UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC. 20549

FORM 10 - QSB

(Mark One)
[X] QUARTERLY REPORT UNDER SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

or the quarterly period ended December 31, 2004

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from ____________to ___________

Commission File No: 0-2661

Harrell Hospitality Group, Inc. .
(Exact name of small business issuer as specified in its charter)

Delaware
(State of jurisdiction of incorporation)

13_1946181
(IRS Employer identification No.)

16475 North Dallas Parkway, Suite 410, Addison, Texas 75001
(Address of principal executive offices)

(972) 380-0273
(Issuer's telephone number)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the last 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS

Check whether the registrant filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act after the distribution of securities under a plan confirmed by a court. Yes [ ] No [ ]

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: As of April 27, 2005, the issuer had outstanding 12,564,907* of Class

A common stock, $.002 par value per share.

*	This number is net of the buy back of 500,000 shares from Norman Marks that was in transit at April 27, 2005.

Transitional Small Business Disclosure Format (Check One): Yes [ ] No [X]

HARRELL HOSPITALITY GROUP, INC. and SUBSIDIARIES

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Part I - FINANCIAL INFORMATION
Item 1. FINANCIAL STATEMENTS

HARRELL HOSPITALITY GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

ASSETS	December 31, 2004 (Unaudited)	September 30, 2004 (Audited)
Current Assets:		
Cash and cash equivalents	$ 5,733	$ 26,760
Accounts receivable, net of allowance for doubtful accounts of $40,728	10,626	16,592
Other assets	35,775	37,411
Total current assets	52,134	80,763
Property & equipment, net	2,045	2,551
Deposits	3,562	1,714
Total assets	$ 57,741	$ 85,028
LIABILITIES & STOCKHOLDERS' DEFICIT		
Current liabilities:		
Notes payable	$ 15,000	$ 15,000
Notes payable - related parties	27,508	-
Accounts payable and accrued liabilities	366,794	302,893
Accrued liabilities - related parties	266,646	211,229
Total current liabilities	675,948	529,122
Stockholders' deficit:		
Preferred Class A, $1.00 par, 1,000,000 shares authorized, 243,331 shares issued and outstanding, $1.00 per share involuntary liquidation preference	243,331	243,331
Common Stock:		
Class A $.002 par value, 100,000,000 shares authorized, 13,064,907 outstanding	26,129	26,129
Additional paid-in capital	4,064,268	4,064,268
Accumulated deficit	(4,703,279)	(4,534,935)
Accumulated other comprehensive income	2,069	7,838
Deferred stock compensation	(250,725)	(250,725)
Total stockholders' deficit	(618,207)	(444,094)
Total liabilities & stockholders' deficit	$ 57,741	$ 85,028

See accompanying notes to consolidated financial statements.

HARRELL HOSPITALITY GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	For the Three Months Ended December 31, 2004	For the Three Months Ended December 31, 2003
Revenues:		
Hotel human capital reimbursements	$ 1,193,203	$ 1,196,084
Management fees	29,600	90,676
Total revenues	1,222,803	1,286,760
Expenses:		
Employee compensation related expenses	1,297,805	1,348,070
General and administrative	93,415	169,487
Total expenses	1,391,220	1,517,557
Operating loss	(168,417)	(230,797)
Other Income (Expense):		
Interest expense	-	(18,230)
Other income	73	2,762
Total other income (expense)	73	(15,468)
Net loss	(168,344)	(246,265)
Preferred stock dividends	-	(6,083)
Net loss attributable to common stockholders	$ (168,344)	$ (252,348)
Basic and diluted loss per share	($0.01)	($0.02)
Weighted average number of common shares outstanding	13,064,907	13,064,907

Comprehensive loss for the three months ended December 31, 2004 and 2003 were $174,113 and $200,221, respectively. This includes the change in available-for-sale marketable securities, foreign currency translation gains (losses) and net losses.

See accompanying notes to consolidated financial statements.

