PF Hospitality Group, Inc.
Form 10-12G/A
February 05, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10

(Amendment No. 3)

GENERAL FORM FOR REGISTRATION OF SECURITIES

Pursuant to Section 12(b) or (g) of the Securities Exchange Act of 1934

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

Nevada	**80-0379897**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

399 NW 2nd Avenue, Suite 216, Boca Raton, FL	**33432**
(Address of principal executive offices)	(Zip Code)

(Registrant's telephone number, including area code) **(561) 939-2520**

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

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

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

Common Stock, $0.001 par value

(Title of class)

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer [ ]	Accelerated filer [ ]
Non-accelerated filer [ ]	Smaller reporting company [X]
(Do not check if a smaller reporting company)	

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EXPLANATORY NOTE

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

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

FORWARD LOOKING STATEMENTS

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

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

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

INFORMATION REQUIRED IN REGISTRATION STATEMENT

ITEM 1. Business

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

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

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

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

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

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

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

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

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

Markets

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

Franchise and Development Agreements

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

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

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

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

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

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

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

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

Research and Development

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

Government Regulation

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

Franchise Regulations

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

Regulations Affecting the Restaurant Industry

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

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

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

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

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

Competition

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

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

Seasonality

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

Trademarks and Service Marks

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

Employees

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

Former Business Operations and Corporate Information

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

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

Financings

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

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

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

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

ITEM 1A. Risk Factors.

Not applicable for a smaller reporting company.

ITEM 2. Financial Information.

Selected Financial Data

Not applicable.

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

Fiscal Year Periods

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

"fiscal 2014" — October 1, 2013 through September 30, 2014

"fiscal 2015" — October 1, 2014 through September 30, 2015.

Overview

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

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

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

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

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

Accounting Treatment of the Merger

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

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

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

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

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

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

Liquidity and Capital Resources

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

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

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

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

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

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

Capital Resources

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

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

Off-Balance Sheet Arrangements

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

Going Concern Consideration

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

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

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

Critical Accounting Policies

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Recent Accounting Pronouncements

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

Off-Balance Sheet Arrangements

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

Going Concern

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

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

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

Critical Accounting Policies

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

Revenue Recognition. The Company recognizes revenue on four basic criteria that must be met before revenue can be recognized: (1) persuasive evidence of an arrangement exists; (2) delivery has occurred or services have been rendered; (3) the fee is fixed or determinable; and (4) collectability is reasonably assured. Determination of criteria (3) and (4) are based on management's judgments regarding the fixed nature of the fee charged for services rendered and products delivered and the collectability of those fees. Revenue is generally recognized upon shipment.

Costs of Revenue. Cost of revenue includes raw materials, component parts, and shipping supplies. Shipping and handling costs are not a significant portion of the cost of revenue.

Use of Estimates. The preparation of consolidated 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents. For purposes of the statements of cash flows, cash includes demand deposits, saving accounts and money market accounts. The Company considers all highly liquid debt instruments with maturities of three months or less when purchased to be cash equivalents.

Fair Value of Financial Instruments. Our short-term financial instruments, including cash, other assets and accounts payable and accrued expenses consist primarily of instruments without extended maturities, the fair value of which, based on management's estimates, reasonably approximate their book value. The fair value of our notes and advances payable is based on management estimates and reasonably approximates their book value based on their current maturity.

Impairment of long lived assets. The Company has adopted Accounting Standards Codification subtopic 360-10, Property, Plant and Equipment ("ASC 360-10"). ASC 360-10 requires that long-lived assets and certain identifiable intangibles held and used by the Company be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Events relating to recoverability may include significant unfavorable changes in business conditions, recurring losses, or a forecasted inability to achieve break-even operating results over an extended period.

The Company evaluates the recoverability of long-lived assets based upon forecasted undiscounted cash flows. Should impairment in value be indicated, the carrying value of intangible assets will be adjusted, based on estimates of future discounted cash flows resulting from the use and ultimate disposition of the asset. ASC 360-10 also requires assets to be disposed of is reported at the lower of the carrying amount or the fair value less costs to sell.

Net Loss per Common Share. The Company computes net loss per share under Accounting Standards Codification subtopic 260-10, Earnings Per Share ("ASC 260-10"). Basic net loss per common share is computed by dividing net loss by the weighted average number of shares of common stock. Diluted net loss per share is computed using the weighted average number of common and common stock equivalent shares outstanding during the period. Both of which are adjusted to give effect to the 2,000-for-1 reverse stock split, which was effected on May 26, 2015 (see Note 5). There is no effect on diluted loss per share since the common stock equivalents are anti-dilutive for the three and Year Ended September 30, 2015 and 2014. Dilutive common stock equivalents consist of shares issuable upon conversion of convertible notes. Fully diluted shares for the three months ended September 30, 2015 and 2014 were 179,852 and 183,289, respectively; and 179,852 and 182,739 for fiscal 2015 and 2014, respectively.

Income Taxes. Income tax provisions or benefits for interim periods are computed based on the Company's estimated annual effective tax rate. Based on the Company's historical losses and its expectation of continuation of losses for the foreseeable future, the Company has determined that it is more likely than not that deferred tax assets will not be realized and, accordingly, has provided a full valuation allowance. As the Company anticipates or anticipated that its net deferred tax assets at September 30, 2015 and 2014 would be fully offset by a valuation allowance, there is no federal or state income tax benefit for the periods ended September 30, 2015 and 2014 related to losses incurred during such periods.

Research and Development. The Company accounts for research and development costs in accordance with the Accounting Standards Codification subtopic 730-10, Research and Development ("ASC 730-10"). Under ASC 730-10, all research and development costs must be charged to expense as incurred. Accordingly, internal research and development costs are expensed as incurred. Third-party research and developments costs are expensed when the contracted work has been performed or as milestone results have been achieved. Company-sponsored research and development costs related to both present and future products are expensed in the period incurred. For fiscal 2015 and 2014, the Company's expenditures on research and product development were immaterial.

Share-Based Compensation. The Company follows the fair value recognition provisions of Accounting Standards Codification subtopic 718-10, Compensation ("ASC 718-10") using the modified-prospective transition method. Share-based compensation issued to employees is measured at the grant date, based on the fair value of the award, and is recognized as an expense over the requisite service period.

The Company measures the fair value of the share-based compensation issued to non-employees using the stock price observed in the arms-length private placement transaction nearest the measurement date (for stock transactions) or the fair value of the award (for non-stock transactions), which were considered to be more reliably determinable measures of fair value than the value of the services being rendered. The measurement date is the earlier of (1) the date at which commitment for performance by the counterparty to earn the equity instruments is reached, or (2) the date at which the counterparty's performance is complete.

Recent Accounting Pronouncements

In April 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) Number 2015-3 entitled “Simplifying the Presentation of Debt Issuance Costs.” The new guidance specifies that debt issuance costs under the new standard are to be netted against the carrying value of the financial liability. Under current guidance, debt issuance costs are recognized as a deferred charge and reported as a separate asset on the balance sheet. The new guidance aligns the treatment of debt issuance costs and debt discounts in that both reduce the carrying value of the liability. It is important to note that neither the recognition nor measurement of debt issuance costs is changed as a result of the ASU. Amortization of debt issuance costs is to be recorded as interest expense on the income statement.

The effective date of the new guidance is for fiscal years beginning after December 15, 2015, for public business entities and interim periods within those fiscal years. Early adoption is permitted for financial statements that have not been issued previously. We do not believe the effect of the adoption of this standard to have a material impact on our consolidated financial statements.

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

ITEM 3. Properties

As of September 30, 2015, we do not own any real property. We lease office space of approximately 1,950 square feet in Boca Raton, Florida pursuant to a lease that expires on July 31, 2016. We pay base rent of $2,200 per month plus fixed additional charges of $1,200 per month for real estate taxes, insurance, common area expenses and rental taxes. Rent is subject to increases of 5% each year.

ITEM 4. Security Ownership of Certain Beneficial Owners and Management

At September 2, 2015, we had 60,100,404 shares of our common stock issued and outstanding. The following table sets forth information regarding the beneficial ownership of our common stock as of September 2, 2015 for:

each of our named executive officers,

each of our directors,

all of our directors and executive officers as a group, and

each stockholder known by us to be the beneficial owner of more than 5% of our outstanding shares of common stock

Information on beneficial ownership of securities is based upon a record list of our stockholder and we have determined beneficial owner's percentage ownership by assuming that warrants that are held by the beneficial owner, but not those held by any other person, and which are exercisable within 60 days of the date set forth above have been exercised or converted. Furthermore, the number of shares outstanding does not give effect to the issuance of (a) approximately 37,597,538 shares of our common stock issuable upon conversion of our convertible debt and (b) 13,797,242 shares of common stock issuable upon exercise of warrants at $.25 per share (exclusive of those warrants held by the persons listed in the tables below). We believe, based on the information furnished to us, that the persons and entities named in the table below have sole voting and investment power with respect to all shares of common stock that they beneficially own.

Unless otherwise indicated, the business address of each person listed is in care of PF Hospitality Group, Inc., 399 NW 2nd Avenue, Suite 216, Boca Raton, Florida 33432.

Series A Preferred Stock

Name and Address of Beneficial Owner	**Amount and Nature of Beneficial Ownership**	**Percent of Class[1]**	**Percent of Vote[2]**
Vaughan Dugan	1,000,000	50.0 %	47.8 %
Randy Romano	1,000,000	50.0 %	47.8 %

(1) Calculated on the basis of 2,000,000 issued and outstanding Series A preferred shares as of September 2, 2015. Holders of our Series A preferred stock are entitled to 125 votes per share.

(2) Gives effect to the beneficial ownership of common stock (see table below) and Series A preferred stock.

Common Stock

Name and Address of Beneficial Owner	**Amount and Nature of Beneficial Ownership**	**Percent of Class**	**Percent of Vote[1]**
Vaughan Dugan	26,813,032	50.0 %(2)	47.8 %
Randy Romano	26,813,032	50.0 %(3)	47.8 %
All directors and executive officers as a group (2 persons)	53,626,065	83.1 %	96.6 %

(1) Gives effect to the beneficial ownership of common stock and Series A preferred stock (see preceding table).

(2) Includes 2,108,667 shares of common stock issuable upon exercise of warrants exercisable at $0.25 per share which expire in June 2018 and 100,000 shares of common stock issuable upon exercise of warrants exercisable at $2.00 per share which expire in June 2018.

(3) Includes 2,108,667 shares of common stock issuable upon exercise of warrants exercisable at $0.25 per share which expire in June 2018 and 100,000 shares of common stock issuable upon exercise of warrants exercisable at $2.00 per share which expire in June 2018.

ITEM 5. Directors and Executive Officers

Members of our Board of Directors are elected by the stockholders to a term of one year and serve until their successors are elected and qualified. Our officers are appointed by our Board to a term of one year and serve until their successors are duly appointed and qualified, or until the officer is removed from office. Our Board has no nominating, audit or compensation committees.

Set forth below is certain information regarding our directors and executive officers.

Name	Age	Position
Vaughan Dugan	42	Chief Executive Officer and Director
Randy Romano	57	President and Director

Vaughan Dugan. Mr. Dugan has served as our Chief Executive Officer and as a member of our board of directors since July 2015. From 2006 to 2015, Mr. Dugan was the Chief Executive Officer and founder of Pizza Fusion, a franchisor of fast casual restaurants which offers a healthy alternative to traditional pizza restaurants. Mr. Dugan currently serves as the vice chairman on the Florida Atlantic University College of Education Advisory Board. He has also served as vice-chairman of the City of Boca Raton's Green Living Advisory Board since 2011.

Randy Romano. Mr. Romano has served as our President and as a member of our board of directors since July 2015. From 2006 to 2015, Mr. Romano was the President/Founder of Pizza Fusion. Mr. Romano has extensive experience in the fields of franchise development, franchise operations and franchise training. His 30 year plus franchise experience includes serving as the president/founder of a retail franchise (Treasure Cache) with over 25 locations nationwide, and president/founder of a service franchise (American College Planning Service) that franchised its college planning centers throughout the United States servicing over 10,000 families annually.

There are no family relationships between any of the executive officers and directors.

Involvement in Certain Legal Proceedings

None of our directors, executive officers, significant employees or control persons has been involved in any legal proceeding listed in Item 401(f) of Regulation S-K in the past 10 years.

Corporate Governance

Our board of directors has not established any committees, including an audit committee, a compensation committee or a nominating committee, or any committee performing a similar function. The functions of those committees are being undertaken by our board. Because we do not have any independent directors, our board believes that the establishment of committees of our board would not provide any benefits to our company and could be considered more form than substance.

We do not have a policy regarding the consideration of any director candidates that may be recommended by our stockholders, including the minimum qualifications for director candidates, nor has our officers and directors established a process for identifying and evaluating director nominees. We have not adopted a policy regarding the handling of any potential recommendation of director candidates by our stockholders, including the procedures to be followed. Our officers and directors have not considered or adopted any of these policies as we have never received a recommendation from any stockholder for any candidate to serve on our board of directors.

Given our relative size and lack of directors' and officers' insurance coverage, we do not anticipate that any of our stockholders will make such a recommendation in the near future. While there have been no nominations of additional directors proposed, in the event such a proposal is made, all current members of our board will participate in the consideration of director nominees.

As with most small, early stage companies until such time as we further develop our business, achieve a stronger revenue base and have sufficient working capital to purchase directors' and officers' insurance, we do not have any immediate prospects to attract independent directors. When we are able to expand our board to include one or more independent directors, we intend to establish an audit committee of our board of directors. It is our intention that one or more of these independent directors will also qualify as an audit committee financial expert. Our securities are not quoted on an exchange that has requirements that a majority of our board members be independent and we are not currently otherwise subject to any law, rule or regulation requiring that all or any portion of our board of directors include "independent" directors, nor are we required to establish or maintain an audit committee or other committee of our board.

Code of Ethics

We expect that we will adopt a code of business conduct and ethics that applies to all of our employees, officers and directors, including those officers responsible for financial reporting. Once adopted, we will make the code of business conduct and ethics available on our website at *www.pfhospitalitygroup.com*. We intend to post any amendments to the code, or any waivers of its requirements, on our website.

Board Structure

Our Board has not chosen to separate the positions of Chief Executive Officer and Chairman of the Board in recognition of the fact that our operations are sufficiently limited that such separation would not serve any useful purpose.

