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

**FORM 10-Q**

(Mark One)

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

**For the quarterly period ended June 30, 2016**

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

**000-51935**

(Commission file number)



**PF Hospitality Group, Inc.**

(Exact name of registrant as specified in its charter)

**Nevada**

(State or other jurisdiction  
of incorporation or organization)

**90-1119774**

(IRS Employer  
Identification No.)

**(561) 939-2520**

(Issuer's telephone number)

**399 NW 2<sup>nd</sup> Avenue, Suite 216, Boca Raton Florida 33432**

(Address of principal executive offices)

**(561) 939-2520**

(Registrant's telephone number, including area code)

**Not applicable.**

(Former name, former address and former fiscal year, if changed since last report)

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

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

Large accelerated filer

Non-accelerated filer

Accelerated filer

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

As of May 18, 2016, there were 82,252,455 shares of registrant's common stock outstanding.

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PF HOSPITALITY GROUP, INC.

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## 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, the outcome of contingencies, such as legal proceedings, 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.*

**PART I – FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**

**PF HOSPITALITY GROUP, INC.  
CONDENSED CONSOLIDATED BALANCE SHEETS**

	June 30, 2016 (unaudited)	September 30, 2015
<b>ASSETS</b>		
Current assets:		
Cash	\$ 8,167	\$ 272,785
Accounts receivable, net	8,332	-
Royalties receivable	23,500	15,383
Inventory	71,021	-
Vendor deposits	29,907	-
Prepaid and other current assets	19,314	5,103
Total current assets	160,241	293,271
Property and equipment, net	39,230	34,626
Other assets:		
Intangible assets, net	112,580	116,990
Receivable from litigation settlement	14,167	30,104
Deposits	4,834	4,834
Goodwill	1,328,182	-
Total other assets	1,459,763	151,928
Total assets	\$ 1,659,234	\$ 479,825
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,059,204	\$ 920,826
Advances	218,361	205,861
Customer deposits, short term	6,000	-
Note payable	57,600	50,000
Convertible notes payable, current portion	37,991	61,074
Total current liabilities	1,379,156	1,237,761
Long term debt:		
Convertible notes payable, long term portion	282,907	166,083
Deferred revenue, long term portion	404,210	404,210
Customer deposits	50,000	50,000
Derivative liability	3,279,605	-
Total long term debt	4,016,722	620,293
Total liabilities	5,395,878	1,858,054
Stockholders' deficit:		
Preferred stock, \$0.0001 par value, 20,000,000 shares authorized as of June 30, 2016 and September 30, 2015		
Series A Preferred Stock, \$0.0001 par value; 2,000,000 shares designated, 2,000,000 shares issued and outstanding as of June 30, 2016 and September 30, 2015	200	200
Common stock, \$0.0001 par value; 500,000,000 and 2,000,000,000 shares authorized, 81,020,404 and 63,044,404 shares issued and outstanding as of June 30, 2016 and September 30, 2015, respectively	8,102	6,304
Additional paid in capital	11,025,029	9,477,645
Deficit	(14,769,975)	(10,862,378)
Total deficit	(3,736,644)	(1,378,229)
Total liabilities and stockholders' deficit	\$ 1,659,234	\$ 479,825

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements

**PF HOSPITALITY GROUP, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(unaudited)**

	Three months ended June 30,		Nine months ended June 30,	
	2016	2015	2016	2015
<b>Revenues:</b>				
Royalty income	\$ 49,396	\$ 31,405	\$ 122,842	\$ 153,633
Sales	93,102	15,395	189,379	15,395
Total revenues	<u>142,498</u>	<u>46,800</u>	<u>312,221</u>	<u>169,028</u>
<b>Cost of sales</b>				
	<u>57,952</u>	<u>-</u>	<u>98,240</u>	<u>-</u>
Gross profit	84,546	46,800	213,981	169,028
<b>Operating expenses:</b>				
Payroll expenses	109,373	90,677	330,183	283,809
Selling, general and administrative expenses	106,404	43,236	716,116	137,150
Depreciation and amortization	4,725	4,089	13,750	12,267
Total operating expenses	<u>220,502</u>	<u>138,001</u>	<u>1,060,049</u>	<u>433,225</u>
Net loss from operations	(135,956)	(91,201)	(846,068)	(264,197)
<b>Other income (expense):</b>				
Gain on change in derivative liabilities	(2,652,219)	-	(1,193,708)	-
Litigation settlement	-	-	-	102,500
Other income	-	-	-	1,942
Interest expense	(16,810)	-	(1,867,821)	-
Total other income (expense):	<u>(2,669,029)</u>	<u>-</u>	<u>(3,061,529)</u>	<u>104,442</u>
Net loss before income tax provision	(2,804,985)	(91,201)	(3,907,597)	(159,756)
Provision for income taxes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET LOSS</b>	<u>\$ (2,804,985)</u>	<u>\$ (91,201)</u>	<u>\$ (3,907,597)</u>	<u>\$ (159,756)</u>
Net loss per common share, basic and diluted	<u>\$ (0.03)</u>	<u>\$ (0.01)</u>	<u>\$ (0.05)</u>	<u>\$ (0.01)</u>
Weighted average number of common shares outstanding, basic and diluted	<u>81,020,404</u>	<u>17,117,268</u>	<u>78,107,470</u>	<u>17,117,268</u>

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements

**PF HOSPITALITY GROUP, INC.**  
**CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' DEFICIT**  
**NINE MONTHS ENDED JUNE 30, 2016**

	Series A Preferred stock		Common stock		Additional	Accumulated	Total
	Shares	Amount	Shares	Amount	Paid in Capital	Deficit	
Balance, September 30, 2015	2,000,000	\$ 200	63,044,404	\$ 6,304	\$ 9,477,645	\$(10,862,378)	\$(1,378,229)
Common stock issued upon settlement of convertible notes	-	-	16,876,000	1,688	26,031	-	27,719
Common stock issued for services	-	-	600,000	60	395,940	-	396,000
Common stock issued to acquire EXO:EXO	-	-	500,000	50	1,314,950	-	1,315,000
Beneficial conversion feature related to convertible notes	-	-	-	-	80,769	-	80,769
Reclassify beneficial conversion feature from equity to derivative liability	-	-	-	-	(270,306)	-	(270,306)
Net loss	-	-	-	-	-	(3,907,597)	(3,907,597)
Balance, June 30, 2016 (unaudited)	<u>2,000,000</u>	<u>\$ 200</u>	<u>81,020,404</u>	<u>\$ 8,102</u>	<u>\$11,025,029</u>	<u>\$(14,769,975)</u>	<u>\$(3,736,644)</u>

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements

**PF HOSPITALITY GROUP, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(unaudited)

	Nine months ended June 30,	
	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$ (3,907,597)	\$ (159,756)
Adjustments to reconcile net loss to cash used in operating activities:		
Depreciation and amortization	13,750	12,267
Amortization of debt discount	47,594	-
Non-cash interest	1,815,591	-
Loss on change in fair value of derivative liabilities	1,193,708	-
Common stock issued for services	396,000	-
Changes in operating assets and liabilities:		
Accounts and royalties receivable	(16,449)	(1,208)
Inventory	(54,129)	-
Litigation receivable	15,937	(35,417)
Vendor deposits	(29,907)	-
Other prepaid assets	(8,211)	-
Accounts payable and accrued liabilities	122,393	92,825
Deferred income and customer deposits	-	(7,895)
Net cash used in operating activities	<u>(411,320)</u>	<u>(99,184)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Net cash paid to acquire EXO:EXO	(22,163)	-
Purchase of property and equipment	(1,235)	(20,914)
Net cash used in investing activity	<u>(23,398)</u>	<u>(20,914)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from advances	12,500	106,500
Proceeds from short term notes payable	7,600	-
Proceeds from issuance of convertible notes payable	150,000	-
Net cash provided by financing activities	<u>170,100</u>	<u>106,500</u>
Net decrease in cash	(264,618)	(13,598)
Cash, beginning of the period	272,785	95,797
Cash, end of the period	<u>\$ 8,167</u>	<u>\$ 82,199</u>
<b>Supplemental disclosures of cash flow information:</b>		
Cash paid during the period for interest	<u>\$ -</u>	<u>\$ -</u>
Cash paid during the period for income taxes	<u>\$ -</u>	<u>\$ -</u>
<b>Non-cash investing and financing activities:</b>		
Beneficial conversion feature relating to convertible note payable	<u>\$ 80,769</u>	<u>\$ -</u>
Common stock issued in settlement of convertible notes	<u>\$ 27,719</u>	<u>\$ -</u>
Common stock issued to acquire EXO:EXO	<u>\$ 1,315,000</u>	<u>\$ -</u>

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements

**PF HOSPITALITY GROUP, INC.**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A summary of the significant accounting policies applied in the preparation of the accompanying unaudited condensed consolidated financial statements follows:

Business and Basis of Presentation

PF Hospitality Group, Inc. (the “Company”) was incorporated in Nevada on April 5, 2005 under the name Tomi Holdings, Inc. In October 2005, the Company changed its name to InfraBlue (US), Inc., and in October 2007, changed its name to NextGen Bioscience, Inc. In December 2008, the Company changed its name to Kalahari Greentech, Inc. In May 2015, the Company changed its name to PF Hospitality Group, Inc. Prior to the Company’s 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, the Company 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, the Company exchanged 17,117,268 shares of its common stock and issued 11,411,512 warrants to purchase the Company’s common stock for 100% of the Pizza Fusion common shares. The warrants are exercisable at \$0.25 for three years. In addition, the Company issued an aggregate of 2,385,730 warrants to acquire the Company’s common stock at \$0.25 per share for a period of three years in exchange for previously issued and outstanding warrants of Pizza Fusion Holdings, Inc. Also, Pizza Fusion’s two founders purchased 21,441,366 shares of the Company’s common stock and 1,000,000 shares of the Company’s 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 convertible pursuant to such debt at 40,000,000 shares of our common stock. As the owners and management of Pizza Fusion Holdings, Inc. obtained voting and operating control of PF Hospitality Group, Inc. after the merger and PF Hospitality Group, Inc. was non-operating and did not meet the definition of a business, the transaction has been accounted for as a recapitalization of Pizza Fusion Holdings, Inc., accompanied by the issuance of its common stock for outstanding common stock of PF Hospitality Group, Inc., which was recorded at a nominal value. The accompanying financial statements and related notes give retroactive effect to the recapitalization as if it had occurred on November 6, 2006 (inception date) and accordingly all share and per share amounts have been adjusted.

