

XFIT BRANDS, INC.

FORM 10-Q (Quarterly Report)

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Address	25731 COMMERCENTRE DRIVE LAKE FOREST, CA, 92630
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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended December 31, 2016

OR

☐ TRANSITION REPORT PURSUANT TO PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

XFit Brands, Inc.

(Exact Name of Registrant as Specified in Charter)

Nevada

(State or Other Jurisdiction
of Incorporation)

000-55372

(Commission
File No.)

47-1858485

(I.R.S. Employer
Identification No.)

25731 Commercentre Drive,
Lake Forest, CA 92630

(Address of Principal Executive Offices)

(949) 916-9680

(Registrant's Telephone Number)

Not applicable

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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

Large accelerated filer ☐

Accelerated filer ☐

Non-accelerated filer ☐

Smaller reporting company ☒

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of February 17, 2017, there were 29,356,890 shares of the issuer's common stock, \$0.0001 par value per share, outstanding.

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PART I

ITEM 1. FINANCIAL STATEMENTS

XFit Brands, Inc. Condensed Consolidated Balance Sheets

	<u>December 31, 2016</u> (Unaudited)	<u>June 30, 2016</u>
ASSETS		
Current Assets		
Cash	\$ 78,745	\$ 6,829
Accounts receivable	593,567	179,636
Inventory	400,008	288,184
Prepaid expenses	63,947	114,060
Total Current Assets	<u>1,136,267</u>	<u>588,709</u>
Long Term Assets		
Property and equipment, net	51,941	37,676
Deposits	23,467	23,467
Intangible assets, net	14,762	13,640
Goodwill	33,695	-
TOTAL ASSETS	<u>\$ 1,260,132</u>	<u>\$ 663,492</u>
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current Liabilities		
Accounts payable	\$ 491,928	\$ 730,026
Related party payable	95,620	95,620
Accrued expenses and interest	122,505	273,819
Customer deposits	254,241	129,201
Line of credit	34,999	34,999
Billings in excess of earnings	9,132	-
Total Current Liabilities	<u>1,008,425</u>	<u>1,263,665</u>
Notes payable, net of discounts	3,500,000	2,478,720
Total Liabilities	<u>4,508,425</u>	<u>3,742,385</u>
Commitments and contingencies (Note 10)		
Stockholders' Deficit		
Preferred stock, par value \$0.0001 per share, 10,000,000 shares authorized, no shares issued and outstanding as of December 31, 2016 and June 30, 2016	-	-
Common stock, \$0.0001 par value, 1,250,000,000 shares authorized, 29,156,890 and 21,192,807 shares issued and outstanding as of December 31, 2016 and June 30, 2016, respectively	2,916	2,119
Additional paid in capital	5,594,736	4,712,245
Accumulated deficit	(8,845,945)	(7,793,257)
Total Stockholders' Deficit	<u>(3,248,293)</u>	<u>(3,078,893)</u>
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	<u>\$ 1,260,132</u>	<u>\$ 663,492</u>

See accompanying notes to the condensed consolidated financial statements.

XFit Brands, Inc.
Condensed Consolidated Statements of Operations (Unaudited)
For the three and six month periods ended December 31, 2016 and 2015

	For the Three Months Ended December 31,		For the Six Months Ended December 31,	
	2016	2015	2016	2015
Revenues				
Product sales	\$ 902,185	\$ 674,675	\$ 1,394,192	\$ 1,147,931
Cost of revenues	577,829	386,487	854,937	645,331
Gross profit	324,356	288,188	539,255	502,600
Operating expenses				
General and administrative	526,472	402,575	924,717	847,505
Sales and marketing	74,328	84,302	138,503	174,196
Total operating expenses	600,800	486,877	1,063,220	1,021,701
Loss from operations	(276,444)	(198,689)	(523,965)	(519,101)
Interest expense	(194,216)	(142,279)	(353,148)	(258,556)
Loss on extinguishment of debt	(175,575)	-	(175,575)	-
Net loss	\$ (646,235)	\$ (340,968)	\$ (1,052,688)	\$ (777,657)
Loss per common share - basic and diluted	\$ (0.03)	\$ (0.02)	\$ (0.05)	\$ (0.04)
Weighted average shares outstanding – basic and diluted	26,479,922	20,492,500	23,954,299	20,492,500

See accompanying notes to the condensed consolidated financial statements.

