation or  
organization)

14-1961545  
(I.R.S. Employer Identification No.)

411 W. 14th Street, 2nd Floor, New York, New York  
(Address of principal executive offices)

10014  
Zip Code

646-624-2400  
(Registrant's telephone number, including area code)

Indicate by check mark whether 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 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

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 (§232.405 of this chapter) during the preceding 12 months (or for 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, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting

company” in Rule 12b-2 of the Exchange Act. (Check one):

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Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company   
 (do not check if a 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

Number of shares of Common Stock outstanding as of November 16, 2015: 24,972,515.

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PART I  
FINANCIAL INFORMATION

Item 1. Financial Statements  
THE ONE GROUP HOSPITALITY, INC.

CONSOLIDATED BALANCE SHEETS

|   | September 30,<br>2015<br>(unaudited) | December 31,<br>2014 |
|---|--------------------------------------|----------------------|
| Assets  |                                      |                      |
| Current assets:   |                                      |                      |
| Cash and cash equivalents   | \$1,795,847                          | \$7,905,004          |
| Accounts receivable, net  | 4,285,218                            | 4,408,396            |
| Inventory   | 1,066,565                            | 1,139,305            |
| Other current assets  | 2,616,828                            | 1,937,392            |
| Due from related parties  | 1,369,795                            | 1,157,134            |
| Total current assets  | 11,134,253                           | 16,547,231           |
| Property and equipment, net   | 26,199,351                           | 18,815,625           |
| Investments   | 2,991,607                            | 2,802,443            |
| Deferred tax assets   | 8,424,563                            | 35,418               |
| Other assets  | 789,219                              | 793,002              |
| Security deposits   | 2,357,978                            | 2,368,422            |
| Total assets  | \$51,896,971                         | \$41,362,141         |
| Liabilities and Stockholders' Equity  |                                      |                      |
| Current liabilities:  |                                      |                      |
| Cash overdraft  | \$608,769                            | \$85,598             |
| Current portion of long term debt   | 1,929,167                            | 1,495,000            |
| Accounts payable  | 3,046,999                            | 3,433,198            |
| Accrued expenses  | 4,979,840                            | 2,004,704            |
| Due to related parties  | —                                    | 19,608               |
| Deferred revenue  | 188,079                              | 127,950              |
| Total current liabilities   | 10,752,854                           | 7,166,058            |
| Other long-term liabilities   | —                                    | 67,277               |
| Derivative liability  | 2,324,000                            | 6,241,000            |
| Long term debt, net of current portion  | 9,079,020                            | 5,980,000            |
| Deferred rent payable   | 11,887,118                           | 9,435,109            |
| Total liabilities   | 34,042,992                           | 28,889,444           |
| Stockholders' equity:   |                                      |                      |
| Common stock, \$0.0001 par value, 75,000,000 shares authorized; 24,972,515 and 24,940,195 shares issued and outstanding at September 30, 2015 (unaudited) and December 31, 2014, respectively | 2,497                                | 2,494                |
| Preferred stock, \$0.0001 par value, 10,000,000 shares authorized; 0 shares issued and outstanding at September 30, 2015 (unaudited) and December 31, 2014, respectively                      | —                                    | —                    |

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|  |               |               |
|--|---------------|---------------|
| Additional paid-in capital                                   | 31,633,461    | 30,966,611    |
| Accumulated deficit  | (12,721,823 ) | (18,005,401 ) |
| Accumulated other comprehensive loss                         | (492,439 )    | (230,696 )    |
| Total stockholders' equity                                   | 18,421,696    | 12,733,008    |
| Noncontrolling interest                                      | (567,717 )    | (260,311 )    |
| Total stockholders' equity including noncontrolling interest | 17,853,979    | 12,472,697    |
| <br>   |               |               |
| Total Liabilities and Stockholders' Equity                   | \$51,896,971  | \$41,362,141  |

See notes to the consolidated financial statements.

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## THE ONE GROUP HOSPITALITY, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)  
(unaudited)

|  | Three months ended |               | Nine months ended |               |
|--|--------------------|---------------|-------------------|---------------|
|  | September 30,      |               | September 30,     |               |
|  | 2015               | 2014          | 2015              | 2014          |
| Revenues:  |                    |               |                   |               |
| Owned unit net revenues  | \$ 13,314,507      | \$ 10,444,821 | \$ 35,818,733     | \$ 28,722,921 |
| Management and incentive fee revenue                                       | 1,939,376          | 1,945,363     | 6,112,629         | 6,207,523     |
| Total revenue  | 15,253,883         | 12,390,184    | 41,931,362        | 34,930,444    |
| Cost and expenses:   |                    |               |                   |               |
| Owned operating expenses:  |                    |               |                   |               |
| Food and beverage costs  | 3,346,841          | 2,811,806     | 9,082,231         | 7,482,382     |
| Unit operating expenses  | 8,807,632          | 6,245,617     | 23,898,483        | 17,661,544    |
| General and administrative   | 2,610,599          | 1,922,482     | 7,647,589         | 6,024,364     |
| Depreciation and amortization  | 630,249            | 327,810       | 1,620,009         | 1,000,464     |
| Management and royalty fees  | 310                | (35,214 )     | 46,959            | 60,324        |
| Pre-opening expenses   | 1,634,171          | 315,905       | 4,399,192         | 1,149,078     |
| Transaction costs  | 405,797            | —             | 506,131           | —             |
| Equity in (income) of investee companies                                   | (205,273 )         | (268,660 )    | (728,504 )        | (588,996 )    |
| Derivative (income) expense  | (1,139,000 )       | 991,588       | (3,917,000 )      | (1,793,124 )  |
| Interest expense, net of interest income                                   | 1,210              | (6,268 )      | (3,980 )          | 52,220        |
| Other (income) expense   | 127,692            | (1,227,698 )  | (476,932 )        | (1,157,067 )  |
| Total costs and expenses   | 16,220,228         | 11,077,368    | 42,074,178        | 29,891,189    |
| (Loss) income from continuing operations before provision for income taxes | (966,345 )         | 1,312,816     | (142,816 )        | 5,039,255     |
| Provision (benefit) for income taxes                                       | 922,427            | 462,898       | (5,619,504 )      | 813,580       |
| (Loss) income from continuing operations                                   | (1,888,772 )       | 849,918       | 5,476,688         | 4,225,675     |
| Loss (income) from discontinued operations, net of taxes                   | (62,501 )          | (177,050 )    | (23,929 )         | 1,094,376     |
| Net (loss) income  | (1,826,271 )       | 1,026,968     | 5,500,617         | 3,131,299     |
| Less: net income attributable to noncontrolling interest                   | 189,698            | 279,542       | 217,039           | 92,478        |
| Net (loss) income attributable to The ONE Group Hospitality, Inc.          | \$(2,015,969 )     | \$747,426     | \$5,283,578       | \$3,038,821   |
| Amounts attributable to The ONE Group Hospitality, Inc.:                   |                    |               |                   |               |
| (Loss) income from continuing operations                                   | \$(2,078,470 )     | \$570,376     | \$5,259,649       | \$4,133,197   |
| Loss (income) from discontinued operations, net of taxes                   | (62,501 )          | (177,050 )    | (23,929 )         | 1,094,376     |
| Net (loss) attributable to The ONE Group Hospitality, Inc.                 | \$(2,015,969 )     | \$747,426     | \$5,283,578       | \$3,038,821   |

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|   |                |           |             |             |
|---|----------------|-----------|-------------|-------------|
| Net (loss) income attributable to The ONE Group Hospitality, Inc. | \$(2,015,969 ) | \$747,426 | \$5,283,578 | \$3,038,821 |
| Other comprehensive loss  |                |           |             |             |
| Currency translation adjustment                                   | (30,900 )      | (78,177 ) | (261,743 )  | (33,955 )   |
| Comprehensive (loss) income                                       | \$(2,046,869 ) | \$669,249 | \$5,021,835 | \$3,004,866 |

Basic and diluted (loss) income per share:

|   |            |   |            |            |            |
|---|------------|---|------------|------------|------------|
| Continuing operations   | \$ (0.08   | ) | \$ 0.04    | \$ 0.21    | \$ 0.17    |
| Discontinued operations   | \$ —       |   | \$ 0.01    | \$ —       | \$ 0.04    |
| Net (loss) income per share attributable to The ONE Group Hospitality, Inc. | \$ (0.08   | ) | \$ 0.03    | \$ 0.21    | \$ 0.13    |
| Shares used in computing basic income per share                             | 24,972,515 |   | 24,940,195 | 24,956,177 | 24,942,328 |
| Shares used in computing diluted income per share                           | 24,972,515 |   | 24,940,195 | 24,956,177 | 24,942,328 |

See notes to the consolidated financial statements.



## THE ONE GROUP HOSPITALITY, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
(unaudited)

|   | Common stock |           |                            | Accumulated    | Accumulated                       | Total                              | Noncontrolling | Total  |
|---|--------------|-----------|----------------------------|----------------|-----------------------------------|------------------------------------|----------------|--|
|   | Shares       | Par value | Additional paid-in capital | deficit        | other comprehensive (loss) income | stockholders' (loss) income equity | interest       | stockholders' equity including noncontrolling interest |
| Balance at December 31, 2014              | 24,940,195   | \$2,494   | \$30,966,611               | \$(18,005,401) | \$(230,696)                       | \$12,733,008                       | \$(260,311)    | \$12,472,697   |
| Stock based compensation expense          | 32,320       | 3         | 666,850                    |                |                                   | 666,853                            |                | \$666,853  |
| Member distributions                      |              |           |                            |                |                                   | —                                  | (524,445 )     | \$(524,445 )   |
| Loss on foreign currency translation, net |              |           |                            |                | (261,743 )                        | (261,743 )                         |                | \$(261,743 )   |
| Net income                                |              |           |                            | 5,283,578      |                                   | 5,283,578                          | 217,039        | \$5,500,617  |
| Balance at September 30, 2015             | 24,972,515   | \$2,497   | \$31,633,461               | \$(12,721,823) | \$(492,439)                       | \$18,421,696                       | \$(567,717)    | \$17,853,979   |

See notes to the consolidated financial statements.

## THE ONE GROUP HOSPITALITY, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS  
(unaudited)

|   | Nine months ended September<br>30, |               |
|---|------------------------------------|---------------|
|   | 2015                               | 2014          |
| Operating activities:   |                                    |               |
| Net income  | \$5,500,617                        | \$3,131,299   |
| Adjustments to reconcile net loss to net cash used in operating activities: |                                    |               |
| Depreciation and amortization   | 1,620,009                          | 1,129,064     |
| Deferred rent payable   | 2,452,009                          | 289,275       |
| Deferred taxes  | (8,389,145)                        | ) 140,333     |
| Equity in income of investee companies                                      | (728,504)                          | ) (588,996)   |
| Derivative income   | (3,917,000)                        | ) (1,793,124) |
| Stock-based compensation  | 666,853                            | 326,753       |
| Changes in operating assets and liabilities:                                |                                    |               |
| Accounts receivable   | 123,178                            | (805,422)     |
| Inventory   | 72,740                             | 33,708        |
| Prepaid expenses and other current assets                                   | (679,436)                          | ) 263,438     |
| Security deposits   | 10,444                             | 109,200       |
| Other assets  | 3,784                              | (43,109)      |
| Accounts payable  | (386,199)                          | ) (1,418,169) |
| Accrued expenses  | 2,977,787                          | (1,417,458)   |
| Deferred revenue  | (7,148)                            | ) 83,963      |
| Net cash used in operating activities                                       | (680,011)                          | ) (559,245)   |
| Investing activities:   |                                    |               |
| Purchase of property and equipment  | (9,003,733)                        | ) (4,562,397) |
| Purchase of minority interest   | —                                  | (75,000)      |
| Distributions from equity investees   | 539,340                            | 502,753       |
| Due from related parties  | (232,269)                          | ) (60,487)    |
| Net cash used in investing activities                                       | (8,696,662)                        | ) (4,195,131) |
| Financing activities:   |                                    |               |
| Cash overdraft  | 523,171                            | 442,515       |
| Proceeds from term loan   | 4,215,000                          | 6,897,940     |
| Proceeds from equipment financing agreement                                 | 502,548                            | —             |
| Repayment of term loan  | (1,184,361)                        | ) (5,087,551) |
| Repayment of notes payable  | —                                  | (15,000)      |
| Distributions to members  | (524,445)                          | ) (760,605)   |
| Net cash provided by financing activities                                   | 3,531,913                          | 1,477,299     |
| Effect of exchange rate changes on cash                                     | (264,397)                          | ) (34,115)    |
| Net decrease in cash  | (6,109,157)                        | ) (3,311,192) |
| Cash and cash equivalents, beginning of period                              | 7,905,004                          | 11,681,086    |

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|  |             |             |
|--|-------------|-------------|
| Cash and cash equivalents, end of period   | \$1,795,847 | \$8,369,894 |
| Supplemental disclosure of cash flow data: |             |             |
| Interest paid                              | \$246,745   | \$107,070   |
| Income taxes paid                          | \$80,148    | \$217,172   |

See notes to the consolidated financial statements.

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THE ONE GROUP HOSPITALITY, INC.

Notes to Consolidated Financial Statements  
(unaudited)

Note 1 - Merger:

On October 16, 2013, The ONE Group Hospitality, Inc. (the "Company") closed a merger transaction (the "Merger") with The ONE Group, LLC, a privately held Delaware limited liability company ("ONE Group"), pursuant to an Agreement and Plan of Merger, dated as of October 16, 2013 (the "Merger Agreement"), by and among The ONE Group Hospitality, Inc., formerly known as Committed Capital Acquisition Corporation, CCAC Acquisition Sub, LLC, a Delaware limited liability company and wholly-owned subsidiary of the Company ("Merger Sub"), ONE Group and Samuel Goldfinger as ONE Group Representative. Pursuant to the Merger Agreement, ONE Group became a wholly-owned subsidiary of the Company through a merger of Merger Sub with and into ONE Group, and the former members of ONE Group received shares of the Company, Inc. that constituted a majority of the outstanding shares of the Company.

The Merger was accounted for as a reverse-merger and recapitalization in accordance with GAAP, whereby the Company was the accounting acquiree and ONE Group was the accounting acquirer. Consequently, the assets and liabilities and the operations that are reflected in the historical financial statements prior to the Merger are those of ONE Group, and the consolidated financial statements after completion of the Merger include the assets and liabilities of the Company and ONE Group, historical operations of ONE Group and operations of the Company from the October 16, 2013 effective date. Membership interests and the corresponding capital amounts of ONE Group pre-Merger have been retroactively restated as shares of common stock reflecting the 8.09 to one exchange ratio in the Merger. All references in this Report to equity securities and all equity-related historical financial measurements, including weighted average shares outstanding, earnings per share, par value of \$0.0001 per share of the Company's common stock ("Common Stock"), additional paid in capital, option exercise prices and warrant exercise prices, have been retroactively restated to reflect the Merger exchange ratio.

On June 5, 2014, the Company changed its corporate name from Committed Capital Acquisition Corporation to The ONE Group Hospitality, Inc.