Role of Board in Risk Oversight Process

Management is responsible for the day-to-day management of risk and for identifying our risk exposures and communicating such exposures to our board. Our board is responsible for designing, implementing and overseeing our risk management processes. The board does not have a standing risk management committee, but administers this function directly through the board as a whole. The whole board considers strategic risks and opportunities and receives reports from its officers regarding risk oversight in their areas of responsibility as necessary. We believe our board's leadership structure facilitates the division of risk management oversight responsibilities and enhances the board's efficiency in fulfilling its oversight function with respect to different areas of our business risks and our risk mitigation practices.

Communications with the Board of Directors

Stockholders with questions about the Company are encouraged to contact the Company by sending communications to the attention of the Chief Executive Officer at 399 NW 2nd Avenue, Suite 216, Boca Raton, FL 33432. If stockholders feel that their questions have not been sufficiently addressed through communications with the Chief Executive Officer, they may communicate with the Board of Directors by sending their communications to the Board of Directors, c/o the Chief Executive Officer at the same address.

Director Compensation

Historically, our non-employee directors have not received compensation for their service outside the compensation set forth in the Summary Compensation Table below, but we may compensate our directors for their service in the future. We reimburse our non-employee directors for reasonable travel expenses incurred in attending board and committee meetings. We also intend to allow our non-employee directors to participate in any equity compensation plans that we adopt in the future.

ITEM 6. Executive Compensation

2015 SUMMARY COMPENSATION TABLE

The following table summarizes all compensation recorded by us in the past two fiscal years for:

our principal executive officer or other individual serving in a similar capacity,

our two most highly compensated executive officers other than our principal executive officer who were serving as executive officers at September 30, 2015 whose compensation exceed $100,000, and

up to two additional individuals for whom disclosure would have been required but for the fact that the individual was not serving as an executive officer at September 30, 2015.

For definitional purposes, these individuals are sometimes referred to as the “named executive officers.”

Name and Principal Position	**Fiscal Year Ended**	Salary ($)	Bonus ($)	Stock Awards ($)	Option Awards ($)	All Other Compensation ($)	Total ($)
Vaughan Dugan[(1)]	9/30/2015	150,000	-	-	-	-	80.000
Randy Romano[(1)]	9/30/2015	150,000	-	-	-	-	80.000
David Kugelman, former Chief Executive Officer [(1)]	9/30/2015	-					
	9/30/2014	$54,000 (2)	-	-	-	-	$54,000

(1) Effective July 1, 2015, in connection with our merger with Pizza Fusion, Mr. Kugelman resigned as our Chief Executive Officer. Effective July 1, 2015, Mr. Dugan was appointed as our Chief Executive Officer and a Director and Mr. Romano was appointed as our President and a Director.

(2) Reflects amount of accrued salary included in the table above.

Executive Employment Agreements

Vaughan Dugan

On June 1, 2013, Pizza Fusion entered into an employment agreement with Mr. Dugan to serve as its Chief Executive Officer for a term that expires on May 30, 2020. The agreement provides for a base annual salary of $150,000 subject to a minimum increase at an annual compound rate of 5% and may be adjusted by the Company’s board of directors from time-to-time in its discretion but in no event shall the base salary be reduced below $150,000 plus annual increases without the Executive’s prior consent. In addition, Mr. Dugan is eligible for the same perquisites and benefits as are made available to other senior executive employees of the Company, as well as such other perquisites or benefits as may be specified from time to time by the Company including an automobile allowance, health insurance and a mobile telephone. Mr. Dugan is also eligible for an annual cash and equity bonus based on Company’s achievement of financial and other goals approved by its board of directors. As of the date of this report, the Board has not established any financial goals for purposes of determining bonuses.

If Mr. Dugan’s employment is terminated by us, with or without cause, or he resigns for any reason, he is entitled to be paid his compensation through the end of the remaining term, but in no event less than one year plus a pro-rata portion of any bonus awarded. During the term of his employment and for a period of one year thereafter, Mr. Dugan agreed to refrain from soliciting significant employees of the company or its franchisees. In addition, Mr. Dugan agreed to keep certain information of the Company confidential.

Randy Romano

On June 1, 2013, Pizza Fusion entered into an employment agreement with Mr. Romano to serve as its President for a term that expires on May 30, 2020. The agreement provides for a base annual salary of $150,000 subject to a minimum increase at an annual compound rate of 5% and may be adjusted by the Company's board of directors from time-to-time in its discretion but in no event shall the base salary be reduced below $150,000 plus annual increases without the Executive's prior consent. In addition, Mr. Romano is eligible for the same perquisites and benefits as are made available to other senior executive employees of the Company, as well as such other perquisites or benefits as may be specified from time to time by the Company including an automobile allowance, health insurance and a mobile telephone. Mr. Romano is also eligible for an annual cash and equity bonus based on Company's achievement of financial and other goals approved by its board of directors. As of the date of this report, the Board has not established any financial goals for purposes of determining bonuses.

If Mr. Romano's employment is terminated by us, with or without cause, or he resigns for any reason, he is entitled to be paid his compensation through the end of the remaining term, but in no event less than one year plus a pro-rata portion of any bonus awarded. During the term of his employment and for a period of one year thereafter, Mr. Romano agreed to refrain from soliciting significant employees of the company or its franchisees. In addition, Mr. Romano agreed to keep certain information of the Company confidential.

Outstanding Equity Awards At Fiscal Year End

None.

ITEM 7. Certain Relationships and Related Transactions, and Director Independence

Effective July 1, 2015, we merged with Pizza Fusion. Under the terms of the merger with Pizza Fusion, we issued 17,117,268 shares of our common stock (after giving effect to the reverse stock split) for 100% of Our common shares and equivalents, and a warrant to purchase an aggregate of 11,411,512 shares of common stock, exercisable at $0.25 per share for a period of three years. Vaughan Dugan, who became our Chief Executive Officer and a Director at the closing of the merger, and Randy Roman, who became our President and a Director at the closing of the merger, each received 3,162,999 shares of common stock, warrants to purchase 2,108,667 shares of common stock in the merger at $.25 per share and 100,000 shares of common stock at $2.00 per share, all of which expire in June 2008. In addition, Messrs. Dugan and Romano each purchased 21,441,366 shares of our common stock and 1,000,000 shares of our Series A preferred stock, at a price of $0.0001 per share.

Policy Regarding Transactions with Related Persons

We do not have a formal, written policy for the review, approval or ratification of transactions between us and any director or executive officer, nominee for director, 5% stockholder or member of the immediate family of any such person that are required to be disclosed under Item 404(a) of Regulation S-K. However, our policy is that any activities, investments or associations of a director or officer that create, or would appear to create, a conflict between the personal interests of such person and our interests must be assessed by our Chief Executive Officer and must be at arms' length.

ITEM 8. 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 9. Market Price of and Dividends on the Registrant's Common Equity and Related Stockholder Matters

Market Information

Our common stock is currently quoted on OTC Market Group, Inc.'s OTC Pink tier under the symbol, "PFHS." The OTC Market is a network of security dealers who buy and sell stock. The dealers are connected by a computer network that provides information on current "bids" and "asks", as well as volume information.

The following table sets forth the range of high and low closing bid quotations for our common stock for each of the periods indicated as reported by the OTC Markets. These quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions. As of May 26, 2015, we effected a 2,000-for-1 stock split. All prices in the following table reflect post-split prices.

Fiscal Year Ended September 30, 2014

	High	**Low**
Fiscal Quarter Ended:		
December 31, 2013	$5.40	$1.20
March 31, 2014	$3.00	$1.40
June 30, 2014	$2.00	$1.60
September 30, 2014	$3.40	$1.60

Fiscal Year Ended September 30, 2015

	High	**Low**
Fiscal Quarter Ended:		
December 31, 2014	$2.80	$1.80
March 31, 2015	$2.60	$1.80
June 30, 2015	$3.00	$0.80
September 30, 2015	$2.40	$1.00

On November 25, 2015, the closing price for our common stock on the OTC Markets was $1.40 per share.

Until recently, the volume of shares traded on the OTC Markets was insignificant and therefore, historic prices may not represent a reliable indication of the fair market value of these shares.

Holders of Common Stock

As of September 2, 2015, there were approximately 50 record holders of our common stock. The number of record holders does not include beneficial owners of common stock whose shares are held in the names of banks, brokers, nominees or other fiduciaries.

We have no securities authorized for issuance under equity compensation plans.

Dividends

We have never declared or paid dividends on our common stock. Moreover, we currently intend to retain any future earnings for use in our business and, therefore, do not anticipate paying any dividends on our common stock in the foreseeable future.

ITEM 10. Recent Sales of Unregistered Securities.

Set forth below is information regarding securities sold by us within the past three years that were not registered under the Securities Act.

Date	Name of Person or Entity	Nature of Each Offering	Jurisdiction	Number of shares offered	Number of Shares sold	Price at which Shares Were Offered / Amount Paid to the Issuer	Trading Status of the Shares	Legend
10/29/13	Atlanta Capital Partners, LLC (1)	Section 4(a)(2) Exemption	GA	6,200,000	6,200,000	None – the Company issued securities for payment of debts	Restricted	Yes
10/29/13	South American Gold Corp.	Section 4(a)(2) Exemption	NV	11,875,000	11,875,000 (2)	Mining leases acquired		

(1) Atlanta Capital Partner, LLC is beneficially owned by: David Kugelman.

(2) 6,75,000 shares were returned to treasury in August 2014 by South American on termination of purchase agreement for acquisition of GB-2 Claims in AZ.

In addition, effective July 1, 2015, we merged with Pizza Fusion. Under the terms of the merger with Pizza Fusion, we issued 17,117,268 shares of our common stock (after giving effect to the reverse stock split) for 100% of Our common shares and a warrant to purchase an aggregate of 11,411,512 shares of our common stock at $0.25 per share for a period of three years. In addition, the Pizza Fusion founders agreed to purchase an aggregate of 42,882,732 shares of our common stock and 2,000,000 shares of our Series A preferred stock at a price of $0.0001 per share. On August 25, 2015 the holders of an aggregate of $65,500 of the Company's convertible debt plus accrued interest of $24,763.69 agreed to limit the number of shares issuable upon conversion of such debt to 40,000,000 shares of the Company's common stock. The common stock to be issued in connection with this conversion will be issued in reliance upon the exemption from securities registration afforded by the provisions of Section 3(a)(9) of the Securities Act.

The shares of Common Stock issued in connection with our acquisition of Pizza Fusion were issued in reliance upon the exemption from securities registration afforded by the provisions of Section 4(a)(2) of the Securities Act of 1933, as amended, ("Securities Act").

On July 27, 2015, we entered into a securities purchase agreement pursuant to which it issued and sold $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 us as follows: $140,000 upon signing with the balance payable in five consecutive monthly installments of $212,000 commencing on September 1, 2015. We 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 the date we closed on the financing and remainder will be due on each of the first five monthly anniversaries of such date.

Under the terms of a Registration Rights Agreement entered into as part of the offering, we 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 our common stock we are permitted to include in the initial registration statement be limited pursuant to Rule 415 of the Securities Act of 1933, we further agreed to file additional registration statements with the SEC to register any remaining shares. We will pay all costs associated with the registration statements, other than underwriting commissions and discounts.

The Securities Purchase Agreement contains certain negative covenants by us, 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 our common stock or debts, sale of substantially all of its assets or merger with another entity, payment of cash dividends or entry into any related party transactions. We granted investors certain pro-rata rights of first refusal on future offerings by us for as long as the investor(s) beneficially own any of the debentures.

The debentures are convertible into shares of our common stock at a conversion price equal to 65% of the lowest traded price of its common stock for the 20 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 PF Hospitality Group issues or sells shares of its common stock for a consideration per share less than the conversion price then in effect, or issue options, warrants or other securities convertible or exchange for shares of its common stock at a conversion or exercise price less than the conversion price of the debentures then in effect. If either of these events should occur, the conversion price is reduced to the lowest price at which these securities were issued or are exercisable. The debentures shares are not convertible to the extent that (a) the number of shares of our common stock beneficially owned by the holder and (b) the number of shares of our common stock issuable upon the conversion of the debentures or otherwise would result in the beneficial ownership by holder of more than 4.99% of our then outstanding common stock. This ownership limitation can be increased or decreased to any percentage not exceeding 9.99% by the holder upon 61 days' notice to PF Hospitality Group.

The convertible debentures were issued in reliance upon the exemption from securities registration afforded by the provisions of Section 4(a)(2) of the Securities Act.

ITEM 11. Description of Registrant's Securities to be Registered.

Our authorized capital stock consists of 500,000,000 shares of common stock, par value $0.0001 per share, and 20,000,000 shares of preferred stock, par value $0.0001 per share, of which 2,000,000 shares are designated as Series A preferred stock. As of September 2, 2015, there were 60,100,404 shares of common stock issued and outstanding, and 2,000,000 shares of preferred stock which have been designated as Series A preferred stock, all of which are issued and outstanding.

Description of Common Stock

The holders of shares of the Company's common stock are entitled to one vote per share on matters to be voted upon by the stockholders and are entitled to receive dividends out of funds legally available for distribution when and if declared by our Board.

The holders of shares of our common stock will share ratably in the Company's assets legally available for distribution to the stockholders in the event of the Company's liquidation, dissolution or winding up, after the payment in full of all debts and distributions and after the holders of all series of outstanding preferred stock have received their liquidation preferences in full.

The holders of our common stock have no preemptive, redemption, cumulative voting or conversion rights. The outstanding shares of our common stock are fully paid and non-assessable.

Description of Preferred Stock

Our Board is authorized to fix and determine the designations, rights, preferences or other variations of each particular class or series of our preferred stock.

Description of Series A Preferred Stock

The holders of shares of Series A Preferred Stock are not entitled to dividends or distributions. The holders of shares of Series A Preferred Stock have the following voting rights:

Each share of Series A Preferred Stock entitles the holder to 125 votes on all matters submitted to a vote of the Company's stockholders.

Except as otherwise provided in the Certificate of Designation and as may be required by applicable law, the holders of Series B preferred stock, the holders of Company common stock and the holders of shares of any other Company capital stock having general voting rights and shall vote together as one class on all matters submitted to a vote of the Company's stockholders.

The holders of the Series A Preferred Stock shall not have any conversion rights.

Description of Common Stock Purchase Warrants

We issued warrants to purchase an aggregate of 11,411,512 shares in connection with our acquisition of Pizza Fusion and an aggregate of 2,385,730 warrants in exchange for outstanding warrants of Pizza Fusion Holdings, Inc. These warrants are exercisable at $.25 per share and expire in June 2018. Holders of our warrants have no voting rights or other rights of stockholders unless and until the warrants are exercised. The conversion price of the warrants are subject to proportional adjustment in the event of stock splits, recapitalizations, dividends and similar corporate events. If any of these events should occur, the conversion price will be reduced to the lowest price at which these securities were issued or are exercisable.