XFit Brands, Inc.
Condensed Consolidated Statements of Cash Flows (Unaudited)
For the six month periods ended December 31, 2016 and 2015

	Six Month Periods Ended December 31,	
	2016	2015
Cash flows from operating activities		
Net loss	\$ (1,052,688)	\$ (777,657)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	18,209	29,942
Loss on extinguishment of debt	175,575	-
Amortization of debt issuance costs and loan discount	127,753	91,905
Stock-based compensation	57,192	75,433
Changes in operating assets and liabilities		
Accounts receivable	(166,834)	(116,065)
Royalties receivable	-	9,587
Prepaid expenses	50,113	127,337
Inventory	(57,122)	(84,160)
Accounts payable	(112,011)	158,044
Accrued expenses	19,825	(1,036)
Billing in excess of earnings	(17,701)	-
Customer deposits	125,040	51,633
Net cash used in operating activities	<u>(832,649)</u>	<u>(435,037)</u>
Cash flow from investing activities		
Purchase of intangibles and property and equipment	-	(10,510)
Acquisition of Environmental Turf Services, net of cash acquired	(184,260)	-
Net cash used in investing activities	<u>(184,260)</u>	<u>(10,510)</u>
Cash flows from financing activities		
Net proceeds from line of credit	-	34,197
Proceeds from borrowings on notes payable	1,000,000	500,000
Repayment of notes payable	(125,000)	-
Proceeds from sale of stock	213,825	-
Net cash provided by financing activities	<u>1,088,825</u>	<u>534,197</u>
Net increase in cash	71,916	88,650
Cash at beginning of period	6,829	51,016
Cash at end of period	<u>\$ 78,745</u>	<u>\$ 139,666</u>
Supplemental cash flow information:		
Cash paid for interest	\$ 38,214	\$ 103,305
Non-cash investing and financing activities:		
Value of common shares issued as a loan fee	\$ -	\$ 50,000
Interest expense added to loan principal balance	\$ 34,000	\$ -
Principal and accrued interest settled with common stock	\$ 278,689	\$ -
Patent acquired with shares of common stock	\$ 8,900	\$ -
Payables settled with shares of common stock	\$ 126,087	\$ -
Common stock issued to acquire Environmental Turf Services	\$ 146,000	\$ -

See accompanying notes to the condensed consolidated financial statements.

XFit Brands, Inc.
Notes to Condensed Consolidated Financial Statements (Unaudited)

NOTE 1 – NATURE OF THE BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

History of the Company

XFit Brands, Inc. (“XFit” or the “Company”) was incorporated on September 16, 2014 under the laws of the State of Nevada. The fiscal year of the Company is June 30. XFit’s principal business activity is the design, development, and worldwide marketing and selling of functional equipment, training gear, apparel and accessories for the sports market and fitness industry. The Company provides a full portfolio of products and services spanning Mixed Martial Arts and other high and low impact fitness regimes and own the trademarks Throwdown®, EnviroTurf®, GlideBoxx® and Transformations. Products are sold to gyms, fitness facilities, universities, first responders and directly to consumers via website and through third-party catalogues through a mix of independent distributors and licensees.

These financial statements represent the consolidated financial statements of XFit and its wholly owned operating subsidiaries Throwdown Industries Holdings, LLC (“Holdings”), Throwdown Industries, LLC (“TDLLC”), and Throwdown Industries, Inc. (“TDINC”).

Forward Stock Split

On March 28, 2016, the Board of Directors approved a 1-for-5 forward split of its outstanding shares of common stock (and proportional increase of its authorized common stock from 250 million shares to 1.25 billion shares) with a record date of April 14, 2016 and an effective date of April 15, 2016. Prior to the split, the Company had 4,118,500 shares issued and outstanding and after the split, the Company had 20,592,500 shares issued and outstanding. All references to the number of shares and per-share amounts within these condensed consolidated financial statements, including the notes thereto, have been retroactively restated to reflect this stock split, unless explicitly stated otherwise.