Note 2 - Business and basis of presentation:

Principles of consolidation:

The accompanying consolidated financial statements of The ONE Group Hospitality, Inc. and subsidiaries include the accounts of ONE Group and its subsidiaries, Little West 12th LLC, One-LA, L.P., Bridge Hospitality, LLC, STK-LA, LLC, WSATOG (Miami), LLC, STK Miami Service, LLC ("Miami Services"), STK Miami, LLC ("STK Miami"), Basement Manager, LLC, JEC II, LLC, One TCI Ltd., One Marks, LLC, MPD Space Events LLC, One 29 Park Management, LLC ("One 29 Park Management"), STK Midtown Holdings, LLC, STK Midtown, LLC, STKOUT Midtown, LLC, STK Atlanta, LLC, STK-Las Vegas, LLC ("STK Vegas"), One Atlantic City, LLC, Asellina Marks LLC, Heraea Vegas, LLC ("Heraea"), Xi Shi Las Vegas, LLC ("Xi Shi Las Vegas"), T.O.G. (UK) Limited, Hip Hospitality Limited ("Hip Hospitality UK"), T.O.G. (Aldwych) Limited ("TOG Aldwych"), CA Aldwych Limited, T.O.G. (Milan) S.r.l. ("TOG Milan"), BBCLV, LLC, STK DC, LLC, STK Orlando, LLC, STK Chicago, LLC ("STK Chicago"), TOG Biscayne, LLC, STK Westwood, LLC, STK Denver, LLC, STK Rebel Austin, LLC, STK Dallas, LLC, STK Rebel San Diego, LLC, STK Texas Holdings, LLC, STK Holdings II, LLC, 9401415 Canada Ltd., STK Ibiza, LLC and STK Rebel (Edinburgh) Limited. The entities are collectively referred to herein as the "Company" or "Companies," as appropriate, and are consolidated on the basis of common ownership and control. All significant

intercompany balances and transactions have been eliminated in consolidation.

#### Net Income (Loss) Per Common Share

Basic net income (loss) per common share is based upon the weighted-average common shares outstanding during the period. Diluted net income (loss) per common share reflects the potential dilution that would occur if common stock equivalent securities or other contracts to issue common stock were exercised or converted into common stock.

#### Fair value measurements

The carrying amount of the Company's accounts receivable, accounts payable and accrued expenses approximate fair value because of the short term nature of the financial instruments. The carrying value of the long term debt approximates fair value since the terms of the loan have been recently negotiated.

Nature of business:

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The Company is a hospitality company that develops and operates upscale, high-energy restaurants and lounges and provides turn-key food and beverage ("F&B") services for hospitality venues including hotels, casinos and other high-end locations in the United States and England. We opened our first restaurant in January 2004 in New York City and as of November 16, 2015, we owned and operated (under lease agreements) 12 and managed (under management agreements) 15 restaurants and lounges globally, including 10 STKs in major metropolitan cities in the United States and Europe (of which 7 are owned and 3 managed). In addition, we provided food and beverage services in five hotels and casinos, one of which is under a lease agreement and four of which are under separate management agreements. We generate management and incentive fee revenue from those restaurants and lounges that we manage on behalf of our F&B hospitality clients.

Unaudited interim financial information:

The accompanying unaudited consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information. Accordingly, they do not include all the information and disclosures required by GAAP for complete financial statements. Operating results for the three and nine months ended September 30, 2015 are not necessarily indicative of the results that may be expected for the year ending December 31, 2015 or for any other interim period or other future year. In the opinion of management, the unaudited condensed consolidated financial statements include all adjustments, consisting of normal recurring adjustments, considered necessary for a fair presentation. These unaudited condensed consolidated financial statements and related notes should be read in conjunction with the consolidated financial statements and notes for the fiscal year ended December 31, 2014 included in the Company's Annual Report filed on Form 10-K/A for the year ended December 31, 2014 filed with the Securities and Exchange Commission (the "SEC") on April 1, 2015.

Note 3 – Recent accounting pronouncements:

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers" (Topic 606). ASU 2014-09 addresses the reporting of revenue by most entities and will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. This update is effective in fiscal periods beginning after December 15, 2017. Early application is permitted only as of annual reporting periods beginning after December 15, 2016. The impact on our financial statements of adopting ASU 2014-09 is currently being assessed by management.

In August 2014, the FASB issued ASU No. 2014-15 "Disclosure of Uncertainties About an Entity's Ability to Continue as a Going Concern," which provides guidance on determining when and how to disclose going concern uncertainties in the financial statements. The new standard requires management to perform interim and annual assessments of an entity's ability to continue as a going concern. The update is effective for annual periods ending after December 15, 2016, and interim periods thereafter. Early adoption is permitted. The impact on our financial statements of adopting ASU 2014-15 is currently being assessed by management.

In February 2015, the FASB issued ASC 2015-02, "Consolidation (Topic 810) - Amendments to the Consolidation Analysis." This standard modifies existing consolidation guidance for reporting organizations that are required to evaluate whether they should consolidate certain legal entities. ASU 2015-02 is effective for fiscal years beginning after December 15, 2015, and requires either a retrospective or a modified retrospective approach to adoption. Early adoption is permitted. The Company does not expect this standard to have a significant impact on its consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, "Interest- Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs." The update simplifies the presentation of debt issuance costs by requiring that debt issuance costs be presented in the balance sheet as a direct deduction from the carrying amount of debt liability, consistent with debt discounts or premiums. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this update. For public companies, this update is effective for interim and annual

periods beginning after December 15, 2015, and is to be applied retrospectively. Early adoption is permitted. This standard is subsequently updated by ASU 2015-15, "Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements," which codifies an SEC staff announcement relative to debt issuance costs for line-of-credit arrangements. The Company does not expect these updates to have a significant impact on its consolidated financial statements and has not yet concluded whether it will adopt ASU 2015-03 and ASU 2015-15 prior to their effective dates.

In July 2015, the FASB issued ASU 2015-11, "Simplifying the Measurement of Inventory." The update states that inventory should be measured at the lower of cost and "net realizable value." Net realizable value is defined as the "estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation." ASU 2015-11 eliminates the guidance that entities consider replacement cost or net realizable value less an approximately normal profit margin in the subsequent measurement of inventory when cost is determined on a first-in, first-out or average cost basis.

The amendment is effective for interim and annual periods beginning after December 15, 2016. Early application is permitted and should be applied prospectively. The Company does not expect this standard to have a significant impact on its consolidated financial statements and has not yet concluded whether it will adopt ASU 2015-11 prior to the effective date.

Note 4 - Inventory:

Inventory consisted of the following:

|           | At September<br>30,<br>2015 | At December<br>31,<br>2014 |
|-----------|-----------------------------|----------------------------|
| Food      | \$ 187,213                  | \$ 134,355                 |
| Beverages | 879,352                     | 1,004,950                  |
| Totals    | \$ 1,066,565                | \$ 1,139,305               |

Note 5 - Property and equipment, net:

Property and equipment, net consisted of the following:

|  | At September<br>30,<br>2015 | At December<br>31,<br>2014 |
|--|-----------------------------|----------------------------|
| Furniture, fixtures and equipment              | \$ 8,279,065                | \$ 7,336,956               |
| Leasehold improvements                         | 26,149,307                  | 20,719,230                 |
| Less accumulated depreciation and amortization | 13,814,832                  | 13,833,271                 |
|  | 20,613,540                  | 14,222,915                 |
| Construction in progress                       | 4,551,867                   | 3,871,670                  |
| Restaurant supplies                            | 1,033,944                   | 721,040                    |
| Total  | \$ 26,199,351               | \$ 18,815,625              |

Depreciation and amortization related to property and equipment included in continuing operations amounted to \$630,249 and \$327,810 in the three months ended September 30, 2015 and 2014, respectively, and \$1,620,009 and \$1,000,464 in the nine months ended September 30, 2015 and 2014, respectively. Additionally, included in discontinued operations for the nine months ended September 30, 2014 was depreciation of \$128,600.

Note 6 – Accrued expenses:

Accrued expenses consisted of the following:





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|   | At September<br>30,<br>2015 | At December<br>31,<br>2014 |
|---|-----------------------------|----------------------------|
| Sales tax payable                         | \$692,145                   | \$168,172                  |
| Payroll and related                       | 1,122,294                   | 435,259                    |
| Current and deferred income taxes payable | 2,628,404                   | 494,152                    |
| Due to hotels                             | 200,000                     | 200,000                    |
| Other                                     | 336,997                     | 707,121                    |
| Totals                                    | \$4,979,840                 | \$2,004,704                |

Note 7 - Long term debt:

Long term debt consists of the following:

|   | September 30,<br>2015 | December 31,<br>2014 |
|---|-----------------------|----------------------|
| Term Loan Agreements                    | \$10,555,639          | \$7,475,000          |
| Equipment Financing Agreement           | 452,548               | —                    |
|   | 11,008,187            | 7,475,000            |
| Less: Current portion of Long Term Debt | 1,929,167             | 1,495,000            |
| Long Term Debt, net of Current Portion  | \$9,079,020           | \$5,980,000          |
| Future minimum loan payments:           |                       |                      |
| 2015                                    | \$423,750             |                      |
| 2016                                    | 2,397,500             |                      |
| 2017                                    | 2,631,666             |                      |
| 2018                                    | 2,434,215             |                      |
| 2019                                    | 2,418,556             |                      |
| Thereafter                              | 702,500               |                      |
| Total                                   | \$11,008,187          |                      |

On December 17, 2014, the Company entered into a Term Loan Agreement with BankUnited, N.A. in the amount of \$7,475,000 maturing December 1, 2019 (the "Term Loan Agreement"). The Term Loan Agreement replaced the existing credit agreement which was terminated and the aggregate principal amount of the existing loans outstanding of \$6,395,071 was converted into the Term Loan Agreement. Commencing on January 1, 2015, the Company made the first of sixty (60) consecutive monthly installments of \$124,583 plus interest that will accrue at an annual rate of

5.0%. Our obligations under the Term Loan Agreement are secured by substantially all of our assets. The outstanding balance under the Term Loan Agreement at September 30, 2015 and December 31, 2014 was \$6,340,639 and \$7,475,000, respectively.

On June 2, 2015, the Company entered into a second term loan agreement (the "Second Term Loan Agreement") with BankUnited, N.A., wherein BankUnited, N.A. agreed to make multiple advances to the Company in the aggregate principal amount of up to \$6,000,000. Commencing on April 1, 2016 the Company will pay fifty-four (54) consecutive equal monthly installments, with each such installment to be in the principal amount of \$111,111 or such lesser amount as shall be equal to the quotient of (x) the outstanding principal amount of all advances on March 31, 2016, divided by (y) fifty-four (54); provided, however, that the final principal installment shall be in an amount equal to the aggregate principal amount of all advances outstanding on September 1, 2020, or such earlier date on which all outstanding advances shall become due and payable, whether by acceleration or otherwise. This second term loan bears interest at a rate per annum equal to 5.0%. Our obligations under the Second Term Loan Agreement are secured by substantially all of our assets. The outstanding balance under the Second Term Loan Agreement at September 30, 2015 was \$4,215,000.

The Term Loan Agreement and the Second Term Loan Agreement contain certain affirmative and negative covenants, including negative covenants that limit or restrict, among other things, liens and encumbrances, indebtedness, mergers, asset sales, investments, assumptions and guaranties of indebtedness of other persons, change in nature of operations, changes in fiscal year and other matters customarily restricted in such agreements. The financial covenants contained in these agreements require the borrowers to maintain a certain adjusted tangible net worth and a debt service coverage ratio.

The Company was in compliance with all of its financial covenants under the Term Loan Agreement and Second Term Loan Agreement as of September 30, 2015 and the Company believes based on current projections that the Company will continue to comply with such covenants through the remainder of 2015.

On June 5, 2015, the Company entered into a \$1,000,000 Equipment Finance Agreement (the "Agreement") with Sterling National Bank. The Agreement covers certain equipment in our STKs that are under construction in Orlando and Chicago. At September 30, 2015, a deposit of \$452,548 had been made on the equipment with the remainder to be financed once the equipment has been installed. The Agreement calls for sixty (60) monthly payments of \$16,667 plus interest commencing July 1, 2015.

Interest expense recognized related to these agreements amounted to \$94,677 and \$26,823 for the three months ended September 30, 2015 and 2014, respectively, and \$246,745 and \$134,629 for the nine months ended September 30, 2015 and 2014, respectively. Capitalized interest amounted to \$93,464 and \$26,481 for the three months ended September 30, 2015 and 2014, respectively, and \$250,717 and \$58,333 for the nine months ended September 30, 2015 and 2014, respectively.

As of September 30, 2015, the issued letters of credit in the total amount of approximately \$1.5 million for our STK locations in Orlando, Florida, Chicago, Illinois and Westwood, California remain outstanding for security deposits.

#### Note 8 - Nonconsolidated variable interest entities:

Accounting principles generally accepted in the United States of America provide a framework for identifying variable interest entities (VIEs) and determining when a company should include the assets, liabilities, noncontrolling interests, and results of activities of a VIE in its consolidated financial statements. In general, a VIE is a corporation, partnership, limited-liability corporation, trust, or any other legal structure used to conduct activities or hold assets that (1) has an insufficient amount of equity to carry out its principal activities without additional subordinated financial

support, (2) has a group of equity owners that are unable to direct the activities of the entity that most significantly impact its economic performance, or (3) has a group of equity owners that do not have the obligation to absorb losses of the entity or the right to receive returns of the entity. A VIE should be consolidated if a party with an ownership, contractual, or other financial interest in the VIE that is considered a variable interest (a variable interest holder) has the power to direct the VIE's most significant activities and the obligation to absorb losses or right to receive benefits of the VIE that could be significant to the VIE. A variable interest holder that consolidates the VIE is called the primary beneficiary. Upon consolidation, the primary beneficiary generally must initially record all of the VIE's assets, liabilities, and noncontrolling interests at fair value and subsequently account for the VIE as if it were consolidated based on majority voting interest. At September 30, 2015 and December 31, 2014, the Company held investments that were evaluated against the criteria for consolidation and determined that it is not the primary beneficiary of the investments because the Company lacks the power to direct the activities of the variable interest entities that most significantly impacts their economic performance. Therefore, consolidation in the Company's financial statements is not required. At September 30, 2015 and December 31, 2014, the Company held the following equity investments:

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|  | At September 30,<br>2015 | At December 31,<br>2014 |
|--|--------------------------|-------------------------|
| Bagatelle NY LA Investors, LLC ("Bagatelle Investors") | \$68,469                 | \$357,896               |
| Bagatelle Little West 12th, LLC ("Bagatelle NY")       | 2,391,000                | 1,938,252               |
| Bagatelle La Cienega, LLC ("Bagatelle LA")             | —                        | —                       |
| One 29 Park, LLC ("One 29 Park")                       | 532,138                  | 506,295                 |
| Totals   | \$2,991,607              | \$2,802,443             |

|  | Three Months Ended<br>September 30, |              | Nine Months Ended<br>September 30, |              |
|--|-------------------------------------|--------------|------------------------------------|--------------|
|  | 2015                                | 2014         | 2015                               | 2014         |
| Equity in income of investee companies | \$(205,273 )                        | \$(268,660 ) | \$(728,504 )                       | \$(588,996 ) |

Bagatelle Investors is a holding company that has interests in two operating restaurant companies, Bagatelle NY and Bagatelle LA. All three entities were formed in 2011. The Company holds interests in all three entities. The Company holds a 31.24% ownership over Bagatelle Investors as of September 30, 2015 and December 31, 2014. The Company holds a 5.23% direct ownership over Bagatelle NY and has indirect ownership through Bagatelle Investors as well as one of its subsidiaries of 45.90% for a total effective ownership of 51.13% as of September 30, 2015 and December 31, 2014. The Company holds a 5.23% direct ownership over Bagatelle LA and has indirect ownership through Bagatelle Investors as well as one of its subsidiaries of 38.10% for a total effective ownership of 43.33% as of September 30, 2015 and December 31, 2014. The Company holds a 10% direct ownership over One29 Park as of September 30, 2015 and December 31, 2014. The Company accounts for its investment in One 29 Park under the equity method since it has ability to exercise significant influence over the entity.