HARRELL HOSPITALITY GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	For the Three Months Ended December 31, 2004	2003
Operating activities:		
Net loss attributable to common stockholders	$ (168,344)	$ (252,348)
Adjustments to reconcile net loss attributable to common stockholders to net cash used in operating activities:		
Depreciation	506	556
Common stock issued or to be issued and deferred stock compensation for services and interest	-	179,794
Changes in assets and liabilities:		
Accounts receivable	5,966	20,106
Other assets	1,636	6,941
Deposits	(1,848)	(2,606)
Accounts payable and accrued liabilities	119,318	7,839
Net cash used in operating activities	(42,766)	(39,718)
Financing activities:		
Proceeds from notes payable	-	177,850
Proceeds from notes payable - related parties	27,508	-
Redemption of shares subject to mandatory redemption	-	(96,775)
Issuance of common stock for services	-	(176,958)
Net cash provided by (used in) financing activities:	27,508	(95,883)
Effect of foreign currency exchange rate changes on cash	(5,769)	2,818
Net decrease in cash and cash equivalents	(21,027)	(132,783)
Cash and cash equivalents at beginning of period	26,760	147,948
Cash and cash equivalents at end of period	$ 5,733	$ 15,165
Supplemental Cash Flow Information:		
Cash paid during the quarter for interest	$ -	$ 18,230
Cash paid during the quarter for income taxes	$ -	$ -

See accompanying notes to consolidated financial statements.

ORGANIZATION

Harrell Hospitality Group, Inc. (the “Company” or “HHG”) is a Delaware corporation, originally incorporated in 1959 in the state of Massachusetts under the name of Formula 409, Inc.. The Company is primarily involved in the management and development of hotels, mainly in the states of California and Texas, and the United Kingdom. The Company has eight wholly-owned subsidiaries. The Company’s corporate offices are located in Addison, Texas.

In February 2003, the Company began operations in the United Kingdom with the formation of Harrell Hotels Europe, Ltd. (“HHE”), a wholly-owned subsidiary of the Company. The Company’s United Kingdom offices are located in London, England.

BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10- QSB of Regulation S-B. They do not include all information and footnotes required by generally accepted accounting principles for complete financial statements. However, except as disclosed herein, there has been no material change in the information disclosed in the notes to the financial statements for the year ended September 30, 2004, included in the Company’s Annual Report on Form 10-KSB filed with the Securities and Exchange Commission. The interim unaudited financial statements should be read in conjunction with those financial statements included in the Form 10- KSB. In the opinion of management, all adjustments considered necessary for a fair presentation, consisting solely of normal recurring adjustments, have been made. Operating results for the three months ended December 31, 2004 are not necessarily indicative of the results that may be expected for the year ending September 30, 2005.

GOING CONCERN

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. However, the Company has continued to incur net losses which have resulted in a significant accumulated deficit and stockholders' deficit at December 31, 2004. The Company had net losses attributable to common stockholders of $168,344 and $252,348 for the three months ended December 31, 2004 and 2003, respectively. At December 31, 2004, current liabilities exceeded current assets by $623,814, stockholders' deficit was $618,207 and the accumulated deficit was $4,703,279.

The ability of the Company to continue as a going concern is dependent on the successful implementation of its business plan, obtaining additional capital, and generating sufficient revenues and cash flows. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

The time required for the Company to become profitable is highly uncertain, and the Company cannot be assured that it will achieve or sustain profitability or generate sufficient cash flow from operations to meet planned capital expenditures, working capital and debt service requirements. If required, the ability to obtain additional financing from other sources also depends on many factors beyond the control of the Company, including the state of the capital markets and the prospects for business growth. The necessary additional financing may not be available or may be available only on terms that would result in further dilution to the current owners of the Company's common stock. The Company cannot be assured that it will generate sufficient cash flow from operations or obtain additional financing to meet scheduled debt payments and financial covenants. If the Company fails to make any required payment under the agreements and related documents governing indebtedness or fails to comply with the financial and operating covenants contained in them, the Company would be in default. The financial statements do not include any adjustments to reflect the possible effects on recoverability and classification of assets or the amounts and classification of liabilities which may result from the inability of the Company to continue as a going concern.