Basis of presentation

The accompanying condensed consolidated financial statements are unaudited, but in the opinion of management, reflect all adjustments necessary to fairly state the Company’s financial position, results of operations, and cash flows as of and for the dates and periods presented. The consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information.

These unaudited condensed consolidated financial statements should be read in conjunction with the Company’s audited financial statements and footnotes as of and for the years ended June 30, 2016 and 2015, which were filed with the Company’s annual report Form 10-K on September 29, 2016. The results of operations for the six months ended December 31, 2016 are not necessarily indicative of results that may be expected for the year ending June 30, 2017 or for any other interim period.

Basis of Consolidation

The condensed consolidated financial statements include the accounts of XFit, Holdings and TDINC. All significant intercompany transactions and balances have been eliminated in consolidation.

Recent Accounting Pronouncements

The Company has implemented all applicable new accounting standards and does not believe that there are any other new accounting pronouncements that have been issued that may have a material impact on the condensed consolidated financial statements.

In April 2015, the Financial Accounting Standards Board (“FASB”) issued ASU 2015-03, *Interest—Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs* (“ASU-2015-03”). ASU 2015-03 requires companies to present debt issuance costs as a direct deduction from the carrying value of that debt liability. ASU 2015-03 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is allowed for financial statements that have not been previously issued. Entities would apply the new guidance retrospectively to all prior periods (i.e., the balance sheet for each period is adjusted). The adoption of this standard did not have a material impact on the Company’s financial position, results of operations or cash flows.

Loss per Share

The basic loss per share is calculated by dividing the Company’s net loss available to common shareholders by the weighted average number of common shares during the period. The diluted net loss per share is calculated by dividing the Company’s net loss available to common shareholders by the diluted weighted average number of shares outstanding during the period. To compute the diluted weighted average number of shares outstanding, the Company begins with the basic weighted average number of shares outstanding and adds any potentially dilutive securities that are convertible into shares of common stock. Diluted net loss per share is the same as basic net loss per share due to the lack of dilutive items. For the six months ended December 31, 2016 and 2015, the Company had warrants and options outstanding to acquire shares of common stock that totaled 2,999,281 and 2,268,615 shares, respectively, which were excluded as their effect would have been anti-dilutive.

Reclassifications

Certain reclassifications were made to the prior period, condensed consolidated financial statements to conform to the current period presentation. There was no change to the previously reported net loss.

Use of Estimates

Condensed consolidated financial statements prepared in accordance with GAAP require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Among other things, management has estimated the collectability of its accounts receivable, the valuation of long-lived assets, and the fair value of equity instruments issued. Actual results could differ from those estimates.

Loan Discounts and Loan Fees

The Company amortizes loan discounts over the term of the loan using the effective interest method. Costs associated with obtaining financing are capitalized and amortized over the term of the related loans using the effective interest method. Amortization of the debt issuance costs and loan discount was \$127,753 and \$91,905 for the six months ended December 31, 2016 and 2015, respectively, which was recorded as a component of interest expense on the condensed consolidated statements of operations.

NOTE 2 – ACQUISITION OF ENVIRONMENTAL TURF SERVICES

On October 14, 2016, but effective as of October 10, 2016, XFit Brands, Inc. (“XFit” or the “Company”) acquired the assets of Environmental Turf Services, LLC (“EnviroTurf”) pursuant to a definitive Asset Purchase Agreement dated October 10, 2016 (the “Purchase Agreement”) between the Company and EnviroTurf. The acquisition was completed on October 14, 2016 upon delivery and acceptance of the schedules to the Purchase Agreement (the “Acquisition”).

At the closing of the Acquisition, the Company paid and issued to EnviroTurf a total purchase price of \$346,000 as follows: (i) assumption of \$200,000 of EnviroTurf’s accounts payable and (ii) 2,000,000 unregistered shares of XFit Common Stock (the “Purchase Price Shares”), which were valued at the closing price on the date of XFit’s Common Stock on the date of the Acquisition. The Company financed the Acquisition and related costs through a combination of cash on hand and internally-generated working capital.