Provisions that May Delay, Defer or Prevent a Change of Control

We have determined that Sections 378 through 3793 of Chapter 78 of the Nevada Revised Statutes ("NRS") ("Acquisition of Controlling Interest") do not apply to us because we do not currently meet the definition of "issuing corporation" contained therein. In addition, our amended and restated articles of incorporation specifically provide that such portions of NRS are not applicable to our company.

In addition to any provisions set forth in the NRS that may delay, defer or prevent a change of control, our Amended and restated articles of incorporation and Bylaws contain the following provisions that may delay, defer or prevent a change of control:

Our Board has the authority to issue up to 500,000,000,000 shares of common stock and up to 20,000,000 shares of preferred stock and to determine the rights, preferences and privileges of the shares of preferred stock, without stockholder approval.

Nominations of persons for election to our Board and the proposal of business to be considered by the stockholders may be made at a meeting of stockholders (1) pursuant to our notice of meeting delivered pursuant to our Bylaws, (2) by or at the direction of our Board, (3) by any committee or person appointed by our Board or (4) by any stockholder who is entitled to vote at the meeting, who complied with the notice procedures set forth in our Bylaws and who was a stockholder of record at the time such notice was delivered to our Secretary.

The notice procedures in our Bylaws include a requirement that the proposing stockholder must have given timely notice thereof in writing to our Secretary, and such other business must otherwise be a proper matter for stockholder action. To be timely with respect to an annual meeting, a stockholder's notice shall be delivered to our Secretary at our principal executive offices not less than 60 days prior to the scheduled date of the meeting; provided, however, that if no notice is given and no public announcement is made to the stockholders regarding the date of the meeting at least 70 days prior to the meeting, the stockholder's notice shall be valid if delivered to or mailed and received by our Secretary at our principal executive office not less than 10 days following the day on which the notice or public announcement of the date of the meeting was given or made.

In addition, any such stockholder's notice must set forth (1) as to each person whom the stockholder proposes to nominate for election or reelection as a director, (a) the name, age, business address and residential address of the person, (b) the principal occupation or employment of the person (c) the class and number of shares of our capital stock that are beneficially owned by the person, (d) the written consent by the person, agreeing to serve as a director if elected, (e) a description of all arrangements or understandings between the person and the stockholder regarding the nomination, (f) a description of all arrangements or understandings between the person and any other person or persons (naming such persons) regarding the nomination, (g) all information relating to the person that is required to be disclosed in solicitations for proxies for election of directors pursuant to Rule 14a under the Exchange Act, and (h) such other information as we may reasonably request to determine the eligibility of such proposed nominee to serve as a director; (2) as to any other business that the stockholder proposes to bring before the meeting, (a) a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and, in the event that such business includes a proposal to amend either the Amended and restated articles of incorporation or the Bylaws, the language of the proposed amendment, (b) the name and address, as they appear on our books, of the stockholder proposing such business, (c) the class and number of shares of our capital stock that are beneficially owned by such stockholder, and (d) any material interest (financial or otherwise) of such stockholder in such business; and (3) as to the stockholder giving the notice (a) the name, business address and residential address of the stockholder giving the notice, (b) the class and number of shares of our capital stock that are beneficially owned by such stockholder, (c) a description of all arrangements or understandings between the stockholder and the nominee regarding the nomination, and (d) a description of all arrangements or understandings between the stockholder and any other person or persons (naming such persons) regarding the nomination.

ITEM 12. Indemnification of Directors and Officers.

Our amended and restated articles of incorporation contain provisions that indemnify our directors and officers to the fullest extent permitted or authorized by applicable law. These provisions do not limit or eliminate our rights or those of any stockholder to seek an injunction or any other non-monetary relief in the event of a breach of a director's or an officer's fiduciary duty. In addition, these provisions apply only to claims against a director or officer arising out of his role as a director or officer. Pursuant to our amended and restated articles of incorporation, directors have no liability to us or our stockholders for monetary damages for conduct as a director, except for acts or omissions that involve intentional misconduct by the director, a knowing violation of law by the director, acts or failures to act that constitute a breach of the director's fiduciary duty, or for any transaction from which the director will personally receive a benefit in money, property or services to which the director is not legally entitled.

In addition, our amended and restated articles of incorporation provide for the indemnification of our directors and officers for expenses incurred by them in their capacities as directors and officers. This right of indemnification extends to fines, liabilities, settlements, costs and expenses, including attorneys' fees, asserted against a director or an officer, or arising out of a director's or an officer's status as a director or an officer.

Under the NRS, the directors have a fiduciary duty to us that is not eliminated by this provision of the Articles and, in appropriate circumstances, equitable remedies such as injunctive or other forms of non-monetary relief will remain

available. In addition, each director will continue to be subject to liability under the NRS for breach of the director's duty of loyalty to us for acts or omissions which are found by a court of competent jurisdiction to not be in good faith or involve intentional misconduct, for knowing violations of law, for actions leading to improper personal benefit to the director, and for payment of dividends or approval of stock repurchases or redemptions that are prohibited by the NRS. This provision also does not affect the directors' responsibilities under any other laws, such as the federal securities laws or state or federal environmental laws.

The NRS provides that a corporation may, and our Articles and Bylaws provide that we shall, indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (an "Action"), by reason of the fact that he is or was a director, officer, employee or agent of the corporation or is or was serving at the request of the corporation in such capacity in another corporation, partnership, joint venture, trust or other enterprise (the "Indemnified Party"), against expenses (including attorney's fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful; provided, however, no indemnification shall be made in respect of any action or suit by or in the right of the corporation if the Indemnified Party shall have been adjudged to be liable to the corporation, unless and only to the extent that the court shall determine that, despite the adjudication of liability but in view of all circumstances, such person is fairly and reasonably entitled to indemnity. Furthermore, the NRS provides that determination of an Indemnified Party's eligibility for indemnification by us shall be made on a case-by-case basis by: (i) the stockholders; (ii) the board of directors by a majority vote of a quorum consisting of directors who were not parties to the act, suit or proceeding; (iii) if a majority vote of a quorum consisting of directors who were not parties to the act, suit or proceeding so orders, by independent legal counsel in a written opinion; or (iv) if a quorum consisting of directors who were not parties to the act, suit or proceeding cannot be obtained, by independent legal counsel in a written opinion.

Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended (the "Securities Act"), may be permitted to our directors, officers or control persons pursuant to the foregoing provisions, we have been informed that in the opinion of the Securities and Exchange Commission, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

ITEM 13. Financial Statements and Supplementary Data

The financial statements of Pizza Fusion and PF Hospitality Group are included in pages F-1 through F-43 of this registration statement on Form 10.

ITEM 14. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

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ITEM 15. Financial Statements and Exhibits

(a) The following financial statements are filed as part of this registration statement on Form 10 and incorporated herein by reference:

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets as of September 30, 2015 and 2014

Consolidated Statements of Operations for the Years Ended September 30, 2015 and 2014

Consolidated Statement of Stockholders' Deficit for the Two Years Ended September 30, 2015

Consolidated Statements of Cash Flows for the Years Ended September 30, 2015 and 2014

Notes to Consolidated Financial Statements

(b) Exhibits:

Exhibit Number	Description
2.1	Merger Agreement among PF Hospitality Group, Inc. (f/k/a Kalahari Greentech, Inc.), Pizza Fusion Acquisition Subsidiary, Inc. and Pizza Fusion Holdings, Inc. dated as of May 26, 2015 (Incorporated by reference to Exhibit 2.1 to the Company's Form 10 as filed with the SEC on October 13, 2015).
3.1	Amended and Restated Articles of Incorporation filed on May 29, 2015 (Incorporated by reference to Exhibit 3.1 to the Company's Form 10 as filed with the SEC on October 13, 2015).
3.2	Bylaws dated as of April 5, 2005 (Incorporated by reference to Exhibit 3.2 to the Company's Form 10 as filed with the SEC on October 13, 2015).
10.1	Form of Franchise Agreement (Incorporated by reference to Exhibit 10.1 to the Company's Form 10 as filed with the SEC on October 13, 2015).
10.2+	Employment Agreement between Pizza Fusion Holdings, Inc. and Vaughan Dugan dated as of June 1, 2013 (Incorporated by reference to Exhibit 10.2 to the Company's Form 10 as filed with the SEC on October 13, 2015).
10.3+	Employment Agreement between Pizza Fusion Holdings, Inc. and Randy Romano dated as of June 1, 2013 (Incorporated by reference to Exhibit 10.3 to the Company's Form 10 as filed with the SEC on October 13, 2015).
10.4	Standard Office Lease between Investments Limited and Pizza Fusion Holdings, Inc. dated July 24, 2014 (Incorporated by reference to Exhibit 10.4 to the Company's Form 10 as filed with the SEC on October 13, 2015).

10.5	Stock Exchange Agreement by and between PF Hospitality Group, Inc., EXO:EXO, Inc. and Sloane McComb, dated December 16, 2015 (incorporated by reference to Exhibit 10.1 to the Company's current report on Form 8-K as filed with the SEC on December 22, 2015).
10.6	Form of Convertible Debenture of PF Hospitality Group, Inc. (incorporated by reference to Exhibit 10.6 to the Company's Form 10 (Amendment No. 2) as filed with the SEC on January 5, 2016).
21.1	Subsidiaries of PF Hospitality Group, Inc. (Incorporated by reference to Exhibit 21.1 to the Company's Form 10 as filed with the SEC on October 13, 2015)

+ Management contract or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized.

PF HOSPITALITY GROUP, INC.

February 5, 2016

/s/ Vaughan Dugan
Vaughan Dugan
Chief Executive Officer

PF HOSPITALITY GROUP, INC.

CONSOLIDATED FINANCIAL STATEMENTS

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of PF Hospitality Group, Inc.

We have audited the accompanying consolidated balance sheets of PF Hospitality Group, Inc. as of September 30, 2015 and 2014, and the related consolidated statements of income, stockholders' deficit, and cash flows for the years ended September 30, 2015 and 2014. PF Hospitality Group, Inc.'s management is responsible for these consolidated financial statements. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion the consolidated financial statements referred to above present fairly, in all material respects, the financial position of PF Hospitality Group, Inc. as of September 30, 2015 and 2014 and the results of its operations and its cash flows for the years ended September 30, 2015 and 2014 in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the entity will continue as a going concern. As discussed in Note 2 to the financial statements, the entity has suffered recurring losses from operations and has a net capital deficiency that raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ KLJ & Associates, LLP

KLJ & Associates, LLP
Edina, MN
December 1, 2015

5201 Eden Avenue

Suite 300

Edina, MN 55436

630.277.2330

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PF HOSPITALITY GROUP, INC.

CONSOLIDATED BALANCE SHEETS

SEPTEMBER 30, 2015 AND 2014

	2015	2014
ASSETS		
Current assets:		
Cash	$272,785	$95,797
Royalties receivable	15,383	4,880
Prepaid and other current assets	5,103	5,103
Total current assets	293,271	105,780
Property and equipment, net	34,626	24,188
Other assets:		
Intangible assets, net	116,990	122,870
Receivable from litigation settlement	30,104	-
Deposits	4,834	4,834
Total other assets	151,928	127,704
Total assets	$479,825	$257,672
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable and accrued liabilities	$920,826	$781,102
Advances	205,861	99,361
Note payable	50,000	50,000
Deferred revenue, current portion	-	12,895
Convertible notes payable, current portion	61,074	-
Total current liabilities	1,237,761	943,358
Long term debt:		
Convertible notes payable, long term portion	166,083	-
Deferred revenue, long term portion	404,210	404,210
Customer deposits	50,000	50,000
Total long term debt	620,293	454,210
Total liabilities	1,858,054	1,397,568
Commitments and contingencies	-	-
Stockholders' deficit:		
Preferred stock, $0.0001 par value, 20,000,000 and 5,000,000 shares authorized as of September 30, 2015 and 2014, respectively		

Series A Preferred Stock, $0.0001 par value; 2,000,000 and -0- shares designated, 2,000,000 and -0- shares issued and outstanding as of September 30, 2015 and 2014, respectively	200	-
Common stock, $0.0001 par value; 500,000,000 and 2,000,000,000 shares authorized, 63,044,404 and 17,117,268 shares issued and outstanding as of September 30, 2015 and 2014, respectively	6,304	1,712
Additional paid in capital	9,477,645	9,283,886
Deficit	(10,862,378)	(10,425,494)
Total stockholders' deficit	(1,378,229)	(1,139,896)
Total liabilities and stockholders' deficit	$479,825	$257,672

The accompanying notes are an integral part of these financial statements

PF HOSPITALITY GROUP, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Year ended September 30,	
	2015	2014
Revenues:		
Royalty income	$195,238	$299,543
Franchise fees	15,395	15,395
Total revenues	210,633	314,938
Operating expenses:		
Payroll expenses	390,538	374,992
Selling, general and administrative expenses	339,444	180,445
Depreciation and amortization	16,356	16,356
Total operating expenses	746,338	571,793
Net loss from operations	(535,705)	(256,855)
Other income (expense):		
Litigation settlement	102,500	-
Other income	1,942	-
Interest expense	(5,621)	-
Total other income (expense):	98,821	-
Net loss before income tax provision	(436,884)	(256,855)
Provision for income taxes	-	-
NET LOSS	$(436,884)	$(256,855)
Net loss per common share, basic and diluted	$(0.02)	$(0.02)
Weighted average number of common shares outstanding, basic and diluted	26,893,716	17,117,268

The accompanying notes are an integral part of these financial statements

PF HOSPITALITY GROUP, INC.

