

Edgar Filing: PF Hospitality Group, Inc. - Form 10-12G/A

Title of each class to be so registered	Name of each exchange on which each class is to be registered
N/A	N/A

Securities to be registered pursuant to Section 12(g) of the Act:

Common Stock, \$0.001 par value

(Title of class)

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.

Large accelerated filer []

Accelerated filer []

Non-accelerated filer []

Smaller reporting company [X]

(Do not check if a smaller reporting company)

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EXPLANATORY NOTE

This Amendment No. 3 to Form 10 (this “Third Amendment”) amends the Form 10-12G filing, originally filed on October 13, 2015 (the “Original Filing”), Amendment No. 2 to Form 10 (the “Second Amendment”) filed January 5, 2016 and Amendment No. 1 to Form 10 (the “First Amendment”) filed December 2, 2015 by PF Hospitality Group, Inc., a Nevada corporation (the “Company,” “we,” “us,” “our”). We are filing this Third Amendment to address the Securities and Exchange Commission’s (“SEC”) comments dated January 15, 2016, to provide EXO:EXO, Inc.’s (“EXO”) net sales for its fiscal year ended December 31, 2014 and to revise the disclosure in footnote 14 - Subsequent Events to the Company’s September 30, 2015 financial statements to include disclosure of the Company’s December 16, 2015 acquisition of EXO as disclosed in its Form 8-K filed with the SEC on December 22, 2015. In addition, this Amendment No. 3 also corrects a typographical error regarding the expiration date of Sloan McComb’s December 16, 2015 employment agreement.

This Third Amendment supplements and clarifies the information set forth in the Original Filing, the First Amendment and the Second Amendment. The Original Filing, the First Amendment and the Second Amendment continue to speak as of the dates of the Original Filing, the First Amendment and the Second Amendment, respectively, except as indicated herein.

FORWARD LOOKING STATEMENTS

This report contains forward-looking statements. The Securities and Exchange Commission encourages companies to disclose forward-looking information so that investors can better understand a company’s future prospects and make informed investment decisions. This report and other written and oral statements that we make from time to time contain such forward-looking statements that set out anticipated results based on management’s plans and assumptions regarding future events or performance. We have tried, wherever possible, to identify such statements by using words such as “anticipate,” “estimate,” “expect,” “project,” “intend,” “plan,” “believe,” “will” and similar expressions in connection with any discussion of future operating or financial performance. In particular, these include statements relating to future actions, future performance or results of current and anticipated sales efforts, expenses and financial results.

We caution that the factors described herein and other factors could cause our actual results of operations and financial condition to differ materially from those expressed in any forward-looking statements we make and that investors should not place undue reliance on any such forward-looking statements. Further, any forward-looking statement speaks only as of the date on which such statement is made, and we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of anticipated or unanticipated events or circumstances. New factors emerge from time to time, and it is not possible for us to predict all of such factors. Further, we cannot assess the impact of each such factor on our results of operations or the extent to which any factor, or combination of factors, may cause actual results to

differ materially from those contained in any forward-looking statements.

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INFORMATION REQUIRED IN REGISTRATION STATEMENT

ITEM 1. Business

We are a management firm which creates, cultivates, and operates innovative and healthy lifestyle brands within the restaurant and retail industries. We focus on consumer food service concepts that is founded on a franchised and multi-unit business model in the retail, fast-casual, and casual restaurant sector. As the creator and current advisor organization of the all-natural and organic pizza franchise, Pizza Fusion, we are seeking to expand our innovative food service with an emphasis on sustainability and community impact. Currently with locations in selected markets in the United States, Saudi Arabia, and the United Arab Emirates, we are poised to rollout new concepts we plan to develop and manage.

Following the completion of our merger with PF Hospitality Group and the sale of a \$1.3 million principal amount of convertible debentures we are now in a position to make an impact on the food and hospitality industry this coming year for critical growth and smart expansion. We believe successful investing begins with providing a compelling value proposition to the consumer combined with a unique and innovative concept, to all business constituencies. With that in mind, on a daily basis we strive to consistently deliver passion, innovation, creativity, and financial growth to all of our stakeholders who make this possible.

In 2014 and the early part of 2015, we franchised two new Pizza Fusion locations in Dubai, UAE. Continuing to follow progress of our Pizza Fusion expansion of units within the Middle East, we plan to narrow our focus on the rebranding of the Pizza Fusion concept. Part of this effort will be building strong sales growth of existing restaurants with the introduction of new and innovative menu offerings. We are also looking into physical refurbishments to individual Pizza Fusion establishments, and assessing key investments in mobile technology designed to engage the brand's growing, savvy audience. Pizza Fusion is a fast-casual pizza restaurant that utilizes primarily organic and all-natural ingredients. In addition to pizza, Pizza Fusion establishments serve appetizers, salads, sandwiches, desserts, natural sodas, teas, juices, beer and wine. Restaurants are typically 1,200 to 2,400 square feet. The average lunch check is \$8.00 per person and the average dinner check is \$11.00 per person.