The purchase price has been preliminarily allocated to the assets acquired and liabilities assumed as follows:

Cash	\$	15,740
Accounts receivable		247,097
Inventory		54,702
Property and equipment		24,696
Goodwill		33,695
Accrued expenses		(3,163)
Billing in excess of earnings		(26,767)
Total purchase consideration	\$	<u>346,000</u>

The above allocation is preliminary and is subject to change. Because the acquisition was consummated on October 14, 2016, the Company has begun to assess the fair value of the various net assets acquired, but has not yet completed this assessment. The Company is also in the process of identifying other intangible assets, such as customer relationships and recipes that may need to be recognized apart from goodwill. Once identified, these other intangible assets, if any, will be recorded at their fair values. The Company is working to finalize the allocations as quickly as possible, and anticipates that the allocation will not be final for approximately 6 months. Any adjustments necessary may be material to the condensed consolidated balance sheet and the amount of goodwill recognized. Any resulting adjustments would have no impact to the December 31, 2016 reported operating results.

Because the Company acquired the assets of EnviroTurf, any resulting goodwill will be deductible for income tax purposes over a subsequent 15-year period.

The operating results of EnviroTurf are included in the Company’s operating results beginning as of October 10, 2016. Included in the Company’s operating results are revenues of \$201,240, cost of revenues of \$159,367 and operating expenses totaling \$110,445 that are related to EnviroTurf. The following pro forma, unaudited operating results include the operating results of EnviroTurf as if the Acquisition was completed on July 1, 2016.

Revenues	\$	1,826,215
Net loss	\$	(1,101,947)
Loss per common share – basic and dilutive	\$	(0.04)
Weighted average shares outstanding – basic and dilutive		25,106,473

NOTE 3 – PROPERTY AND EQUIPMENT, NET

Property and equipment consisted of the following at:

	December 31, 2016	June 30, 2016
	(Unaudited)	
Office furniture and equipment	\$ 51,794	\$ 51,794
Automobiles	24,696	-
Warehouse equipment	15,254	15,254
Molds and dies	4,200	4,200
Leasehold Improvements	4,227	4,227
Total, cost	100,171	75,475
Accumulated Depreciation	(48,230)	(37,799)
Property and equipment, net	<u>\$ 51,941</u>	<u>\$ 37,676</u>

Depreciation expense for the six months ended December 31, 2016 and 2015 was \$10,431 and \$6,151, respectively.

NOTE 4 – INTANGIBLE ASSETS, NET

Intangible assets consisted of the following at:

	December 31, 2016	June 30, 2016
	(Unaudited)	
Trademark and patent	\$ 17,177	\$ 8,277
Transformations exercise fitness program	62,500	62,500
Computer Software	5,584	5,584
Total, cost	85,261	76,361
Accumulated Amortization	(70,499)	(62,721)
Intangible assets, net	\$ 14,762	\$ 13,640

Amortization expense for the six months ended December 31, 2016 and 2015 was \$7,778 and \$23,791, respectively.

NOTE 5 – SHORT TERM FINANCING

On May 3, 2016, the Company entered into a Securities Purchase Agreement (“SPA”) with a single accredited investor (“Investor”) under which it issued and sold to Investor a promissory note in the principal amount of \$125,000 (the “Note”). The Note had a maturity date of December 31, 2016 and an original issue discount of \$20,000. In addition, the Company paid the Investor’s expenses totaling \$5,000. Accordingly, the Company received net proceeds from Investor of \$100,000, which proceeds were used for investor relation services. This note was repaid as of December 31, 2016.

NOTE 6 – NOTE PAYABLE

The note payable is comprised of the following at:

	December 31, 2016 (Unaudited)	June 30, 2016
Note payable	\$ 3,500,000	\$ 2,712,787
Less: unamortized loan discount	-	(154,462)
Less: unamortized debt issuance costs	-	(79,605)
Total note payable, net	\$ 3,500,000	\$ 2,478,720

On June 10, 2014, the Company entered into a Note Purchase Agreement (“Agreement”) with Pacific Investment Management Company (“PIMCO”) that authorized the issuance of up to \$2,500,000. On June 12, 2014, the Company entered into a Senior Secured Note (“Note”) whereby the Company drew \$1,500,000. On February 6, 2015, and October 20, 2015, the Company drew down an additional \$500,000 on each date.