During the quarter and year ended September 30, 2015 and December 31, 2014, respectively, the Company provided no explicit or implicit financial or other support to these VIEs that were not previously contractually required.

The amounts presented above represent maximum exposure to loss.

Note 9 - Related party transactions:

Due from related parties consists of amounts related to the Company and its related entities which arose from noninterest bearing cash advances and are expected to be repaid within the next twelve months. As of September 30, 2015 and December 31, 2014, these advances aggregated to a total of \$1,369,795 and \$1,157,134, respectively.

The Company incurred approximately \$104,000 and \$144,000 for the three months ended September 30, 2015 and 2014, respectively, and \$382,000 and \$380,000 for the nine months ended September 30, 2015 and 2014, respectively, for design services at various restaurants to an entity owned by one of the Company's shareholders. Included in accounts payable and accrued expenses at September 30, 2015 and December 31, 2014 is a balance due to this entity of approximately \$45,000 and \$0, respectively.

The Company incurred approximately \$213,000 and 168,000 for the three months ended September 30, 2015 and 2014, and \$422,000 and \$385,000 for the nine months ended September 30, 2015 and 2014, respectively, for legal fees to an entity owned by one of the Company's shareholders. Included in accounts payable and accrued expenses at

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September 30, 2015 and December 31, 2014 is a balance due to this entity of approximately \$187,000 and \$70,000, respectively. The Company also received rental income on office space sublet to this entity of \$40,207 and \$24,000 for the three months ended September 30, 2015 and 2014 and \$98,452 and \$72,000 for the nine months ended September 30, 2015 and 2014, respectively, there were no receivables outstanding at September 30, 2015 and December 31, 2014, respectively.

The Company incurred approximately \$3.6 million and \$807,000 for the three months ended September 30, 2015 and 2014, respectively, and \$8.3 million and \$3.1 for the nine months ended September 30, 2015 and 2014, respectively, for construction

services to an entity owned by one of the Company's shareholders. Included in accounts payable at September 30, 2015 and December 31, 2014 is a balance due to this entity of \$187,000 and \$6,669, respectively.

Note 10 – Derivative liability:

On October 16, 2013, the Merger provided for up to an additional \$14,100,000 of payments to the former holders of ONE Group membership interests (the "TOG Members") and to a liquidating trust (the "Liquidating Trust") established for the benefit of the TOG Members and the holders of warrants to acquire membership interests of ONE Group (the "TOG Warrant Owners") based on a formula as described in the Merger Agreement and which is contingent upon the exercise of outstanding Company warrants to purchase 5,750,000 shares of Common Stock at an exercise price of \$5.00 per share (the "Parent Warrants"). The Company is required to make any payments on a monthly basis. Additionally, certain ONE Group employees are entitled to receive a contingent sign-on bonus of an aggregate of approximately \$900,000 upon the exercise of the Parent Warrants. Any Parent Warrants that are unexercised will expire on the date that is the earlier of (i) February 27, 2016 or (ii) the forty-fifth (45th) day following the date that the Company's Common Stock closes at or above \$6.25 per share for 20 out of 30 trading days commencing on February 27, 2014.

The Company estimates the fair value of the derivative liability using the Monte Carlo method, which is comprised of the \$14,100,000 in payments and the \$900,000 in contingent sign-on bonus for a total of \$15,000,000. The fair value of the derivative liability was initially measured on October 16, 2013 and is re-measured at the end of every reporting period with the change in value over the period reported in the statements of operations and comprehensive income (loss) as a derivative income or loss. In applying the Monte Carlo method, the Company uses the following key inputs and assumptions; the stock price on the valuation date, the exercise price of the warrants of \$5.00, the trigger price of \$6.25, the expected volatility which is based on an analysis of comparable companies historical stock price volatilities for a period comparable to the term of the warrants, the expected months until effective registration statement, the term based on the period from the valuation date until the two-year period following the expected date of the effective registration, the risk-free rate based on the rate of US treasury securities with the same term and the discount rate based on the aggregate of the expected short-term margin and the risk-free rate.

The following tables summarize the inputs and assumptions used in valuing derivative liabilities:

|  | September 30,<br>2015 | December 31,<br>2014 |   |
|--|-----------------------|----------------------|---|
| Fair value of derivative liability (3) | \$2,324,000           | \$6,241,000          |   |
| Significant assumptions (or ranges):   |                       |                      |   |
| Trading market values (1)              | \$3.55                | \$4.85               |   |
| Term (years) (2)                       | 4 months, 27 days     | 1 year, 58 days      |   |
| Expected volatility (1)                | 67.0                  | % 26.8               | % |
| Risk-free rate (2)                     | 0.05                  | % 0.32               | % |
| Discount rate (3)                      | 0.91                  | % 1.18               | % |
| Effective Exercise price (2)           | \$5.00                | \$5.00               |   |
| Trigger price (2)                      | \$6.25                | \$6.25               |   |

Fair value hierarchy:

(1)Level 1 inputs are quoted prices in active markets for identical assets and liabilities, or derived therefrom.

(2)Level 2 inputs are inputs other than quoted prices that are observable.



(3) Level 3 inputs are unobservable inputs. Inputs for which any parts are level 3 inputs are classified as level 3 in their entirety.

The Company recorded \$1,139,000 and \$3,917,000 of income from the change in the fair value of the derivative liability balance during the three and nine months ended September 30, 2015.

Note 11 - Commitments and contingencies:

Operating leases:

The Company is obligated under several operating leases for the restaurants, equipment and office space, expiring in various years through 2031, which provide for minimum annual rentals, escalations, percentage rent, common area expenses or increases in real estate taxes.

Future minimum rental commitments under the leases and minimum future rental income per the sublease in five years subsequent to September 30, 2015 and thereafter are as follows:

| Year Ending<br>December 31, | Expense        | Income        | Net<br>Amount    |
|-----------------------------|----------------|---------------|------------------|
| 2015                        | \$ 1,490,030   | \$(314,829)   | ) \$ 1,175,201   |
| 2016                        | 8,337,502      | (1,279,269)   | ) 7,058,233      |
| 2017                        | 8,183,697      | (1,059,545)   | ) 7,124,152      |
| 2018                        | 8,306,805      | (1,079,640)   | ) 7,227,165      |
| 2019                        | 8,434,651      | (1,116,229)   | ) 7,318,422      |
| Thereafter                  | 110,944,547    | (3,084,946)   | ) 107,859,601    |
| Total                       | \$ 145,697,232 | \$(7,934,458) | ) \$ 137,762,774 |

Rent expense (including percentage rent of \$71,428 and \$101,936 for the three months ended September 30, 2015 and 2014, respectively and \$239,204 and \$329,545 for the nine months ended September 30, 2015 and 2014, respectively), included in continued operations, amounted to \$937,700 and \$779,164 for the three months ended September 30, 2015 and 2014 and \$2,832,266 and \$2,802,466 for the nine months ended September 30, 2015 and 2014, respectively. Rent expense included in continuing operations has been reported in the consolidated statements of operations and comprehensive loss net of rental income of \$179,186 and \$188,480 for the three months ended September 30, 2015 and 2014, respectively and \$545,348 and \$600,099 for the nine months ended September 30, 2015 and 2014, respectively, related to subleases with related and unrelated parties which expire through 2025.

License and management fees:

Pursuant to its amended and restated operating agreement executed in June 2007, Bridge Hospitality, LLC is obligated to pay management fees equal to 2% of revenues to a member for the life of the agreement. Management fees amounted to \$258 and \$19,156 for the three months ended September 30, 2015 and 2014, respectively and \$39,132 and \$60,324 for the nine months ended September 30, 2015 and 2014, respectively. Included in accounts payable at September 30, 2015 and December 31, 2014 are amounts due for management fees of \$0 and \$27,365, respectively.

In January 2010, STK Vegas entered into a management agreement with a third party for a term of 10 years, with two five-year option periods. Under this agreement, STK Vegas shall receive a management fee equal to 5% of gross sales, as defined (“gross sales fee”) plus 20% of net profits prior to the investment breakeven point date and 43% of net profits thereafter (“incentive fee”). In addition, STK Vegas is entitled to receive a development fee equal to \$200,000. The Company has elected to receive a credit against a portion of its obligation (estimated at approximately \$387,000) to fund the build-out in lieu of receiving the \$200,000. Management fees amounted to \$1,015,876 and \$1,059,993 for the three months ended September 30, 2015 and 2014, respectively, and \$3,589,914 and \$3,604,433 for the nine months ended September 30, 2015 and 2014, respectively.

In July 2009, One 29 Park Management entered into an agreement with a third party. Under this agreement, One 29 Park Management shall receive a management fee equal to 5% of gross revenues, as defined, from the restaurant, banquets, room service and rooftop sales and 50% of the base beverage fee, as defined, for the life of the management agreement which expires in 2025. Management fees amounted to \$148,521 and \$163,199 for the three months ended September 30, 2015 and 2014, respectively, and \$425,469 and \$462,313 for the nine months ended September 30,

2015 and 2014, respectively.

In July 2010, Hip Hospitality UK entered into a management agreement with a third party to manage and operate the food and beverage operations in the Hippodrome Casino in London. Under this agreement, Hip Hospitality UK shall receive a management fee equal to 5.5% of total revenue, as defined, as well as an incentive fee if certain conditions are met, for the life of the management agreement which expires in 2022. Management fees amounted to \$148,191 and \$195,792 for the three months ended September 30, 2015 and 2014, respectively, and \$476,608 and \$554,039 for the nine months ended September 30, 2015 and 2014, respectively. Included in accounts receivable and other assets at September 30, 2015 and December 31, 2014 are amounts due for management fees and reimbursable expenses of \$313,685 and \$377,320, respectively.

In December 2011, TOG Aldwych entered into a management agreement with a third party to operate a restaurant, bar and lounges in the ME Hotel in London. Under this agreement, TOG Aldwych shall receive a management fee equal to 5% of receipts received from food and beverages operations. In addition, TOG Aldwych is entitled to receive a monthly marketing fee equal to 1.5% of receipts received from food and beverages operations and an additional fee equal to 65% of net operating profits, as defined, for the life of the management agreement which expires in 2032. Management fees amounted to \$346,448 and \$430,450 for the three months ended September 30, 2015 and 2014, respectively, and \$940,997 and \$1,129,341 for the nine months ended September 30, 2015 and 2014, respectively. Included in accounts receivable at September 30, 2015 and December 31, 2014 are amounts due for management fees of \$929,689 and \$200,124, respectively.

In June 2014, TOG (Milan) S.R.L. entered into a management agreement with Sol Melia Italia S.R.L. to operate a restaurant, rooftop bar and food and beverage services at the ME Milan Il Duca hotel in Milan, Italy. TOG (Milan) S.R.L. shall receive a management fee equal to 5% of operating revenue, as defined, and an additional fee equal to 65% of net operating revenue, as defined, for the life of the management agreement which expires in 2025. In addition, TOG (Milan) S.L.R. is entitled to receive a monthly marketing fee equal to 1.5% of operating revenues. Management fees amounted to \$154,241 for the three and nine months ended September 30, 2015. Included in accounts receivable and other assets at September 30, 2015 are amounts due for management fees of \$430,084.

Note 12 - Discontinued operations:

Management decided to cease operations for the following entities in 2014: Miami Services and Tenjune.

On May 1, 2014, the Company entered into a settlement agreement and mutual general release with the landlord of the Bagatelle in Las Vegas, which closed in 2014. In connection with this release, the Company agreed to make certain payments to the landlord and on May 22, 2014 made a payment for the remaining balance on an operating lease for certain equipment that was at the location.

On May 30, 2014, the Company entered into a termination, mutual release and settlement agreement with a third party in Las Vegas (“Owners”) for the management agreement for the Heraea property and the lease agreement for the Xi Shi property in Las Vegas. In connection with this release, the Company agreed to make certain payments to the Owners.

The following table shows the components of assets and liabilities that are classified as discontinued operations in the Company's consolidated balance sheets as of September 30, 2015 and December 31, 2014:

|  | September 30,<br>2015 | December 31,<br>2014 |
|--|-----------------------|----------------------|
| Other current assets                             | \$48,343              | \$67,676             |
| Due from related parties                         | 806,846               | 814,227              |
| Assets of discontinued operations - current      | 855,189               | 881,903              |
| Property and equipment, net                      | 169,175               | 169,175              |
| Security deposits                                | 75,000                | 75,000               |
| Assets of discontinued operations - long term    | 244,175               | 244,175              |
| Accounts payable and accrued liabilities         | 409,108               | 551,266              |
| Due to related parties (1)                       | 3,606,667             | 3,654,552            |
| Liabilities of discontinued operations - current | 4,015,775             | 4,205,818            |
| Net assets                                       | \$(2,916,411 )        | \$(3,079,740 )       |

(1) Note - due to related parties represents amounts due to consolidating entities that are eliminated in consolidation.

Summarized operating results related to these entities are included in discontinued operations in the accompanying consolidated statements of operations and comprehensive loss for the three and nine months ended September 30, 2015 and 2014:

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|   | Three Months Ended    |            | Nine Months Ended     |                |
|---|-----------------------|------------|-----------------------|----------------|
|   | September 30,<br>2015 | 2014       | September 30,<br>2015 | 2014           |
| Revenue   | \$—                   | \$—        | \$—                   | \$ 102,330     |
| Costs and Expenses                                  | (62,501 )             | (177,050 ) | (23,929 )             | 1,196,706      |
| Net loss from discontinued operations, net of taxes | \$62,501              | \$177,050  | \$23,929              | \$(1,094,376 ) |

Note 13 - Litigation:

The Company is party to claims in lawsuits incidental to its business. In the opinion of management, the ultimate outcome of such matters, individually or in the aggregate, will not have a material adverse effect on the Company's consolidated financial position or results of operations.

Note 14 - Stockholders' equity:

The Company is authorized by its amended and restated certificate of incorporation to issue up to 75,000,000 shares of Common Stock, par value \$0.0001 per share, and 10,000,000 shares of preferred stock, par value \$0.0001 per share. As of September 30, 2015 and December 31, 2014, there were 24,972,515 and 24,940,195, outstanding shares of Common Stock, respectively, and no outstanding shares of preferred stock.

Note 15 - Stock-based compensation:

In October 2013, the board of directors approved the 2013 Employee, Director and Consultant Equity Incentive Plan (the "2013 Plan") pursuant to which the Company may issue options, warrants, restricted stock or other stock-based awards to directors, officers, key employees and other key individuals performing services for the Company. The 2013 Plan has reserved 4,773,992 shares of common stock for issuance. All awards will be approved by the board of directors or a committee of the board of directors to be established for such purpose.