CONSOLIDATED STATEMENT OF STOCKHOLDERS' DEFICIT

TWO YEARS ENDED SEPTEMBER 30, 2015

	Series A Preferred stock		Common stock		Additional Paid in	Accumulated	
	Shares	Amount	Shares	Amount	Capital	Deficit	Total
Balance, October 1, 2013	-	$ -	17,117,268	$ 1,712	$ 9,283,886	$ (10,168,639)	$ (883,041)
Net loss	-	-	-	-	-	(256,855)	(256,855)
Balance, September 30, 2014	-	-	17,117,268	1,712	9,283,886	(10,425,494)	(1,139,896)
Effect of merger with PF Hospitality Group, Inc (formerly known as Kalahari Greentech, Inc.)	-	-	100,404	10	(10)	-	-
Sale of Series A preferred stock	2,000,000	200	-	-	-	-	200
Sale of common stock	-	-	42,882,732	4,288	-	-	4,288
Common stock issued upon settlement of convertible notes	-	-	2,944,000	294	4,232	-	4,526
Beneficial conversion feature related to convertible notes	-	-	-	-	189,537	-	189,537
Net loss	-	-	-	-	-	(436,884)	(436,884)
Balance, September 30, 2015	2,000,000	$ 200	63,044,404	$ 6,304	$ 9,477,645	$ (10,862,378)	$ (1,378,229)

The accompanying notes are an integral part of these financial statements

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PF HOSPITALITY GROUP, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended September 30,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$(436,884)	$(256,855)
Adjustments to reconcile net loss to cash used in operating activities:		
Depreciation and amortization	16,356	16,356
Amortization of debt discount	3,621	-
Non-cash merger costs	88,552	-
Changes in operating assets and liabilities:		
Accounts receivable	(10,503)	386
Prepaid expenses	-	(2,503)
Litigation receivable	(30,104)	-
Deposits	-	401
Accounts payable and accrued liabilities	116,771	184,420
Deferred income and customer deposits	(12,895)	(22,395)
Net cash used in operating activities	(265,086)	(80,190)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(20,914)	(1,360)
Net cash used in investing activity	(20,914)	(1,360)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from sale of common stock	4,288	-
Proceeds from sale of Series A Preferred Stock	200	-
Proceeds from advances	106,500	99,361
Proceeds from issuance of note payable	-	50,000
Proceeds from issuance of convertible notes payable	352,000	-
Net cash provided by financing activities	462,988	149,361
Net increase in cash	176,988	67,811
Cash, beginning of the period	95,797	27,986
Cash, end of the period	$272,785	$95,797
Supplemental disclosures of cash flow information:		
Cash paid during the period for interest	$-	$-
Cash paid during the period for income taxes	$-	$-
Non-cash investing and financing activities:		
Beneficial conversion feature relating to convertible note payable	$189,537	$-
Common stock issued in settlement of convertible notes	$28,965	$-

The accompanying notes are an integral part of these financial statements

PF HOSPITALITY GROUP, INC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 1 – NATURE OF OPERATIONS 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 our name to Kalahari Greentech, Inc. In May 2015, the Company changed our 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.

Basis of presentation:

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

NOTE 2 – GOING CONCERN AND MANAGEMENT'S LIQUIDITY PLANS

As of September 30, 2015, the Company had cash of $272,785 and a working capital deficit of $944,490. During the year ended September 30, 2015, the Company used net cash in operating activities of $265,086. The Company has not yet generated any significant revenues, and has incurred net losses since inception. These conditions raise substantial doubt about the Company's ability to continue as a going concern.

During the year ended September 30, 2015, the Company raised $352,000 in cash proceeds from the issuance of convertible notes and $106,500 through short term borrowings. The Company believes that its current cash on hand will be sufficient to fund its projected operating requirements through August 2016.

The Company's primary source of operating funds since inception has been cash proceeds from the private placements of common stock and preferred stock, and proceeds from private placements of convertible 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.

PF HOSPITALITY GROUP, INC

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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 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 consolidated financial statements do not include any adjustment that might result from the outcome of this uncertainty.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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.

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 valuation allowance related to deferred tax assets. Actual results may differ from these estimates.

Cash

Cash consist of cash held in bank demand deposits. The Company considers all highly liquid instruments with original maturities of three months or less to be cash equivalents.

The Company maintains cash in bank accounts located in the United States, which, at times, may exceed federally insured limits or be uninsured. The Company has not experienced any losses in such accounts.

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Royalties Receivable

Royalties receivable primarily consists of trade receivables, net of allowances. On a periodic basis, the Company evaluates its trade receivables and establishes an allowance for doubtful accounts based on its history of past bad debt expense, collections and current credit conditions. The Company performs on-going credit evaluations of its customers and the customer's current credit worthiness. Collections and payments from customers are continuously monitored. The Company maintains an allowance for doubtful accounts, which is based upon historical experience as well as specific customer collection issues that have been identified. As of September 30, 2015 and 2014, the Company's allowance for doubtful accounts was $-0-. If the financial condition of customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required in future periods.

Property and Equipment

Property and equipment consists of furniture and fixtures, equipment, leasehold improvements and construction in process. They are recorded at cost, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Expenditures for major renewals and betterments that extend the useful lives of the property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

The estimated useful lives of the classes of property and equipment are as follows:

Construction in Progress	Not in service
Equipment	5 years
Leasehold Improvements	5 years
Furniture and Fixtures	5 years

Intangible Assets

Intangible assets consist of costs associated with acquiring Pizza Fusion franchise and trademark rights, website development costs and trademark and logo costs.

Intangible assets with finite lives are amortized over their estimated useful lives. Intangible assets with indefinite lives are not amortized, but are tested for impairment annually. The Company's intangible assets with a finite life are franchise and trademark rights, website development costs and trademark and logo costs which are be amortized over their economic or legal life, whichever is shorter.

The estimated useful lives of the classes of intangible assets are as follows:

Franchise and trademark rights	5 years
Trademark costs	5 years
Website	5 years

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.

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During the year ended September 30, 2015 and 2014, 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 and 2014. 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 2014; and no impairment was deemed to exist as of September 30, 2015 and 2014. Considerable management judgment is necessary to estimate the fair value. Accordingly, actual results could vary significantly from management's estimates.

Website Development Costs

The Company recognizes website development costs in accordance with Accounting Standards Codification subtopic 350-50, Website Development Costs ("ASC 350-50"). As such, the Company expenses all costs incurred that relate to the planning and post implementation phases of development of its website. Direct costs incurred in the development phase are capitalized and recognized over the estimated useful life. Costs associated with repair or maintenance for the website were included in cost of net revenues in the current period expenses. During the years ended September 30, 2015 and 2014, the Company did not capitalize any costs associated with the website development.

Research and Development

The Company accounts for research and development costs in accordance with the Accounting Standards Codification subtopic 730-10, Research and Development ("ASC 730-10"). Under ASC 730-10, all research and development costs must be charged to expense as incurred. Accordingly, internal research and development costs are expensed as incurred. Third-party research and developments costs are expensed when the contracted work has been performed or as milestone results have been achieved. Company-sponsored research and development costs related to both present and future products are expensed in the period incurred. For the years ended September 30, 2015 and 2014, the Company's expenditures on research and product development were immaterial.

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.

As of September 30, 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 is not required. There was no established market for the Company’s common stock.

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Net 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 loss per share as of September 30, 2015 and 2014 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:

	September 30, 2015	September 30, 2014
Convertible notes payable	37,597,538	-
Warrants to purchase common stock	13,797,242	2,385,730
Totals	51,394,780	2,385,730

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.

Advertising

The Company's advertising costs are expensed as incurred. Advertising expense was $249 and $1,325 for the years ended September 30, 2015 and 2014.

Income Taxes

The Company recognizes deferred tax assets and liabilities for the expected future tax consequences of items that have been included or excluded in the financial statements or tax returns. Deferred tax assets and liabilities are determined on the basis of the difference between the tax basis of assets and liabilities and their respective financial reporting amounts ("temporary differences") at enacted tax rates in effect for the years in which the temporary differences are expected to reverse.

The Company adopted the provisions of Accounting Standards Codification ("ASC") Topic 740-10, which prescribes a recognition threshold and measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return.

Management has evaluated and concluded that there were no material uncertain tax positions requiring recognition in the Company's consolidated financial statements as of September 30, 2015 and 2014. The Company does not expect any significant changes in its unrecognized tax benefits within twelve months of the reporting date.

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The Company's policy is to classify assessments, if any, for tax related interest as interest expense and penalties as general and administrative expenses in the consolidated statements of operations.

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 September 30, 2015, 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

The FASB has issued ASU No. 2014-12, *Compensation – Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be achieved after the Requisite Service Period*. This ASU requires that a performance target that affects vesting, and that could be achieved after the requisite service period, be treated as a performance condition. As such, the performance target should not be reflected in estimating the grant date fair value of the award. This update further clarifies that compensation cost should be recognized in the period in which it becomes probable that the performance target will be achieved and should represent the compensation cost attributable to the period(s) for which the requisite service has already been rendered. The amendments in this ASU are effective for annual periods and interim periods within those annual periods beginning after December 15, 2015. Earlier adoption is permitted. The Company has not yet determined the effect of the adoption of this standard and it is expected to have a material impact on the Company's consolidated financial statements.

In August, 2014, the FASB issued ASU No. 2014-15, Presentation of Financial Statements – Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entities Ability to Continue as a Going Concern. The standard is intended to define management's responsibility to decide whether there is substantial doubt about an organization's

ability to continue as a going concern and to provide related footnote disclosures. The standard requires management to decide whether there are conditions or events that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued. The standard provides guidance to an organization's management, with principles and definitions that are intended to reduce diversity in the timing and content of disclosures that are commonly provided by organizations in the footnotes. The standard becomes effective in the annual period ending after December 15, 2016, with early application permitted. The adoption of this pronouncement is not expected to have a material impact on the consolidated financial statements. Management's evaluations regarding the events and conditions that raise substantial doubt regarding the Company's ability to continue as a going concern have been disclosed in Note 2.

In April 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2015-03, "Interest -Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs" ("ASU 2015-03"). ASU 2015-03 amends the existing guidance to require that debt issuance costs be presented in the balance sheet as a deduction from the carrying amount of the related debt liability instead of as a deferred charge. ASU 2015-03 is effective on a retrospective basis for annual and interim reporting periods beginning after December 15, 2015, but early adoption is permitted. The Company does not anticipate that the adoption of this standard will have a material impact on its consolidated financial statements.

There are other 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.

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NOTE 4 – 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.

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment as of September 30, 2015 and 2014 is summarized as follows:

	September 30, 2015	September 30, 2014
Construction in process	$ 18,150	$ -
Equipment	47,697	44,933
Leasehold improvements	10,513	10,513
Furniture and fixtures	37,604	37,604
Subtotal	113,964	93,050
Less accumulated depreciation	(79,338)	(68,862)
Property and equipment, net	$ 34,626	$ 24,188

Depreciation expense for the years ended September 30, 2015 and 2014 was $10,476 and $10,476, respectively.

NOTE 6 – INTANGIBLE ASSETS

Intangible assets as of September 30, 2015 and 2014 is summarized as follows:

	September 30, 2015	September 30, 2014
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	(44,013)	(38,133)
Property and equipment, net	$ 116,990	$ 122,870

Amortization expense for the years ended September 30, 2015 and 2014 was $5,880 and $5,880, respectively.

NOTE 7 – 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 September 30, 2015 and 2014 was $50,000.

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NOTE 8 – CONVERTIBLE NOTES PAYABLE

Convertible notes payable as of September 30, 2015 and 2014 is summarized as follows:

	September 30, 2015	September 30, 2014
Notes payable, acquired in recapitalization	$ 61,074	$ -
Notes payable, due July 27, 2020, net of unamortized debt discounts of 224,924	166,183	-
Subtotal	227,257	-
Less current maturities	(61,074)	-
Long term portion	$ 166,183	$ -

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 September 30, 2015, the Company has issued 2,944,000 shares of its common stock in settlement of $4,526 of promissory notes.

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 September 30, 2015, the Company has received net proceeds of $352,000 under the security purchase agreement

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.

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As of September 30, 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 is not required. There was no established market for the Company’s common stock. Therefore, in accordance with ASC 470-20, the Company recognized the value attributable to the conversion feature in the amount of $189,537 to additional paid in capital and a discount against the notes. The debt discount attributed to the conversion feature issued is amortized over the note’s maturity period (two years) as interest expense.

For the year ended September 30, 2015, the Company amortized $3,621 of debt discount and original issuance discounts to current period operations as interest expense.

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

NOTE 9 – STOCKHOLDERS’ (DEFICIT)

Preferred stock

The Company is authorized to issue 20,000,000 and 5,000,000 shares of $0.0001 par value preferred stock as of September 30, 2015 and 2014, respectively. As of September 30, 2015, the Company has designated and sold 2,000,000 shares of Series A Preferred Stock.

Each share of Series A Preferred Stock is entitled to 125 votes on all matters submitted to a vote to the stockholders of the Company, does not have conversion, dividend or distribution upon liquidation rights.

During the year ended September 30, 2015, the Company sold an aggregate of 2,000,000 shares of its Series A Preferred Stock at par value of $200.

Common stock

The Company is authorized to issue 500,000,000 and 2,000,000,000 shares of $0.0001 par value common stock as of September 30, 2015 and 2014, respectively. As of September 30, 2015 and 2014, the Company had 63,044,404 and 17,117,268common shares issued and outstanding.

During the year ended September 30, 2015, the Company issued 2,944,000 shares of its common stock in settlement of $4,526 of promissory notes.

During the year ended September 30, 2015, the Company sold an aggregate of 42,882,732 shares of its common stock to related parties for an aggregate net proceeds of $4,288.

Reverse Stock Split

On May 26, 2015, the Company amended its Articles of Incorporation and effected a 2,000-for-1 reverse stock split of its issued and outstanding shares of common stock, $0.001 par value. All per share amounts and number of shares in the consolidated financial statements and related notes have been retroactively restated to reflect the reverse stock split.

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Warrants

The following table summarizes information with respect to outstanding warrants to purchase common stock of the Company, all of which were exercisable, at September 30, 2015:

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 13,797,2422 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 years ended September 30, 2015 and 2014 is as follows:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at October 1, 2013	13,797,242	$ 0.25	3.00	$ -
Grants	-			-
Exercised				
Canceled				
Outstanding at September 30, 2014	13,797,242	$ 0.25	3.00	$ -
Grants	-			
Exercised	-			
Canceled	-			
Outstanding at September 30,2015	13,797,242	$ 0.25	2.75	$ -
Vested and expected to vest at September 30, 2015	13,797,242	$ 0.25	2.75	$ -

Exercisable at September 30, 2015	13,797,242	$ 0.25	2.75	$ -

The aggregate intrinsic value in the preceding tables represents the total pretax intrinsic value, based on warrants with an exercise price less than the Company's management estimated market stock price as of September 30, 2015, which would have been received by the warrant holders had those warrant holders exercised their warrants as of that date.

NOTE 10 – LOSS PER SHARE

Based on Dynex Capital s records and on information provided to Dynex Capital by its directors, executive officers, affiliates and subsidiaries, neither Dynex Capital nor any of its affiliates or subsidiaries nor, to the best of Dynex Capital s knowledge, any of the directors or executive officers of Dynex Capital or any of its subsidiaries, nor any associates or subsidiaries of any of the foregoing, has effected any transactions involving the Common Stock, Series A Preferred Stock, Series B Preferred Stock or Series C Preferred Stock during the 60 days prior to the date of this proxy statement, except as described below.