On December 16, 2015, the Company entered into and closed under the terms of a stock exchange agreement (the “Stock Exchange Agreement”) the Company entered into with EXO:EXO, Inc. (“EXO”) and Sloane McComb (EXO’s sole shareholder) pursuant to which the Company agreed to acquire all of the issued and outstanding shares of EXO 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) certain contingent performance considerations. (see below).

The consolidated financial statements include the accounts of PF Hospitality Group, Inc. and its wholly owned subsidiaries, Pizza Fusion Holdings, Inc., EXO and Shaker & Pie, Inc. (hereafter referred to as the “Company”). All significant intercompany balances and transactions have been eliminated in consolidation.

Acquisition

On December 16, 2015, the Company acquired EXO pursuant to the terms of that certain share exchange agreement entered into between the Company and Sloane McComb, the former owner of EXO.

Upon Closing, the Company acquired 100% of the outstanding securities of EXO in consideration of \$25,000 cash, 500,000 shares of common stock of the Company and assumption of \$20,619 of debt due to third parties for a total purchase price of \$1,360,619.



**PF HOSPITALITY GROUP, INC.**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

A summary of consideration is as follows:

Cash	\$ 25,000
500,000 shares of the Company's common stock	1,315,000
Liabilities assumed	20,619
Total purchase price	<u>\$ 1,360,619</u>

The following summarizes the current estimates of fair value of assets acquired and liabilities assumed:

Cash	\$ 2,837
Inventory	16,892
Property and equipment	12,708
Goodwill	1,328,182
Assets acquired	<u>\$ 1,360,619</u>

EXO seeks to position itself as a top consumer brand of choice within the functional fitness market riding the wave of a worldwide fitness industry growth phenomena.

The purchase price allocation for the above acquisitions is subject to further refinement as management completes its assessment of the valuation of certain assets and liabilities.

The Company accounts for acquisitions in accordance with the provisions of ASC 805-10. The Company assigns to all identifiable assets acquired, a portion of the cost of the acquired company equal to the estimated fair value of such assets at the date of acquisition. The Company records the excess of the cost of the acquired company over the sum of the amounts assigned to identifiable assets acquired as goodwill.

The Company does not amortize goodwill. The Company recorded goodwill in the aggregate amount of \$1,328,182 as a result of the acquisition of EXO during the nine months ended June 30, 2016.

The Company accounts for and reports acquired goodwill under Accounting Standards Codification subtopic 350-10, Intangibles-Goodwill and Other ("ASC 350-10"). In accordance with ASC 350-10, at least annually, the Company tests its intangible assets for impairment or more often if events and circumstances warrant. Any write-downs will be included in results from operations.

Interim Financial Statements

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the rules and regulations (Regulation S-X) of the Securities and Exchange Commission (the "SEC") and with the instructions to Form 10-Q. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. The results of operations for the three and nine months ended June 30, 2016 are not necessarily indicative of the operating results that may be expected for the year ended September 30, 2016. These unaudited condensed consolidated financial statements should be read in conjunction with the September 30, 2015 consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K.

Revenue Recognition

Revenue is recognized when persuasive evidence of an arrangement exists, delivery of the product or service has occurred, all obligations have been performed pursuant to the terms of the agreement, the sales price is fixed or determinable, and collectability is reasonably assured.

**PF HOSPITALITY GROUP, INC.**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

*Royalty income*

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.

*Sales*

Sales are generated from an online process either through a web site or through third party providers such as Amazon. Collections are received at the point of sales.

During the three and nine months ended June 30, 2016, sales were comprised of sports products from the Company's wholly owned subsidiary, EXO.

Inventory

The Company maintains an inventory, which consists primarily of packaged, delivered sports product. The Company acquires all of its inventory in a completed (finished goods) condition. The average cost method is utilized in valuing the inventory, and is stated at the lower of cost or market.

As of June 30, 2016, the Company's inventory, comprised of available for sale athletic sporting goods and apparel, was \$71,021.

Cost of sales

Cost of sales is comprised of cost of product sold, packaging, and shipping costs from the manufacturer.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, 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. Significant estimates include the recoverability and useful lives of long-lived assets, the fair value of the Company's stock, stock-based compensation, debt discounts and the fair values of derivative liabilities. Actual results may differ from these estimates.

**PF HOSPITALITY GROUP, INC.**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

Fair Value of Financial Instruments

Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management as of June 30, 2016 and September 30, 2015. The respective carrying value of certain on-balance-sheet financial instruments approximated their fair values. These financial instruments include cash, notes payable, convertible notes payable, derivative liabilities and accounts payable. Fair values were assumed to approximate carrying values for cash and payables because they are short term in nature and their carrying amounts approximate fair values or they are payable on demand.

Impairment of Long-Lived Assets

The Company reviews the carrying value of intangibles and other long-lived assets for impairment at least annually or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of long-lived assets is measured by comparing the carrying amount of the asset or asset group to the undiscounted cash flows that the asset or asset group is expected to generate. If the undiscounted cash flows of such assets are less than the carrying amount, the impairment to be recognized is measured by the amount by which the carrying amount of the property, if any, exceeds its fair market value.

At September 30, 2015, the Company management performed an evaluation of its acquired intangible assets for purposes of determining the implied fair value of the assets at September 30, 2015. The tests indicated that the recorded remaining book value of its intangible assets did not exceed its fair value for the years ended September 30, 2015; and no impairment was deemed to exist as of September 30, 2015. Considerable management judgment is necessary to estimate the fair value. Accordingly, actual results could vary significantly from management's estimates.

Derivative Liability

The Company accounts for derivatives in accordance with ASC 815, which establishes accounting and reporting standards for derivative instruments and hedging activities, including certain derivative instruments embedded in other financial instruments or contracts and requires recognition of all derivatives on the balance sheet at fair value, regardless of hedging relationship designation. Accounting for changes in fair value of the derivative instruments depends on whether the derivatives qualify as hedge relationships and the types of relationships designated are based on the exposures hedged. At June 30, 2016 and September 30, 2015, the Company did not have any derivative instruments that were designated as hedges. See Notes 7 and 8 for discussion of the Company's derivative liabilities.

Convertible Instruments

GAAP requires companies to bifurcate conversion options from their host instruments and account for them as free standing derivative financial instruments according to certain criteria. The criteria include circumstances in which (a) the economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract, (b) the hybrid instrument that embodies both the embedded derivative instrument and the host contract is not re-measured at fair value under otherwise applicable generally accepted accounting principles with changes in fair value reported in earnings as they occur and (c) a separate instrument with the same terms as the embedded derivative instrument would be considered a derivative instrument. An exception to this rule is when the host instrument is deemed to be conventional, as that term is described under applicable GAAP.

When the Company has determined that the embedded conversion options should not be bifurcated from their host instruments, the Company records, when necessary, discounts to convertible notes for the intrinsic value of conversion options embedded in debt instruments based upon the differences between the fair value of the underlying common stock at the commitment date of the note transaction and the effective conversion price embedded in the note. Debt discounts under these arrangements are amortized over the term of the related debt to their stated date of redemption.

**PF HOSPITALITY GROUP, INC.**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

On December 31, 2015, the Company determined that the conversion provisions embedded in issued convertible debentures met the defined criteria of a derivative in such that the net settlement requirement of delivery of common shares does meet the “readily convertible to cash” as described in Accounting Standards Codification 815 and therefore bifurcation is required.

Segment Information

Accounting Standards Codification subtopic Segment Reporting 280-10 (“ASC 280-10”) establishes standards for reporting information regarding operating segments in annual financial statements and requires selected information for those segments to be presented in interim financial reports issued to stockholders. ASC 280-10 also establishes standards for related disclosures about products and services and geographic areas. Operating segments are identified as components of an enterprise about which separate discrete financial information is available for evaluation by the chief operating decision maker, or decision-making group, in making decisions how to allocate resources and assess performance. The information disclosed herein materially represents all of the financial information related to the Company’s only material principal operating segment.

Net Income (Loss) per Share

The Company computes basic net income (loss) per share by dividing net income (loss) per share available to common stockholders by the weighted average number of common shares outstanding for the period and excludes the effects of any potentially dilutive securities. Diluted earnings per share, if presented, would include the dilution that would occur upon the exercise or conversion of all potentially dilutive securities into common stock using the “treasury stock” and/or “if converted” methods as applicable.

The computation of basic and diluted income (loss) per share as of June 30, 2016 and 2015 excludes potentially dilutive securities when their inclusion would be anti-dilutive, or if their exercise prices were greater than the average market price of the common stock during the period.