The Company's outstanding stock options have maximum contractual terms of up to ten years, principally vest on a quarterly basis ratably over five years and were granted at exercise prices equal to the market price of the Company's common stock on the date of grant. The Company's outstanding stock options are exercisable into shares of the Company's common stock. The Company measures the cost of employee services received in exchange for an award of equity instruments, including grants of employee stock options and restricted stock awards, based on the fair value of the award at the date of grant in accordance with the modified prospective method. The Company uses the Black-Scholes model for purposes of determining the fair value of stock options granted and recognizes compensation costs ratably over the requisite service period, net of estimated forfeitures. For restricted stock awards, the grant-date fair value is the quoted market price of the stock.

As of September 30, 2015, all 1,702,578 options outstanding were excluded from the calculation of dilutive earnings per share as their effect would have been anti-dilutive as the exercise price of these grants are above the average market price.

For the three months ended September 30, 2015 and 2014, the Company recognized \$162,850 and \$159,385, respectively, and for the nine months ended September 30, 2015 and 2014, the Company recognized \$506,853 and \$326,753 of non-cash stock-based compensation expense related to options, respectively, in general and administrative expense in the consolidated statements of operations.

As of September 30, 2015, there was approximately \$3,733,014 of total unrecognized compensation cost related to unvested share-based compensation grants, which is expected to be amortized over a weighted-average period of 4.6 years.

A summary of the status of stock option awards and changes during the nine months ended September 30, 2015 are presented below:

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|  | Shares    | Weighted Average Exercise Price | Weighted Average Remaining Contractual Life (Years) | Intrinsic Value |
|--|-----------|---------------------------------|---|-----------------|
| Outstanding at December 31, 2014                 | 2,046,578 | \$5.00                          |   |                 |
| Cancelled, expired, or forfeited                 | 344,000   | —                               |   |                 |
| Outstanding at Exercisable at September 30, 2015 | 1,702,578 | \$5.01                          | 9.44  | \$—             |
| Exercisable at September 30, 2015                | 599,680   | \$5.20                          | 9.44  | \$—             |

The weighted-average grant-date fair value of option awards vested and non-vested during the nine months ended September 30, 2015 was \$1.86.

On May 18, 2015, the Company granted four board members an unrestricted immediate vesting grant of 8,080 shares each. The closing stock price was \$4.95. The Company recorded compensation expense related to these awards of \$0 and \$160,000 for the three and nine months ended September 30, 2015.

Note 16 - Segment reporting:

The Company operates in three segments: owned STK units ("STKs"), food and beverage hospitality management agreements ("F&B") and Other concepts ("Other"). We believe STKs, F&B and Other to be our reportable segments as they do not have similar economic or other characteristics to be aggregated into a single reportable segment. Our STKs segment consists of leased restaurant locations and competes in the full service dining industry. Our F&B segment consists of management agreements in which the Company operates the food and beverage services in hotels or casinos and could include an STK, which we refer to as managed STK units. We refer to owned STK units and managed STK units together as "STK units." These management agreements generate management and incentive fees on net revenue at each location. Our Other segment includes owned non-STK leased locations.

|                            | Three Months Ended<br>September 30, |               | Nine Months Ended<br>September 30, |               |
|----------------------------|-------------------------------------|---------------|------------------------------------|---------------|
|                            | 2015                                | 2014          | 2015                               | 2014          |
| Revenues:                  |                                     |               |                                    |               |
| STKs                       | \$ 13,304,698                       | \$ 10,375,136 | \$ 35,425,710                      | \$ 27,807,365 |
| F&B                        | 1,939,376                           | 1,945,363     | 6,112,629                          | 6,207,523     |
| Other                      | 9,809                               | 69,685        | 393,023                            | 915,556       |
|                            | \$ 15,253,883                       | \$ 12,390,184 | \$ 41,931,362                      | \$ 34,930,444 |
| Segment Profits (loss):    |                                     |               |                                    |               |
| STKs                       | \$ 1,200,787                        | \$ 1,564,275  | \$ 2,803,271                       | \$ 3,488,507  |
| F&B                        | 1,939,376                           | 1,945,363     | 6,112,629                          | 6,207,523     |
| Other                      | (40,753 )                           | (176,877 )    | 34,748                             | 90,488        |
| Total segment profit       | 3,099,410                           | 3,332,761     | 8,950,648                          | 9,786,518     |
| General and administrative | 2,610,599                           | 1,922,482     | 7,647,589                          | 6,024,364     |



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|   |              |             |              |              |
|---|--------------|-------------|--------------|--------------|
| Depreciation and amortization                                       | 630,249      | 327,810     | 1,620,009    | 1,000,464    |
| Interest expense, net of interest income                            | 1,210        | (6,268 )    | (3,980 )     | 52,220       |
| Other   | 823,697      | (224,079 )  | (170,154 )   | (2,329,785 ) |
| Income from continuing operations before provision for income taxes | \$(966,345 ) | \$1,312,816 | \$(142,816 ) | \$5,039,255  |

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|                            | September 30,<br>2015 | December 31,<br>2014 |
|----------------------------|-----------------------|----------------------|
| Property & equipment, net: |                       |                      |
| STKs                       | \$25,604,325          | \$17,456,993         |
| F&B                        | 364,755               | 229,771              |
| Other                      | 230,271               | 1,128,861            |
| Total                      | \$26,199,351          | \$18,815,625         |

Note 17 - Geographic information:

The following table contains certain financial information by geographic location for the nine months ended September 30, 2015 and 2014:

|   | Three months ended<br>September 30, |              | Nine months ended<br>September 30, |              |
|---|-------------------------------------|--------------|------------------------------------|--------------|
|   | 2015                                | 2014         | 2015                               | 2014         |
| United States:                                |                                     |              |                                    |              |
| Revenues - owned units                        | \$13,314,507                        | \$10,444,821 | \$35,818,733                       | \$28,709,010 |
| Management, incentive and royalty fee revenue | 1,384,556                           | 1,360,148    | 4,385,104                          | 4,346,117    |
| Foreign:                                      |                                     |              |                                    |              |
| Revenues - owned units                        | \$—                                 | \$—          | \$—                                | \$13,911     |
| Management and development fee revenue        | 554,820                             | 585,216      | 1,727,525                          | 1,861,407    |

The following table contains certain financial information by geographic location at September 30, 2015 and December 31, 2014:

|                | September 30,<br>2015 | December 31,<br>2014 |
|----------------|-----------------------|----------------------|
| United States: |                       |                      |
| Net assets     | \$12,815,249          | \$6,290,470          |
| Foreign:       |                       |                      |
| Net assets     | \$4,683,427           | \$890,464            |

Note 18 - Income taxes:

In June 2015, the Company made the decision to release the valuation allowance amounting to \$7.7 million against its deferred tax assets net of deferred tax liabilities. Recent profitable quarters and projected future pretax income are sources of positive evidence that led the Company to conclude that it is more likely than not that it will realize its net deferred tax assets.

The Company recognized an income tax expense of \$922,427 for the three months ended September 30, 2015, compared to income tax expense of \$462,898 for the three months ended September 30, 2014. The Company's effective tax rate was (123.69)% for the three months ended September 30, 2015 compared to 35.26% for the three months ended September 30, 2014.

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The Company recognized income tax benefit of \$5.6 million for the nine months ended September 30, 2015, compared to income tax expense of \$813,580 for the nine months ended September 30, 2014. The Company's effective tax rate, exclusive of the discrete tax benefit, was approximately (129.31)% for the nine months ended September 30, 2015, compared to 59.9%

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for the nine months ended September 30, 2014. The net decrease in the effective tax rate, exclusive of the discrete tax benefit, for the nine months ended September 30, 2015, compared to the same periods in 2014, was primarily due to the release of the valuation allowance on deferred tax assets amounting to \$2.2 million that impacted the normalized rate during these periods.

Note 19 - Subsequent events:

On October 21, 2015, the Company and SBEEG Holdings, LLC ("sbe") announced that it was in their mutual interests to terminate the agreements relating to the acquisition of sbe's Katsuya and Cleo brands and entered into a Termination and Mutual Release Agreement, dated as of October 21, 2015.

On October 7, 2015, the Company received a payment of \$67,680 in full settlement of the property damage portion of the insurance claim relating to water damages sustained at STK Miami. The Company filed a claim for property damages in the estimated amount of \$500,000 and has received approximately \$443,000 to date against this claim.

On October 5, 2015, the Company announced that it entered into an agreement with Standard Life Assurance Limited to open an STK Rebel in Edinburgh, Scotland in 2017.

On November 16, 2015, the Company announced the signing of a license agreement with Foxhole Holdings Limited to open an STK in Ibiza, Spain. The restaurant is expected to open in 2017.

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

Certain statements made or incorporated by reference in this report and our other filings with the Securities and Exchange Commission, in our press releases and in statements made by or with the approval of authorized personnel constitute forward looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, and are subject to the safe harbor created thereby. Forward looking statements reflect intent, belief, current expectations, estimates or projections about, among other things, our industry, management's beliefs, and future events and financial trends affecting us. Words such as "anticipates," "expects," "intends," "plans," "believes," "seeks," "estimates," "may," "will" and variations of these or similar expressions are intended to identify forward looking statements. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances, including any underlying assumptions, are forward looking statements. Although we believe the expectations reflected in any forward looking statements are reasonable, such statements are not guarantees of future performance and are subject to certain risks, uncertainties and assumptions that are difficult to predict. Therefore, our actual results could differ materially and adversely from those expressed in any forward looking statements as a result of various factors. These differences can arise as a result of the risks described in the section entitled "Item 1A. Risk Factors" in our Annual Report on Form 10-K/A for the year ended December 31, 2014, filed on April 1, 2015, as well as other factors that may affect our business, results of operations, or financial condition. Forward looking statements in this report speak only as of the date hereof, and forward looking statements in documents incorporated by reference speak only as of the date of those documents. Unless otherwise required by law, we undertake no obligation to publicly update or revise these forward looking statements, whether as a result of new information, future events or otherwise. In light of these risks and uncertainties, we cannot assure you that the forward looking statements contained in this report will, in fact, transpire.

### Overview

We are a global hospitality company that develops, owns and operates upscale, high-energy restaurants and lounges and provides turn-key food and beverage or "F&B" services for hospitality venues including hotels, casinos and other high-end locations globally. We opened our first restaurant in January 2004 in New York City and as of November 16, 2015, we owned and operated (under lease agreements) 12 and managed (under management agreements) 15 restaurants and lounges globally, including 10 STKs in major metropolitan cities in the United States and Europe (of which seven (7) are owned and three (3) managed). In addition, we provided food and beverage services in five hotels and casinos, one of which is under a lease agreement and four of which are under separate management agreements. We generate management and incentive fee revenue from those restaurants and lounges that we manage on behalf of our F&B hospitality clients. The average unit volume, check average and beverage mix for STK restaurants that have been open a full twelve months at September 30, 2015 were \$11.2 million, \$123 and 40%, respectively.

In addition to operating stand-alone restaurants, we also operate turn-key food and beverage services at high-end hotels and casinos, which, in some cases, include upscale restaurants, such as STK. Our diversified portfolio of differentiated, high-energy food and beverage hospitality solutions provides landlords and owners a choice of having one or several of our concepts and/or services in their venues. These locations are typically operated under our management agreements under which we earn a management fee based on revenue and an incentive fee based on profitability of the underlying operations. We typically target food and beverage hospitality opportunities where we believe we can generate initially \$500,000 to \$750,000 of annual pre-tax income. We also own or manage a small number of other standalone restaurants and lounges.

Net income for the nine months ended September 30, 2015 and 2014 was \$5.5 million and \$3.1 million, respectively, and included income from discontinued operations of \$(62,501) for the nine months ended September 30, 2015 compared to net loss from discontinued operations of \$1.1 million for the nine months ended September 30, 2014, respectively. Net loss for the three months ended September 30, 2015 was \$1.8 million compared to net income for

the three months ended September 30, 2014 of \$1.0 million, respectively, and included income from discontinued operations of \$(23,929) and \$(177,050) for the three months ended September 30, 2015 and 2014, respectively. The loss from discontinued operations reflects our exiting of non-strategic and underperforming units during these periods and includes the closing of the Tenjune concept in February 2014. Included in the and nine month period ended September 30, 2015 is a one time net reversal of a deferred tax allowance of approximately \$6.2 million. In addition, the nine months ended September 30, 2015 and 2014 included non-cash derivative income of \$3.9 million and \$1.8 million, respectively, from an adjustment of our derivative liability balance and the three months ended September 30, 2015 and 2014 included non-cash derivative income of \$1.1 million and derivative expense of \$1.0 million, respectively.

On March 13, 2015, after hotel renovations and additional work required due to water damage were completed, we re-opened STK Miami in the new 1 Hotel & Homes (formerly known as The Perry Hotel) building located in Miami Beach, Florida. We filed a claim with our insurance carrier for damages related to business interruption. On June 26, 2015, we reached a

settlement of \$1.1 million on this claim and as of September 30, 2015 we recorded a receivable for the final payment of \$700,000. For the nine months ended September 30, 2015, we have recorded in other income a \$550,000 gain based on recoveries and \$550,000 that was netted against pre-opening expenses. We also filed a claim for property damages of approximately \$500,000 of which we have negotiated a final settlement with our insurance carrier and received approximately \$443,000 in total.

#### Recent Developments

On September 30, 2015, we commenced operations at STK Chicago at 360 North State Street, Chicago, Illinois.

On October 21, 2015, the Company and SBEEG Holdings, LLC ("sbe") announced that it was in their mutual interests to terminate the agreements relating to the acquisition of sbe's Katsuya and Cleo brands and entered into a Termination and Mutual Release Agreement, dated as of October 21, 2015.

#### Our Growth Strategies and Outlook

Our growth model is comprised of the following four primary drivers:

**Expansion of STK and STK Rebel.** We have identified up to 50 additional major metropolitan markets globally where we could grow our STK brand over time as well as over 100 markets for STK Rebel. We expect to open as many as two to three STKs and one to two STK Rebels annually in the next three years and to target approximately 25% annual unit growth thereafter provided that we have enough capital, acceptable locations and quality restaurant managers available to support that pace of growth. However, there can be no assurance that we will be able to open new STKs and STK Rebels at the rate we currently expect or that our pipeline of planned offerings will be fully realized.

**Expansion Through New Food & Beverage Hospitality Projects.** We believe we are well positioned to leverage the strength of our brands and the relationships we have developed with global hospitality providers to drive the continued growth of our food and beverage hospitality projects, which traditionally have provided fee income with minimal capital expenditures. We continue to receive significant inbound inquiries regarding new services in new hospitality opportunities globally and to work with existing hospitality clients to identify and develop additional opportunities in their venues. Going forward, we expect to target at least one to two new food and beverage hospitality projects every 12 months. However, we cannot control the timing and number of acceptable opportunities that will be offered to us for our consideration.

**Expand Our Non-STK Concepts and Services.** We believe our existing restaurant concepts and food and beverage hospitality services have significant room to grow and that our presence, brand recognition and operating performance from our continuing operations provide us with the ability to expand these concepts in the North American and international markets, with near term focus on Europe and in the longer term, Asia and the Middle East.

**Increase Our Operating Efficiency.** In addition to expanding into new cities and hospitality venues, we intend to increase revenue and profits in our existing operations. Our long term growth model targets store sales growth of approximately 2% to 3% annually, as a result of our renewed focus on this aspect of our growth plan. We also expect operating margin improvements as our restaurants and services mature. However, there can be no assurances that any increases in same store sales or operating margins will be achieved. Furthermore, as our footprint continues to increase in scale, we expect to benefit by leveraging system-wide operating efficiencies and best practices.