Our newest concept, Shaker & Pie, is a new interactive restaurant concept combining wood-fired pizzas with healthy, hearty Italian-influenced street food. An "interactive restaurant" expands upon the traditional restaurant concept by incorporating an interactive experience that might include the use of tablets to place orders, and social interaction on social media, including the use of on-line reservations or on-line ordering. We expect Shaker & Pie will provide a lasting impression on the South Florida restaurant arena, where the flagship location is slated to open in the second fiscal quarter of 2016 in the Mizner Park area of affluent, Boca Raton, Florida. Boca Raton's Mizner Park is a pioneering downtown mixed-use project that includes 236,000 square feet of retail space, 267,000 square feet of office space, luxury retail apartments, town homes and cultural arts space, as well as a 5,000-person-capacity open-air amphitheater and was named one of America's Top Public Places in 2010 by the American Planning Association. In

addition, Boca Raton has been rated among the best places to start a new restaurant by the personal finance website NerdWallet.com. We are in the final stages of entering into a joint venture agreement with Sub-Culture Restaurant Group, an unrelated third party familiar with the operations of similar restaurant concepts for our initial Shaker & Pie location to utilize our executive management and marketing know-how and utilize our planned joint venture partner's restaurant operating experience. It is expected that we will own a controlling interest in the joint venture and that we will be responsible for all conceptual design and brand direction, as well as share in the operating and marketing responsibilities of the restaurant. The flagship Shaker & Pie is expected to occupy approximately 3,638 square feet and, based on the currently proposed menu, the expected average cost for lunch will be \$12.00 per person and \$15.00 per person for dinner.

In addition, we are exploring ways to broaden our reach into the hospitality space, as we seek to add and develop brands from the natural and organic space into our current and planned locations, as we remain responsive to the changing demographics driven by millennials. As part of this effort, we granted Aramark Food and Support Services Group, Inc. ("Aramark") the non-exclusive right to operate Pizza Fusion restaurants within Aramark's U.S. network of colleges, universities, sports complexes, healthcare facilities and entertainment venues at locations to be agreed on by us and Aramark pursuant to a Test License Agreement. No locations to be operated under this agreement have been identified as of the date of this report.

In addition, we are expanding our presence in the health and fitness space following our acquisition of EXO:EXO, Inc. ("EXO"), a designer and producer of active wear brands offered in national fitness retailers in the U.S. We acquired EXO pursuant to the terms of a stock exchange agreement (the "Stock Exchange Agreement") we entered into and closed on with EXO and Sloane McComb (EXO's sole shareholder) on December 16, 2015. Pursuant to the Stock Exchange Agreement, we acquired all of the issued and outstanding shares of EXO common stock from Ms. McComb in exchange for (i) the issuance to Ms. McComb of 500,000 shares of our unregistered common stock, (ii) a payment of \$25,000 to Ms. McComb, (iii) the payment of up to \$20,000 to a third party for the payment of certain debts of EXO, and (iv) contingent consideration of up to 700,000 shares of our unregistered common stock in the following amounts upon attainment of EXO gross sales targets in any calendar year following the closing: 100,000 shares if EXO attains gross sales of at least \$250,000 but less than \$500,000, an additional 150,000 shares if EXO attains gross sales of at least \$500,000 but less than \$750,000, an additional 200,000 shares if EXO attains gross sales of at least \$750,000 but less than \$1,000,000 and an additional 250,000 shares if EXO attains gross sales of at least \$1,000,000 (the "Contingent Consideration"). In order to earn the Contingent Consideration, Ms. McComb must be employed by us for the full calendar year during which the annual performance target has been achieved unless such target has been met prior to her separation. In addition to the purchase price, we agreed to invest \$50,000 into EXO for inventory, marketing and working capital purposes. Pursuant to the Stock Exchange Agreement, EXO will be a wholly owned subsidiary of the Company upon the closing of the Stock Exchange. EXO's net sales as of its fiscal year ended December 31, 2014 were \$83,384.

In connection with the closing under the Stock Exchange Agreement, EXO entered into an employment agreement with Ms. McComb, pursuant to which Ms. McComb has been engaged as the President of EXO for a term commencing on the closing and ending on December 21, 2018, subject to automatic extensions if neither party has given the other notice that it does not wish to extend the agreement. Ms. McComb will receive an initial salary based on an annual rate of \$40,000 for 2016 and \$45,000 for 2017 and \$50,000 for 2018, and will receive a quarterly bonus equal to 20% EXO's EBITDA in the prior quarter, and other benefits as determined by the company's board of directors.

We expect that this group will drive solid opportunities for expansion. We believe that leveraging our infrastructure and operations team will lead to potential acquisitions of undervalued brands in need of our managerial talent and cost control procedures.

Markets

We currently have Pizza Fusion franchises in 6 locations in the United States and 9 in Saudi Arabia and the United Arab Emirates. Within the United States, we have franchisees in Florida, New Jersey, and Virginia. We anticipate opening the first Shaker & Pie restaurant Boca Raton, Florida in the second fiscal quarter of 2016.