Potentially dilutive securities excluded from the computation of basic and diluted net income (loss) per share are as follows:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Convertible notes payable	37,342,215	-
Warrants to purchase common stock	13,797,242	2,385,730
Totals	<u>51,139,457</u>	<u>2,385,730</u>

Stock-Based Compensation

The Company measures the cost of services received in exchange for an award of equity instruments based on the fair value of the award. For employees and directors, the fair value of the award is measured on the grant date and for non-employees, the fair value of the award is generally re-measured on vesting dates and interim financial reporting dates until the service period is complete. The fair value amount is then recognized over the period during which services are required to be provided in exchange for the award, usually the vesting period. Stock-based compensation expense is recorded by the Company in the same expense classifications in the consolidated statements of operations, as if such amounts were paid in cash.

**PF HOSPITALITY GROUP, INC.**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

Registration Rights

The Company accounts for registration rights agreements in accordance with the Accounting Standards Codification subtopic 825-20, Registration Payment Arraignments (“ASC 825-20”). Under ASC 825-20, the Company is required to disclose the nature and terms of the arraignment, the maximum potential amount and to assess each reporting period the probable liability under these arraignments and, if exists, to record or adjust the liability to current period operations. On June 30, 2016, the Company determined that possible payments under its registration rights agreement was not probable and therefore did not accrue as interest expense in current period operations for possible liability under the registration rights agreements.

Recent Accounting Pronouncements

There are various updates recently issued, most of which represented technical corrections to the accounting literature or application to specific industries and are not expected to have a material impact on the Company’s financial position, results of operations or cash flows.

**2. GOING CONCERN AND MANAGEMENT’S LIQUIDITY PLANS**

The Company’s unaudited condensed consolidated financial statements are prepared using generally accepted accounting principles applicable to a going concern which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The Company has incurred significant recurring losses which have resulted in an accumulated deficit of \$14,769,975, net loss of \$3,907,597 and net cash used in operations of \$411,320 for the nine months ended June 30, 2016 which raises substantial doubt about the Company’s ability to continue as a going concern.

During the nine months ended June 30, 2016, the Company raised \$150,000, \$12,500 and \$7,600 in cash proceeds from the issuance of convertible promissory notes, advances and short term notes, respectively. On July 20, 2016, subsequent to these financial statements, the Company raised \$250,000 from the issuance of a convertible note (See Subsequent Events-Note 13)The Company believes that its current cash on hand will not be sufficient to fund its projected operating requirements through November 2016.

The Company’s primary source of operating funds since inception has been cash proceeds from the private placements of common stock and proceeds from convertible and other debt. The Company intends to raise additional capital through private placements of debt and equity securities, but there can be no assurance that these funds will be available on terms acceptable to the Company, or will be sufficient to enable the Company to fully complete its development activities or sustain operations. If the Company is unable to raise sufficient additional funds, it will have to develop and implement a plan to further extend payables, reduce overhead, or scale back its current business plan until sufficient additional capital is raised to support further operations. There can be no assurance that such a plan will be successful.

Accordingly, the accompanying condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”), which contemplate continuation of the Company as a going concern and the realization of assets and satisfaction of liabilities in the normal course of business. The carrying amounts of assets and liabilities presented in the financial statements do not necessarily purport to represent realizable or settlement values. The condensed consolidated financial statements do not include any adjustment that might result from the outcome of this uncertainty.

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**3. DEFERRED INCOME AND CUSTOMER DEPOSITS**

The Company has received advances from customers seeking to purchase a franchise. The deposits are classified as customer deposits until a franchise agreement is signed. Once a franchise agreement is signed the advances are nonrefundable and reclassified to deferred income. The franchisee has the responsibility to complete the build out of the restaurant within the time designated in the franchise agreement (generally 5 years). Once the restaurant build out is complete and is operational the Company recognizes the franchise fee as revenues. If the franchisee fails to complete the build out within the required period the franchise fee is forfeited and the Company recognizes the fee as income.

**4. PROPERTY AND EQUIPMENT**

Property and equipment as of June 30, 2016 and September 30, 2015 is summarized as follows:

	June 30, 2016	September 30, 2015
Construction in process	\$ 18,150	\$ 18,150
Equipment	61,641	47,697
Leasehold improvements	10,513	10,513
Furniture and fixtures	37,604	37,604
Subtotal	127,908	113,964
Less accumulated depreciation	(88,678)	(79,338)
Property and equipment, net	\$ 39,230	\$ 34,626

Depreciation expense for the three and nine months ended June 30, 2016 was \$3,255 and \$9,340, respectively; and \$2,619 and \$7,857 for the three and nine months ended June 30, 2015, respectively.

**5. INTANGIBLE ASSETS**

Intangible assets as of June 30, 2016 and September 30, 2015 is summarized as follows:

	June 30, 2016	September 30, 2015
Franchise and trademark rights	\$ 71,949	\$ 71,949
Trademark costs	45,429	45,429
Website	43,625	43,625
Subtotal	161,003	161,003
Less accumulated depreciation	(48,423)	(44,013)
Intangible assets, net	\$ 112,580	\$ 116,990

Amortization expense for the three and nine months ended June 30, 2016 was \$1,470 and \$4,410, respectively; and \$1,470 and \$4,410 for the three and nine months ended June 30, 2015, respectively.

**6. NOTES PAYABLE**

On July 10, 2014 the Company issued a note payable with face value \$50,000, non-interest bearing, due on demand. The balance as of June 30, 2016 and September 30, 2015 was \$50,000.

On June 9, 2016, the Company issued a unsecured promissory note with a face value of \$7,600, bearing interest at 8% due six months from issuance with monthly payments of \$1,347 per month.

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**7. CONVERTIBLE NOTES PAYABLE**

Convertible notes payable as of June 30, 2016 and September 30, 2015 is summarized as follows:

	June 30, 2016	September 30, 2015
Notes payable, acquired in recapitalization	\$ 37,991	\$ 61,074
Notes payable, due July 27, 2020, net of unamortized debt discounts of \$274,865 and \$224,924, respectively	282,907	166,183
Subtotal	320,898	227,257
Less current maturities	(37,991)	(61,074)
Long term portion	\$ 282,907	\$ 166,183

Under the terms of the securities purchase agreement dated July 27, 2015, the Company issued and sold an aggregate of \$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. As of June 30, 2016, the Company has received net proceeds of \$352,000 under the security purchase agreement, \$150,000 not under the security purchase agreement (same terms and conditions); and subsequent to these financial statements, an additional \$50,000 under the security purchase agreement, \$200,000 not under the security purchase agreement (same terms and conditions) (See Note 13-Subsequent Events).

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. The Company 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.

At the time of issuance and until December 31, 2015, the Company determined that the conversion provisions embedded in issued convertible debentures did not meet the defined criteria of a derivative in such that the net settlement requirement of delivery of common shares does not meet the "readily convertible to cash" as described in Accounting Standards Codification 815 and therefore bifurcation was not required. There was no established market for the Company's common stock. As of December 31, 2015, the Company determined a market had been established for the Company's common stock and accordingly, reclassified from equity to liability treatment the initial previously recorded beneficial conversion feature of the conversion provision of \$270,306.

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The Company determined the fair value of the embedded conversion provisions of the debentures of \$2,085,898 at December 31, 2015 using the Multinomial Lattice pricing model and the following assumptions: estimated contractual terms, a risk free interest rate of 1.76%, a dividend yield of 0%, and volatility of 56.38%. The fair value derivative liability of \$2,085,898 was recorded as a liability at December 31, 2015 and a charge to current period interest of \$1,815,591 representing the excess in fair value of the liability from the initially recorded beneficial conversion feature reclassified from equity.

At June 30, 2016, the fair value of the embedded conversion provisions of the debentures of \$3,279,605 was determined using the Binomial Option Pricing model with the following assumptions: dividend yield: 0%; volatility: 61.93%; risk free rate: 1.01%; and expected life: 4.08 years. The Company recorded a loss on change in derivative liabilities of \$1,193,708 during the six and months ended June 30, 2016.

For the three and nine months ended June 30, 2016, the Company amortized \$16,810 and \$47,594 of debt discount and original issuance discounts to current period operations as interest expense, respectively.

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. The Company 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 a registration statement until further notice by the holders of the convertible debt.

From March 19, 2013 through October 4, 2013, the Company entered into promissory notes for an aggregate of \$65,600 in cash. The notes are unsecured, interest bearing at 10% per annum (18% upon default), and matured from September 19, 2013 through April 4, 2014. The notes were initially convertible at the option of the Company at a fixed price of \$0.20 per share.

In connection with the recapitalization, the holders of convertible debt in the original principal amount of \$65,600 agreed as part of the merger to limit the number of shares convertible pursuant to such debt and accrued interest into 40,000,000 shares of our common stock.

As of June 30, 2016, the Company has issued an aggregate of 19,820,000 shares of its common stock in settlement of \$32,245 of promissory notes.

#### **8. DERIVATIVE LIABILITIES**

As described in Note 7, the Company issued convertible notes that contain conversion features and reset provision. The accounting treatment of derivative financial instruments requires that the Company record fair value of the derivatives as of the inception date and to fair value as of each subsequent reporting date.

#### **9. STOCKHOLDERS' DEFICIT**

##### Preferred stock

The Company is authorized to issue 20,000,000 shares of \$0.0001 par value preferred stock as of June 30, 2016 and September 30, 2015. As of June 30, 2016, the Company has designated and sold 2,000,000 shares of Series A Preferred Stock.