#### Key Performance Indicators

We use the following key performance indicators in evaluating our restaurants and assessing our business:

**Number of Restaurant Openings.** Number of restaurant openings reflects the number of restaurants opened during a particular fiscal period. For each restaurant opening, we incur pre-opening costs, which are defined below. Typically, new restaurants open with an initial start-up period of higher than normalized sales volumes (also referred to in the restaurant industry as the “honeymoon” period), which decrease to a steady level approximately 18 months after opening. However, operating costs during this initial 18 month period are also higher than normal, resulting in restaurant operating margins that are generally lower during the start-up period of operation and increase to a steady level approximately 18 months after opening. Some new restaurants may experience a “honeymoon” period either shorter or longer than 18 months.



**Average Check.** Average check is calculated by dividing total restaurant sales by total entrees sold for a given time period. Our management team uses this indicator to analyze trends in customers' preferences, effectiveness of menu changes and price increases, and per customer expenditures.

**Average Comparable Unit Volume.** Average comparable unit volume consists of the average sales of our comparable restaurants over a certain period of time. This measure is calculated by dividing total comparable restaurant sales in a given period by the total number of comparable restaurants in that period. This indicator assists management in measuring changes in customer traffic, pricing and development of our brand.

**Comparable Unit Sales.** We consider a unit to be comparable, whether owned or managed, in the first full quarter following the 18th month of operations to remove the impact of new unit openings in comparing the operations of existing units. Changes in comparable unit sales reflect changes in sales for the comparable group of units over a specified period of time. Changes in comparable sales reflect changes in customer count trends as well as changes in average check, which reflects both menu mix shifts and menu pricing. Our comparable unit base consisted of five units for the three and nine months ended September 30, 2015 as and September 30, 2014, respectively. We believe that certain of our restaurants operate at or near their effective productive capacities. As a result, we may be unable to grow comparable restaurant sales at those restaurants.

#### Key Financial Terms and Metrics

We evaluate our business using a variety of key financial measures:

##### Segment reporting

The Company operates in three segments: owned STK units ("STKs"), food and beverage hospitality management agreements ("F&B") and Other concepts ("Other"). We believe STKs, F&B and Other to be our reportable segments as they do not have similar economic or other characteristics to be aggregated into a single reportable segment. Our STKs segment consists of leased restaurant locations and competes in the full service dining industry. Our F&B segment consists of management agreements in which the Company operates the food and beverage services in hotels, casinos and other high-end locations globally and includes an STK, which we refer to as managed STK units. We refer to owned STK units and managed STK units together as "STK units." These management agreements generate management and incentive fees on net revenue at each location. Our Other segment includes owned non-STK leased locations.

##### Revenues

**Owned unit net revenue.** Owned unit net revenues, which includes STKs and Other segment brands, consists of food, beverage, and miscellaneous merchandise sales net of any discounts, such as management and employee meals, associated with each sale. As of September 30, 2015, beverage sales comprised 42% of STK and Other food and beverage sales, before giving effect to any discounts, with food comprising the remaining 58%. This indicator assists management in understanding the trends in gross margins of the units.

**Management and incentive fee revenue.** Management and incentive fee revenue includes: (1) management fees received pursuant to management agreements with hospitality clients that are calculated based on a fixed percentage of revenues; and (2) incentive fees based on operating profitability, as defined by each agreement. We evaluate the performance of our managed properties based on sales growth, which drives our management fee, and on improvements in operating profitability margins, which along with sales growth, drives incentive fee growth.

Our primary restaurant brand is STK and we specifically look at comparable revenues from both owned and managed STKs in either a leased or F&B location in order to understand customer count trends and changes in average check as it relates to our primary restaurant brand.

#### Cost and expenses

Food and beverage costs. Food and beverage costs include all unit-level food and beverage costs of STK and Other units. We measure cost of goods as a percentage of owned unit net revenues. Food and beverage costs are generally influenced by the cost of food and beverage items, menu mix and discounting activity. Purchases of beef represent approximately 30% of our current food and beverage costs.

Unit operating expenses. We measure unit operating expenses for STKs and Other units as a percentage of owned unit net revenues. Unit operating expenses include the following:

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**Payroll and related expenses.** Payroll and related expenses consists of manager salaries, hourly staff payroll and other payroll-related items, including taxes and fringe benefits. We measure our labor cost efficiency by tracking total labor costs as a percentage of food and beverage revenues.

**Occupancy.** Occupancy comprises all occupancy costs, consisting of both fixed and variable portions of rent, deferred rent expense, which is a non-cash adjustment included in our Adjusted EBITDA calculation as defined below, common area maintenance charges, real estate property taxes, utilities and other related occupancy costs and is measured by tracking occupancy as a percentage of revenues.

**Direct operating expenses.** Direct operating expenses consists of supplies, such as paper, small wares, china, silverware and glassware, cleaning supplies and laundry and linen costs and typically tracks revenues.

**Outside services.** Outside services includes music and entertainment costs, such as the use of live DJ's, promoter costs, security services, outside cleaning services at certain locations and commissions paid to event staff for banquet sales.

**Repairs and maintenance.** Repairs and maintenance consists of facility and computer maintenance contracts as well as general repair work to maintain the facilities. These costs will typically increase as the facility gets older.

**Marketing.** Marketing includes the cost of goods used specifically for complimentary purposes as well as general public relation costs related to the specific unit, but excluding any discounts such as management and employee meals. Marketing costs will typically be higher during the first 18 months of a unit's operations.

**General and administrative.** General and administrative expenses are comprised of all corporate overhead expenses, including payroll and related benefits, professional fees, such as legal and accounting fees, insurance and travel expenses. Certain general and administrative expenses are allocated specifically to units and are credited and include shared services such as reservations, events and marketing. General and administrative expenses are expected to grow as we grow, including payroll needed to support our growth, legal, accounting and other professional fees incurred as a public company.

**Depreciation and amortization.** Depreciation and amortization consists principally of charges related to the depreciation of fixed assets including leasehold improvements, equipment and furniture and fixtures. As we accelerate our restaurant openings, depreciation and amortization is expected to increase as a result of our increased capital expenditures.

**Management and royalty fees.** In certain of our units, we pay outside third parties a management fee based on a percentage of sales or a fixed fee. Historically, a majority of management fees related to one property, Tenjune, and related to the use of an outside management company to operate this lounge concept. This management agreement was terminated in February 2013. Royalty fees are paid to the 50% owner of the trademark rights to the name "Asellina" and "Cucina Asellina."

**Pre-opening expenses.** Pre-opening expenses consist of costs incurred prior to opening an owned or managed STK unit in either a leased or F&B location which are comprised principally of non-cash deferred rent expense, manager salaries and relocation costs, employee payroll and related training costs for new employees and lease costs incurred prior to opening. We expect these costs to increase as we accelerate our company-owned restaurant openings, which may have a material impact on our operating results in future periods. Pre-opening expenses vary from location to location depending on a number of factors, including the proximity of our existing restaurants; the amount of rent expensed during the construction and in-restaurant training periods; the size and physical layout of each location; the number of management and hourly employees required to operate each restaurant; the relative difficulty of the

restaurant staffing process; the cost of travel and lodging for different metropolitan areas; the timing of the restaurant opening; and the extent of unexpected delays, if any, in obtaining necessary licenses and permits to open the restaurant.

Equity in (income) loss of subsidiaries. This represents the income or loss that we record under the equity method for entities that are not consolidated. Included in this amount is our ownership in Bagatelle New York for which we have effective ownership of approximately 51% representing 5.23% ownership directly by us and 45.90% ownership through two of our subsidiaries.

Provision for income taxes. The Company accounts for income taxes in accordance with Financial Accounting Standards Board ("FASB") ASC 740 "Accounting for Income Taxes". Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax basis and net operating losses and tax credit carryforwards. Deferred tax assets and liabilities are measured using

enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Adjustments for noncontrolling interest. This represents the allocation of net income or loss attributable to the minority interest in those of our subsidiaries which are not wholly-owned.

EBITDA and Adjusted EBITDA. We define EBITDA as net income before interest expense, provision for income taxes and depreciation and amortization. We define Adjusted EBITDA as net income before interest expense, provision for income taxes, depreciation and amortization, non-cash impairment loss, deferred rent, pre-opening expenses, non-recurring gains and losses, Transaction costs, losses from discontinued operations, derivative income (expense) and stock based compensation. EBITDA and Adjusted EBITDA have been presented in this Quarterly Report on Form 10-Q and are supplemental measures of financial performance that is not required by, or presented in accordance with, GAAP.

We believe that EBITDA and Adjusted EBITDA are more appropriate measures of operating performance, as they provide a clearer picture of our operating results by eliminating certain non-cash expenses that are not reflective of the underlying business performance. We use these metrics to facilitate a comparison of our operating performance on a consistent basis from period to period and to analyze the factors and trends affecting our business as well as evaluate the performance of our units. Adjusted EBITDA has limitations as an analytical tool and our calculation thereof may not be comparable to that reported by other companies; accordingly, you should not consider it in isolation or as a substitute for analysis of our results as reported under GAAP. Adjusted EBITDA is included in this Quarterly Report on Form 10-Q because it is a key metric used by management. Additionally, Adjusted EBITDA is frequently used by analysts, investors and other interested parties to evaluate companies in our industry. We use Adjusted EBITDA, alongside other GAAP measures such as net income (loss), to measure profitability, as a key profitability target in our annual and other budgets, and to compare our performance against that of peer companies. We believe that Adjusted EBITDA provides useful information facilitating operating performance comparisons from period to period and company to company.

The following table presents a reconciliation of Net income to EBITDA and Adjusted EBITDA for the periods indicated:

|   | Three Months Ended |              | Nine Months Ended |              |
|---|--------------------|--------------|-------------------|--------------|
|   | September 30,      |              | September 30,     |              |
|   | 2015               | 2014         | 2015              | 2014         |
| Net (loss) income attributable to The ONE Group Hospitality, Inc. | \$(2,015,969)      | \$747,426    | \$5,283,578       | \$3,038,821  |
| Net income attributable to noncontrolling interest                | 189,698            | 279,542      | 217,039           | 92,478       |
| Net (loss) income   | (1,826,271 )       | 1,026,968    | 5,500,617         | 3,131,299    |
| Interest expense, net of interest income                          | 1,210              | (6,268 )     | (3,980 )          | 52,220       |
| Provision (benefit) for income taxes                              | 922,427            | 462,898      | (5,619,504 )      | 813,580      |
| Depreciation and amortization                                     | 630,249            | 327,810      | 1,620,009         | 1,000,464    |
| EBITDA  | (272,385 )         | 1,811,408    | 1,497,142         | 4,997,563    |
| Deferred rent (1)   | 414,915            | 102,259      | 575,334           | 289,419      |
| Pre-opening expenses  | 1,634,171          | 315,905      | 4,399,192         | 1,149,078    |
| Non-recurring gain  | —                  | (1,200,000 ) | —                 | (1,200,000 ) |
| Transaction costs   | 405,797            | —            | 506,131           | —            |

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|   |              |             |              |              |
|---|--------------|-------------|--------------|--------------|
| Loss (income) from discontinued operations                      | (62,501 )    | (177,050 )  | (23,929 )    | 1,094,376    |
| Derivative (income) expense                                     | (1,139,000 ) | 991,588     | (3,917,000 ) | (1,793,124 ) |
| Stock based compensation  | 162,850      | 159,385     | 666,853      | 326,753      |
| Adjusted EBITDA   | 1,143,847    | 2,003,495   | 3,703,723    | 4,864,065    |
| Adjusted EBITDA attributable to noncontrolling interest         | 320,618      | 252,410     | 488,275      | 449,822      |
| Adjusted EBITDA attributable to The ONE Group Hospitality, Inc. | \$823,229    | \$1,751,085 | \$3,215,448  | \$4,414,243  |

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(1)Deferred rent is included in unit operating expenses on the statement of income.

Adjusted Net (Loss) income. We define Adjusted Net (loss) income as Net (loss) income before discontinued operations, non-recurring gains, transaction costs, derivative expense, stock based compensation, non-cash impairment losses, and non-recurring acceleration of depreciation. Adjusted Net (loss) income has been presented in this Report and is a supplemental measure of financial performance that is not required by, or presented in accordance with, GAAP. Adjusted Net (loss) income has limitations as an analytical tool and our calculation thereof may not be comparable to that reported by other companies; accordingly, you should not consider it in isolation or as a substitute for analysis of our results as reported under GAAP.

We believe that Adjusted Net (loss) income provides a clearer picture of our operating results by eliminating certain non-cash expenses that are not reflective of the underlying business performance. We use this metric to facilitate a comparison of our operating performance on a consistent basis from period to period and to analyze the factors and trends affecting our business.

The following table presents a reconciliation of Net (loss) income to Adjusted Net (loss) income for the periods indicated:

|  | Three Months Ended<br>September 30, |              | Nine Months Ended<br>September 30, |              |
|--|-------------------------------------|--------------|------------------------------------|--------------|
|  | 2015                                | 2014         | 2015                               | 2014         |
| Net (loss) income attributable to The ONE Group Hospitality, Inc.          | \$(2,015,969)                       | \$747,426    | \$5,283,578                        | \$3,038,821  |
| Net income attributable to noncontrolling interest                         | 189,698                             | 279,542      | 217,039                            | 92,478       |
| Net (loss) income  | (1,826,271 )                        | 1,026,968    | 5,500,617                          | 3,131,299    |
| Transaction costs  | 405,797                             | —            | 506,131                            | —            |
| Loss from discontinued operations, net of taxes                            | (62,501 )                           | (177,050 )   | (23,929 )                          | 1,094,376    |
| Derivative (income) expense  | (1,139,000 )                        | 991,588      | (3,917,000 )                       | (1,793,124 ) |
| Non-recurring gain   |                                     | (1,200,000 ) |                                    | (1,200,000 ) |
| Stock based compensation   | 162,850                             | 159,385      | 666,853                            | 326,753      |
| Deferred tax allowance reversal, net                                       | 636,426                             | —            | (5,545,216 )                       |              |
| Adjusted net (loss) income   | (1,822,699 )                        | 800,891      | (2,812,544 )                       | 1,559,304    |
| Adjusted net income attributable to noncontrolling interest                | 189,698                             | 184,816      | 217,039                            | 54,565       |
| Adjusted net (loss) income attributable to The ONE Group Hospitality, Inc. | \$(2,012,397)                       | \$616,075    | \$(3,029,583)                      | \$1,504,739  |

#### Results of Operations

The following table sets forth certain statements of income data for the periods indicated:

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|  | Three Months Ended |              | Nine Months Ended |              |
|--|--------------------|--------------|-------------------|--------------|
|  | September 30,      |              | September 30,     |              |
|  | 2015               | 2014         | 2015              | 2014         |
| <b>Revenues:</b>   |                    |              |                   |              |
| Owned unit net revenues  | \$13,314,507       | \$10,444,821 | \$35,818,733      | \$28,722,921 |
| Management and incentive fee revenue (1)   | 1,939,376          | 1,945,363    | 6,112,629         | 6,207,523    |
| Total revenue  | 15,253,883         | 12,390,184   | 41,931,362        | 34,930,444   |
| <b>Cost and expenses:</b>  |                    |              |                   |              |
| <b>Owned operating expenses:</b>   |                    |              |                   |              |
| Food and beverage costs  | 3,346,841          | 2,811,806    | 9,082,231         | 7,482,382    |
| Unit operating expenses  | 8,807,632          | 6,245,617    | 23,898,483        | 17,661,544   |
| General and administrative   | 2,610,599          | 1,922,482    | 7,647,589         | 6,024,364    |
| Depreciation and amortization  | 630,249            | 327,810      | 1,620,009         | 1,000,464    |
| Management and royalty fees  | 310                | (35,214)     | 46,959            | 60,324       |
| Pre-opening expenses   | 1,634,171          | 315,905      | 4,399,192         | 1,149,078    |
| Transaction Costs  | 405,797            | —            | 506,131           | —            |
| Equity in income of investee companies   | (205,273)          | (268,660)    | (728,504)         | (588,996)    |
| Derivative (income) expense  | (1,139,000)        | 991,588      | (3,917,000)       | (1,793,124)  |
| Interest expense, net of interest income   | 1,210              | (6,268)      | (3,980)           | 52,220       |
| Other (income) expense   | 127,692            | (1,227,698)  | (476,932)         | (1,157,067)  |
| Total cost and expenses  | 16,220,228         | 11,077,368   | 42,074,178        | 29,891,189   |
| (Loss) income from continuing operations before provision (benefit) for income taxes | (966,345)          | 1,312,816    | (142,816)         | 5,039,255    |
| Provision (benefit) for income taxes   | 922,427            | 462,898      | (5,619,504)       | 813,580      |
| (Loss) income from continuing operations   | (1,888,772)        | 849,918      | 5,476,688         | 4,225,675    |
| Loss (income) from discontinued operations, net of taxes                             | (62,501)           | (177,050)    | (23,929)          | 1,094,376    |
| Net (loss) income  | (1,826,271)        | 1,026,968    | 5,500,617         | 3,131,299    |
| Less: net income attributable to noncontrolling interest                             | 189,698            | 279,542      | 217,039           | 92,478       |
| Net (loss) income attributable to The ONE Group Hospitality, Inc.                    | \$(2,015,969)      | \$747,426    | \$5,283,578       | \$3,038,821  |
| <b>Amounts attributable to The ONE Group Hospitality, Inc.:</b>                      |                    |              |                   |              |
| (Loss) income from continuing operations   | \$(2,078,470)      | \$570,376    | \$5,259,649       | \$4,133,197  |
| Loss (income) from discontinued operations, net of taxes                             | (62,501)           | (177,050)    | (23,929)          | 1,094,376    |
| Net (loss) income attributable to The ONE Group Hospitality, Inc.                    | \$(2,015,969)      | \$747,426    | \$5,283,578       | \$3,038,821  |
| Net (loss) income attributable to The ONE Group Hospitality, Inc.                    | \$(2,015,969)      | \$747,426    | \$5,283,578       | \$3,038,821  |



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|                                 |                |           |             |             |
|---------------------------------|----------------|-----------|-------------|-------------|
| Other comprehensive loss        |                |           |             |             |
| Currency translation adjustment | (30,900 )      | (78,177 ) | (261,743 )  | (33,955 )   |
| Comprehensive (loss) income     | \$(2,046,869 ) | \$669,249 | \$5,021,835 | \$3,004,866 |

Such management and incentive fee revenue is based on a percentage of aggregate food and beverage sales at (1) managed units which totaled \$67,171,921 and \$67,516,956 for the nine months ended September 30, 2015 and 2014,

respectively, and \$23,013,359 and \$22,744,026 for the three months ended September 30, 2015 and 2014, respectively.

The following table sets forth certain statements of income data as a percentage of revenues for the periods indicated:

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|  | Three Months Ended |          | Nine Months Ended |          |    |
|--|--------------------|----------|-------------------|----------|----|
|  | September 30,      |          | September 30,     |          |    |
|  | 2015               | 2014     | 2015              | 2014     |    |
| Revenues:  |                    |          |                   |          |    |
| Owned unit net revenues  | 87.3               | % 84.3   | % 85.4            | % 82.2   | %  |
| Management and incentive fee revenue   | 12.7               | % 15.7   | % 14.6            | % 17.8   | %  |
| Total revenue  | 100.0              | % 100.0  | % 100.0           | % 100.0  | %  |
| Cost and expenses:   |                    |          |                   |          |    |
| Owned operating expenses:  |                    |          |                   |          |    |
| Food and beverage costs (1)  | 25.1               | % 26.9   | % 25.4            | % 26.1   | %  |
| Unit operating expenses (1)  | 66.2               | % 59.8   | % 66.7            | % 61.5   | %  |
| General and administrative   | 17.1               | % 15.5   | % 18.2            | % 17.2   | %  |
| Depreciation and amortization  | 4.1                | % 2.6    | % 3.9             | % 2.9    | %  |
| Management and royalty fees  | —                  | % (0.3)  | )% 0.1            | % 0.2    | %  |
| Pre-opening expenses   | 10.7               | % 2.5    | % 10.5            | % 3.3    | %  |
| Transaction costs  | 2.7                | % —      | % 1.2             | % 0      | %  |
| Equity in income of investee companies   | (1.3)              | )% (2.2) | )% (1.7)          | )% (1.7) | )% |
| Derivative (income) expense  | (7.5)              | )% 8.0   | % (9.3)           | )% (5.1) | )% |
| Interest expense, net of interest income   | —                  | % (0.1)  | )% —              | % 0.1    | %  |
| Other (income) expense   | 0.8                | % (9.9)  | )% (1.1)          | )% (3.3) | )% |
| Total cost and expenses  | 106.3              | % 89.4   | % 100.3           | % 85.6   | %  |
| (Loss) income from continuing operations before provision (benefit) for income taxes | (6.3)              | )% 10.6  | % (0.3)           | )% 14.4  | %  |
| Provision (benefit) for income taxes   | 6.0                | % 3.7    | % (13.4)          | )% 1.5   | %  |
| (Loss) income from continuing operations   | (12.4)             | )% 6.9   | % 13.1            | % 12.1   | %  |
| Loss (income) from discontinued operations, net of taxes                             | (0.4)              | )% (1.4) | )% (0.1)          | )% 3.1   | %  |
| Net (loss) income  | (12.0)             | )% 25.7  | % 13.1            | % 9.4    | %  |
| Less: net income attributable to noncontrolling interest                             | 1.2                | % 2.3    | % 0.5             | % 0.3    | %  |
| Net (loss) income attributable to The ONE Group Hospitality, Inc.                    | (13.2)             | )% 6.0   | % 12.6            | % 8.7    | %  |
| Amounts attributable to The ONE Group Hospitality, Inc.:                             |                    |          |                   |          |    |
| (Loss) income from continuing operations   | (13.6)             | )% 4.6   | % 12.5            | % 11.8   | %  |
| Loss (income) from discontinued operations, net of taxes                             | (0.4)              | )% (2.8) | )% (0.1)          | )% (5.6) | )% |
| Net (loss) income attributable to The ONE Group Hospitality, Inc.                    | (13.2)             | )% 6.0   | % 12.6            | % 8.7    | %  |
| Net (loss) income attributable to The ONE Group Hospitality, Inc.                    | (13.2)             | )% 6.0   | % 12.6            | % 8.7    | %  |

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|                                 |       |    |      |    |      |    |      |    |
|---------------------------------|-------|----|------|----|------|----|------|----|
| Other comprehensive loss        |       |    |      |    |      |    |      |    |
| Currency translation adjustment | (0.2  | )% | (0.6 | )% | (0.6 | )% | (0.1 | )% |
| Comprehensive (loss) income     | (13.4 | )% | 5.4  | %  | 12.0 | %  | 8.6  | %  |

(1) These expenses are being shown as a percentage of owned unit net revenues.

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The following tables show our operating results by segment for the three and nine months ended September 30, 2015 and 2014.

|  | Three Months Ended September 30, 2015 |             |            |              | Three Months Ended September 30, 2014 |             |             |              |
|--|---------------------------------------|-------------|------------|--------------|---------------------------------------|-------------|-------------|--------------|
|  | STKS                                  | F&B         | OTHER      | TOTAL        | STKS                                  | F&B         | OTHER       | TOTAL        |
| Revenues:  |                                       |             |            |              |                                       |             |             |              |
| Owned unit net revenues                                  | \$13,304,698                          |             | \$9,809    | \$13,314,507 | \$10,375,136                          |             | \$69,685    | \$10,444,821 |
| Management and incentive fee revenue                     |                                       | \$1,939,376 |            | 1,939,376    |                                       | \$1,945,363 |             | 1,945,363    |
| Total revenue  | 13,304,698                            | 1,939,376   | 9,809      | 15,253,883   | 10,375,136                            | 1,945,363   | 69,685      | 12,390,184   |
| Cost and expenses:                                       |                                       |             |            |              |                                       |             |             |              |
| Owned operating expenses:                                |                                       |             |            |              |                                       |             |             |              |
| Food and beverage costs                                  | 3,343,549                             |             | 3,292      | 3,346,841    | 2,782,788                             |             | 29,017      | 2,811,805    |
| Unit operating expenses                                  | 8,760,362                             |             | 47,270     | 8,807,632    | 6,028,073                             |             | 217,545     | 6,245,618    |
| Total cost and expenses                                  | 12,103,911                            | —           | 50,562     | 12,154,473   | 8,810,861                             | —           | 246,562     | 9,057,423    |
| Income (loss) from restaurant and hospitality operations |                                       |             |            |              |                                       |             |             |              |
|  | \$1,200,787                           | \$1,939,376 | \$(40,753) | 3,099,410    | \$1,564,275                           | \$1,945,363 | \$(176,877) | 3,332,761    |
| General and administrative                               |                                       |             |            | 2,610,599    |                                       |             |             | 1,922,482    |
| Transaction costs  |                                       |             |            | 405,797      |                                       |             |             | —            |
| Depreciation and amortization                            |                                       |             |            | 630,249      |                                       |             |             | 327,810      |
| Management and royalty fees                              |                                       |             |            | 310          |                                       |             |             | (35,214)     |
| Pre-opening expenses                                     |                                       |             |            | 1,634,171    |                                       |             |             | 315,905      |
| Equity in income (loss) of subsidiaries                  |                                       |             |            | (205,273)    |                                       |             |             | (268,660)    |
|  |                                       |             |            | (1,139,000)  |                                       |             |             | 991,588      |

|  |              |              |
|--|--------------|--------------|
| Derivative<br>expense  |              |              |
| Interest<br>expense, net of<br>interest<br>income                                  | 1,210        | (6,268 )     |
| Other<br>(income)<br>expense   | 127,693      | (1,227,698 ) |
| Total cost and<br>expenses   | 4,065,756    | 2,019,945    |
| Income from<br>continuing<br>operations<br>before<br>provision for<br>income taxes | \$(966,346 ) | \$1,312,816  |

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|   | Nine months ended September 30, 2015 |             |           |              | Nine months ended September 30, 2014 |             |           |              |
|---|--------------------------------------|-------------|-----------|--------------|--------------------------------------|-------------|-----------|--------------|
|   | STKS                                 | F&B         | OTHER     | TOTAL        | STKS                                 | F&B         | OTHER     | TOTAL        |
| Revenues:   |                                      |             |           |              |                                      |             |           |              |
| Owned unit net revenues                           | \$35,425,710                         |             | \$393,023 | \$35,818,733 | \$27,807,365                         |             | \$915,556 | \$28,722,921 |
| Management and incentive fee revenue              |                                      | \$6,112,629 |           | 6,112,629    |                                      | \$6,207,523 |           | \$6,207,523  |
| Total revenue                                     | 35,425,710                           | 6,112,629   | 393,023   | 41,931,362   | 27,807,365                           | 6,207,523   | 915,556   | 34,930,444   |
| Cost and expenses:                                |                                      |             |           |              |                                      |             |           |              |
| Owned operating expenses:                         |                                      |             |           |              |                                      |             |           |              |
| Food and beverage costs                           | 8,985,908                            |             | 96,323    | 9,082,231    | 7,269,154                            |             | 213,228   | 7,482,382    |
| Unit operating expenses                           | 23,636,531                           |             | 261,952   | 23,898,483   | 17,049,704                           |             | 611,840   | 17,661,544   |
| Total cost and expenses                           | 32,622,439                           | —           | 358,275   | 32,980,714   | 24,318,858                           | —           | 825,068   | 25,143,926   |
| Income from restaurant and hospitality operations | \$2,803,271                          | \$6,112,629 | \$34,748  | 8,950,648    | \$3,488,507                          | \$6,207,523 | \$90,488  | 9,786,518    |
| General and administrative                        |                                      |             |           | 7,647,589    |                                      |             |           | 6,024,364    |
| Transaction costs                                 |                                      |             |           | 506,131      |                                      |             |           | —            |
| Depreciation and amortization                     |                                      |             |           | 1,620,009    |                                      |             |           | 1,000,464    |
| Management and royalty fees                       |                                      |             |           | 46,959       |                                      |             |           | 60,324       |
| Pre-opening expenses                              |                                      |             |           | 4,399,192    |                                      |             |           | 1,149,078    |
| Equity in income (loss) of subsidiaries           |                                      |             |           | (728,504 )   |                                      |             |           | (588,996 )   |
| Derivative income                                 |                                      |             |           | (3,917,000 ) |                                      |             |           | (1,793,124 ) |
| Interest expense, net of interest income          |                                      |             |           | (3,980 )     |                                      |             |           | 52,220       |
|   |                                      |             |           | (476,931 )   |                                      |             |           | (1,157,067 ) |

|   |              |             |
|---|--------------|-------------|
| Other (income) expense  |              |             |
| Total cost and expenses   | 9,093,465    | 4,747,263   |
| Income from continuing operations before provision for income taxes | \$(142,817 ) | \$5,039,255 |

Three Months Ended September 30, 2015 Compared to the Three Months Ended September 30, 2014

#### Revenues

Owned unit net revenues. Owned unit net revenues for STKs increased \$2.9 million, or 28.2%, from \$10.4 million for the three months ended September 30, 2014 to \$13.3 million for the three months ended September 30, 2015. This increase was primarily due to the reopening of our STK in Miami and the food and beverage services at the W Hotel Westwood in Los Angeles, California, and to a lesser extent an increase in same store sales. Comparable owned STK unit sales increased \$28,000, or 0.3% from \$8.2 million for the three months ended September 30, 2014 to \$8.2 million for the three months ended September 30, 2015.

Owned unit net revenues in our Other segment decreased \$60,000, or 85.9%, from \$70,000 for the three months ended September 30, 2014 to \$10,000 for the three months ended September 30, 2015.

Management and incentive fee revenue. Management and incentive fee revenues decreased \$6,000, or 0.3%, from \$1.9 million during the three months ended September 30, 2014 to \$1.9 million for the three months ended September 30, 2015. The decrease was primarily due to a decline in revenues from our UK operations which included a decline in currency exchange rates compared to the same period in 2014 as well as a decline in our management and incentive fee revenue for our STK in Las Vegas. This was partially offset by an increase in our management fee revenue at TOG Milan which was not in operation in 2014. For the three months ended September 30, 2015 and September 30, 2014, there was no accrual for incentive fee income from our UK operations.



Revenue generated from these restaurants, lounges, and food and beverage services at hospitality venues impacts both our owned unit net revenues and the amount of management and incentive fees earned. For the three months ended September 30, 2015, comparable unit sales of owned or managed STK decreased 0.2% as compared to the three months ended September 30, 2014.