STOCK OPTIONS

The Company accounts for its stock options under the recognition and measurement principles of Accounting Principles Board ("APB") opinion No. 25, *Accounting for Stock Issued to Employees*, and related interpretations. The following table illustrates the effect on net loss and loss per share if the Company had applied the fair value recognition provisions of SFAS No. 123, *Accounting for Stock Based Compensation*, to stock-based employee compensation:

	FOR THE THREE MONTHS ENDED DECEMBER 31, (Unaudited)			
		2004		2003
Net loss attributable to common stockholders, as reported	$	(168,344)	$	(252,348)
Less, total stock-based employee compensation expense determined under the fair value based method for all awards		(16,439)		(29,606)
Pro forma net loss attributable to common stockholders	$	(184,783)	$	(281,954)
Loss per share:				
Basic and diluted - as reported	$	(0.01)	$	(0.02)
Basic and diluted - pro forma	$	(0.01)	$	(0.02)

NOTES PAYABLE - RELATED PARTIES

Geoffrey Dart, Clive Russell, and Paul Barham made short-term loans to the Company in the amounts of £5000, $9,000 and $9,000 respectively, to be used for the payment of the current creditors of the Company. The loans bore interest at 5% per annum, and were due upon the sale of HHE or February 28, 2005, whichever was earlier. The loans were repaid in April 2005 from the funds arising from the sale of HHE to RLH discussed below.

SUBSEQUENT EVENTS

In March 2005 as part of negotiated settlements of amounts owed to Clive Russell and RPC, in exchange for waiving all amounts due through November 30, 2004, of which approximately $79,000 was due as of September 30, 2004, a new agreement between RPC and the Company was signed, which agreement removed the eight acquired hotels requirement and negated the Company's option to repurchase 987,772 shares of Class A common stock for a nominal sum from RPC.

In December 2004 Red Leopard Holdings ("RLH") submitted a proposal to the Board of the Company for the purchase of HHE, which proposal included £461,840 (approximately $868,000) in cash. The sale of HHE to RLH was concluded in March 2005 and out of the cash £90,000 was retained by RLH and is to be used to pay off an estimated £72,000 in HHE liabilities with £211,840 paid by HHG to HHE to repay the intercompany ccount, and £160,000 remitted to HHG. Any funds remaining at May 31, 2005 are to be remitted to the Company. The Company used the £160,000 (approximately $298,000) received in March (and will use any funds received in June) to pay off the Company's existing liabilities and for ongoing working capital. In addition, the Company received 30,769,230 shares of RLH equal to £1,000,000 calculated with the price at March 31, 2005. Such shares received will not be tradable until March 31, 2006. The Company can earn additional shares up to a total of 56,250,000 shares, contingent upon certain accomplishments in an on-going relationship with RLH.

On March 31, 2005, as part of a settlement with Norman Marks upon his resignation, the 500,000 shares were repurchased by the Company for $42,000, and the 5,000,000 options he held were canceled.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Except for the historical information contained herein, this quarterly report on Form 10-QSB contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Act of 1934, as amended. Investors are cautioned that forward-looking statements are inherently uncertain. Actual performance and results of operations may differ materially from those projected or suggested in the forward-looking statements due to certain risks and uncertainties, including but not limited to the risks of market fluctuations in any securities held by the Company. The forward looking-statements contained herein represent the Company's judgment as of the date of this report, and the Company cautions the reader not to place undue reliance on such matters.

1. OPERATIONS

A. Revenues

Revenues were $1,222,803 for the three months ended December 31, 2004, a decrease of $63,957 from the same three month period in 2003. Fee revenues for the three month period ended December 31, 2004 from California hotels decreased over the prior year as a result of depressed results from the hotel in the Silicon Valley.

A substantial amount of time and effort was given by the executives of the Company searching for additional management contracts and potential acquisitions of hotels. The problems of the hospitality industry are creating needs for professional management companies that can turn around the performance of financially distressed hotels. The Company believes it has the management skill to help in such turn around efforts, and this difficult business environment may actually boost the Company's opportunities to assume the management, and in some cases acquire ownership, of additional hotels.

B. Expenses

Expenses were $1,391,220 for the three months ended December 31, 2004, a decrease of $126,337 from 2003, partially caused by a reduction of business activity in the Silicon Valley, and partially caused by the effort to cut expenses in view of reduced revenues.