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Common stock

The Company is authorized to issue 500,000,000 shares of \$0.0001 par value common stock as of June 30, 2016 and September 30, 2015. As of June 30, 2016 and September 30, 2015, the Company had 81,020,404 and 63,044,404 common shares issued and outstanding, respectively.

During the nine months ended June 30, 2016, the Company issued 16,876,000 shares of its common stock in settlement of \$27,719 of promissory notes.

During the nine months ended June 30, 2016, the Company issued 600,000 shares of its common stock for consulting services valued at \$396,000.

During the nine months ended June 30, 2016, the Company issued 500,000 shares of its common stock to acquire EXO on December 16, 2015 as discussed in Note 1.

Warrants

The following table summarizes information with respect to outstanding warrants to purchase common stock of the Company, all of which were exercisable, at June 30, 2016:

Exercise Price	Number Outstanding	Expiration Date
\$ 0.25	13,797,242	July 2018

In Connection with the merger agreement, the Company issued an aggregate of 13,797,242 warrants to acquire the Company's common stock at \$0.25 per share for a period of three years. 11,411,512 warrants were issued as part of the exchange consideration to acquire 100% of the common stock of Pizza Fusion and 2,385,730 shares were issued in exchange for previously issued and outstanding warrants of Pizza Fusion Holdings, Inc.

A summary of the warrant activity for the nine months ended June 30, 2016:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at September 30, 2015	13,797,242	\$ 0.25	3.00	\$ -
Grants	-			
Exercised	-			
Canceled	-			
Outstanding at June 30, 2016	13,797,242	\$ 0.25	2.00	\$ -
Vested and expected to vest at June 30, 2016	13,797,242	\$ 0.25	2.00	\$ -
Exercisable at June 30, 2016	13,797,242	\$ 0.25	2.00	\$ -

The aggregate intrinsic value (if any) in the preceding tables represents the total pretax intrinsic value, based on warrants with an exercise price less than the Company's stock price of \$0.22 as of June 30, 2016, which would have been received by the warrant holders had those warrant holders exercised their warrants as of that date.

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**10. COMMITMENTS AND CONTINGENCIES**

Debt assumption/indemnification

In connection with the merger on July 1, 2015, previous officers of PF Hospitality Group, Inc. assumed and indemnified the Company for an aggregate of \$590,990 outstanding debt, all of which was considered old, unidentified and considered due by the previous management.

Litigation

The Company is subject at times to legal proceedings and claims, which arise in the ordinary course of its business. Although occasional adverse decisions or settlements may occur, the Company believes that the final disposition of such matters should not have a material adverse effect on its financial position, results of operations or liquidity. There was no outstanding litigation as of June 30, 2016.

**11. RELATED PARTY TRANSACTIONS**

The Company's current and former officers and stockholders advance funds to the Company for travel related and working capital purposes. As of June 30, 2016 and September 30, 2015, there were no related party advances outstanding.

As of June 30, 2016 and September 30, 2015, accrued compensation due officers and executives included in accounts payable was \$774,250 and \$670,839, respectively.

**12. FAIR VALUE MEASUREMENTS**

ASC 825-10 defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Company considers the principal or most advantageous market in which it would transact and considers assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions, and risk of nonperformance. ASC 825-10 establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. ASC 825-10 establishes three levels of inputs that may be used to measure fair value:

- Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2: Quoted prices in markets that are not active, or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability; or
- Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and are unobservable.

Items recorded or measured at fair value on a recurring basis in the accompanying unaudited condensed consolidated financial statements consisted of the following items as of June 30, 2016:

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Long-term investments	\$ —	\$ —	\$ —	\$ —
Total	\$ —	\$ —	\$ —	\$ —
Derivative liabilities	\$ —	\$ —	\$ 3,279,605	\$ 3,279,605
Total	\$ —	\$ —	\$ 3,279,605	\$ 3,279,605

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The table below sets forth a summary of changes in the fair value of the Company's Level 3 financial liabilities (derivative liability) for the nine months ended June 30, 2016.

Nine months ended June 30, 2016:

	Derivative Liabilities
Balance, April 1, 2015	\$ -
Transfers in from equity the initial beneficial conversion feature	270,306
Adjustment to interest expense the excess of fair value of fair value of derivative liabilities	1,815,591
Mark-to-market at June 30, 2016:	<u>1,193,708</u>
Balance, June 30, 2016	<u>\$ 3,279,606</u>
Net loss for the period included in earnings relating to the liabilities held at June 30, 2016	\$ (1,193,708)

Level 3 Liabilities were comprised of our bifurcated convertible debt features on our convertible notes (see Note 8).

### 13. SUBSEQUENT EVENTS

#### Subsequent stock issuances

In August 2016, the Company issued 1,232,051 shares of its common stock in settlement of \$50,000 convertible notes payable.

#### Financing

In July 2016, the Company issued two convertible notes in aggregate of \$250,000.00 principal amount convertible note due November 30, 2020, of which \$50,000 was under the securities purchase agreement dated July 27, 2015. The notes bears interest at an annual rate of 10% on the principal balance. Interest shall be accrued and added to the principal amount of the convertible note. The principal amount and any accrued interest due under the convertible note may be prepaid, in whole or in part at any time upon ten days written notice to the Investor. If the Company exercises its right to prepay any portion of the convertible note, the Company shall make payment to the note holder of an amount in cash equal to the sum of the then outstanding principal amount of this Convertible Debenture being prepaid and accrued interest thereon multiplied by 130%.

The note holder may at any time convert the amount due under the convertible note into shares of common stock of the Company equal to the product of 50% multiplied by the lowest traded price of the common stock for the twenty trading days prior to the conversion date subject to anti-dilution (reset provisions), as defined. In addition, the Company agreed to reduce the conversion price of the previously outstanding notes in aggregate of \$557,772 from 65% to 50% multiplied by the lowest traded price of the common stock for the twenty trading days prior to the conversion date.

The Company's Chief Executive Officer and its President pledged as collateral for the convertible note 24,000,000 and 24,604,365 shares, respectively, of the Company's common stock they own to the note holders. The number of shares pledged are subject to reduction in the principal and interest amount of the convertible note held by note holders

On July 26, 2016, in conjunction with the funding of \$50,000 under the convertible debentures by one of the holders of the convertible notes, we entered into an agreement with all of the holders of such notes to amend the conversion price to equal 50% of the lowest traded price of our common stock for the twenty trading days prior to each conversion date subject to adjustment. In addition, our Chief Executive Office, Vaughn Dugan and its President, Randy Romano, agreed to pledge as collateral for the Convertible Debt 4,800,000 and 4,920,873 shares, respectively, of our common stock they own to the investor who funded the \$50,000 payment. The number of shares pledged are subject to reduction in an amount equal to the reduction in the principal amount of the convertible debentures held by the investor divided by \$55,555.55 (plus interest on such amount which accrues commencing on the date of the Convertible Debenture) and multiplying the result by the number of pledged shares until the number of pledged shares is zero (the "Pledged Share Reduction"). The Pledged Share Reduction shall be computed no less frequently than within 30 days after the last day of each fiscal quarter.

## **ITEM 2 – MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.**

### **Overview**

We are a management firm which creates and cultivates innovative lifestyle brands within the retail industry featuring functional sports apparel brands under our EXO:EXO line of branded products. In addition, we founded the all-natural and organic pizza franchise, Pizza Fusion with locations in selected markets in the United States, Saudi Arabia, and the United Arab Emirates.

### **EXO:EXO**

Through our wholly owned subsidiary EXO:EXO, Inc., (EXO) which we acquired on December 16, 2015, we design and produce compression knee sleeves and other functional sports gear products utilized in weightlifting, CrossFit, powerlifting, Olympic weightlifting, endurance training, boot camps, circuit training programs, and strength training protocols. The brand is currently offered in national fitness retailers and sold through major online stores globally.

As part of our plans to expand the core EXO product lines, on April 5, 2016 we announced the relaunch of EXO’s consumer facing website, [www.exosleeve.com](http://www.exosleeve.com), featuring a full portfolio of athletic sleeves, knee and wrist wraps, workout apparel and product information that offers consumers a more user-engaging manner. In an effort to rapidly expand the brand, EXO has also established several wholesale relationships with on-line retailers such as Rogue Fitness and WOD Superstore.

While building EXO's retail and business-to-business business to grow our wholesale sales channel, EXO has also been developing a new active wear line to include workout shorts, tops, tanks, leggings and sports bras, which are all now available on our updated, consumer-friendly website.

EXO has a strong foothold as the brand of choice for numerous elite functional fitness athletes including Christmas Abbott CrossFit Games Competitor, Olympic Weightlifter, and first female NASCAR Pit Crew member, Noah Ohlsen, and Brooke Ence elite CrossFit Games athletes. Expanding upon its popularity among elite athletes, on April 7, 2016 we announced that 2016 NFL Atlanta Falcon first round draft pick Keanu Neal signed a non-binding memorandum of understanding to become a brand ambassador for EXO's Athletic Brand division

Looking towards the future, we are evaluating options for in-house fulfillment and logistics processes and fully expect that EXO will drive solid opportunities for expansion. Our management believes that leveraging the infrastructure and operations teams will lead to further acquisitions of undervalued brands in need of our managerial talent and cost control procedures.

### **Pizza Fusion Operations**

We are exploring ways to broaden our reach into the hospitality space. 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.

On June 1, 2016 we entered into a licensing agreement with Aramark Food & Support Services Group, to open a Pizza Fusion restaurant on the campus of Old Dominion University in Norfolk Virginia. The restaurant is slated to open on October 1st 2016.