According to a filing with the Securities and Exchange Commission by Thomas Potts, a director and former President of Dynex Capital, Mr. Potts transferred his Dynex Capital 401(k) account to an IRA account administered by a different financial institution. In connection with this transfer, the filing states that Dynex Capital s 401(k) plan administrator was required to sell the securities held in Mr. Potts Dynex Capital 401(k) plan account (which included 19,356 shares of Dynex Capital Common Stock); this sale took place on on December 30, 2003 at a price of $6.10 per share. On January 6, 2004, Mr. Potts instructed the administrator of his IRA account to purchase an identical number of shares of Dynex Capital Common Stock in order to effectively reverse the sale transaction. On January 9, 2004, the administrator of Mr. Potts IRA account purchased 2,000 shares at a price of $6.18 per share, 2,900 shares at a price of $6.15 per share and 100 shares at a price of $6.14 per share. On January 13, 2004, the administrator of Mr. Potts IRA account purchased 1,100 shares at a price of $6.45 per share. On January 15, 2004, the administrator of Mr. Potts IRA account purchased 5,000 shares at a price of $6.76 per share. On January 16, 2004, the administrator of Mr. Potts IRA account purchased 200 shares at a price of $6.75 per share. On January 23, 2004, the administrator of Mr. Potts IRA account purchased 5,000 shares at a price of $7.35 per share. On January 26, 2004, the administrator of Mr. Potts IRA account purchased 3,056 shares at a price of $7.40 per share, bringing total purchases to 19,356 shares to offset the sale that took place on December 30, 2003.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Related Transactions

Dynex Capital and a former affiliate, Dynex Commercial, Inc. (DCI), entered into a litigation cost sharing agreement in 2001, whereby the parties set forth how the costs of defending against certain litigation in which both Dynex Capital and DCI have been named as defendants would be shared. Dynex Capital agreed to fund all costs of such litigation, including DCI s portion. The costs funded by Dynex Capital are considered loans and bear simple interest at the prime rate of interest plus 8% per annum. Until December 2000, DCI was a subsidiary of Dynex Holding, Inc. (DHI), an affiliate of Dynex Capital which was merged into Dynex Capital in December 2000. All litigation against DCI relates to the activities of DCI while it was a subsidiary of DHI. As of December 31, 2003, Dynex Capital had funded $2.5 million in aggregate litigation costs, including settlement amounts. ICD Holding, Inc. is the sole stockholder of DCI. Mr. Potts and Mr. Benedetti are the stockholders of ICD Holding, Inc.

Dynex Capital and Dynex Commercial, Inc. (DCI), formerly an affiliate of Dynex Capital and now known as DCI Commercial, Inc., were defendants in state court in Dallas County, Texas in the matter of Basic Capital Management et al (collectively, BCM or the plaintiffs) versus Dynex Commercial, Inc. et al. The suit was filed in April 1999 originally against DCI, and in March 2000, BCM amended the complaint and added Dynex Capital as a defendant. The complaint, which was further amended during pretrial proceedings, alleged that, among other things, DCI and Dynex Capital failed to fund tenant improvement or other advances allegedly required on various loans made by DCI to BCM, that were subsequently acquired by us; that DCI breached an alleged $160 million master loan commitment entered into in February 1998; and that DCI breached another alleged loan commitment of approximately $9 million. The trial commenced in January 2004, and in February 2004, the jury in the case rendered a verdict in favor of one of the plaintiffs and against Dynex Capital on the alleged breach of the loan agreements for tenant improvements and awarded that plaintiff damages in the amount of $0.25 million. The jury also awarded the plaintiffs attorneys fees in the amount of $2.1 million. The jury entered a separate verdict against DCI in favor of BCM under two mutually exclusive damage models, for $2.2 million and $25.6 million, respectively. The verdict, any judgment, and the apportionment of the award of attorneys fees between Dynex Capital and DCI, if appropriate, remains subject to the outcome of post-judgment motions pending or to be filed with the trial court. We do not believe that we have any legal responsibility for the verdict against DCI. Plaintiffs are seeking to set-off any damages that may be awarded against obligations to or loans held by DCI or Dynex Capital, as applicable. The plaintiffs may attempt to include loans that have been pledged by us as securitized finance receivables in non-recourse securitization financings. We are vigorously contesting plaintiffs claims, including whether any plaintiff is entitled to any judgment.

INDEPENDENT ACCOUNTANTS

Dynex Capital s financial statements for 2003 have been audited by Deloitte & Touche LLP. Representatives of Deloitte & Touche LLP are not expected to attend the special meeting.

STOCKHOLDER PROPOSALS

Any proposal that a stockholder wishes to present at the 2004 Annual Meeting of Stockholders and to have included in Dynex Capital s proxy materials must have been received in writing by the Secretary of Dynex Capital prior to December 12, 2003. No proposals of stockholders were delivered to Dynex Capital by February 25, 2004, the deadline for submission of proposals the 2004 Annual Meeting.

INCORPORATION BY REFERENCE

Dynex Capital hereby incorporates by reference into this proxy statement the following:

Dynex Capital s Annual Report on Form 10-K for the fiscal year ended December 31, 2003, filed with the SEC on March 26, 2004, a copy of which accompanies this proxy statement.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this proxy statement to the extent that a statement contained herein, or in any other subsequently filed document which also is incorporated or deemed to be incorporated by reference herein, modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this proxy statement.

Copies of these materials may be received without charge upon request from Dynex Capital at the following address:

Dynex Capital, Inc.

4551 Cox Road, Suite 300

Glen Allen, Virginia 23060

Attn: Secretary

OTHER BUSINESS

No other matters are to be presented for action at the special meeting other than as set forth in this proxy statement. If other matters should properly come before the special meeting, however, the persons named in the accompanying proxy will vote all proxies in accordance with their best judgment.

By Order of the Board of Directors

/s/ Stephen J. Benedetti

Stephen J. Benedetti
Executive Vice President and
Chief Financial Officer

Glen Allen, Virginia

March 29, 2004

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Appendix A

AMENDMENT

TO

ARTICLES OF INCORPORATION

OF

DYNEX CAPITAL, INC.

Articles IIIA, IIIB and IIIC shall be deleted, and in place thereof shall be inserted the following:

A. SERIES D PREFERRED

Section 1. Number of Shares and Designation.

(a) This series of Preferred Stock shall be designated as Series D 9.50% Cumulative Convertible Preferred Stock (the Series D Preferred Stock) and up to five million seven hundred thirteen thousand four hundred thirty (5,713,430) shall be the number of shares of such Preferred Stock constituting this series.

(b) Upon the effectiveness of this Article IIID:

(i) Each share of the Corporation s Series A Preferred Stock shall be deemed to have been converted into 2.784 shares of Series D Preferred Stock and 0.6373 shares of Common Stock. Each holder of Series A Preferred Stock shall also receive a cash payment equal to any fractional shares of Series D Preferred Stock and Common Stock that it would otherwise be entitled to receive on a basis that values each share of Series D Preferred Stock at $10.00 and each share of Common Stock at $5.6484.

(ii) Each share of the Corporation s Series B Preferred Stock shall be deemed to have been converted into 2.842 shares of Series D Preferred Stock and 0.6506 shares of Common Stock. Each holder of Series B Preferred Stock shall also receive a cash payment equal to any fractional shares of Series D Preferred Stock and Common Stock that it would otherwise be entitled to receive on a basis that values each share of Series D Preferred Stock at $10.00 and each share of Common Stock at $5.6484.

(iii) Each share of the Corporation s Series C Preferred Stock shall be deemed to have been converted into 3.480 shares of Series D Preferred Stock and 0.7967 shares of Common Stock. Each holder of Series C Preferred Stock shall also receive a cash payment equal to any fractional shares of Series D Preferred Stock and Common Stock that it would otherwise be entitled to receive on a basis that values each share of Series D Preferred Stock at $10.00 and each share of Common Stock at $5.6484.

Section 2. Definitions. For purposes of the Series D Preferred Stock, the following terms shall have the meanings indicated:

Act shall mean the Securities Act of 1933, as amended.

Affiliate of a person means a person that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, the person specified.

Board of Directors shall mean the Board of Directors of the Corporation or any committee authorized by such Board of Directors to perform any of its responsibilities with respect to the Series D Preferred Stock.

Business Day shall mean any day other than a Saturday, Sunday or a day on which state or federally chartered banking institutions in New York, New York are not required to be open.

Call Date shall have the meaning set forth in paragraph (b) of Section 5 hereof.

Common Stock shall mean the common stock, $.01 par value per share, of the Corporation or such shares of the Corporation s capital stock into which such Common Stock shall be reclassified.

Conversion Ratio shall mean the conversion ratio per share of Common Stock for which each share of Series D Preferred Stock is convertible, as such Conversion Ratio may be adjusted pursuant to Section 7. The initial Conversion Ratio shall be one share of Common Stock for each share of Series D Preferred Stock.

Current Market Price of publicly traded shares of Common Stock or any other class or series of capital stock or other security of the Corporation or of any similar security of any other issuer for any day shall mean the closing price, regular way on that day, or, if no sale takes place on that day, the average of the reported closing bid and asked prices regular way on that day, in either case as reported on the New York Stock Exchange (NYSE) or, if the security is not listed or admitted for trading on the NYSE, on the principal national securities exchange on which the security is listed or admitted for trading or, if not listed or admitted for trading on any national securities exchange, on the National Market of the National Association of Securities Dealers, Inc. Automated Quotations System (NASDAQ) or, if the security is not quoted on NASDAQ, the average of the closing bid and asked prices on that day in the over-the-counter market as reported by NASDAQ or, if bid and asked prices for the security on that day shall not have been reported through NASDAQ, the average of the bid and asked prices on that day as furnished by any NYSE or National Association of Securities Dealers, Inc. member firm regularly making a market in the security selected for such purpose by the Chief Executive Officer or the Board of Directors or if any class or series of securities are not publicly traded, the fair value of the shares of the class as determined reasonably and in good faith by the Board of Directors of the Corporation.

Dividend Payment Date shall mean, with respect to each Dividend Period, the last day of January, April, July and October, in each year, commencing on July 31, 2004 with respect to the period commencing on April 7, 2004 and ending June 30, 2004; provided, however, that if any Dividend Payment Date falls on any day other than a Business Day, the dividend payment due on such Dividend Payment Date shall be paid on the Business Day immediately following such Dividend Payment Date.

Dividend Periods shall mean quarterly dividend periods commencing on January 1, April 1, July 1 and October 1 of each year and ending on and including the day preceding the first day of the next succeeding Dividend Period (other than the initial Dividend Period, which shall commence on April 7, 2004 and end on and include June 30, 2004).

Fair Market Value shall mean the average of the daily Current Market Prices of a share of Common Stock during five (5) consecutive Trading Days selected by the Corporation commencing not more than twenty (20) Trading Days before, and ending not later than, the earlier of the day in question and the day before the ex date with respect to the issuance or distribution requiring such computation. The term ex date, when used with respect to any issuance or distribution, means the first day on which the share of Common Stock trades regular way, without the right to receive such issuance or distribution, on the exchange or in the market, as the case may be, used to determine that day s Current Market Price.

Issue Date shall mean April 7, 2004 or the earlier date of issue of the Series D Preferred Stock.

Issue Price shall mean the amount of $10.00.

Junior Stock shall mean the Common Stock and any other class or series of capital stock of the Corporation over which the shares of Series D Preferred Stock have preference or priority in the payment of dividends or in the distribution of assets on any liquidation, dissolution or winding up of the Corporation.

Person shall mean any individual, firm, partnership, corporation or other entity and shall include any successor (by merger or otherwise) of such entity.

Press Release shall have the meaning set forth in paragraph (a)(i) of Section 5 hereof.

Series A Preferred Stock shall mean the Series A Cumulative Convertible Preferred Stock formerly authorized by Article IIIA of these Articles of Incorporation.

Series B Preferred Stock shall mean the Series B Cumulative Convertible Preferred Stock formerly authorized by Article IIIB of these Articles of Incorporation.

Series C Preferred Stock shall mean the Series C Cumulative Convertible Preferred Stock formerly authorized by Article IIIC of these Articles of Incorporation.

Series D Preferred Stock shall have the meaning set forth in Section 1 hereof.

Set apart for payment shall be deemed to include, without any action other than the following, the recording by the Corporation in its accounting ledgers of any accounting or bookkeeping entry which indicates, pursuant to a declaration of dividends or other distribution by the Board of Directors, the allocation of funds to be paid on any series or class of capital stock of the Corporation; provided, however, that if any funds for any class or series of Junior Stock are placed in a separate account of the Corporation or delivered to a disbursing, paying or other

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similar agent, then set apart for payment with respect to the Series D Preferred Stock shall mean placing such funds in a separate account or delivering such funds to a disbursing, paying or other similar agent.

Trading Day as to any securities, shall mean any day on which such securities are traded on the NYSE or, if such securities are not listed or admitted for trading on the NYSE, on the principal national securities exchange on which such securities are listed or admitted or, if such securities are not listed or admitted for trading on any national securities exchange, on NASDAQ or, if such securities are not quoted on NASDAQ, in the securities market in which such securities are traded.

Transaction shall have the meaning set forth in paragraph (e) of Section 7 hereof.

Transfer Agent means Wachovia Bank Shareholder Services or such other transfer agent as may be designated by the Board of Directors or their designee as the transfer agent for the Series D Preferred Stock.

Section 3. Dividends.