Franchise and Development Agreements

In connection with its franchising operations, we receive initial franchise fee (typically \$30,000), area development fees (historically \$250,000 to \$300,000 per territory and a reduced franchise fee per location of \$5,000 to \$7,500 per location depending on the territory), franchise deposits and royalties of 5% of gross revenues of sales at franchised restaurants as defined in the franchise agreement. The term of the franchise agreement is generally for 10 years and may be renewed for two additional terms of 10 years subject to certain conditions, including the payment of a discounted franchise fee. We are currently operating 6 stores under franchise agreements.

Under the terms of our franchise agreement, we provide training, opening assistance and an operating manual, have the right to require franchisees source food items, equipment, supplies and certain services from approved suppliers, the right to approve any new menu items and make available to our franchisees information about new developments, techniques, and improvements in the areas of operations, management, and marketing. We also maintain a website for the benefit of ourselves and our franchisees. We have the right, but not the obligation, to establish, maintain, and administer a fund for the marketing of the “Pizza Fusion” brand and restaurants. If we establish a marketing fund, a franchisee is obligated to contribute an amount equal to 3% of its gross revenue for a local marketing fund plus an additional 2% of gross revenue if we establish a regional fund to cover a geographical area we have the right to designate. Further, franchisee’s are obligated to spend an amount equal to 3% of their gross revenues on their own local marketing. We have the right at any time prior to six months before the end of the term of any franchise agreement to inspect a franchised business and require the franchisee to maintain, refurbish, renovate, and upgrade (including purchasing one or more new delivery vehicles).

An area development agreement grants a the developer exclusive right to open a specified number of restaurants in the development area within a specified time period or the agreements may be cancelled by us. Each location must be approved by us and will operate under a separate franchise agreement to be entered into upon selection of a location. A developer generally has a right to use the Pizza Fusion marks and grant sub-franchises within the development area. A developer is obligated to pay us an upfront fully earned fee upon execution of the agreement. We are obligated to provide initial training, on-going support and register the Pizza Fusion trademark in the development area. Furthermore, the developer is subject to certain non-solicitation and non-compete clauses during the term of the agreement and for a two year period after its expiration or termination. The area development agreements may not be assigned without our prior written consent, subject to certain limitations.

In January 2009 we entered into a ten year area development agreement with a third party to open a total of 10 Pizza Fusion locations in Saudi Arabia in return for a \$250,000 development fee. Seven locations have been opened under the terms of this agreement.

In March 2011 we entered into a restaurant development agreement with a third party to open a total of 38 Pizza Fusion locations by 2019 in the countries of Algeria, Bahrain, Egypt, Jordan, Kuwait, Lebanon, Morocco, Oman, Qatar, Tunisia and the United Arab Emirates. Two locations have been opened under the terms of this agreement and we have agreed to defer the development schedule under this agreement indefinitely. This development agreement expires on December 31, 2023.

During the preceding three years, the number of operating franchised restaurants has fluctuated from 11 restaurants in 2013 to a low of seven as of September 30, 2015. There are currently 15 operating Pizza Fusion franchises. As with any franchise system, the number of operating franchises fluctuates over time, and a reduction in the number of franchises may be due to factors outside of the franchisor’s control. Several Pizza Fusion franchises that were in developing markets in 2008 were forced to cease operations due to the worldwide economic downturn. We also terminated or severed ties with certain franchises due to their non-compliance with our standards so as to negatively affect the image of our brand. Given the early stage of our development and our limited resources, we were not in a

position to assume operations of these franchised locations pending identification of replacement operators. We will likely continue to experience fluctuations in the number of franchisees for these and other reasons.

The natural and organic food industry has grown significantly since we created the concept in 2006. A majority of the products needed to provide natural and organic offerings are readily available through national distribution partners as well as regional and local distribution sources. Fluctuations in commodity costs are expected, are present in all restaurant concepts, and are not unique to operators of natural and organic restaurant concepts. We endeavor to monitor the market pricing of our major commodity items, such as tomatoes, cheese and flour, and seek to secure long-term contracts based on futures pricing. Notwithstanding these efforts, fluctuations in commodity prices, particularly when prices increase precipitously, could adversely affect the operations of our franchisees.

Research and Development

We do not engage in any material research and development activities. However, we do engage in ongoing studies to assist with food and menu development. Additionally, we conduct consumer research to determine customers' preferences, trends, and opinions, as well as to better understand other competitive brands.

Government Regulation

We and our franchisees are subject to various federal, state and local laws affecting our business.

Franchise Regulations

We are subject to a variety of federal, state, and international laws governing franchise sales and the franchise relationship. In general, these laws and regulations impose certain disclosure and registration requirements prior to the offer and sale of franchises. Rulings of several state and federal courts and existing or proposed federal and state laws demonstrate a trend toward increased protection of the rights and interests of franchisees against franchisors. Such decisions and laws may limit the ability of franchisors to enforce certain provisions of franchise agreements or to alter or terminate franchise agreements. Due to the scope of our business and the complexity of franchise regulations, we may encounter minor compliance issues from time to time. We do not believe, however, that any of these issues will have a material adverse effect on our business.