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.

During the three months ended June 30, 2016, the operator of the Pizza Fusion locations in Saudi Arabia closed [four] of the seven locations and one of two United Arab Emirates locations as a result of weakening demand stemming from reductions in discretionary spending due to continued world-wide reductions in the price of and demand for crude oil. As of the date of this report, there are a total of 6 Pizza Fusion locations in the U.S., 1 in United Arab Emirates and 3 in Saudi Arabia.

### **Results of Operations**

#### ***Three months Ended June 30, 2016 Compared to Three Months Ended June 30, 2015***

**Total Revenue.** For three months ended June 30 2016, total revenue increased by \$95,698 to \$142,498 compared to \$46,800 in the same period in fiscal 2015. The increase in revenue for the three months ended June 30, 2016 was primarily related to a \$93,102 increase in sales from EXO which we acquired in December 2015, partially offset by a reduction of approximately \$26,469 in royalty income due to the closure of five Pizza Fusion locations in Saudi Arabia.

**Cost of sales.** Cost of sales was \$57,952 or 62% of related sales for the three months ended June 30, 2016 giving us a gross profit from sales of \$35,150 or 38%. We did not have sales/cost of sales for same period in 2015.

**Total Operating Expenses.** For three months ended June 30, 2016, total operating expenses increased 59.8% to \$220,502 compared to \$138,001 for same period in fiscal 2015. Our payroll, selling, general and administrative expenses and depreciation increased by \$63,918 due to our acquisition of EXO subsidiary.

**Loss on change in fair value of derivative liabilities.** During fiscal 2015 and 2016, we issued convertible notes with an embedded derivative, all requiring us to fair value the derivatives each reporting period and mark to market as a non-cash adjustment to our current period operations. This resulted in a loss of \$2,652,219 and \$-0- on change in fair value of derivative liabilities for the three months ended June 30, 2016 and 2015, respectively.

**Interest expense.** Interest expense for the three months ended June 30, 2016 primarily represents amortization of debt discounts related to our issued convertible notes of \$16,810 as compared to \$-0- for same period last year.

**Net Loss.** As a result of the above, the net loss for three months ended June 30, 2016 increased \$2,713,784, or 2975.6 %, to \$2,804,985 compared to \$91,201 in the same period, last year.

### ***Nine months Ended June 30, 2016 Compared to Nine Months Ended June 30, 2015***

**Total Revenue.** For nine months ended June 30 2016, total revenue increased by \$143,193 to \$312,221 compared to \$169,028 in the same period in fiscal 2015. The increase in revenue for the nine months ended June 30, 2016 was primarily related to a \$189,379 increase in sales from EXO which we acquired in December 2015, partially offset by a reduction of approximately \$30,791 in royalty income due to the closure of four Pizza Fusion locations in Saudi Arabia and the two units that left the franchise system as part of a settlement in fiscal 2015.

**Cost of sales.** Cost of sales was \$98,240 or 51.9% of related sales for the nine months ended June 30, 2016 giving us a gross profit from sales of \$91,139 or 48.1%. We did not have sales/cost of sales for same period in 2015.

**Total Operating Expenses.** For nine months ended June 30, 2016, total operating expenses increased 144.7% to \$1,060,049 compared to \$433,225 for same period in fiscal 2015. This increase was primarily due non-cash stock based compensation paid for investment banking and financial advisory services of \$396,000 in the current period as compared to \$-0- the prior year. In addition, our payroll, selling, general and administrative expenses and depreciation increased by \$126,724 due to our acquisition of EXO subsidiary. Lastly we incurred additional selling, general and administrative expense due to our acquisition of Pizza Fusion Holdings, Inc., SEC reporting obligations and compliance with our SEC filing obligations

### ***Loss on change in fair value of derivative liabilities***

During fiscal 2015 and 2016, we issued convertible promissory notes with an embedded derivative, all requiring us to fair value the derivatives each reporting period and mark to market as a non-cash adjustment to our current period operations. This resulted in a loss of \$1,193,708 and \$-0- on change in fair value of derivative liabilities for the nine months ended June 30, 2016 and 2015, respectively.

**Litigation settlement.** During the nine months ended June 30, 2015, we received \$102,500 in litigation settlement as compared to \$-0- for the current period.

**Interest expense.** During the nine months ended June 30, 2016, we had outstanding convertible debentures with an embedded derivative, at December 31, 2015, we determined a market had been established for our common stock and accordingly, reclassified from equity to liability treatment the initial previously recorded beneficial conversion feature of the conversion provision of \$270,306 and recorded an interest charge of \$1,815,592 in establishing the initial fair value of the conversion option. In addition, we amortized debt discounts associated with our issued convertible notes of \$47,594 for the nine months ended June 30, 2016 as compared to \$-0- for same period last year.

**Net Loss.** As a result of the above, the net loss for nine months ended June 30, 2016 increased \$3,747,841, or 2346.0 %, to \$3,907,597 compared to \$159,756 in the same period, last year.

### ***Liquidity and Capital Resources***

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

### ***Nine Months Ended June 30, 2016 Compared to Nine Months Ended June 30, 2015***

As of June 30, 2016, our working capital deficit amounted to \$1,218,915, an increase of \$274,425 as compared to working capital deficit of \$944,490 as of September 30, 2015. This increase is primarily a result of a \$133,030 reduction in total current assets and by a \$141,395 increase in current liabilities. Working capital at June 30, 2016 included primarily cash and cash equivalents of \$8,167, accounts and royalty receivables of \$31,832, inventory of 71,021, vendor deposits of \$29,907 and prepaid and other current assets of \$19,314, offset by accounts payable and accrued liabilities of \$1,059,204, advances of \$218,361, customer deposits of \$6,000, convertible notes payable of \$37,991 and \$57,600 of notes payable.

Cash used in operating activities of \$411,320 during nine months ended June 30, 2016 was primarily attributable to a net loss of \$3,907,597, partially offset by non-cash interest of \$1,815,591, depreciation and amortization of \$61,344, stock based compensation of \$396,000, loss on change in derivative liability of \$1,193,708 and changes in operating assets and liabilities of \$29,634.

Cash used in investing activities was \$23,398 during nine months ended June 30, 2016 comprised of \$22,163 net cash component of the acquisition of EXO and purchase of property and equipment of \$1,235.

Cash provided by financing activities of \$170,100 during nine months ended June 30, 2016 was attributable to proceeds from issuance of convertible notes of \$150,000, \$7,600 from issuance of note payable and advances of \$12,500 from the Company's prospective joint venture partner for the proposed Shaker & Pie restaurant. Cash provided by financing activities of \$106,500 during nine months ended June 30, 2015 was attributable to proceeds from advances.

### ***Capital Resources***

We expect to incur a minimum of \$500,000 in expenses during the next twelve months of operations as we expand our EXO operations, acquisition of new restaurant concepts and manage our current franchise operations. We estimate that this will be comprised of approximately \$300,000 towards inventory and marketing costs and approximately \$200,000 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 our growth plans. In the event we run into cost overruns or lower than anticipated revenues, we will have to raise the funds to pay for these expenses. We potentially will have to issue debt or equity, or enter into a strategic arrangement with other third parties.

In July 2016, we received an aggregate of \$250,000.00 principal amount convertible note due November 30, 2020, of which \$50,000 was under the securities purchase agreement dated July 27, 2015. We currently have no agreements, arrangements or understandings with any person to obtain funds through bank loans, lines of credit or any other sources. There can be no assurance that additional capital will be available to us. 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 will have a severe negative impact on our ability to remain a viable company.

### ***Off-Balance Sheet Arrangements***

As of June 30, 2016, PFHS 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.

### **Auditor's Opinion Expresses Doubt About the Company's Ability to Continue as a "Going Concern"**

The independent auditor's report on our September 30, 2015 consolidated financial statements states that the Company's historical losses and accumulated deficiency raise substantial doubts about the Company's ability to continue as a going concern, due to the losses incurred and deficiency. If we are unable to develop our business, we will have to reduce, discontinue operations or cease to exist, which would be detrimental to the value of the Company's common stock. We can make no assurances that our business operations will develop and provide us with significant cash to continue 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.

*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.

*Derivative Liability.* The Company accounts for derivatives in accordance with ASC 815, which establishes accounting and reporting standards for derivative instruments and hedging activities, including certain derivative instruments embedded in other financial instruments or contracts and requires recognition of all derivatives on the balance sheet at fair value, regardless of hedging relationship designation. Accounting for changes in fair value of the derivative instruments depends on whether the derivatives qualify as hedge relationships and the types of relationships designated are based on the exposures hedged. At June 30, 2016 and September 30, 2015, the Company did not have any derivative instruments that were designated as hedges.

*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.

*Revenue Recognition* Revenue is recognized when persuasive evidence of an arrangement exists, delivery of the product or service has occurred, all obligations have been performed pursuant to the terms of the agreement, the sales price is fixed or determinable, and collectability is reasonably assured.



### Royalty income

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.

### Sales

Sales are generated from an online process either through a web site or through third party providers such as Amazon. Collections are received at the point of sales.

During the nine months ended June 30, 2016, sales were comprised of sports products from the Company's wholly owned subsidiary, EXO:EXO, Inc.

### ***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.

### **ITEM 3 – QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and, as such, are not required to provide the information under this item.