(a) The holders of Series D Preferred Stock shall be entitled to receive, when and as declared by the Board of Directors out of funds legally available for that purpose, cumulative dividends payable in cash in an amount per share of Series D Preferred Stock equal to the greater of (i) the base dividend of $0.2375 per quarter (the Base Rate) or (ii) the aggregate quarterly dividends declared on the shares of the Common Stock (or portion thereof) into which each share of the Series D Preferred Stock is convertible. The initial Dividend Period shall commence on the Issue Date and end on June 30, 2004. The dividends payable with respect to the portion of the initial Dividend Period commencing on the Issue Date and ending on June 30, 2004 shall be prorated from the Issue Date and determined by reference to the Base Rate. The amount referred to in clause (ii) of this paragraph (a) with respect to each Dividend Period shall be determined by multiplying each share of Common Stock, or portion thereof calculated to the fourth decimal point, into which a share of Series D Preferred Stock would be convertible at the close of business on the record date for the payment of dividends on the Series D Preferred Stock (based on the Conversion Ratio then in effect) by the quarterly cash dividend payable or paid for such Dividend Period in respect of a share of Common Stock outstanding as

of the record date for the payment of dividends on the Common Stock with respect to such Dividend Period or, if different, with respect to the most recent quarterly period for which dividends with respect to the Common Stock have been declared. Such dividends shall be cumulative from the Issue Date, whether or not in any Dividend Period or Periods such dividends shall be declared or there shall be funds of the Corporation legally available for the payment of such dividends, and shall be payable quarterly in arrears on the Dividend Payment Dates, commencing on the first Dividend Payment Date after the Issue Date. Each such dividend shall be payable in arrears to the holders of record of the Series D Preferred Stock, as they appear on the stock records of the Corporation at the close of business on a record date which shall be not more than sixty (60) days prior to the applicable Dividend Payment Date and shall be fixed by the Board of Directors to coincide with the record date for the regular quarterly dividends, if any, payable with respect to the Common Stock; provided, however, that the record dates for the Dividend Period ending December 31, may be separated so that the record date for the Common Stock dividend is December 31 and the record date for the Series D Preferred Stock dividend is January 1 and vice versa. Accumulated, accrued and unpaid dividends for any past Dividend Periods may be declared and paid at any time, without reference to any regular Dividend Payment Date, to holders of record on such date, which date, shall precede by not more than forty-five (45) days the payment date thereof, as may be fixed by the Board of Directors.

(b) The amount of dividends payable per share of Series D Preferred Stock for the portion at the initial Dividend Period commencing on the Issue Date and ending and including June 30, 2004, or any other period shorter than a full Dividend Period, shall be computed ratably on the basis of twelve (12) thirty (30)-day months and a three hundred sixty (360)-day year. Holders of Series D Preferred Stock shall not be entitled to any dividends, whether payable in cash, property or stock, in excess of cumulative dividends, as herein provided, on the Series D Preferred Stock. No interest, or sum of money in lieu of interest, shall be payable in respect of any dividend payment or payments on the Series D Preferred Stock that may be in arrears.

(c) So long as any of the shares of Series D Preferred Stock are outstanding, no dividends shall be declared or paid or set apart for payment by the Corporation

and no other distribution of cash or other property shall be declared or made directly or indirectly by the Corporation unless dividends equal to the full amount of accumulated, accrued and unpaid dividends have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof has been or contemporaneously is set apart for such payment on the Series D Preferred Stock for all Dividend Periods terminating on or prior to the Dividend Payment Date.

(d) So long as any of the shares of Series D Preferred Stock are outstanding, no dividends (other than dividends or distributions paid in shares of or options, warrants or rights to subscribe for or purchase shares of Junior Stock) shall be declared or paid or set apart for payment by the Corporation and no other distribution of cash or other property shall be declared or made directly or indirectly by the Corporation with respect to any shares of Junior Stock, nor shall any shares of Junior Stock be redeemed, purchased or otherwise acquired (other than by a redemption, purchase or other acquisition of Common Stock made for purposes of an employee incentive or benefit plan of the Corporation or any subsidiary) for any consideration (or any moneys be paid to or made available for a sinking fund for the redemption of any shares of any such stock) directly or indirectly by the Corporation (except by conversion into or exchange for Junior Stock), nor shall any other cash or other property otherwise be paid or distributed to or for the benefit of any holder of shares of Junior Stock in respect thereof, directly or indirectly, by the Corporation unless in each case (i) the full cumulative dividends (including all accumulated, accrued and unpaid dividends) on all outstanding shares of Series D Preferred Stock shall have been paid or such dividends have been declared and set apart for payment for all past Dividend Periods with respect to the Series D Preferred Stock and (ii) sufficient funds shall have been paid or set apart for the payment of the full dividend for the current Dividend Period with respect to the Series D Preferred Stock.

Section 4. Liquidation Preference.

(a) In the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, before any payment or distribution of the assets of the Corporation (whether capital or surplus) shall be made to or set apart for the holders of

Junior Stock, the holders of shares of Series D Preferred Stock shall be entitled to receive an amount in cash per share of Series D Preferred Stock (Liquidation Preference) equal to the Issue Price, plus an amount in cash equal to all dividends (whether or not earned or declared) accumulated, accrued and unpaid thereon to the date of final distribution to such holders; but such holders shall not be entitled to any further payment. Until the holders of the Series D Preferred Stock have been paid the Liquidation Preference in full, plus an amount equal to all dividends (whether or not earned or declared) accumulated, accrued and unpaid thereon to the date of final distribution to such holders, no payment will be made to any holder of Junior Stock upon the liquidation, dissolution or winding up of the Corporation. If, upon any liquidation, dissolution or winding up of the Corporation, the assets of the Corporation, or proceeds thereof, distributable among the holders of Series D Preferred Stock shall be insufficient to pay in full the preferential amount aforesaid, then such assets, or the proceeds thereof, shall be distributed among the holders of Series D Preferred Stock ratably in the same proportion as the respective amounts that would be payable on such Series D Preferred Stock if all amounts payable thereon were paid in full. For the purposes of this Section 4, (i) a consolidation or merger of the Corporation with one or more corporations, (ii) a sale or transfer of all or substantially all of the Corporation s assets, or (iii) a statutory share exchange shall not be deemed to be a liquidation, dissolution or winding up, voluntary or involuntary, of the Corporation.

(b) Upon any liquidation, dissolution or winding up of the Corporation, after payment shall have been made in full to the holders of Series D Preferred Stock, as provided in this Section 4, any other series or class or classes of Junior Stock shall, subject to the respective terms thereof, be entitled to receive any and all assets remaining to be paid or distributed, and the holders of the Series D Preferred Stock shall not be entitled to share therein.

Section 5. Redemption at the Option of the Corporation.

(a) Shares of Series D Preferred Stock will be redeemable by the Corporation, in whole or in part, at the option of the Corporation as set forth herein, subject to the provisions described below:

(i) Provided that for twenty (20) Trading Days within any period of thirty (30) consecutive Trading Days, including the last Trading Day of such period, the Current Market Price of the Common Stock equals or exceeds $10.00, shares of Series D Preferred Stock may be redeemed, in whole or in part, at the option of the Corporation by issuing and delivering to each holder for each share of Series D Preferred Stock to be redeemed one share of authorized but previously unissued Common Stock, subject to adjustment of the Conversion Ratio as provided in Section 7 plus accumulated, accrued and unpaid dividends (as provided below), which are to be paid in cash through the end of the prior Dividend Period; however, no dividend will be payable for the Dividend Period in which such a redemption occurs if such redemption occurs before the record date for the dividend on the Common Stock, in which event, the dividend will be payable through the redemption date, provided, however, if no dividend on the Common Stock has been declared for such period, a dividend shall be paid on the redeemed Series D Preferred Stock in cash and on a pro rata basis for the period in which such redemption occurs). In order to exercise its redemption option pursuant to this paragraph (a)(i), the Corporation must issue a press release announcing the redemption (the Press Release) prior to the opening of business on the second Trading Day after the condition upon which this redemption is based has been satisfied. The Press Release shall announce the redemption and set forth the number of shares of Series D Preferred Stock that the Corporation intends to redeem; or

(ii) Shares of Series D Preferred Stock may be redeemed, in whole or in part, at the option of the Corporation out of funds legally available therefore for cash at the Issue Price per share, plus any accumulated, accrued and unpaid dividends (as provided in Section 5(b) below), plus the pro-rated dividend accrued from the beginning of the current Dividend Period to the date of redemption determined by reference solely to the Base Rate.

(b) Shares of Series D Preferred Stock shall be redeemed by the Corporation on the date specified in the notice to holders required under paragraph (d) of this Section 5 (the Call Date). The Call Date shall be selected by the Corporation, shall be specified in the notice of redemption and shall be not less than thirty (30) days nor more than 60 days after (i) the date on which the Corporation issues the Press Release, if such redemption is pursuant to paragraph (a)(i) of this Section 5, or (ii) the date notice of redemption is sent by the Corporation, if such redemption is pursuant to paragraph (a)(ii) of this Section 5. In the event of a redemption pursuant to Section 5(a)(i) or 5(a)(ii), if the Call Date falls after a dividend payment record date and prior to the corresponding Dividend Payment Date, then (i) in the event of a redemption pursuant to Section 5(a)(i) each holder of Series D Preferred Stock at the close of business on such dividend payment record date shall be entitled to the dividend payable on such shares on the corresponding Dividend Payment Date notwithstanding the redemption of such shares prior to such Dividend Payment Date and (ii) in the event of a redemption pursuant to Section 5(a)(ii), each holder of Series D Preferred Stock at the close of business on such dividend payment record date shall be entitled to the portion of the dividend accrued from the beginning of the Dividend Period in which the redemption occurs and ending on the Call Date notwithstanding the redemption of such shares prior to such Dividend Payment Date. Except as provided above, the Corporation shall make no payment or allowance for accumulated or accrued dividends on shares of Series D Preferred Stock called for redemption or on the shares of Common Stock issued upon such redemption.

If the dividend payment record date for the Series D Preferred Stock and Common Stock do not coincide, and the preceding sentence does not operate to ensure that a holder of shares of Series D Preferred Stock whose shares are redeemed for Common Stock does not receive dividends on both the shares of Series D Preferred Stock and the Common Stock for which such shares are redeemed for the same Dividend Period, then notwithstanding anything herein to the contrary, it is the intent, and the Transfer Agent is authorized to ensure that no redemption after the earlier of such record dates will be accepted until after the latter of such record dates.

(c) If full cumulative dividends on all outstanding shares of Series D Preferred Stock of the Corporation have not been paid or declared and set apart for payment, no shares of Series D Preferred Stock may be redeemed unless all outstanding shares of Series D Preferred Stock are simultaneously redeemed, and neither the Corporation nor any affiliate of the Corporation may purchase or acquire shares of Series D Preferred Stock, otherwise than pursuant to a purchase or exchange offer made on the same terms to all holders of shares of Series D Preferred Stock.

(d) If the Corporation shall redeem shares of Series D Preferred Stock pursuant to paragraph (a) of this Section 5, notice of such redemption shall be given to each holder of record of the shares to be redeemed and, if such redemption is pursuant to paragraph (a)(i) of this Section 5, such notice shall be given not more than ten (10) Business Days after the date on which the Corporation issues the Press Release; if the Corporation shall redeem shares of Series D Preferred Stock pursuant to paragraph (a)(ii) of this Section 5, notice of such redemption shall be given not less than thirty (30) nor more than sixty (60) days prior to the Call Date. Such notice shall be provided by first class mail, postage prepaid, at such holder s address as the same appears on the stock records of the Corporation, or by publication in The Wall Street Journal or The New York Times, or if neither such newspaper is then being published, any other daily newspaper of national circulation not less than thirty (30) nor more than sixty (60) days prior to the Call Date. If the Corporation elects to provide such notice by publication, it shall also promptly mail notice of such redemption to the holders of the shares of Series D Preferred Stock to be redeemed. Neither the failure to mail any notice required by this paragraph (d), nor any defect therein or in the mailing thereof, to any particular holder, shall affect the sufficiency of the notice or the validity of the proceedings for redemption with respect to the other holders. Any notice which was mailed in the manner herein provided shall be conclusively presumed to have been duly given on the date mailed whether or not the holder receives the notice. Each such mailed or published notice shall state, as appropriate: (1) the Call Date; (2) the number of shares of Series D Preferred Stock to be redeemed and, if fewer than all such shares held by such holder are to be redeemed, the number of such shares to be redeemed from such holder; (3) whether redemption will be for shares of Common Stock pursuant to paragraph (a)(i) of this Section 5 or for cash pursuant to paragraph (a)(ii) of this Section 5, and, if redemption will be for

Common Stock, the number of shares of Common Stock to be issued with respect to each share of Series D Preferred Stock to be redeemed; (4) the place or places at which certificates for such shares are to be surrendered for certificates representing shares of Common Stock and (5) the then-current Conversion Ratio. Notice having been published or mailed as aforesaid, from and after the Call Date (unless the Corporation shall fail to issue and make available the number of shares of Common Stock and/or amount of cash necessary to effect such redemption), (i) except as otherwise provided herein, dividends on the shares of Series D Preferred Stock so called for redemption shall cease to accumulate or accrue on the shares of Series D Preferred Stock called for redemption (except that, in the case of a Call Date after a dividend record date and prior to the related Dividend Payment Date, holders of Series D Preferred Stock on the dividend record date will be entitled on such Dividend Payment Date to receive the dividend payable on such shares), (ii) said shares shall no longer be deemed to be outstanding, and (iii) all rights of the holders thereof as holders of Series D Preferred Stock of the Corporation shall cease (except the rights to receive the shares of Common Stock and/or cash payable upon such redemption, without interest thereon, upon surrender and endorsement of their certificates if so required and to receive any dividends payable thereon). The Corporation s obligation to provide shares of Common Stock and/or cash in accordance with the preceding sentence shall be deemed fulfilled if on or before the Call Date, the Corporation shall deposit with a bank or trust company (which may be an affiliate of the Corporation) that has, or is an affiliate of, a bank or trust company that has a capital and surplus of at least $50,000,000, such number or shares of Common Stock and such amount of cash as is necessary for such redemption, in trust, with irrevocable instructions that such shares of Common Stock and/or cash be applied to the redemption of the shares of Series D Preferred Stock so called for redemption. In the case of any redemption pursuant to paragraph (a)(i) of this Section 5, at the close of business on the Call Date, each holder of shares of Series D Preferred Stock to be redeemed (unless the Corporation defaults in the delivery of the shares of Common Stock or cash payable on such Call Date) shall be deemed to be the record holder of the number of shares of Common Stock into which such shares of Series D Preferred Stock are to be converted at redemption, regardless of whether such holder has surrendered the certificates representing the shares of Series D Preferred Stock to be so redeemed. No interest shall accrue for the benefit of the holders of shares of Series D Preferred Stock to be redeemed on any cash so set aside by the Corporation. Subject to applicable escheat laws, any such cash

unclaimed at the end of two years from the Call Date shall revert to the general funds of the Corporation after which reversion the holders of shares of Series D Preferred Stock so called for redemption shall look only to the general funds of the Corporation for the payment of such cash.

As promptly as practicable after the surrender in accordance with said notice of the certificates for any such shares so redeemed (properly endorsed or assigned for transfer, if the Corporation shall so require and if the notice shall so state), such certificates shall be exchanged for certificates representing shares of Common Stock and/or any cash (without interest thereon) for which such shares have been redeemed in accordance with such notice. If fewer than all the outstanding shares of Series D Preferred Stock are to be redeemed, shares to be redeemed shall be selected by the Corporation from outstanding shares of Series D Preferred Stock not previously called for redemption by lot or, with respect to the number of shares of Series D Preferred Stock held of record by each holder of such shares, pro rata (as nearly as may be) or by any other method as may be determined by the Board of Directors in its discretion to be equitable. If fewer than all the shares of Series D Preferred Stock represented by any certificate are redeemed, then a new certificate representing the unredeemed shares shall be issued without cost to the holders thereof.