#### Costs and Expenses

**Food and beverage costs.** Food and beverage costs for STKs increased \$561,000, or 20.1%, from \$2.8 million or 26.8% of owned unit net revenues for the three months ended September 30, 2014 to \$3.3 million or 25.1% of owned unit net revenues for the three months ended September 30, 2015. The increase in food and beverage costs related primarily to the STK in Miami and the food and beverage services in Westwood. Food revenues as a percentage of total food and beverage revenues for locations open for the entire period were approximately 58% for the three months ended September 30, 2015 and 2014, respectively. Food cost as a percentage of food revenues are typically higher than beverage cost as a percentage of beverage revenues.

Food and beverage costs in our Other segment decreased \$26,000, or 88.6%, from \$29,000 or 41.6% of other owned unit net revenues for the three months ended September 30, 2014 to \$3,000 or 33.7% of owned unit net revenues for the three months ended September 30, 2015.

**Unit operating expenses.** Unit operating expenses for STKs increased \$2.7 million, or 49.1%, from \$6.0 million or 58.1% of owned unit net revenues for the three months ended September 30, 2014 to \$8.8 million or 65.8% of owned unit net revenues for the three months ended September 30, 2015. The increase in operating expenses was primarily due to the reopening of our STK in Miami and the opening of the food and beverage service at the W Hotel Westwood in Los Angeles, California. Unit operating costs in our Other segment decreased \$170,000, or 78.3%, from \$218,000 at September 30, 2014 to \$47,000 at September 30, 2015.

**General and administrative.** General and administrative costs increased \$688,000 to \$2.6 million, or 35.8%, during the three months ended September 30, 2015 from \$1.9 million for the three months ended September 30, 2014. General and administrative costs as a percentage of total revenues increased from 15.5% for the three months ended September 30, 2014 to 17.1% for the three months ended September 30, 2015. This increase was due to additional payroll related to the expansion of our corporate infrastructure to help facilitate our long-term growth in the United States and internationally as well as an increase in professional fees.

**Depreciation and amortization.** Depreciation and amortization expense increased \$302,000, or 92.3%, from \$328,000 in the three months ended September 30, 2014 to \$630,000 for the three months ended September 30, 2015. The increase is primarily due to the reopening of the STK in Miami.

**Management and royalty fees.** Management and royalty fees decreased to \$310 for the three months ended September 30, 2015 from \$35,000 in fees for the three months ended September 30, 2014.

**Pre-opening expenses.** Restaurant pre-opening costs increased \$1.4 million, or 443.0%, from \$316,000 or 2.5% of total revenues for the three months ended September 30, 2014 to \$1.6 million or 10.7% of total revenues for the three months ended September 30, 2015. The increase is related to pre-opening costs associated with the opening of the STK in Chicago on September 30, 2015 as well as the STKs scheduled to open in Orlando, Denver, San Diego, Dallas and Austin which are scheduled to open in 2016. Included in preopening expenses are deferred rent expense of approximately \$600,000.

**Equity in income of investee companies.** Equity in loss of investee companies decreased by \$63,000 from \$269,000 for the three months ended September 30, 2014 to \$205,000 for the three months ended September 30, 2015, the

decrease is primarily related to an decrease in income from the ownership interest in the Bagatelle unit in New York City.

Derivative income (expense). Derivative income was \$1.1 million for the three months ended September 30, 2015, compared to an expense of \$1.0 million for the three months ended September 30, 2014. Derivative expense represents the increase in the total fair value of the derivative liability that is related to the potential exercise of the publicly traded warrants.

Interest income, net of interest expense. Interest expense, net of interest income was \$1,000 for the three months ended September 30, 2015, compared to interest income, net interest expense of \$6,000 for the three months ended September 30, 2014.

Other (income) expense. Other (income) expense decreased by \$1.4 million from \$1.2 million of other income, or 9.9% of total revenues for the three months ended September 30, 2014, to \$128,000 of other expense, or 0.8% of total revenues, for the three months ended September 30, 2015. The difference is due to a \$1.2 million payment received in connection with the termination of our management agreement at the Perry Hotel in Miami.

Provision (benefit) for income taxes. Income tax expense increased by \$459,000 to a \$922,000 tax expense during the three months ended September 30, 2015 from \$463,000 during the three months ended September 30, 2014. The tax expense decreased due to the net reversal of the deferred tax asset valuation allowance of \$6.2 million. The difference is primarily due to the release of the valuation allowance of \$7.7 million.

Income (loss) from discontinued operations. During the three months ended September 30, 2014, we closed and abandoned one company-owned venue in New York. The operations and related expenses of this location are presented as loss from discontinued operations. No operations were closed during the three months ended September 30, 2015. Loss from discontinued operations decreased by \$207,000 from a gain of \$177,000 during the three months ended September 30, 2014 to a loss of \$29,000 during the three months ended September 30, 2015.

Net income attributable to noncontrolling interest. Net income attributable to noncontrolling interest decreased \$90,000 to \$190,000 for the three months ended September 30, 2015 from \$280,000 during the three months ended September 30, 2014.

#### Nine Months Ended September 30, 2015 Compared to the Nine Months Ended September 30, 2014

##### Revenues

Owned unit net revenues. Owned unit net revenues for STKs increased \$7.6 million, or 27.4%, from \$27.8 million for the nine months ended September 30, 2014 to \$35.4 million for the nine months ended September 30, 2015. This increase was primarily due to the reopening of our STK in Miami, the opening of our STK in Washington, D.C. and the food and beverage services at the W Hotel Westwood in Los Angeles, California. Comparable owned STK unit sales decreased \$45,000, or 0.2% from \$22.7 million for the nine months ended September 30, 2014 to \$22.7 million for the nine months ended September 30, 2015. The decrease related to the STKs in New York City and was attributed to the harsh weather conditions that existed throughout most of the first quarter of 2015.

Owned unit net revenues in our Other segment decreased \$523,000, or 57.1%, from \$916,000 for the nine months ended September 30, 2014 to \$393,000 for the nine months ended September 30, 2015. This decrease is primarily due to a decrease in sales at Cucina Asellina in Atlanta and a decrease in revenue from off-site Super Bowl related catering events.

Management and incentive fee revenue. Management and incentive fee revenues decreased \$95,000, or 1.5%, from \$6.2 million during the nine months ended September 30, 2014 to \$6.1 million for the nine months ended September 30, 2015. The decrease was primarily due to a decline in revenues from our UK operations which included a decline in exchange rates compared to the same period in 2014. This was partially offset by an increase in our management and incentive fee revenue for our STK in Las Vegas and TOG Milan which was not in operation in 2014. For the nine months ended September 30, 2015 and September 30, 2014, there was no accrual for incentive fee income from our UK operations.

Revenue generated from these restaurants, lounges, and food and beverage services at hospitality venues impacts both our owned unit net revenues and the amount of management and incentive fees earned. For the nine months ended September 30, 2015, comparable unit sales of owned or managed STKs increased 0.6% as compared to the nine

months ended September 30, 2014. This excludes our STK in London which was closed for several days in April due to a power failure in the section of London in which it is located.

#### Costs and Expenses

Food and beverage costs. Food and beverage costs for STKs increased \$1.7 million, or 23.6%, from \$7.3 million or 26.1% of owned unit net revenues for the nine months ended September 30, 2014 to \$9.0 million or 25.4% of owned unit net revenues for the nine months ended September 30, 2015. The increase in food and beverage costs related primarily to the STK in Washington, D.C., which was not open the entire period in 2014, and the STK in Miami, as well as the food and beverage services at the W Hotel Westwood in Los Angeles, California, and were partially offset by management's improvements in increasing profit margins through improved operating efficiencies. Food revenues as a percentage of total food and beverage revenues for locations open for the entire period were approximately 58% and 57% for the nine months ended September 30,

2015 and 2014, respectively. Food cost as a percentage of food revenues are typically higher than beverage cost as a percentage of beverage revenues.

Food and beverage costs in our Other segment decreased \$117,000, or 54.8%, from \$213,000 or 23.3% of other owned unit net revenues for the nine months ended September 30, 2014 to \$96,000 or 24.5% of owned unit net revenues for the nine months ended September 30, 2015.

Unit operating expenses. Unit operating expenses for STKs increased \$6.8 million, or 40.0%, from \$17.0 million or 61.3% of owned unit net revenues for the nine months ended September 30, 2014 to \$23.6 million or 66.7% of owned unit net revenues for the nine months ended September 30, 2015. The increase in operating expenses was primarily due to the reopening of our STK in Miami, the STK in Washington, D.C., which was not opened the entire period in 2014 and the food and beverage services at the W Hotel Westwood in Los Angeles, California. Unit operating costs in our Other segment decreased \$350,000, or 57.2%, from \$612,000 at September 30, 2014 to \$262,000 at September 30, 2015.

General and administrative. General and administrative costs increased \$1.6 million to \$7.6 million, or 26.9%, during the nine months ended September 30, 2015 from \$6.0 million for the nine months ended September 30, 2014. General and administrative costs as a percentage of total revenues increased from 17.2% for the nine months ended September 30, 2014 to 18.2% for the nine months ended September 30, 2015. This increase was due to additional payroll related to the expansion of our corporate infrastructure to help facilitate our long-term growth in the United States and internationally as well as an increase in stock based compensation expense.

Depreciation and amortization. Depreciation and amortization expense increased \$620,000, or 61.9%, from \$1.0 million in the nine months ended September 30, 2014 to \$1.6 million for the nine months ended September 30, 2015. The increase is primarily due to the opening of the STK in Washington D.C. and the reopening of the STK in Miami.

Management and royalty fees. Management and royalty fees decreased to \$47,000 for the nine months ended September 30, 2014 from \$60,000 in fees for the nine months ended September 30, 2015.

Pre-opening expenses. Restaurant pre-opening costs increased \$3.4 million, or 297.8%, from \$1.1 million or 3.3% of total revenues for the nine months ended September 30, 2014 to \$4.4 million or 10.5% of total revenues for the nine months ended September 30, 2015. The increase is related to pre-opening costs associated with the reopening of STK Miami in March 2015, the food and beverage services at the W Hotel Westwood in Los Angeles, the STK which opened in Chicago on September 30, 2015 as well as the STKs scheduled to open in Orlando, Denver, San Diego, Dallas and Austin which are scheduled to open in 2016. Included in preopening expenses are deferred rent expense of approximately \$1.8 million. Preopening expenses were partially offset by reimbursable expenses under our business interruption policy of \$550,000 related to water damage at STK Miami recorded during the nine months ended September 30, 2015.

Equity in income of investee companies. Equity in income of investee companies increased by \$140,000 from \$589,000 for the nine months ended September 30, 2014, to \$729,000 for the nine months ended September 30, 2015 primarily related to an increase in income from the ownership interest in the Bagatelle unit in New York City.

Derivative income (expense). Derivative income was \$3.9 million for the nine months ended September 30, 2015, compared to income of \$1.8 million for the nine months ended September 30, 2014. Derivative income represents the decrease in the total fair value of the derivative liability that is related to the potential exercise of the publicly traded warrants.

Interest income, net of interest expense. Interest income, net of interest expense was \$4,000 for the nine months ended September 30, 2015, compared to interest expense, net of interest income of \$52,000 for the nine months ended September 30, 2014.

Other income. Other income decreased by \$680,000 from \$1.2 million, or 3.3% of total revenues for the nine months ended September 30, 2014 to \$477,000 of other income, or 1.1% of total revenues, for the nine months ended September 30, 2015. During the nine months ended September 30, 2015, we recorded business interruption income of \$550,000 related to water damage at STK Miami incurred in December 2014. The difference is due to a \$1.2 million payment received in connection with the termination of our management agreement at the Perry Hotel in Miami.

Provision (benefit) for income taxes. Income tax expense decreased by \$6.4 million to a \$5.6 million tax benefit during the nine months ended September 30, 2015 from a \$814,000 tax expense during the nine months ended September 30, 2014. The tax expense decreased due to the net reversal of the deferred tax asset valuation allowance of \$6.2 million.

Loss from discontinued operations. During the nine months ended September 30, 2014, we closed and abandoned one company-owned venue in New York. The operations and related expenses of this location are presented as loss from discontinued operations. No operations were closed during the nine months ended September 30, 2015. Loss from discontinued operations decreased by \$1.0 million from a loss of \$1.1 million during the nine months ended September 30, 2014 to a loss of \$24,000 during the nine months ended September 30, 2015.

Net income attributable to noncontrolling interest. Net income attributable to noncontrolling interest increased \$125,000, or 117.1%, to a loss of \$217,000 for the nine months ended September 30, 2015 from \$92,000 of income during the nine months ended September 30, 2014.

#### Potential Fluctuations in Quarterly Results and Seasonality

Our quarterly operating results may fluctuate significantly as a result of a variety of factors, including the timing of new restaurant openings and related expenses, profitability of new restaurants compared with more mature units, increases or decreases in comparable restaurant sales, general economic conditions, changes in consumer preferences, competitive factors and changes in food costs (especially beef). In the past, we have experienced significant variability in restaurant pre-opening costs from quarter to quarter primarily due to the timing of restaurant openings. We typically incur restaurant pre-opening costs in the five months preceding a new restaurant opening. In addition, our experience to date has been that labor and direct operating and occupancy costs associated with a newly opened restaurant during the first five to nine months of operation are often materially greater than what will be expected after that time, both in aggregate dollars and as a percentage of restaurant sales. Accordingly, the number and timing of new restaurant openings in any quarter has had, and is expected to continue to have, a significant impact on quarterly restaurant pre-opening costs, labor and direct operating and occupancy costs. Our business also is subject to fluctuations due to season and adverse weather. Our results of operations have historically been impacted by seasonality. Our second and fourth quarters have traditionally had higher sales volume than other periods of the year. Severe weather may impact restaurant unit volumes in some of the markets where we operate and may have a greater impact should they occur during our higher volume months, especially the second and fourth quarters. As a result of these and other factors, our financial results for any given quarter may not be indicative of the results that may be achieved for a full fiscal year.

#### Liquidity and Capital Resources

Our principal liquidity requirements are to meet our lease obligations, our working capital and capital expenditure needs and to pay principal and interest on our outstanding indebtedness. Subject to our operating performance, which, if significantly adversely affected, would adversely affect the availability of funds, we expect to finance our operations for at least the next 12 to 18 months, including costs of opening currently planned new restaurants, through cash provided by operations, construction allowances provided by landlords of certain locations and borrowings under our term loan agreement and equipment financing. We cannot be sure that these sources will be sufficient to finance our operations beyond that period, however, and we may seek additional financing in the future, which may or may not be available on terms and conditions satisfactory to us, or at all. As of September 30, 2015, we had cash and cash equivalents of approximately \$1.8 million.

#### Cash Flows

The following table summarizes the statement of cash flows for the nine months ended September 30, 2015 and September 30, 2014:





|  | Nine Months Ended September<br>30, |            |
|--|------------------------------------|------------|
|  | 2015                               | 2014       |
|  | (in thousands)                     |            |
| Net cash (used in) provided by:                      |                                    |            |
| Operating activities                                 | \$(680                             | ) (559     |
| Investing activities                                 | (8,697                             | ) (4,195   |
| Financing activities                                 | 3,532                              | 1,477      |
| Effect of exchange rate changes on cash              | (264                               | ) (34      |
| Net (decrease) increase in cash and cash equivalents | \$(6,109                           | ) \$(3,311 |

### Operating Activities

For the nine months ended September 30, 2015, cash flows used in operating activities were \$680,000, consisting of net income of \$5.5 million, which included a loss from discontinued operations of \$24,000 and adjustments for depreciation, amortization, deferred rent and other non-cash charges totaling \$8.3 million, including a net reversal of the deferred tax valuation allowance of \$6.2 million, a non-cash derivative income of \$3.9 million, and a non-cash stock-based compensation of \$667,000. Net cash outflow of operating assets and liabilities totaled \$2.1 million and included decreases in accounts receivable of \$123,000, accounts payable and accrued expenses of \$2.6 million and inventory of \$72,000 and an increase in prepaid expenses of \$679,000.