2. BUSINESS DEVELOPMENT

A. HARRELL HOTELS (EUROPE) LTD - UNITED KINGDOM / EUROPE

In anticipation of potential hotel acquisitions in the United Kingdom ("UK"), in February 2002, HHG formed a UK subsidiary named Red Lion Hotels and Suites Limited. On February 20, 2003, the name was changed to Harrell Hotels (Europe) Ltd. ("HHE"). HHE's operations are based in London, and pursued the acquisition of hotel properties with others and providing property management, asset management and consulting services to hospitality clients in the UK and Europe.

On January 25, 2004, HHE signed a Letter of Intent with Marriott Hotels International B.V., in which HHE agreed to develop ten Courtyard Hotels in the UK between 2005 and 2007. HHE had identified a number of potential sites in the UK for Marriott Courtyard Hotels and was working with architects to develop a prototype Courtyard for the UK market. Plans called for the Company to manage the hotel properties and participate in ownership.

In the summer of 2004 the Company became aware of and pursued the acquisition of eleven existing Courtyard by Marriott hotels being sold in the UK by Whitbread, Plc. HHE sought equity partners and lenders with whom it could potentially acquire the portfolio. HHE met with a number of potential suitors for equity and banks for debt. HHE reached an agreement with Global Investment Partners and Halifax Bank of Scotland (Joint Ventures) to obtain the equity and financing. With the backing of its partners, HHE prepared the bid to Whitbread. Although the HHE group was one of the four finalists for the acquisition, Whitbread received a higher cash bid from another party, and the purchase contract was awarded to a competitor.

After the unsuccessful pursuit of this portfolio, HHE again refocused its attention on the development of new Courtyard by Marriott hotels in the UK. It was evident, however, that it was likely to take significant time and funds to bring one or more of such developments to a conclusion. The Company started to pursue other sources of funding to assist in the program.

In the fall of 2004, in light of the Company's need for additional working capital and to pursue the UK Courtyard development program, the Company sought to sell HHE. The Company received a letter of intent from Red Leopard Holdings ("RLH"), a private UK Company that may be deemed an affiliate of Geoffrey Dart. On December 13, 2004, Geoffrey Dart resigned from the board of directors of the Company and of HHE in order to reduce the potential for any conflict of interest in the possible disposition of HHE. The sale of HHE to RLH was concluded in March 2005 and out of the cash consideration of the transaction totaling £250,000 (approximately $475,000), £90,000 was retained by RLH and is to be used to pay off an estimated £72,000 in HHE liabilities. Any funds remaining at May 31, 2005 are to be remitted to the Company. The Company used the £160,000 (approximately $298,000) received in March (and will use any funds received in June) to pay off the Company's existing liabilities and for ongoing working capital. In addition, the Company received 30,769,230 shares of RLH valued at £1,000,000 per the Share Sale Agreement at March 31, 2005. Such shares received will not be tradable until March 31, 2006. The Company can earn additional shares up to a total of 56,250,000 shares, contingent upon certain accomplishments in an on-going relationship with RLH.

B. UNITED STATES OF AMERICA

Effective August 1, 2004, the Company entered into a technical services agreement with the owners of the Belmont Hotel, a 77-room boutique hotel being developed south of downtown Dallas. The technical services fee is $4,000 per month until the opening of the hotel, which is anticipated in September 2005.

3. LIQUIDITY AND CAPITAL RESOURCES

In the summer of 2004, in pursuing the acquisition of Courtyard by Marriott hotels in the UK, the Company spent approximately $37,500 on third-party due diligence costs. During the period of July to December 2004, the Company's cash flow continued to be negative.

Because of declining revenues, the Company implemented a number of measures to reduce expenses. The Company froze wages of the onsite employees on a temporary basis until financial conditions improve. In addition Paul L. Barham, the chief executive officer of the Company deferred all of his salary and director fees from April 2004 through November 2004, as did Clive Russell / RPC and Geoffrey Dart / Apsley Estates.

In early December 2004, the Company discussed moving from its office space with the building landlord, and as a result, the landlord permitted the Company to retain its tenancy, forgave three months rent, and agreed to rent at $1,000 per month for December 2004 through February 2005, with a review in February 2005. In April 2005 the office landlord agreed to extend the reduced rent of $1,000 per month through July 2005 and agreed to review the rent again at that time. However, not all creditors were willing to reduce or defer payment, and as a result, Geoffrey Dart, Clive Russell, and Paul Barham made short-term loans to the Company in the amounts of £5000, $9,000 and $9,000 respectively, to be used for the payment of the current creditors of the Company. The loans bore interest at 5% per annum, and were due upon the sale of HHE or February 28, 2005, whichever was earlier. The loans were repaid in April 2005 from the funds arising from the sale of HHE to RLH discussed below.