(e) In the case of any redemption pursuant to paragraph (a)(i) of this Section 5, no fractional shares of Common Stock or scrip representing fractions of shares of Common Stock shall be issued upon redemption of the shares of Series D Preferred Stock. Instead of any fractional interest in a share of Common Stock that would otherwise be deliverable upon redemption of shares of Series D Preferred Stock, the Corporation shall pay to the holder of such share an amount in cash (computed to the nearest cent) based upon the Current Market Price of the Common Stock on the Trading Day immediately preceding the Call Date. If more than one share shall be surrendered for redemption at one time by the same holder, the number of full shares of Common Stock issuable upon redemption thereof shall be computed on the basis of the aggregate number of shares of Series D Preferred Stock so surrendered.

(f) In the case of any redemption pursuant to paragraph (a)(i) of this Section 5, the Corporation covenants that any shares of Common Stock issued upon redemption

of shares of Series D Preferred Stock shall be validly issued, fully paid and non-assessable. The Corporation shall use its best efforts to list, subject to official notice of issuance, the shares of Common Stock required to be delivered upon any such redemption of shares of Series D Preferred Stock, prior to such redemption, on a national securities exchange, if any, on which the outstanding shares of Common Stock are listed at the time of such delivery.

The Corporation shall take any action necessary to ensure that any shares of Common Stock issued upon the redemption of Series D Preferred Stock are freely transferable and not subject to any resale restrictions under the Act or any applicable state securities or blue sky laws (other than any shares of Common Stock issued upon redemption of any Series D Preferred Stock which are held by an affiliate (as defined in Rule 144 under the Act) of the Corporation).

Section 6. Stock To Be Retired. All shares of Series D Preferred Stock which shall have been issued and reacquired in any manner by the Corporation shall be restored to the status of authorized but unissued shares of Preferred Stock, without designation as to series. The Corporation may also retire any unissued shares of Series D Preferred Stock, and such shares shall then be restored to the status of authorized but unissued shares of Preferred Stock, without designation as to series.

Section 7. Conversion into Common Stock. Holders of shares of Series D Preferred Stock shall have the right to convert all or a portion of such shares into shares of Common Stock, as follows:

(a) Subject to and upon compliance with the provisions of this Section 7, a holder of shares of Series D Preferred Stock shall have the right, at such holder s option at any time to convert such shares, in whole or in part, into one share, subject to adjustment as provided in this Section 7, of fully paid and non-assessable, authorized but previously unissued Common Stock per each share of Series D Preferred Stock by surrendering such shares to be converted, such surrender made in the manner provided in paragraph (b) of this Section 7; provided, however, that the right to convert shares of Series D Preferred Stock called for redemption pursuant to Section 5 shall terminate at the close of business on the Call Date fixed for such redemption, unless the Corporation shall default in making payment of shares of Common Stock and/or cash payable upon such redemption under Section 5 hereof.

(b) In order to exercise the conversion right, the holder of each share of Series D Preferred Stock to be converted shall surrender the certificate representing such share, duly endorsed or assigned to the Corporation or in blank, at the office of the Transfer Agent, accompanied by written notice to the Corporation that the holder thereof elects to convert such share of Series D Preferred Stock. Unless the shares issuable on conversion are to be issued in the same name as the name in which such share of Series D Preferred Stock is registered, each share surrendered for conversion shall be accompanied by instruments of transfer, in form satisfactory to the Corporation, duly executed by the holder or such holder s duly authorized attorney and an amount sufficient to pay any transfer or similar tax (or evidence reasonably satisfactory to the Corporation demonstrating that such taxes have been paid).

Holders of shares of Series D Preferred Stock at the close of business on a dividend payment record date shall be entitled to receive the dividend payable on such shares on the corresponding Dividend Payment Date notwithstanding the conversion thereof following such dividend payment record date and prior to such Dividend Payment Date. Except as provided above, the Corporation shall make no payment or allowance for unpaid dividends, whether or not in arrears, on converted shares or for dividends on the shares of Common Stock issued upon such conversion.

As promptly as practicable after the surrender of certificates for shares of Series D Preferred Stock as aforesaid, the Corporation shall issue and shall deliver at such office to such holder, or send on such holder s written order, a certificate or certificates for the number of full shares of Common Stock issuable upon the conversion of such shares of Series D Preferred Stock in accordance with provisions of this Section 7, and any fractional interest in respect of a share of Common Stock arising upon such conversion shall be settled as provided in paragraph (c) of this Section 7.

Each conversion shall be deemed to have been effected immediately prior to the close of business on the date on which the certificates for shares of Series D Preferred Stock shall have been surrendered and such notice received by the Corporation as aforesaid, and the person or persons in whose name or names any certificate or certificates for shares of Common Stock shall be issuable upon such conversion shall be deemed to have become the holder or holders of record of the shares represented thereby at such time on such date and such conversion shall be at the Conversion Ratio in effect at such time on such date unless the stock transfer books of the Corporation shall be closed on that date, in which event such person or persons shall be deemed to have become such holder or holders of record at the close of business on the next succeeding day on which such stock transfer books are open, but such conversion shall be at the Conversion Ratio in effect on the date on which such shares shall have been surrendered and such notice received by the Corporation. If the dividend payment record date for the Series D Preferred Stock and Common Stock do not coincide, and the preceding sentence does not operate to ensure that a holder of shares of Series D Preferred Stock whose shares are converted into Common Stock does not receive dividends on both the shares of Series D Preferred Stock and the Common Stock into which such shares are converted for the same Dividend Period, then notwithstanding anything herein to the contrary, it is the intent, and the Transfer Agent is authorized to ensure that no conversion after the earlier of such record dates will be accepted until after the latter of such record dates.

(c) No fractional share of Common Stock or scrip representing fractions of a share of Common Stock shall be issued upon conversion of the shares of Series D Preferred Stock. Instead of any fractional interest in a share of Common Stock that would otherwise be deliverable upon the conversion of shares of Series D Preferred Stock, the Corporation shall pay to the holder of such share an amount in cash based upon the Current Market Price of the Common Stock on the Trading Day immediately preceding the date of conversion. If more than one share shall be surrendered for conversion at one time by the same holder, the number of full shares of Common Stock issuable upon conversion thereof shall be computed on the basis of the aggregate number of shares of Series D Preferred Stock so surrendered.

(d) The Conversion Ratio shall be adjusted from time to time as follows:

(i) If the Corporation shall after the Issue Date (A) pay a dividend or make a distribution on its capital stock in shares of Common Stock, (B) subdivide its outstanding Common Stock into a greater number of shares, (C) combine its outstanding Common Stock into a smaller number of shares or (D) issue any shares of capital stock by reclassification of its Common Stock, the Conversion Ratio in effect at the opening of business on the day following the date fixed for the determination of stockholders entitled to receive such dividend or distribution or at the opening of business on the day following the day on which such subdivision, combination or reclassification becomes effective, as the case may be, shall be adjusted so that the holder of any share of Series D Preferred Stock thereafter surrendered for conversion shall be entitled to receive the number of shares of Common Stock (or fraction of a share of Common Stock) that such holder would have owned or have been entitled to receive after the happening of any of the events described above had such share of Series D Preferred Stock been converted immediately prior to the record date in the case of a dividend or distribution or the effective date in the case of a subdivision, combination or reclassification. An adjustment made pursuant to this paragraph (d)(i) of this Section 7 shall become effective immediately after the opening of business on the day next following the record date (except as provided in paragraph (h) below) in the case of a dividend or distribution and shall become effective immediately after the opening of business on the day next following the effective date in the case of a subdivision, combination or reclassification.

(ii) If the Corporation shall issue after the Issue Date rights, options or warrants to all holders of Common Stock entitling them (for a period expiring within 45 days after the record date described below in this paragraph (d)(ii) of this Section 7) to subscribe for or purchase Common Stock at a price per share less than the Fair Market Value per share of the Common Stock on the record date for the determination of stockholders entitled to receive such rights, options or warrants, then the Conversion Ratio in effect at the opening of business on the day next following such record date shall be adjusted to equal the ratio determined by multiplying the Conversion Ratio in effect immediately prior to the opening of business on the day following the date fixed for such determination by a fraction, the numerator

of which shall be the sum of (X) the number of shares of Common Stock outstanding on the close of business on the date fixed for such determination and (Y) the number of shares that the aggregate proceeds to the Corporation from the exercise of such rights, options or warrants for Common Stock would purchase at such Fair Market Value, and the denominator of which shall be the sum of (XX) the number of shares of Common Stock outstanding on the close of business on the date fixed for such determination and (YY) the number of additional shares of Common Stock offered for subscription or purchase pursuant to such rights, options or warrants. Such adjustment shall become effective immediately after the opening of business on the day next following such record date (except as provided in paragraph (h) below). In determining whether any rights, options or warrants entitle the holders of Common Stock to subscribe for or purchase Common Stock at less than such Fair Market Value, there shall be taken into account any consideration received by the Corporation upon issuance and upon exercise of such rights, options or warrants, the value of such consideration, if other than cash, to be determined in good faith by the Board of Directors.

(iii) No adjustment in the Conversion Ratio shall be required unless such adjustment would require a cumulative increase or decrease of at least 1%, in such ratio, provided, however, that any adjustments that by reason of this paragraph (d)(iii) are not required to be made shall be carried forward and taken into account in any subsequent adjustment until made: and provided, further, that any adjustment shall be required and made in accordance with the provisions of this Section 7 (other than this paragraph (d)(iii)) not later than such time as may be required in order to preserve the tax-free nature of a distribution to the holders of shares of Common Stock. Notwithstanding any other provisions of this Section 7, the Corporation shall not be required to make any adjustment of the Conversion Ratio for the issuance of any shares of Common Stock pursuant to any plan providing for the reinvestment of dividends or interest payable on securities of the Corporation and the investment of additional optional amounts in shares of Common Stock under such plan. All calculations under this Section 7 shall be made to the nearest one-tenth of a share (with .05 of a share being rounded upward). Anything in this paragraph (d) of this Section 7 to the contrary notwithstanding, the Corporation shall be entitled, to the extent permitted by law, to make such reductions in the Conversion Ratio, in addition to those required by this paragraph (d), as it in its discretion shall determine to be advisable in order that any stock dividends, subdivision of shares,

reclassification or combination of shares, distribution of rights or warrants to purchase stock or securities, or a distribution of other assets (other than cash dividends) hereafter made by the Corporation to its stockholders shall not be taxable, or if that is not possible, to diminish any income taxes that are otherwise payable because of such event.

(e) If the Corporation shall be a party to any transaction (including without limitation a merger, consolidation, statutory share exchange, issuer or self tender offer for all or a substantial portion of the shares of Common Stock outstanding, sale of all or substantially all of the Corporation s assets or recapitalization of the Common Stock, but excluding any transaction as to which paragraph (d)(i) of this Section 7 applies (each of the foregoing being referred to herein as a Transaction), in each case as a result of which shares of Common Stock shall be converted into the right to receive stock, securities or other property (including cash or any combination thereof), each share of Series D Preferred Stock which is not converted into the right to receive stock, securities or other property in connection with such Transaction shall thereupon be convertible into the kind and amount of shares of stock, securities and other property (including cash or any combination thereof) receivable upon such consummation by a holder of that number of shares of Common Stock into which one share of Series D Preferred Stock was convertible immediately prior to such Transaction. The Corporation shall not be a party to any Transaction unless the terms of such Transaction are consistent with the provisions of this paragraph (e), and it shall not consent or agree to the occurrence of any Transaction until the Corporation has entered into an agreement with the successor or purchasing entity, as the case may be, for the benefit of the holders of the Series D Preferred Stock that will contain provisions enabling the holders of the Series D Preferred Stock that remain outstanding after such Transaction to convert into the consideration received by holders of Common Stock at the Conversion Ratio in effect immediately prior to such Transaction. The provisions of this paragraph (e) shall similarly apply to successive Transactions.

(f) If,

(i) the Corporation shall declare a dividend (or any other distribution) on the Common Stock (other than cash dividends and cash distributions); or

(ii) the Corporation shall authorize the granting to all holders of the Common Stock of rights or warrants to subscribe for or purchase any shares of any class or series of capital stock or any other rights or warrants; or

(iii) there shall be any reclassification of the Common Stock or any consolidation or merger to which the Corporation is a party and for which approval of any stockholders of the Corporation is required, or a statutory share exchange, or an issuer or self tender offer by the Corporation for all or a substantial portion of its outstanding shares of Common Stock (or an amendment thereto changing the maximum number of shares sought or the amount or type of consideration being offered therefor or the sale or transfer of all or substantially all of the assets of the Corporation as an entirety; or

(iv) there shall occur the voluntary or involuntary liquidation, dissolution or winding up of the Corporation,

then the Corporation shall cause to be filed with the Transfer Agent and shall cause to be mailed to each holder of shares of Series D Preferred Stock at such holder s address as shown on the stock records of the Corporation, as promptly as possible, but at least fifteen (15) days prior to the applicable date hereinafter specified, a notice stating (A) the record date for the payment of such dividend, distribution or rights or warrants, or, if a record date is not established, the date as of which the holders of Common Stock of record to be entitled to such dividend, distribution or rights or warrants are to be determined or (B) the date on which such reclassification, consolidation, merger, statutory share exchange, sale, transfer, liquidation, dissolution or winding up is expected to become effective, and the date as of which it is expected that holders

of Common Stock of record shall be entitled to exchange their shares of Common Stock for securities or other property, if any, deliverable upon such reclassification, consolidation, merger, statutory share exchange, sale, transfer, liquidation, dissolution or winding up or (C) the date on which such tender offer commenced, the date on which such tender offer is scheduled to expire unless extended, the consideration offered and the other material terms thereof (or the material terms of any amendment thereto). Failure to give or receive such notice or any defect therein shall not affect the legality or validity of the proceedings described in this Section 7.

(g) Whenever the Conversion Ratio is adjusted as herein provided, the Corporation shall promptly file with the Transfer Agent an officer s certificate setting forth the Conversion Ratio after such adjustment and setting forth a brief statement of the facts requiring such adjustment which certificate shall be conclusive evidence of the correctness of such adjustment absent manifest error. Promptly after delivery of such certificate, the Corporation shall prepare a notice of such adjustment of the Conversion Ratio setting forth the adjusted Conversion Ratio and the effective date such adjustment becomes effective and shall mail such notice of such adjustment of the Conversion Ratio to each holder of shares of Series D Preferred Stock at such holder s last address as shown on the stock records of the Corporation.