Regulations Affecting the Restaurant Industry

Each of our franchisees' restaurants must comply with licensing requirements and regulations by a number of governmental authorities, which include health, safety and fire agencies in the state or municipality in which the restaurant is located. The development and operation of restaurants depends on selecting and acquiring suitable sites, which are subject to zoning, land use, environmental, alcoholic beverage control, traffic and other regulations. We have not encountered significant difficulties or failures in obtaining the required licenses or approvals that could delay the opening of a new restaurant or the operation of an existing restaurant nor do we presently anticipate the occurrence of any such difficulties in the future.

Our franchisees are also subject to the Fair Labor Standards Act of 1938, as amended, and various other laws in the United States governing such matters as minimum-wage requirements, overtime, tip credits, other working conditions, safety standards, and hiring and employment practices. Any increases in labor costs might result in our franchisees inadequately staffing stores. Such increases in labor costs and other changes in labor laws could affect store performance and quality of service, decrease royalty revenues and adversely affect our brand.

Our franchisees' facilities must comply with the applicable requirements of the Americans with Disabilities Act of 1990 (the "ADA") and related state accessibility statutes. Under the ADA and related state laws, our franchisees must provide equivalent service to disabled persons and make reasonable accommodation for their employment, and when constructing or undertaking significant remodeling of restaurants, those facilities must be accessible.

Our franchisees are subject to laws and regulations relating to the preparation and sale of food, including regulations regarding product safety, nutritional content and menu labeling. Our franchisees are or may become subject to laws and regulations requiring disclosure of calorie, fat, trans fat, salt and allergen content. The Patient Protection and Affordable Care Act (the "Affordable Care Act") requires restaurants, such as our franchisees, to disclose calorie information on their menus. The Food and Drug Administration has proposed rules to implement this provision of the Affordable Care Act that would require restaurants to post the number of calories for most items on menus or menu boards and to make available more detailed nutrition information upon request.

Our franchisees are subject to laws relating to information security, privacy, cashless payments and consumer credit, protection and fraud. An increasing number of governments and industry groups worldwide have established data privacy laws and standards for the protection of personal information, including social security numbers, financial information (including credit card numbers), and health information.

Competition

We believe that our direct competitors, pizza restaurants using natural and organic ingredients constitute a small minority of operators within the pizza industry. We consider anyone in the fast-casual pizza space as competition and consider operators such as Blaze, Pie Five, Modmarket and Zpizza as our direct competitors within the natural and organic market.

In addition, the restaurant industry generally is intensely competitive with respect to the type and quality of food, price, service, restaurant location, personnel, brand, attractiveness of facilities, and effectiveness of advertising and marketing. The restaurant business is often affected by changes in consumer tastes; national, regional or local economic conditions; demographic trends; traffic patterns; the type, number and location of competing restaurants; and consumers' discretionary purchasing power. Our franchisees compete within each market with national and regional chains and locally-owned restaurants for guests, management and hourly personnel and suitable real estate sites. We and our franchisees also face growing competition from the supermarket industry, which offers "convenient meals" in the form of improved entrées and side dishes from the deli section. In addition, improving product offerings at fast casual restaurants and quick-service restaurants, together with negative economic conditions, could cause consumers to choose less expensive alternatives. We expect intense competition to continue in all of these areas.

Seasonality

We expect that our sales volumes will fluctuate seasonally. We expect that our average sales will be highest in the spring and winter, followed by the summer, and lowest in the fall, and that holidays, changes in the economy, severe weather and similar conditions may impact sales volumes seasonally in some regions. Because of the seasonality of our business, results for any quarter are not necessarily indicative of the results that may be achieved for the full fiscal year.

Trademarks and Service Marks

We own the service marks for "Pizza Fusion" and "Pizza Fusion Fresh, Organic Earth Friendly". These service marks are registered in the United States. We granted our area franchisee in the Middle East the right to register the Pizza Fusion trademark for the term of its franchise agreement with us in certain countries in the Middle East where the franchisee has the right to open Pizza Fusion restaurants. We expect that the service marks and trademarks related to our restaurant businesses will have significant value and be important to our marketing efforts. Registration of the Pizza Fusion and Pizza Fusion Fresh, Organic Earth Friendly service marks expire in our 2018 and 2019 fiscal years, respectively, unless renewed. We expect to renew these registrations at the appropriate time.

Employees

As of the date of this report, we had four full-time employees. None of our employees is represented by a collective bargaining agreement and we consider our relations with our employees to be good.

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Former Business Operations and Corporate Information

We were incorporated in Nevada on April 5, 2005 under the name Tomi Holdings, Inc. In October 2005, we changed our name to InfraBlue (US), Inc., and in October 2007, we changed our name to NextGen Bioscience, Inc. In December 2008, we changed our name to Kalahari Greentech, Inc. In May 2015, we changed our name to PF Hospitality Group, Inc. Our principal executive offices are located at 399 NW 2nd Avenue, Suite 216, Boca Raton, Florida 33432. Our telephone number is (561) 939-2520 and our fiscal year end is September 30. Prior to our merger with PF Hospitality Group discussed below, we were a U.S.-based exploration company with a primary focus on projects with prior exploration and production history.