For the nine months ended September 30, 2014, cash flows used in operating activities were \$559,000, consisting of net income of 3.1 million, which included a loss from discontinued operations of \$1.1 million and adjustments for depreciation, amortization, deferred rent and other non-cash charges totaling \$1.0 million, including a non-cash derivative income of \$1.8 million and non-cash stock-based compensation of \$327,000. Net cash outflow of operating assets and liabilities totaled \$3.3 million and included increases in accounts receivable of \$805,000, a decrease in prepaid expenses of \$263,000, increases in other assets of \$43,000 and a decrease of \$2.9 million in accounts payable and accrued expenses.

### Investing Activities

Net cash used in investing activities for the nine months ended September 30, 2015 was \$8.7 million, consisting primarily of purchases of property and equipment of \$9.0 million, primarily related to the construction of new restaurants and general capital expenditures of existing restaurants during the period and a decrease in amounts due from related parties of \$232,000 and an increase in distributions from equity investees in subsidiaries of \$539,000.

Net cash used in investing activities for the nine months ended September 30, 2014 was \$4.2 million, consisting primarily of purchases of property and equipment of \$4.6 million, primarily related to the construction of new restaurants and general capital expenditures of existing restaurants during the period and an increase in amounts due from related parties of \$60,000 and an increase in distributions from equity investees of \$503,000.

### Financing Activities

Net cash provided financing activities for the nine months ended September 30, 2015 was \$3.5 million, consisting of proceeds from our term loan and equipment loan of \$4.7 million and principal payments made on our term loan of \$1.2 million. This was partially offset by distributions to members of \$524,000.

Net cash provided by financing activities for the nine months ended September 30, 2014 was \$1.5 million, consisting of proceeds from our credit facility of \$6.9 million, offset by principal payments made on our credit facility of \$5.1 million and a repayment of notes payable of \$15,000. This was partially offset by distributions to non-controlling interest members of \$761,000.

#### Capital Expenditures and Lease Arrangements

To the extent we open new restaurants, we anticipate capital expenditures in the future will increase from the amounts described in “Investing Activities” above. We typically target an average cash investment of approximately \$3.8 million on

average for a 10,000 square-foot STK restaurant, in each case net of landlord contributions and equipment financing and excluding pre-opening costs. In addition, some of our existing units will require some capital improvements in the future to either maintain or improve the facilities. We are also looking at opportunities to add seating or provide enclosures for outdoor space in the next 12 months for some of our units. In addition, our hospitality F&B services projects typically require limited capital investment from us. These capital expenditures will primarily be funded by cash flows from operations and equipment financing, depending upon the timing of expenditures. We typically seek to lease our restaurant locations for primary periods of 10 to 20 years under operating lease arrangements. Our rent structures vary from lease to lease, but generally provide for the payment of both minimum and contingent (percentage) rent based on sales, as well as other expenses related to the leases (for example, our pro-rata share of common area maintenance, property tax and insurance expenses). Many of our lease arrangements include the opportunity to secure tenant improvement allowances to partially offset the cost of developing and opening the related restaurants. Generally, landlords recover the cost of such allowances from increased minimum rents. However, there can be no assurance that such allowances will be available to us on each project that we select for development.

#### Term Loan Agreement

On December 17, 2014, ONE Group and its affiliates (the "Borrowers") entered into a term loan agreement with BankUnited, N.A. (the "Term Loan Agreement") to terminate its existing revolving credit facility (the "2011 Credit Facility") and refinance the aggregate outstanding principal amount of the existing loans, which had a maturity date of October 31, 2015. In connection therewith, subject to certain terms and conditions, BankUnited, N.A. agreed to make a single term loan (the "Term Loan") to the Borrowers in the principal amount of approximately \$7.5 million, with a maturity date of December 1, 2019, a portion of which was used to pay the outstanding indebtedness under the 2011 Credit Facility. Our obligations under the Term Loan Agreement are secured by substantially all of our assets.

As of September 30, 2015, the issued letters of credit in the total amount of approximately \$1.5 million for our STK locations in Orlando, Florida, Chicago, Illinois and Westwood, California remain outstanding. We can also borrow up to \$1.0 million for equipment financing.

The Term Loan is being repaid in sixty (60) consecutive equal monthly installments which commenced on January 1, 2015, with each such installment to be in the principal amount of approximately \$125,000. The Term Loan bears interest at a rate per annum equal to 5.00%.

The Term Loan Agreement contains default provisions customary for loans of this type, including, among others, defaults related to payment failures, failure to comply with covenants, material misrepresentations, defaults under other material indebtedness, the occurrence of a "change in control," bankruptcy and related events, material judgments, a "material adverse change," the invalidity or revocation of any loan document or any lien on the collateral shall no longer be valid or perfected or have the same priority. If an event of default shall occur and be continuing under the Term Loan, the Term Loan may be terminated and the principal amount outstanding under the Term Loan, together with all accrued unpaid interest, may be declared immediately due and payable.

As of September 30, 2015, amounts borrowed under the Term Loan were approximately \$6.4 million.

On June 2, 2015, the Company and its affiliates (the "Borrowers") entered into a second term loan agreement (the "Second Term Loan Agreement") with BankUnited, N.A. wherein BankUnited, N.A. agreed to make multiple advances to the Borrowers in the aggregate principal amount of up to \$6,000,000. Commencing on April 1, 2016 the Company will pay fifty-four (54) consecutive equal monthly installments of \$111,111.11 or such lesser amount as shall be equal to the quotient of (x) the outstanding principal amount of all advances on March 31, 2016, divided by (y) fifty-four (54); provided, however, that the final principal installment shall be in an amount equal to the aggregate principal amount of all advances outstanding on September 1, 2020, or such earlier date on which all outstanding

advances shall become due and payable, whether by acceleration or otherwise. This second term loan bears interest at a rate per annum equal to 5.0%. Our obligations under the Second Term Loan Agreement are secured by substantially all of our assets. The outstanding balance under the Term Loan Agreement at September 30, 2015 was \$4.2 million. The Term Loan Agreement with BankUnited, N.A. remains outstanding.

The Term Loan Agreement and Second Term Loan Agreement contain certain affirmative and negative covenants, including negative covenants that limit or restrict, among other things, liens and encumbrances, indebtedness, mergers, asset sales, investments, assumptions and guaranties of indebtedness of other persons, change in nature of operations, changes in fiscal year and other matters customarily restricted in such agreements. The financial covenants contained in these agreements require the borrowers to maintain a certain adjusted tangible net worth and a debt service coverage ratio.

The Company was in compliance with all of its financial covenants under the Term Loan Agreement and the Second Term Loan Agreement as of September 30, 2015 and the Company believes based on current projections that the Company will continue to comply with such covenants in 2015 and 2016.

On June 5, 2015 the Company entered into a \$1,000,000 Equipment Finance Agreement (the "Agreement") with Sterling National Bank. The Agreement covers certain equipment in our STKs that are under construction in Orlando and Chicago. The Agreement calls for sixty (60) monthly payments of \$16,667 plus interest commencing July 1, 2015.

At September 30, 2015 amounts borrowed under the Agreement were approximately \$452,000.

We believe that net cash provided by anticipated operating activities, net proceeds received by us in connection with the Merger and existing available borrowings under our Term Loan Agreement and Second Term Loan will be sufficient to fund currently anticipated working capital, planned capital expenditures and debt service requirements for the next 12 to 18 months.

#### Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements as defined in Item 303(a)(4)(ii) of Regulation S-K.

#### Recent Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers" (Topic 606). ASU 2014-09 addresses the reporting of revenue by most entities and will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. This update is effective in fiscal periods beginning after December 15, 2017. Early application is permitted only as of annual reporting periods beginning after December 15, 2016. The impact on our financial statements of adopting ASU 2014-09 is currently being assessed by management.

In August 2014, the FASB issued ASU No. 2014-15 "Disclosure of Uncertainties About an Entity's Ability to Continue as a Going Concern", which provides guidance on determining when and how to disclose going concern uncertainties in the financial statements. The new standard requires management to perform interim and annual assessments of an entity's ability to continue as a going concern. The update is effective for annual periods ending after December 15, 2016, and interim periods thereafter. Early adoption is permitted. The impact on our financial statements of adopting ASU 2014-15 is currently being assessed by management.

In February 2015, the FASB issued ASC 2015-02, "Consolidation (Topic 810) - Amendments to the Consolidation Analysis." This standard modifies existing consolidation guidance for reporting organizations that are required to evaluate whether they should consolidate certain legal entities. ASU 2015-02 is effective for fiscal years beginning after December 15, 2015, and requires either a retrospective or a modified retrospective approach to adoption. Early adoption is permitted. The Company does not expect this standard to have a significant impact on its consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, "Interest- Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs." The update simplifies the presentation of debt issuance costs by requiring that debt issuance costs be presented in the balance sheet as a direct deduction from the carrying amount of debt liability, consistent with debt discounts or premiums. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this update. For public companies, this update is effective for interim and annual periods beginning after December 15, 2015, and is to be applied retrospectively. Early adoption is permitted. This

standard is subsequently updated by ASU 2015-15, "Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements," which codifies an SEC staff announcement relative to debt issuance costs for line-of-credit arrangements. The Company does not expect these updates to have a significant impact on its consolidated financial statements and has not yet concluded whether it will adopt ASU 2015-03 and ASU 2015-15 prior to their effective dates.

In July 2015, the FASB issued ASU 2015-11, "Simplifying the Measurement of Inventory." The update states that inventory should be measured at the lower of cost and "net realizable value." Net realizable value is defined as the "estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation." ASU 2015-11 eliminates the guidance that entities consider replacement cost or net realizable value less an approximately normal profit margin in the subsequent measurement of inventory when cost is determined on a first-in, first-out or average cost basis.

The amendment is effective for interim and annual periods beginning after December 15, 2016. Early application is permitted and should be applied prospectively. The Company does not expect this standard to have a significant impact on its consolidated financial statements and has not yet concluded whether it will adopt ASU 2015-11 prior to the effective date.

#### Contractual Obligations

As a “smaller reporting company” as defined by Item 10 of Regulation S-K, the Company is not required to provide this information.

#### Item 3. Quantitative and Qualitative Disclosures About Market Risk.

As a “smaller reporting company” as defined by Item 10 of Regulation S-K, the Company is not required to provide this information.

#### Item 4. Controls and Procedures.

##### Evaluation of Disclosure Controls and Procedures

Our principal executive officer and principal financial officer, after evaluating the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this Form 10Q, have concluded that, based on such evaluation, our disclosure controls and procedures were effective as of September 30, 2015 to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms, and is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

##### Changes in Internal Controls

There were no changes in our internal control over financial reporting, identified in connection with the evaluation of such internal control that occurred, during the third quarter of 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings.

None.

Item 1A. Risk Factors.

None.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

None.

Item 5. Other Information.

None.

Item 6. Exhibits.

(a) Exhibits required by Item 601 of Regulation S-K.

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| Exhibit | Description   |
|---------|---|
| 2.1     | Asset Purchase Agreement, dated as of July 9, 2015, among the Company, Wasabi Holdings, LLC, SBEEG Holdings, LLC, SBE Restaurant Group, LLC, SBE/KATSUYA Middle East, LLC, and SBE Licensing, LLC (incorporated by reference to Exhibit 2.1 of the Registrant's Current Report on Form 8-K filed with the SEC on July 10, 2015).  |
| 2.2     | Agreement and Plan of Merger, dated as of July 9, 2015, among the Company, SBEEG Holdings, LLC, Wasabi Acquisition H&V, LLC and Katsuya H&V, LLC (incorporated by reference to Exhibit 2.2 of the Registrant's Current Report on Form 8-K filed with the SEC on July 10, 2015).   |
| 2.3     | Agreement and Plan of Merger, dated as of July 9, 2015, among the Company, SBEEG Holdings, LLC, Wasabi Acquisition USA, LLC and Katsu USA, LLC (incorporated by reference to Exhibit 2.3 of the Registrant's Current Report on Form 8-K filed with the SEC on July 10, 2015).   |
| 2.4     | Agreement and Plan of Merger, dated as of July 9, 2015, among the Company, SBEEG Holdings, LLC, Wasabi Acquisition Glendale, LLC and Katsuya-Glendale, LLC (incorporated by reference to Exhibit 2.4 of the Registrant's Current Report on Form 8-K filed with the SEC on July 10, 2015).   |
| 2.5     | Agreement and Plan of Merger, dated as of July 9, 2015, among the Company, SBEEG Holdings, LLC, Wasabi Acquisition Downtown, LLC and Katsuya Downtown L.A., LLC (incorporated by reference to Exhibit 2.5 of the Registrant's Current Report on Form 8-K filed with the SEC on July 10, 2015).  |
| 2.6     | First Amendment to Asset Purchase Agreement, dated as of August 28, 2015, among the Company, Wasabi Holdings, LLC, SBEEG Holdings, LLC, SBE Restaurant Group, LLC, SBE/KATSUYA Middle East, LLC, and SBE Licensing, LLC (incorporated by reference to Exhibit 2.1 of the Registrant's Current Report on Form 8-K filed with the SEC on September 1, 2015).  |
| 2.7     | Termination and Mutual Release Agreement, dated as of October 21, 2015, by and among The ONE Group Hospitality, Inc., Wasabi Holdings, LLC, SBEEG Holdings, LLC, SBE Restaurant Group, LLC, SBE/Katsuya Middle East, LLC, SBE Licensing, LLC, SBE/Katsuya USA, LLC, Katsu-Glendale, LLC, Wasabi Acquisition Glendale, LLC, Katsu USA, LLC, Wasabi Acquisition USA, LLC, Katsuya-H&V, LLC, Wasabi Acquisition H&V, LLC, Katsuya-Downtown L.A., LLC, Wasabi Acquisition Downtown, LLC, Katsuya Uechi, SBE Entertainment Group and SBE Hotel Group (incorporated by reference to Exhibit 2.1 of the Registrant's Current Report on Form 8-K filed with the SEC on October 21, 2015). |
| 31.1    | Certification of the Company's Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, with respect to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2015.  |
| 31.2    | Certification of the Company's Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, with respect to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2015.  |

32.1 Certification of the Company's Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification of the Company's Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

101.1 The following information from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2015 formatted in XBRL: (i) Balance Sheets as of September 30, 2015 (unaudited) and December 31, 2014; (ii) Statements of Operations for the Three Months Ended September 30, 2015 and 2014 (unaudited); (iii) Statement of Stockholders' Equity (Deficit) for Three Months Ended September 30, 2015 and 2014; (iv) Statements of Cash Flows for the Three Months Ended September 30, 2015 and 2014 (unaudited) and (v) Notes to Financial Statements (unaudited).

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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.

Dated: November 16, 2015

THE ONE GROUP HOSPITALITY, INC.

By: /s/ SAMUEL GOLDFINGER  
Samuel Goldfinger  
Chief Financial Officer