### **ITEM 4 – CONTROLS AND PROCEDURES**

#### ***Evaluation of Disclosure Controls and Procedures***

We maintain disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act that are designed to ensure that information required to be disclosed in our reports filed or submitted to the SEC under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms, and that information is accumulated and communicated to management, including our Chief Executive Officer and President who acts as our chief financial and accounting officer, as appropriate, to allow timely decisions regarding required disclosures. Our Chief Executive Officer and President evaluated the effectiveness of disclosure controls and procedures as of June 30, 2016 pursuant to Rule 13a-15(b) under the Exchange Act. Based on that evaluation, our Chief Executive Officer and President concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures were not effective to ensure that information required to be included in our periodic SEC filings is recorded, processed, summarized, and reported within the time periods specified in the SEC rules and forms.

Management identified the following material weakness and significant deficiencies in its disclosure controls and procedures as of June 30, 2016:

- Material Weakness – The Company did not maintain effective controls over certain aspects of the financial reporting process because we lacked a sufficient complement of personnel with a level of accounting expertise and an adequate supervisory review structure that is commensurate with our financial reporting requirements.
- Significant Deficiencies – Inadequate segregation of duties.

We expect to be materially dependent upon a third party to provide us with accounting consulting services for the foreseeable future. Until such time as we have a chief financial officer with the requisite expertise in U.S. GAAP, there are no assurances that the material weaknesses and significant deficiencies in our disclosure controls and procedures and internal control over financial reporting will not result in errors in our financial statements which could lead to a restatement of those financial statements.

Our management, including our Chief Executive Officer and President, does not expect that our disclosure controls and procedures or our internal controls will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our company have been detected.

#### ***Changes in Internal Control over Financial Reporting***

No changes were made to our internal control over financial reporting during the three months ended June 30, 2016 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**

Occasionally, we may be involved in litigation matters relating to claims arising from the ordinary course of business. We do not believe that there are any claims or actions pending or threatened against us, the ultimate disposition of which would have a material adverse effect on our business, results of operations and financial condition.

### **ITEM 1A – RISK FACTORS**

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and, as such, are not required to provide the information under this item.

### **ITEM 2 – UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

None

### **ITEM 3 – DEFAULTS UPON SENIOR SECURITIES**

None.

### **ITEM 4 – MINE SAFETY DISCLOSURES**

Not Applicable.

## ITEM 5 – OTHER INFORMATION

None.

## ITEM 6 – EXHIBITS

- 10.1 Amendment to Original Issue Discount Convertible Debentures Due July 27, 2020 among PF Hospitality Group, Inc. and holders of the debentures dated July 26, 2016.
- 31.1 Certification of Principal Executive Officer pursuant to 13a-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Principal Financial Officer pursuant to 13a-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of the Principal Financial 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 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.INS XBRL Instance Document
- 101.SCH XBRL Taxonomy Schema
- 101.CAL XBRL Taxonomy Calculation Linkbase
- 101.DEF XBRL Taxonomy Definition Linkbase
- 101.LAB XBRL Taxonomy Label Linkbase
- 101.PRE XBRL Taxonomy Presentation Linkbase

## SIGNATURES

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

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Vaughan Dugan</u> Vaughan Dugan	Chief Executive Officer and Director (principal executive officer)	August 18, 2016
<u>/s/ Randy Romano</u> Randy Romano	President and Director (principal financial and accounting officer)	August 18, 2016

**AMENDMENT TO ORIGINAL ISSUE DISCOUNT CONVERTIBLE DEBENTURES  
DUE JULY 27, 2020**

THIS AMENDMENT TO AMENDMENT TO ORIGINAL ISSUE DISCOUNT CONVERTIBLE DEBENTURE DUE July 27, 2020 (the "Amendment") is made effective as of July 26, 2016 by and between PF Hospitality Group, Inc., a Nevada corporation having its principal place of business at 399 NW 2nd Ave., Suite 216, Boca Raton, FL 33432 (the "Company") and parties identified on the signature page hereto (collectively, the "Holders"). The Company and Holders may collectively be referred to as the "Parties".

**BACKGROUND**

A. The Company and each of the Holders are the owners and holders of Original Issue Discount Convertible Debentures Due July 27, 2020 and issued by the Company on July 27, 2015 in the aggregate principal amount of \$1,333,334.00 (the "Convertible Debentures");

B. Each Holder, owns and holds a Convertible Debenture in the Original Issue Amount set forth on the signature page hereto; and

C. Each of the Parties desire to amend certain parts of the Convertible Debentures as set forth below.

NOW, THEREFORE, in consideration of the execution and delivery of the Convertible Debentures and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. Section 4(b) of the Convertible Debentures is hereby amended by deleting such Section 4(b) and replacing it with the following:

(b) Conversion Price. The conversion price in effect on any Conversion Date shall be equal to 50% of the lowest traded price of the Common Stock for the twenty Trading Days prior to such Conversion Date subject to adjustment herein (the "Conversion Price"). The Conversion Price will be appropriately adjusted for any stock dividend, stock split, stock combination, reclassification or similar transaction that proportionately decreases or increases the Common Stock during such measuring period. Notwithstanding anything herein to the contrary, at any time after the occurrence of any Event of Default the Holder may, at such Holder's option and otherwise in accordance with the provisions for conversion herein, convert all or any part of this Debenture into Common Stock at the Default Conversion Price. Nothing herein shall limit a Holder's right to pursue actual damages or declare an Event of Default pursuant to Section 6 hereof and the Holder shall have the right to pursue all remedies available to it hereunder, at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief. The exercise of any such rights shall not prohibit the Holder from seeking to enforce damages pursuant to any other Section hereof or under applicable law.

2. Randy Romano and Vaughn Dugan shall have entered into a Stock Pledge Agreement in favor of Bezalel Partners LLC in the form of Stock Pledge Agreement attached hereto as Exhibit A.

3. The Holders hereby consent to the Company's sale of a \$200,000.00 principal amount Convertible Debenture Due July 20, 2021 at par value to R & T Sports Marketing, Inc.

4. Each Holder warrants and represents that each Holder is the beneficial owner of the portion of the Convertible Debt set forth on the signature page below, free and clear of all mortgages, pledges, restrictions, liens, charges, encumbrances, security interests, obligations or other claims and has the authority to enter into this Amendment.

5. This Amendment shall be deemed part of, but shall take precedence over and supersede any provisions to the contrary contained in the Convertible Debentures. All initial capitalized terms used in this Amendment shall have the same meaning as set forth in the Convertible Debentures unless otherwise provided. Except as specifically modified hereby, all of the provisions of the Convertible Debentures which are not in conflict with the terms of this Amendment shall remain in full force and effect.

**Signature page follows.**

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**SIGNATURE PAGE TO DEBENTURE AMENDMENT**

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the date first above written.

PF Hospitality Group, Inc.

By: /s/ Vaughan Dugan

Vaughn Dugan, Chief Executive Officer

<u>Holder Name/Signature</u>	<u>Original Issue Amount of Convertible Debenture</u>
Longside Ventures LLC	
By: <u>/s/ Benjamin Kaplan</u> Benjamin Kaplan, Manager	\$ 333,333.50
Taconic Group LLC	
By: <u>/s/ Robert Grinberg</u> Robert Grinberg, Manager	\$ 333,333.50
Sierra Trading Corp.	
By: <u>/s/ Daisy Rodriguez</u> Daisy Rodriguez Arnold, President	\$ 333,333.50
Bezalel Partners LLC	
By: <u>/s/ David Stefansky</u> David Stefansky, Managing Member	\$ 333,333.50
<b>Total</b>	<b>\$ 1,333,334.00</b>

**EXHIBIT A**

**FORM OF STOCK PLEDGE AGREEMENT**

THIS STOCK PLEDGE AGREEMENT (as may be amended, restated or modified from time to time, this "Pledge Agreement"), dated as of July \_\_\_, 2016 made by and between VAUGHAN DUGAN, as pledgor (the "Pledgor"), and Bezalel Partners LLC, as pledgee (the "Pledgee").

**WITNESSETH:**

WHEREAS, pursuant to that certain Securities Purchase Agreement dated as of July 27, 2015 (the "SPA") entered into among PF Hospitality Group, Inc., a Nevada corporation (the "Company") and the Pledgee, whereby the Company sold to the Pledgee Original Issued Discount Convertible Debentures Due July 27, 2020 (the "Convertible Debentures") in the aggregate principal amount of \$1,333,334.00;

WHEREAS, the Company sold at par value a \$200,000.00 principal amount Convertible Debenture Due July 20, 2021 to R & T Sports Marketing, Inc. (the "R & T Funding"); and

WHEREAS, Bezalel Partners LLC agreed to fund a \$50,000 of the Purchaser Notes as defined in the SPA (the "Bezalel Funding") (the R & T Funding of \$200,000.00 and the Bezalel Funding of \$50,000.00 is collectively referred to as the "Obligations");

WHEREAS, as of the date hereof, the Pledgor is the direct registered and beneficial owner of 24,000,000 shares of common stock of the Company (the "Shares"), of which Pledgor seeks to pledge 4,800,000 Shares pursuant to the terms of this Stock Pledge Agreement (collectively, the "Pledged Shares"); and

WHEREAS, in order to induce the Pledgee to make additional payments under the Purchaser Notes issued by the Pledgee or their assignors in favor of the Company as provided for in the SPA and under the Convertible Debentures, the Pledgor has agreed to execute and deliver to the Pledgee, as security for the Obligations of the Company to the Pledgee as set forth in the Convertible Debentures, a pledge of all of the Pledgor's right, title and interest in and to the Pledged Shares.