Effective July 1, 2015, we merged with Pizza Fusion Holdings, Inc. (“Pizza Fusion”), a franchisor of organic fare pizza restaurants. As a result of the merger, PF Hospitality Group has become a franchisor of pizza restaurants specializing in organic fare free of artificial additives, such as preservatives, growth hormones, pesticides, nitrates and trans fats. Pursuant to the terms of the May 26, 2015 merger agreement, we acquired 100% of the Pizza Fusion common shares and warrants in exchange for 17,117,268 shares of our common stock and warrants to purchase an aggregate of 11,411,512 shares of our common stock at \$0.25 per share for a period of three years. In addition, we issued an aggregate of 2,385,730 warrants to acquire the common stock at \$0.25 per share for a period of three years in exchange for previously issued and outstanding warrants to purchase Pizza Fusion Holdings, Inc. common stock. In addition, Pizza Fusion’s founders, Vaughan Dugan and Randy Romano, each purchased 21,441,366 shares of our common stock and 1,000,000 shares of our Series A preferred stock at a price of \$.0001 per share. The shares are restricted and subject to the conditions set forth in Rule 144. Holders of convertible debt in the original principal amount of \$65,600 agreed as part of the merger to limit the number of shares issuable upon conversion of such debt to 40,000,000 shares of our common stock. Upon completion of the merger, Vaughan Dugan was appointed as our Chief Executive Officer and Randy Romano was appointed as President. Messrs. Dugan and Romano were also appointed to the Company’s board of directors. David Kugelman resigned from his position as Chief Executive Officer and Director.

Financings

Under the terms of the securities purchase agreement dated July 27, 2015, we issued and sold a \$1,333,334 principal amount of convertible debentures due July 27, 2020 for a price of \$1,200,000. Proceeds from this debenture will be paid to the company as follows: \$140,000 upon signing with the balance payable in five consecutive monthly installments of \$212,000 commencing on September 1, 2015. The company agreed to pay interest for the first 12 months at the rate of 10% per annum on the amounts advanced payable in cash in six equal tranches, the first of which is due on date the company closed on the financing and remainder will be due on each of the first five monthly anniversaries of such date.

Under the terms of a Registration Rights Agreement entered into as part of the offering, the company agreed to file a registration statement with the Securities and Exchange Commission within 60 days of the closing date covering the public resale of the shares of common stock underlying the debentures, and to use its best efforts to cause the registration statement to be declared effective within 180 days from the closing date. Should the number of shares of common stock the company is permitted to include in the initial registration statement be limited pursuant to Rule 415 of the Securities Act of 1933, the company further agreed to file additional registration statements with the SEC to register any remaining shares. We will pay all costs associated with the registration statements, other than underwriting commissions and discounts. The parties to the Registration Rights Agreement have agreed to defer the Company's obligation to file the a registration statement until further notice by the holders of the convertible debt.

The terms of the Securities Purchase Agreement contain certain negative covenants by the company, unless consent of purchasers holding at least 75% of the aggregate principal amount of the outstanding debentures, including prohibitions on: incurrence of certain indebtedness and liens, amendment to our articles of incorporation or bylaws, repayment or repurchase of the company's common stock or debts, sell substantially all of its assets or merger with another entity, pay cash dividends or enter into any related party transactions. We granted investors certain pro-rata rights of first refusal on future offerings by the company for as long as the investor(s) beneficially own any of the debentures.

The debentures are convertible into shares of the company's common stock at a conversion price equal to 65% of the lowest traded price of its common stock for the twenty trading days prior to each conversion date subject to adjustment. The conversion price of the debentures is subject to proportional adjustment in the event of stock splits, stock dividends and similar corporate events. In addition, the conversion price is subject to adjustment if the company issues or sells shares of its common stock for a consideration per share less than the conversion price then in effect, or issue options, warrants or other securities convertible or exchange for shares of its common stock at a conversion or exercise price less than the conversion price of the debentures then in effect. If either of these events should occur, the conversion price is reduced to the lowest price at which these securities were issued or are exercisable. The debentures shares are not convertible to the extent that (a) the number of shares of the company's common stock beneficially owned by the holder and (b) the number of shares of the company's common stock issuable upon the conversion of the debentures or otherwise would result in the beneficial ownership by holder of more than 4.99% of the company's then outstanding common stock. This ownership limitation can be increased or decreased to any percentage not exceeding 9.99% by the holder upon 61 days notice to the company.

ITEM 1A. Risk Factors.

Not applicable for a smaller reporting company.

ITEM 2. Financial Information.

Selected Financial Data

Not applicable.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Fiscal Year Periods

We have defined various periods that are covered in this report as follows:

“fiscal 2014” — October 1, 2013 through September 30, 2014

“fiscal 2015” — October 1, 2014 through September 30, 2015.