The Board had recognized during the Summer of 2004 that if it was not successful in the acquisition fo the 11 Courtyard hotels in the UK, it would then refocus its attention on the UK development activity and in that regard, seek an investor in the Company (or HHE) to alleviate the cash flow drain.

Red Leopard Holdings ("RLH") was identified as a potential acquirer of HHE an in December 2004 Red Leopard Holdings ("RLH") submitted a proposal to the Board of the Company for the purchase of HHE, which proposal included £461,840 (approximately $868,000) in cash. The sale of HHE to RLH was concluded in March 2005 and out of the cash £90,000 was retained by RLH and is to be used to pay off an estimated £72,000 in HHE liabilities with £211,840 paid by HHG to HHE to repay the intercompany ccount, and £160,000 remitted to HHG. Any funds remaining at May 31, 2005 are to be remitted to the Company. The Company used the £160,000 (approximately $298,000) received in March (and will use any funds received in June) to pay off the Company's existing liabilities and for ongoing working capital. In addition, the Company received 30,769,230 shares of RLH equal to £1,000,000 calculated with the price at March 31, 2005. Such shares received will not be tradable until March 31, 2006. The Company can earn additional shares up to a total of 56,250,000 shares, contingent upon certain accomplishments in an on-going relationship with RLH.

At the time of filing this report, the three hotels that the Company operates are generating insufficient cash to meet the Company's monthly operating and development expenses because (i) the softness of the United States economy, (ii) the Biltmore Hotel has been negatively impacted by the downturn in the Silicon Valley economy, (iii) the Santa Ynez Valley Marriott is in its off season, and (iv) the hospitality industry in general continues to suffer lower revenues in the wake of the slow recovery of the US economy.

However the Company believes that its existing cash, negotiated private sales of the Company's Class A Common, together with anticipated cash flows from operations and further borrowings, will be sufficient to meet its cash requirements during the next 12 months. The foregoing statement regarding the Company's expectations for continued liquidity is a forward-looking statement, and actual results may differ materially depending on a variety of factors, including variable operating results, difficulty borrowing or selling securities or presently unexpected uses of cash, such as for acquisitions, or to fund losses.

Item 3. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures.

Disclosure controls are procedures that are designed with an objective of ensuring that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms. For a small company such as ours, the information filings and regulatory compliance is a significant expense, and the available manpower within the company is limited. Such compliance is becoming increasingly more difficult as regulations and rules have been changing rapidly in the past two years. As of the last day of the period covered by this report, our management, including the Chief Executive Officer and Chief Financial Officer, have reviewed and evaluated the disclosure controls of the Company. While management believes that it is making continuing and good faith efforts to comply in all material respects with the regulations regarding information disclosures, deficiencies in certain internal controls are noted, such as obtaining timely copies and evidence of compliance by the directors, officers and significant shareholder filings to report changes in stock ownership as required under Section 16(a) of the Exchange Act. The Chief Executive Officer has asked the disclosure committee to suggest revisions to internal controls to help achieve more timely compliance and improve disclosure controls.

(b) Changes in Internal Controls.

There were no significant changes in the Company's internal controls or in other factors that could significantly affect the Company's internal controls subsequent to the date of their evaluation.

Part II. OTHER INFORMATION

Item 5. Other Information

In March 2005, because the Company was not current in the filing of its Form 10-KSB, the NASD suspended quotation of the Company on the Bulletin Board.

On March 31, 2005, Norman Marks resigned as President and Director of the Company.

Item 6. Exhibits

31.1 Certification of Chief Executive Officer and Chief Financial Officer required by Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)

32.1 Certification of Chief Executive officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith)

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 fully authorized.

HARRELL HOSPITALITY GROUP, INC.

Date: __________________________ ____________________________________

Paul L. Barham
Chief Executive Officer and Director