NOW, THEREFORE, in consideration of the premises set forth above, the covenants and agreements hereinafter set forth, and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Pledgor and the Pledgee agree as set forth below:

Defined Terms. Except as otherwise defined herein, terms defined in the Convertible Debentures shall have the same meaning when used herein.

Grant of Security. (a) As security for the Obligations, the Pledgor hereby pledges, assigns, transfers and delivers to the Pledgee the Pledged Shares and hereby grants to the Pledgee a first priority lien on and a first priority security interest in the following (collectively, the "Pledged Collateral"):

the Pledged Shares and all capital, revenue, profit, income, gain or other property or proceeds, return on contribution or otherwise with respect to the Pledged Shares;

all other payments due or to become due to the Pledgor in respect of the Pledged Shares whether under any organizational document or otherwise, whether as contractual obligations, damages or otherwise;

all other property hereafter delivered in substitution for or in addition to any of the foregoing, all certificates and instruments representing or evidencing such other property and all cash, securities, interest, dividends, rights and other property at any time and from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all thereof.

**Representations and Warranties.** The Pledgor represents and warrants that:

it is the legal and beneficial owner of, and has good and marketable title to, the Pledged Collateral, subject to no pledge, lien, mortgage, hypothecation, security interest, charge, option or other encumbrance whatsoever, except the lien and security interest created and contemplated by this Pledge Agreement;

it has full power, authority and legal right to execute, deliver and perform its obligations under this Pledge Agreement and to create the lien and security interest contemplated by this Pledge Agreement;

the Pledged Shares are “securities” governed by Article 8 of the UCC;

this Pledge Agreement constitutes a valid obligation of the Pledgor, legally binding upon it and enforceable in accordance with its terms;

no consent of any other party (including equity interest holders of the Pledgor) is required in connection with the execution, delivery, performance, validity, enforceability or enforcement of this Pledge Agreement, and no consent, license, approval or authorization of, or registration or declaration with, any governmental authority, bureau or agency is required in connection with the execution, delivery, performance, validity, enforceability or enforcement of this Pledge Agreement; and

the execution, delivery and performance of this Pledge Agreement will not violate or contravene any provision of any existing law or regulation or decree of any court, governmental authority, bureau or agency having jurisdiction in the premises or of the organizational documents of the Pledgor or of any mortgage, indenture, security agreement, contract, undertaking or other agreement to which the Pledgor is a party or which purports to be binding upon it or any of its properties or assets and will not result in the creation or imposition of any lien, charge or encumbrance on, or security interest in, any of its properties or assets pursuant to the provisions of any such mortgage, indenture, security agreement, contract, undertaking or other agreement.

**Covenants.** The Pledgor hereby covenants that during the continuance of this Pledge Agreement:

it shall warrant and defend the right and title of the Pledgee conferred by this Pledge Agreement in and to the Pledged Collateral at the cost of the Pledgor against the claims and demands of all persons whomsoever;

it shall not sell, assign, transfer, charge, pledge or encumber in any manner any part of the Pledged Collateral or suffer to exist any encumbrance on the Pledged Collateral

it shall not amend or modify any organizational document of the Company;

it shall not vote the Pledged Shares of the Company in favor of the consolidation, merger, dissolution, liquidation or any other corporate reorganization of the Company;

it shall furnish to Pledgee from time to time statements and schedules further identifying and describing the Pledged Collateral as Pledgee reasonably requests, all in reasonable detail; and

it shall indemnify the Pledgee from, and hold it harmless against, any and all liabilities with respect to, or resulting from any delay in paying, any and all stamp, excise, sales or other taxes which may be payable or determined to be payable with respect to any of the Pledged Collateral or in connection with the transaction contemplated by this Pledge Agreement.



### **Delivery of Additional Collateral; Reduction of Pledged Shares.**

If the Pledgor shall become entitled to receive or shall receive any equity interests, option or rights, whether as an addition to, in substitution of, or in exchange for any of the Pledged Shares, the Pledgor agrees to accept the same as the agent of the Pledgee and to hold the same in trust for the benefit of the Pledgee and to deliver the same forthwith to the Pledgee in the exact form received, with the endorsement of the Pledgor when necessary and/or appropriate undated Instruments of Transfer duly executed in blank, and Irrevocable Proxies for any shares of capital stock so received, in substantially the forms attached hereto to be held by the Pledgee, subject to the terms hereof, as additional collateral security for the Obligations.

**Reduction of Pledged Shares.** The number of Pledged Shares shall be subject to reduction in an amount equal to the reduction in the principal amount of the Convertible Debentures held by Bezalel divided by \$55,555.55 (plus interest on such amount which accrues commencing on the date of this Agreement) and multiplying the result by the number of Pledged Shares until the number of Pledged Shares is zero (the "Pledged Share Reduction"). The Pledged Share Reduction shall be computed no less frequently than within 30 days after the last day of each fiscal quarter.

Intentionally deleted.

**General Authority.** The Pledgor hereby consents that, without the necessity of any reservation of rights against the Pledgor, and without notice to or further assent by the Pledgor, any demand for payment of any of the Obligations made by the Pledgee may be rescinded by the Pledgee and any of the Obligations continued, and the Obligations, or the liability of the Pledgor and/or the Company upon or for any part thereof, or any other collateral security (including, without limitation, any collateral security held pursuant to any of the other Convertible Debentures) or right of offset with respect thereto, may, from time to time, in whole or in part, be renewed, extended, modified, accelerated, compromised, waived, surrendered, or released by the Pledgee, and the Convertible Debentures, any guarantees and any other collateral security documents executed and delivered by the Pledgor and/or the Company any or any other obligors in respect of the Obligations may be amended, modified, supplemented or terminated, in whole or in part, as the Pledgee may deem advisable, from time to time, and any other collateral security at any time held by the Pledgee for the payment of the Obligations (including, without limitation, any collateral security held pursuant to any other collateral security document executed and delivered pursuant to the Convertible Debentures) may be sold, exchanged, waived, surrendered or released, all without notice to or further assent by the Pledgor or the Company, which shall remain bound hereunder, notwithstanding any such renewal, extension, modification, acceleration, compromise, amendment, supplement, termination, sale, exchange, waiver, surrender or release. The Pledgor waives any and all notices of the creation, renewal, extension or accrual of any of the Obligations and notice of or proof of reliance by the Pledgee upon this Pledge Agreement, and the Obligations, and any of them, shall conclusively be deemed to have been created, contracted or incurred in reliance upon this Pledge Agreement, and all dealings between the Pledged Company and the Pledgee shall likewise be conclusively presumed to have been had or consummated in reliance upon this Pledge Agreement. The Pledgor waives diligence, presentment, protest, demand for payment and notice of default or non-payment to or upon the Pledgor or the Pledged Company with respect to the Obligations.

**UCC Filings.** The Pledgor does hereby authorize the Pledgee to do all things the Pledgee may reasonably deem to be necessary or advisable in order to perfect or maintain the security interest granted by this Pledge Agreement including, but not limited to, filing any and all Uniform Commercial Code financing statements or renewals thereof.

**Remedies.** At any time after the occurrence of an Event of Default that has not yet been cured or in the event any of the security created by or pursuant to this Pledge Agreement shall be imperiled or jeopardized in a manner deemed material by the Pledgee in its sole and reasonable discretion, the Pledgee shall be entitled, without further notice to the Pledgor:

subject to the limitations of the UCC (to the extent applicable), to sell, assign, transfer and deliver at any time the whole, or from time to time any part, of the Pledged Collateral or any rights or interests therein, at public or private sale or in any other manner, at such price or prices and on such terms as the Pledgee may deem appropriate, and either for cash, on credit, for other property or for future delivery, at the option of the Pledgee, upon not less than 10 days' written notice (which 10 day notice is hereby acknowledged by the Pledgor to be reasonable) addressed to the Pledgor at its last address provided to the Pledgee pursuant to this Pledge Agreement, but without demand, advertisement or other notice of any kind (all of which are hereby expressly waived by the Pledgor). If any of the Pledged Collateral or any rights or interests thereon are to be disposed of at a public sale, the Pledgee may, without notice or publication, adjourn any such sale or cause the same to be adjourned from time to time by announcement at the time and place fixed for sale, and such sale may, without further notice, occur at the time and place identified in such announcement. If any of the Pledged Collateral or any rights or interests therein shall be disposed of at a private sale, the Pledgee shall be relieved from all liability or claim for inadequacy of price. At any such public sale the Pledgee may purchase the whole or any part of the Pledged Collateral or any rights or interests therein so sold. Each purchaser, including the Pledgee should it acquire the Pledged Collateral, at any public or private sale, shall hold the property sold free from any claim or right of redemption, stay, appraisal or reclamation on the part of the Pledgor which are hereby expressly waived and released to the extent permitted by applicable law. If any of the Pledged Collateral or any rights or interests therein shall be sold on credit or for future delivery, the Pledged Collateral or rights or interests so sold may be retained by the Pledgee until the selling price thereof shall be paid by the purchaser, but the Pledgee shall not incur any liability in case of failure of the purchaser to take up and pay for the Pledged Collateral or rights or interests therein so sold. In case of any such failure, the Pledged Collateral or rights or interests therein may again be sold on not less than 10 days' written notice as aforesaid; and

to exercise all voting and other equity interest rights at any meeting of any Pledged Company and exercise any and all rights of conversion, exchange, subscription or any other rights, privileges or options pertaining to the Pledged Shares of the Pledged Company as if it was the absolute owner thereof, including, without limitation, the right to exchange at its discretion, such Pledged Shares upon the merger, consolidation, reorganization, recapitalization or other readjustment of the Company or, upon the exercise by the Company or the Pledgee of any right, privilege or option pertaining to such Pledged Shares, and in connection therewith, to deposit and deliver such Pledged Shares with any committee, depository, transfer agent, registrar or other designated agency upon such terms and conditions as it may determine, all without liability except to account for property actually received by it.