Overview

Effective July 1, 2015, we merged with Pizza Fusion, a franchisor of organic fare pizza restaurants. As a result of the merger, we have become a franchisor of pizza restaurants specializing in organic fare free of artificial additives, such as preservatives, growth hormones, pesticides, nitrates and trans fats. We are a management firm which creates, cultivates, and operates innovative and healthy lifestyle brand within the restaurant and retail industries. We focus on consumer food service concepts, with a specialization around franchised and multi-unit business models in the retail, fast-casual, and casual restaurant sectors. As the creator and current advisor organization of the all-natural and organic pizza franchise, Pizza Fusion, we have been on the cutting edge of innovative food service with an emphasis on sustainability and community impact since 2006. Currently with 6 locations in the United States, 7 Saudi Arabia, and 2 in the United Arab Emirates, we is now testing out new concepts it will develop and manage.

Our newest concept, Shaker & Pie, is a new interactive restaurant concept combining wood-fired pizzas with healthy, hearty Italian-influenced street food. We expect Shaker & Pie will provide a lasting impression on the South Florida restaurant arena, where the flagship location is slated to open in the second fiscal quarter of 2016 in the Mizner Park

area of affluent, Boca Raton, Florida. Boca Raton's Mizner Park is a pioneering downtown mixed-use project that includes 236,000 square feet of retail space, 267,000 square feet of office space, luxury retail apartments, town homes and cultural arts space, as well as a 5,000-person-capacity open-air amphitheater and was named one of America's Top Public Places in 2010 by the American Planning Association. In addition, Boca Raton has been rated among the best places to start a new restaurant by the personal finance website NerdWallet.com. We plan to enter into a joint venture with an operator of similar restaurant concepts for our initial Shaker & Pie location to utilize our executive management and marketing know-how and utilize our planned joint venture partner's pizzeria expertise by taking the Shaker & Pie brand to a competitive with a loyal customer base.

In addition, we are exploring ways to broaden our reach into the hospitality space, as we seek to add and develop brands from the natural and organic space into our current and planned locations, as we remain responsive to the changing demographics driven by millennials. We expect that this group will drive solid opportunities for expansion. We believe that leveraging our infrastructure and operations team will lead to potential acquisitions of undervalued brands in need of our managerial talent and cost control procedures.

Prior to the merger with Pizza Fusion, we were a U.S.-based exploration company with a primary focus on projects with prior exploration and production history, thereby lowering capital costs and exploration risks. Its mission was to build a fully-integrated gold, silver, and metals production company that incorporated exploration, development, acquisition, mining, ore processing and sales. It targeted historically proven and highly prospective properties in North and South America with an ultimate goal of bringing projects into production, entering into joint ventures, or a potential sale.

Accounting Treatment of the Merger

For financial reporting purposes, our merger with Pizza Fusion represents a "reverse merger" rather than a business combination and Pizza Fusion is deemed to be the accounting acquirer in the transaction. The merger is being accounted for as a reverse-merger and recapitalization effective as of July 1, 2015. Pizza Fusion is the acquirer for financial reporting purposes and PF Hospitality is the acquired company. Consequently, in reports we file with the SEC covering accounting periods after June 30, 2015, the assets and liabilities and the operations will reflect the historical financial statements prior to the merger will be those of Pizza Fusion and will be recorded at the historical cost basis of PF Hospitality, and the consolidated financial statements after completion of the merger will include the assets and liabilities of our company and Pizza Fusion, and the historical operations of Pizza Fusion and the combined operations with our company from the initial closing date under the merger agreement. Furthermore, since the merger occurred after the period ended June 30, 2015, the following discussion and analysis includes the financial results and operations of Pizza Fusion and PF Hospitality on consolidated basis for the periods ended September 30, 2015 and 2014.

Pizza Fusion Management's Discussion and Analysis of Financial Condition and Results of Operations

Year Ended September 30, 2015 Compared to Year Ended September 30, 2014

Total Revenue. For fiscal 2015, total revenue decreased by \$104,305 to \$210,633 compared to \$314,938 in the same period in fiscal 2014 as a result of a reduction in royalty income due to two units that left the franchise system as part of a settlement in fiscal 2014 and the absence of income we recognized in fiscal 2014 as part of that settlement. As a result of the reduction in franchised units, there were nine franchised restaurants operating in the United States at September 30, 2014 and seven restaurants operating at September 30, 2015.

Total Operating Expenses. For fiscal 2015, total operating expenses increased 30.5% to \$746,338 compared to \$571,793 for same period in fiscal 2014. This increase was primarily due to an increase of \$158,999 in selling, general and administrative expense due to our acquisition of Kalahari Greentech Inc., SEC reporting obligations and compliance with our SEC filing obligations and \$15,546 in payroll expense.

Net Loss. As a result of the above, the net loss for fiscal 2015 increased \$180,029, or 70.1%, to \$436,884 compared to \$256,855 in the same period in fiscal 2014.

Liquidity and Capital Resources

Liquidity is the ability of an enterprise to generate adequate amounts of cash to meet its needs for cash requirements.