(h) In any case in which paragraph (d) of this Section 7 provides that an adjustment shall become effective on the day next following the record date for an event, the Corporation may defer until the occurrence of such event (A) issuing to the holder of any share of Series D Preferred Stock converted after such record date and before the occurrence of such event the additional Common Stock issuable upon such conversion by reason of the adjustment required by such event over and above the Common Stock issuable upon such conversion before giving effect to such adjustment and (B) paying to such holder any amount of cash in lieu of any fraction pursuant to paragraph (c) of this Section 7.

(i) There shall be no adjustment of the Conversion Ratio in case of the issuance of any capital stock of the Corporation in a reorganization, acquisition or other similar transaction except as specifically set forth in this Section 7.

(j) If the Corporation shall take any action affecting the Common Stock other than action described in this Section 7, that in the opinion of the Board of Directors would materially adversely affect the conversion rights of the holders of Series D Preferred Stock, the Conversion Ratio for the Series D Preferred Stock may be adjusted, to the extent permitted by law, in such manner, if any, and at such time as the Board of Directors, in its sole discretion may determine to be equitable under the circumstances.

(k) The Corporation shall at all times reserve and keep available, free from preemptive rights, out of the aggregate of its authorized but unissued Common Stock solely for the purpose of effecting conversion of the Series D Preferred Stock, the full number of shares of Common Stock deliverable upon the conversion of all outstanding shares of Series D Preferred Stock not theretofore converted into Common Stock. For purposes of this paragraph (k), the number of shares of Common Stock that shall be deliverable upon the conversion of all outstanding shares of Series D Preferred Stock shall be computed as if at the time of computation all such outstanding shares were held by a single holder.

The Corporation covenants that any shares of Common Stock issued upon conversion of the shares of Series D Preferred Stock shall be validly issued, fully paid and non-assessable.

The Corporation shall use its best efforts to list the shares of Common Stock required to be delivered upon conversion of the shares of Series D Preferred Stock, prior to such delivery, on a national securities exchange, if any, on which the outstanding shares of Common Stock are listed at the time of such delivery.

The Corporation shall take any action necessary to ensure that any shares of Common Stock issued upon conversion of shares of Series D Preferred Stock are freely transferable and not subject to any resale restrictions under the Act, or any applicable state securities or blue sky laws (other than any shares of Common Stock which are held by an affiliate (as defined in Rule 144 under the Act).

(l) The Corporation will pay any and all documentary stamp or similar issue or transfer taxes payable in respect of the issue or delivery of shares of Common Stock or other securities or property on conversion or redemption of shares of Series D Preferred Stock pursuant hereto; provided, however, that the Corporation shall not be required to pay any tax that may be payable in respect of any transfer involved in the issue or delivery of shares of Common Stock or other securities or property in a name other than that of the holder of the shares of Series D Preferred Stock to be converted or redeemed, and no such issue or delivery shall be made unless and until the person requesting such issue or delivery has paid to the Corporation the amount of any such tax or established, to the reasonable satisfaction of the Corporation, that such tax has been paid.

Section 8. Conversion into Senior Notes

(a) If at any time the Corporation:

(i) falls in arrears in the payment of dividends on the Series D Preferred Stock in an aggregate amount equal to the full accrued dividends for two quarterly Dividend Periods; or

(ii) fails to maintain consolidated shareholders equity determined in accordance with generally accepted accounting principles of at least 200% of the aggregate Issue Price of the then outstanding Series D Preferred Stock,

then the Series D Preferred Stock will automatically convert into 9.50% Senior Notes (the Conversion Notes), which will be in substantially the following form:

[Date]_____ ,__

DYNEX CAPITAL, INC.

9.50% Senior Note

DYNEX CAPITAL, INC., a corporation duly organized and validly existing under the laws of the Commonwealth of Virginia (the Company), for value received hereby promises to pay to the order of _____ (the Noteholder) the principal sum of____ Dollars ($____) with interest thereon at the rate of 9.50% per annum, payable as follows:

a. Interest in quarterly installments payable only on the last day of the months of _____ , _____ , _____ ,and _____ commencing from the date of issuance of this Note (the Issue Date); and

b. Principal in arrears, together with associated interest, commencing the third year after the Issue Date over eight quarterly periods payable on the last day of the months of _____ , _____ , _____ ,and _____; provided, however, that such quarterly payments will not begin until after the Company tenders its last payment on the Company s 9.50% Senior Notes due 2007.

The principal and interest payable on this Note will be paid to the person in whose name this Note is registered at the close of business on the record date, which shall be _____ , _____ , _____ and _____ (whether or not a business day). Interest shall be paid by check mailed to the Noteholder at the registered address of such person unless other arrangements are made by the Noteholder with the Company.

Interest on this Note shall be computed on the basis of a 360-day year composed of twelve 30-day months.

The Company will have the right to prepay or redeem this Note in part or in its entirety, including all accrued interest due hereon, at its option, anytime prior to maturity without penalty.

The Company covenants that, until it satisfies its obligations pursuant to the terms of this Note, it will not (i) repurchase outstanding capital stock of the Company or (ii) make distributions to shareholders of the Company other than such distributions necessary to maintain the Company s status as a real estate investment trust pursuant to the Internal Revenue Code of 1986, as amended.

Any of the following shall constitute an Event of Default hereunder: (i) the failure to pay any sum due hereunder within ten (10) days after a notice of default is delivered to Company by Noteholder following the date such sum is due, (ii) Company s admission in writing that it is unable

to pay its debts as they become due, (iii) any assignment by the Company for the benefit

of its creditors, or (iv) Company s filing or having filed against it a petition in bankruptcy. Upon the occurrence of an Event of Default, interest shall begin to accrue at a rate of __% per annum from the date of said occurrence until this Note is paid in full. Upon the occurrence of an Event of Default, the outstanding principal balance hereof and all interest accrued thereon shall become due and payable immediately at the election of Noteholder, without notice. Failure to exercise this option upon any such Event of Default shall not constitute or be construed as a waiver of the right to exercise such option subsequently.

This Note has been executed and delivered in the Commonwealth of Virginia, and shall be construed and governed by the laws of the Commonwealth of Virginia.

The provisions of this Note shall be binding upon the successors and assigns of the Company and shall inure to the benefit of the Noteholder.

(b) The Conversion Notes shall be subordinate only to the Corporation s 9.50% Senior Notes due April 2007 (the 2007 Senior Notes). The principal payments under the Conversion Notes will not begin until after the Corporation tenders its last payment on the 2007 Senior Notes.

(c) If the Series D Preferred Stock converts into Conversion Notes, then the aggregate amount of accrued and unpaid dividends payable to holders of the Series D Preferred Stock, including pro-rata dividends, will be added to the principal balance of the Conversion Notes.

(d) The Conversion Notes shall be issued pursuant to an indenture substantially similar to the indenture that governs the Corporation s 9.50% Senior Notes due 2007 and that complies with the requirements of the Trust Indenture Act of 1939.

Section 9. Ranking. The Series D Preferred Stock will rank senior to the Common Stock with respect to the payment of dividends and amounts payable upon liquidation, dissolution or winding up of the Corporation. The Corporation is not permitted to issue any stock ranking senior to the Series D Preferred Stock as to the payment of dividends or amounts upon liquidation, without the approval of the holders of two-thirds (2/3) of the Series D Preferred Stock.

Section 10. Voting.

(a) The holders of the Series D Preferred Stock voting as a single class, will have the right to elect two representatives to the Board of Directors of the Corporation so long as there remains outstanding greater than or equal to 50% of the number of shares of Series D Preferred Stock issued in accordance with Section 1(b). If the amount of Series D Preferred Stock at any time outstanding is less than 50% of the number of shares of Series D Preferred Stock issued in accordance with Section 1(b), then the holders of the Series D Preferred Stock will have the right to elect one representative to the Board of Directors of the Corporation. In this event, unless one of the two directors delivers notice of his resignation to the Corporation within ten days after receiving notice of the change in the right of the holders of the Series D Preferred Stock to elect representatives to the Board of Directors, the term of the board representative of the holders of the Series D Preferred Stock who received the fewest number of votes in the most recent election of directors shall terminate effective as of the date on which the amount of Series D Preferred Stock outstanding ceased to be greater than or equal to 50% of the number of shares of the Series D Preferred Stock issued in accordance with Section 1(b). If no Series D Preferred Stock remains outstanding, the holders of the Series D Preferred Stock shall no longer have the right to elect any representatives to the Board of Directors of the Corporation, and the term of the board representatives of the holders of the Series D Preferred Stock shall terminate effective as of the date on which the Series D Preferred Stock ceased to be outstanding. However, if the reason that the Series D Preferred Stock ceased to be outstanding is the conversion of the Series D Preferred Stock pursuant to Section 8, then any representatives to the Board of Directors of the Corporation elected by the holders of the Series D Preferred Stock will continue in office until the next succeeding meeting of the shareholders of the Corporation.

(b) So long as any shares of Series D Preferred Stock are outstanding, in addition to any other vote or consent of stockholders required by law or by the Articles of

Incorporation, as amended, and subject to Section 11 below, the affirmative vote of at least 66 2/3% of the votes entitled to be cast by the holders of the Series D Preferred Stock, given in person or by proxy, either in writing without a meeting or by vote at any meeting called for the purpose, shall be necessary for effecting or validating:

(i) Any amendment, alteration or repeal of any of the provisions of this amendment to the Articles of Incorporation, the Articles of Incorporation or the Bylaws of the Corporation that materially adversely affects the voting powers, rights or preferences of the holders of the Series D Preferred Stock; provided, however, that the amendment of the provisions of the Articles of Incorporation so as to authorize or create, or to increase the authorized amount of, any Junior Stock or any shares of any class ranking on a parity with the Series D Preferred Stock shall not be deemed to materially adversely affect the voting powers, rights or preferences of the holders of Series D Preferred Stock; or

(ii) The authorization or creation of, or the increase in the authorized amount of, any shares of any class or any security convertible into shares of any class ranking prior or senior to the Series D Preferred Stock in the distribution of assets on any liquidation, dissolution or winding up of the Corporation or in the payment of dividends; provided, however, that no such vote of the holders of Series D Preferred Stock shall be required if, at or prior to the time when such amendment, alteration or repeal is to take effect, or when the issuance of any such prior shares or convertible security is to be made, as the case may be, provision is made for the redemption of all shares of Series D Preferred Stock at the time outstanding.

For purposes of the foregoing provisions of this Section 10, each share of Series D Preferred Stock shall have one (1) vote per share, except that when any other series of preferred stock shall have the right to vote with the Series D Preferred Stock as a single class on any matters then the Series D Preferred Stock and such other series shall have with respect to such matters one (1) vote per $10.00 of stated liquidation preference. Except as otherwise required by applicable law or as set forth herein, the Series D Preferred Stock shall not have any relative

participating, optional or other special voting rights and powers other than as set forth herein, and the consent of the holders thereof shall not be required for the taking of any corporate action.

Section 11. Restriction on Payments. The Corporation will not make any payments for (a) repurchases, tender offers, and other retirements of Common Stock of the Corporation or (b) dividends on Common Stock in excess of the amount of payment required to maintain the status of the Corporation as a real estate investment trust unless, after taking into account such payment, consolidated shareholders equity of the Corporation, as determined in accordance with generally accepted accounting principles, exceeds 300% of the aggregate Issue Price of the then outstanding Series D Preferred Stock unless approved by the holders of at least 75% of the Series D Preferred Stock.

Section 12. Record Holders. The Corporation and the Transfer Agent may deem and treat the record holder of any share of Series D Preferred Stock as the true and lawful owner thereof for all purposes, and neither the Corporation nor the Transfer Agent shall be affected by any notice to the contrary.

DYNEX CAPITAL, INC.

REVOCABLE PROXY

Common Stock

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS OF DYNEX CAPITAL, INC., FOR USE ONLY AT THE SPECIAL MEETING OF COMMON STOCKHOLDERS TO BE HELD ON APRIL 29, 2004 AND ANY ADJOURNMENT THEREOF.

The undersigned hereby acknowledges prior receipt of the Notice of Special Meeting of Stockholders (the Meeting) and the Proxy Statement describing the matters set forth below, and indicating the date, time and place of the Meeting, and hereby appoints the Board of Directors of Dynex Capital, Inc. (the Company), or any of them, as proxy, each with full power of substitution to represent the undersigned at the Meeting, and at any adjournment or adjournments thereof, and thereat to act with respect to all votes that the undersigned would be entitled to cast, if then personally present on the matters referred to on the reverse side in the manner specified.

This Proxy, if executed, will be voted as directed, but, if no instructions are specified, this Proxy will be voted FOR each of the proposals listed. Please date and sign this Proxy on the reverse side and return it in the enclosed envelope. This Proxy must be received by the Company no later than April 29, 2004.

This Proxy is revocable and the undersigned may revoke it at any time prior to the Meeting by giving written notice of such revocation to the Secretary of the Company. Should the undersigned be present and want to vote in person at the Meeting, or any adjournment thereof, the undersigned may revoke this Proxy by giving written notice of such revocation to the Secretary of the Company on a form provided at the Meeting.

(Continued and to be signed on the reverse side)

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR EACH OF PROPOSAL 1 AND PROPOSAL 2.

		FOR	AGAINST	ABSTAIN
1.	Approval of issuance of additional shares of Common Stock as provided for by the proposed amendment to the Company s Articles of Incorporation creating a new Series D Preferred Stock.	¨	¨	¨
2.	Approval of adjournments of the Meeting. A vote for this proposal will permit the Meeting to be adjourned in order to allow the Company to solicit additional proxies for the approval of the issuance of additional shares.	¨	¨	¨

To vote, in its discretion, upon any other matters that may properly come before the Meeting or any adjournment thereof. The Board of Directors is not aware of any other matters that will come before the Meeting.

Date: _____

Signature(s) _____

Signature(s) _____

Please date this Proxy and sign your name exactly as your name appears above. Joint accounts need only one signature, but all stockholders should sign if possible. When signing as attorney, executor, administrator, trustee, guardian or similar position, please add your full title as such to your signature. If a corporation, please sign the full corporate name by president or an authorized officer. If a partnership, please sign in partnership name by authorized person. **PLEASE RETURN THIS PROXY CARD PROMPTLY USING THE ENCLOSED POSTAGE-PAID ENVELOPE.**