**No Duty on Pledgee.** The Pledgee shall have no duty to exercise any of the aforesaid rights, privileges or options and shall not be responsible for any failure to do so or delay in so doing.

**Application of Proceeds.** All moneys collected or received by the Pledgee pursuant to this Pledge Agreement shall be applied to satisfy the Obligations in the manner determined by the Pledgee.

**Miscellaneous.**

**Further Assurances.** The Pledgor agrees that if this Pledge Agreement shall, in the reasonable opinion of the Pledgee, at any time be deemed by the Pledgee, for any reason, insufficient in whole or in part to carry out the true intent and spirit hereof, it shall execute or cause to be executed such other documents or deliver or cause to be delivered such further assurances as in the opinion of the Pledgee may be required in order to more effectively accomplish the purposes of this Pledge Agreement including, without limitation, an alternative pledge or such other alternative security as the Pledgee shall reasonably require.

**Remedies Cumulative and Not Exclusive; No Waiver.** Each and every right, power and remedy herein given to the Pledgee shall be cumulative and shall be in addition to every other right, power and remedy of the Pledgee now or hereafter existing at law, in equity or by statute, and each and every right, power and remedy, whether herein given or otherwise existing, may be exercised from time to time, in whole or in part, and as often and in such order as may be deemed expedient by the Pledgee, and the exercise or the beginning of the exercise of any right, power or remedy shall not be construed to be a waiver of the right to exercise at the same time or thereafter any other right, power or remedy. No failure, delay or omission by the Pledgee in the exercise of any right or power or in the pursuance of any remedy accruing upon any breach or default by the Pledgor shall impair any such right, power or remedy or be construed to be a waiver of any such right, power or remedy or to be an acquiescence therein; nor shall the acceptance by the Pledgee of any security or of any payment of or on account of any of the amounts due from the Pledgor to the Pledgee and maturing after any breach or default or of any payment on account of any past breach or default be construed to be a waiver of any right with respect to any future breach or default or of any past breach or default not completely cured thereby. In addition to the rights and remedies granted to it in this Pledge Agreement and in any other instrument or agreement securing, evidencing or relating to any of the Obligations, the Pledgee shall have rights and remedies of a secured party under the UCC.

**Successors and Assigns.** This Pledge Agreement and all obligations of the Pledgor hereunder shall be binding upon the successors and assigns of the Pledgor and shall, together with the rights and remedies of the Pledgee hereunder, inure to the benefit of the Pledgee, its respective successors and assigns.

**Waiver; Amendment.** None of the terms and conditions of this Pledge Agreement may be changed, waived, modified or varied in any manner whatsoever unless in writing duly signed by the Pledgor and the Pledgee.

**Invalidity.** If any provision of this Pledge Agreement shall at any time, for any reason, be declared invalid, void or otherwise inoperative by a court of competent jurisdiction, such declaration or decision shall not affect the validity of any other provision or provisions of this Pledge Agreement, or the validity of this Pledge Agreement as a whole and, to the fullest extent permitted by law, the other provisions hereof shall remain in full force and effect in such jurisdiction and shall be liberally construed in favor of the Pledgee in order to carry out the intentions of the parties hereto as nearly as may be possible. The invalidity and unenforceability of any provision hereof in any jurisdiction shall not affect the validity or enforceability of such provision in any other jurisdiction.

**Notices.** All notices of request, demand and other communications hereunder shall be addressed, sent and deemed delivered in accordance with the Convertible Debentures, including delivery of any such notices or communications to the Company on behalf of the Pledgor, which Pledgor hereby agrees and acknowledges shall be valid and effective notice to the Pledgor hereunder.

**Counterparts; Electronic Delivery.** This Pledge Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all such counterparts together shall constitute one and the same instrument. Delivery of an executed counterpart of this Pledge Agreement by facsimile or electronic transmission shall be deemed as effective as delivery of an originally executed counterpart. In the event that the Pledgor delivers an executed counterpart of this Pledge Agreement by facsimile or electronic transmission, the Pledgor shall also deliver an originally executed counterpart as soon as practicable, but the failure of the Pledgor to deliver an originally executed counterpart of this Pledge Agreement shall not affect the validity or effectiveness of this Pledge Agreement.

**References.** References herein to Sections, Exhibits and Schedules are to be construed as references to sections of, exhibits to, and schedules to, this Pledge Agreement, unless the context otherwise requires.

**Headings.** In this Pledge Agreement, Section headings are inserted for convenience of reference only and shall not be taken into account in the interpretation of this Pledge Agreement.

**Termination.** When all of the Obligations shall have been fully satisfied, the Pledgee agrees that it shall forthwith release the Pledgor from its Obligations hereunder and the Pledgee shall promptly execute and deliver to the Pledgor a proper instrument or instruments acknowledging the satisfaction and termination of this Pledge Agreement, and the Irrevocable Proxies shall terminate forthwith and be delivered to the Pledgor forthwith together with the other items furnished to the Pledgee pursuant to this Pledge Agreement.

**Applicable Law, Jurisdiction and Waivers.**

**Governing Law.** Except in the case of the Mandatory Forum Selection clause set forth in Section 14.2 hereof, this Pledge Agreement shall be governed by and construed in accordance with the laws of the Florida, without regard to principles of conflicts of laws thereof.

**MANDATORY FORUM SELECTION.** ANY DISPUTE ARISING UNDER, RELATING TO, OR IN CONNECTION WITH THE AGREEMENT OR RELATED TO ANY MATTER WHICH IS THE SUBJECT OF OR INCIDENTAL TO THE AGREEMENT (WHETHER OR NOT SUCH CLAIM IS BASED UPON BREACH OF CONTRACT OR TORT) SHALL BE SUBJECT TO THE EXCLUSIVE JURISDICTION AND VENUE OF THE STATE AND/OR FEDERAL COURTS LOCATED IN BROWARD COUNTY, FLORIDA; PROVIDED, HOWEVER, PLEDGEE MAY, AT ITS SOLE OPTION, ELECT TO BRING ANY ACTION IN ANY OTHER JURISDICTION. THIS PROVISION IS INTENDED TO BE A "MANDATORY" FORUM SELECTION CLAUSE AND GOVERNED BY AND INTERPRETED CONSISTENT WITH FLORIDA LAW.

**WAIVER OF IMMUNITY.** TO THE EXTENT THAT THE PLEDGOR HAS OR HEREAFTER MAY ACQUIRE ANY IMMUNITY FROM SUIT, JURISDICTION OF ANY COURT OR ANY LEGAL PROCESS (WHETHER THROUGH ATTACHMENT PRIOR TO JUDGMENT, ATTACHMENT IN AID OF EXECUTION, EXECUTION OF A JUDGMENT, OR FROM ANY OTHER LEGAL PROCESS OR REMEDY) WITH RESPECT TO ITSELF OR ITS PROPERTY, THE PLEDGOR HEREBY IRREVOCABLY WAIVES SUCH IMMUNITY IN RESPECT OF ITS OBLIGATIONS UNDER THIS PLEDGE AGREEMENT.

**WAIVER OF JURY TRIAL.** EACH OF THE PLEDGOR AND THE PLEDGEE HEREBY WAIVES TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM BROUGHT BY ANY PARTY HERETO OR ANY BENEFICIARY HEREOF ON ANY MATTER WHATSOEVER ARISING OUT OF OR IN ANY WAY CONNECTED WITH THIS PLEDGE AGREEMENT.

[-signature page follows-]

IN WITNESS WHEREOF, the parties hereto have caused this Pledge Agreement to be duly executed the day and year first above written.

**PLEDGOR:**

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VAUGHAN DUGAN

## CERTIFICATIONS

I, Vaughan Dugan, certify that:

1. I have reviewed this quarter report on Form 10-Q for the quarter ended June 30, 2016 of PF Hospitality Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 18, 2016

*/s/ Vaughan Dugan*

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Vaughan Dugan  
Chief Executive Officer (principal executive officer)

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## CERTIFICATIONS

I, Randy Romano, certify that:

1. I have reviewed this quarter report on Form 10-Q for the quarter ended June 30, 2016 of PF Hospitality Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 18, 2016

*/s/ Randy Romano*

\_\_\_\_\_  
Randy Romano  
President (principal financial and accounting officer)

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**Section 1350 Certification**

In connection with the quarter report on Form 10-Q of PF Hospitality Group, Inc. (the "Company") for the quarter ended June 30, 2016 as filed with the Securities and Exchange Commission (the "Report"), I, Vaughan Dugan, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: August 18, 2016

*/s/ Vaughan Dugan*

\_\_\_\_\_  
Vaughan Dugan, Chief Executive Officer

*This certification accompanies this Quarter Report on Form 10-Q pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by such Act, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.*

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**Section 1350 Certification**

In connection with the quarter report on Form 10-Q of PF Hospitality Group, Inc. (the "Company") for the quarter ended June 30, 2016 as filed with the Securities and Exchange Commission (the "Report"), I, Randy Romano, President and Principal Financial and Accounting Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: August 18, 2016

*/s/ Randy Romano*

\_\_\_\_\_  
Randy Romano, President and Principal Financial and Accounting Officer

*This certification accompanies this Quarter Report on Form 10-Q pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by such Act, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.*

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