Year Ended September 30, 2015 Compared to Year Ended September 30, 2014

As of September 30, 2015, our working capital deficit amounted to \$944,490, a reduction of \$106,912 as compared to working capital deficit of \$837,578 as of September 30, 2014. This decrease is primarily a result of a \$294,403 increase in total current liabilities partially offset by a \$176,988 increase in cash. Working capital at September 30, 2015 included primarily cash and cash equivalents of \$272,785 and accounts payable and accrued liabilities of \$920,826, advances of \$205,861, convertible notes payable of \$61,074 and \$50,000 of notes payable.

Cash used in operating activities of \$265,086 during fiscal 2015 was primarily attributable to a net loss of \$436,884, an increase of \$30,104 in litigation receivable, an increase of \$10,503 in accounts receivable, partially offset by an increase in accounts payable and accrued liabilities, non-cash merger costs, depreciation and amortization of debt discount. The increase in the litigation receivable remitted from the settlement in February 2015 of a lawsuit against two former franchisees.

Cash used in investing activities was \$20,914 during fiscal 2015, and principally related to design and related costs associated with a planned new restaurant.

Cash provided by financing activities of \$462,988 during fiscal 2015 was attributable to proceeds from issuance of convertible notes, proceeds from advances, sale of common stock and series A preferred stock. Cash provided by financing activities of \$149,361 during fiscal 2014 was attributable to proceeds from issuance of convertible notes, proceeds from advances and issuance of notes.

Capital Resources

We expect to incur a minimum of \$1,555,000 in expenses during the next twelve months of operations as we launch our planned Shaker and Pie restaurant concept, acquisition of new restaurant concepts and manage our current franchise operations. We estimate that this will be comprised of approximately \$1,055,000 towards leasehold improvements and launch costs. Additionally, approximately \$500,000 will be needed for general overhead expenses such as for corporate legal and accounting fees, office overhead and general working capital. We have not determined the amount of funds needed to finance company's we are seeking to acquire. We plan to fund these costs from the proceeds of our \$1.3 million principal amount convertible debentures and approximately \$600,000 in capital contributions from our planned joint venture partner for the initial Shaker and Pie location. In the event we run into cost overruns or lower than anticipated revenues from the Shaker and Pie operation, we will have to raise the funds to pay for these expenses. We potentially will have to issue debt or equity, obtain capital from our joint venture partner or enter into a strategic arrangement with other third parties.

There can be no assurance that additional capital will be available to us. Other than our \$1.3 million principal amount convertible debentures and our discussions with our proposed joint venture partner for the our initial Shaker and Pie location, we currently have no agreements, arrangements or understandings with any person to obtain funds through bank loans, lines of credit or any other sources. Since we have no other such arrangements or plans currently in effect, our inability to raise funds for the above purposes that exceed our current working capital, the funding schedule in our \$1.3 million principal amount convertible debentures and the funds from our planned joint venture partner will have a severe negative impact on our ability to remain a viable company.

Off-Balance Sheet Arrangements

As of September 30, 2015, Pizza Fusion did not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on its financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors. The term “off-balance sheet arrangement” generally means any transaction, agreement or other contractual arrangement to which an entity unconsolidated with us is a party, under which we have any obligation arising under a guarantee contract, derivative instrument or variable interest or a retained or contingent interest in assets transferred to such entity or similar arrangement that serves as credit, liquidity or market risk support for such assets.

Going Concern Consideration

Pizza Fusion's consolidated financial statements were prepared using GAAP applicable to a going concern which contemplates the realization of assets and liquidation of liabilities in the normal course of business. Pizza Fusion has not yet established an ongoing source of revenues sufficient to cover its operating costs which raises substantial doubt regarding its ability to continue as a going concern. Pizza Fusion has incurred significant losses and, as of September 30, 2015, has an accumulated deficit of \$10,862,378, total current assets of \$293,271 and total stockholders' deficit of \$1,378,229. Our ability to continue as a going concern is dependent on our obtaining adequate capital to fund operating losses until we become profitable. If we are unable to obtain adequate capital, we could be forced to cease operations.

In order to continue as a going concern, we will need, among other things, additional capital resources. Management's plan is to obtain such resources for our capital needs by obtaining capital from management and significant shareholders sufficient to meet its operating expenses and planned expansion and seeking equity and/or debt financing. However management cannot provide any assurances that we will be successful in accomplishing any of our plans.

Our ability to continue as a going concern is dependent upon our ability to successfully accomplish the plans described in the preceding paragraph and eventually secure other sources of financing and attain profitable operations. The accompanying financial statements do not include any adjustments that might be necessary if we were unable to continue as a going concern.

Critical Accounting Policies

We have identified the following policies below as critical to its business and results of operations. Our reported results are impacted by the application of the following accounting policies, certain of which require management to make subjective or complex judgments. These judgments involve making estimates about the effect of matters that are inherently uncertain and may significantly impact quarterly or annual results of operations. For all of these policies, management cautions that future events rarely develop exactly as expected, and the best estimates routinely require adjustment. Specific risks associated with these critical accounting policies are described in the following paragraphs.

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

Cash and Cash Equivalents. For the purpose of the statement of cash flows, the Company considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Property and Equipment. Property and equipment are stated at cost. Depreciation is computed principally on the straight-line method over the estimated useful lives of the assets. The useful lives of the Company's property and equipment ranges from 5 to 7 years.

Concentrations of Risk. The Company's bank accounts are held by insured institutions. The funds are insured up to \$250,000. At September 30, 2015 and 2014, the Company's bank deposits did not exceed the insured amounts.

Accounts Receivable. The Company's accounts receivable are net of the allowance for estimated doubtful accounts of \$-0- and \$-0- as of September 30, 2015 and 2014, respectively. The allowance for doubtful accounts reflects managements' best estimate of probable losses inherent in the accounts receivable balance.

Impairment of Long-Lived Assets. The Company continually monitors events and changes in circumstances that could indicate carrying amounts of long-lived assets may not be recoverable. When such events or changes in circumstances are present, the Company assesses the recoverability of long-lived assets by determining whether the carrying value of such assets will be recovered through undiscounted expected future cash flows. If the total of the future cash flows is less than the carrying amount of those assets, the Company recognizes an impairment loss based on the excess of the carrying amount over the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or the fair value less costs to sell.

Fair value of Financial Instruments. The fair value of cash and cash equivalents, royalties receivable, prepaid expenses and other assets, accounts payable and accrued liabilities, deferred income, approximates the carrying amount of these financial instruments due to their short-term nature. The fair value of long-term debt, which approximates its carrying value, is based on current rates at which we could borrow funds with similar remaining maturities.

Advertising Expense. In accordance with ASC 720, the Company expenses all costs of advertising as incurred which such amounts being immaterial.

Stock-based Compensation. The Company follows the provisions of ASC 718 which requires all share-based payments to employees, including grants of employee stock options, to be recognized in the statement of operations based on their fair values. The Company uses the Black-Scholes pricing model for determining the fair value of stock-based compensation.

Income Revenue Recognition. In connection with its franchising operations, the Company receives initial franchise fees, area development fees, franchise deposits and royalties which are based on sales at franchised restaurants.

Franchise fees, which are typically received prior to completion of the revenue of the revenue recognition process, are deferred when received. Such fees are recognized as income when substantially all services to be performed by the Company and conditions related to the sale of the franchise have been performed or satisfied, which generally occurs when the franchised restaurant commences operations.

Development agreements require the developer to open a specified number of restaurants in the development area within a specified time period or the agreements may be cancelled by the Company. Fees from development agreements are deferred when received and recognized as income as restaurants in the development area commence operations on a pro rata basis to the minimum number of restaurants required to be open.

Deferred franchise fees and development fees are classified as current or long term in the financial statements based on the projected opening date of the restaurants. Royalty fees, which are based upon a percentage of franchise sales, are made by the franchisee.

Taxes. The Company provides for income taxes under ASC 740, Accounting for Income Taxes. ASC 740 requires the use of an asset and liability approach in accounting for income taxes. Deferred tax assets and liabilities are recorded based on the differences between the financial statement and tax bases of assets and liabilities and the tax rates in effect when these differences are expected to reverse. ASC 740 requires the reduction of deferred tax assets by a valuation allowance if, based on the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

Research and Development. Research and development costs are charged to operations as they are incurred. Legal fees and other direct costs incurred in obtaining and protecting patents are expensed as incurred which such amounts being immaterial.

Recent Accounting Pronouncements

We implemented all new accounting standards that are in effect and that may impact its consolidated financial statements. We do not believe that there are any other new accounting pronouncements that have been issued that might have a material impact on the consolidated financial position or results of operations.

Off-Balance Sheet Arrangements

As of September 30, 2015, we did not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors. The term “off-balance sheet arrangement” generally means any transaction, agreement or other contractual arrangement to which an entity unconsolidated with us is a party, under which we have any obligation arising under a guarantee contract, derivative instrument or variable interest or a retained or contingent interest in assets transferred to such entity or similar arrangement that serves as credit, liquidity or market risk support for such assets.

Going Concern

The accompanying unaudited condensed financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate continuation of the Company as a going concern. However, the Company has reported, as of the year ended September 30, 2015, net losses of \$436,884, accumulated deficit of \$10,862,378 and total current liabilities in excess of current assets of \$944,490.

The Company’s revenue from operations is not sufficient to meet its working capital needs and will be dependent on funds raised to satisfy its ongoing capital requirements for at least the next 12 months. The Company will require additional financing in order to execute its operating plan and continue as a going concern. The Company cannot predict whether this additional financing will be in the form of equity or debt, or be in another form. The Company may not be able to obtain the necessary additional capital on a timely basis, on acceptable terms, or at all.

In any of these events, the Company may be unable to implement its current plans for expansion or respond to competitive pressures, any of these circumstances would have a material adverse effect on its business, prospects, financial condition and results of operations.

Critical Accounting Policies

We have identified the following policies below as critical to our business and results of operations. Our reported results are impacted by th