On December 16, 2016, the Company entered into an Amended and Restated Note Purchase Agreement (the “PIMCO Amendment”) with PIMCO pursuant to which the Company issued a \$3.5 million 9% Senior Secured Fixed Rate Note due July 12, 2020 (the “Note”). The Note refinanced our prior 14% Senior Secured Note in the principal amount of \$2.5 million (the “Prior Note”), providing us with an additional \$1 million in working capital. As with the Prior Note, the Note is secured by a lien on substantially all of our assets (other than those sold pursuant to our factoring agreement with Crown Financial).

In connection with the PIMCO Amendment, (i) PIMCO converted \$278,689 in accrued and unpaid interest into 1,990,639 shares of our common stock. In addition, the Company had previously issued PIMCO a warrant to purchase ten percent of its equity at an exercise price of \$1.5 million. The Company amended the terms of the common stock purchase warrant previously issued to PIMCO to reduce the exercise price thereof to \$350,000. The amended terms are considered significant and as such the Company is accounting for the PIMCO Amendment as an extinguishment of the prior note payable and the issuance of a new note payable. As a result, the Company recorded a loss on extinguishment of \$175,575, which represents \$83,465 of unamortized loan discount, \$39,515 of unamortized debt issuance costs, and \$52,595 of stock-based compensation paid PIMCO. The stock-based compensation is comprised of the incremental value provided by the warrant amendment and the amount by which the fair value of the common stock issued exceeded the amount of settled principal and accrued interest. The shares of common stock were fair valued using the Company’s traded stock price. The incremental fair value added to the warrant was determined by using the Black-Scholes option pricing model with the following variables: annual dividend yield of 0%; expected life of 7.5 years; risk free rate of return of 2.41%; and expected volatility of 158%.

The Note includes various covenants, including, but not limited to, having annual audited financial statements within 90 days of the end of the fiscal year. At December 31, 2016, the Company was not in compliance with all covenants due to untimely filing of the second quarter 10Q. The Company received a waiver from PIMCO to alleviate the non-compliance.

NOTE 7 – BANK LINE OF CREDIT

On July 24, 2015, the Company entered into an unsecured line of credit with Wells Fargo Bank. The line of credit bears interest at prime plus 4% and is personally guaranteed by the Company’s chief executive officer. There is no maturity date.

NOTE 8 – RELATED PARTY TRANSACTIONS

Related Party Payable

As of December 31, 2016 and June 30, 2016, the Company has \$95,620 of bonuses payable to four of its officers that also owns shares of common stock. These bonuses were to cover income taxes relating to bonuses issued during 2009.

As of December 31, 2016, the Company has a salary and variable compensation payable to David E Vautrin, CEO and Charles Joiner, President of \$14,061 and \$14,061 respectively.

NOTE 9 – STOCKHOLDERS’ DEFICIT

Equity Purchase Agreement

On December 17, 2014, the Company entered into an Equity Purchase Agreement with Kodiak Capital LLC (Kodiak). The Equity Purchase Agreement provides the Company with financing whereby the Company can issue and sell to Kodiak, from time to time, shares of common stock (the “*Put Shares*”) up to an aggregate purchase price of \$5.0 million (the “*Maximum Commitment Amount*”) during the commitment period. The commitment period is defined as the period beginning on the trading day immediately following the effectiveness of the registration statement and ending December 31, 2016. In addition, in no event shall Kodiak be entitled to purchase that number of Put Shares which when added to the sum of the number of shares of common stock already beneficially owned by Kodiak would exceed 9.99% of the number of shares of common stock outstanding on the applicable closing date.

The Equity Purchase Agreement will terminate when any of the following events occur: (i) Kodiak has purchased an aggregate of \$5.0 million of the Company’s common stock, (ii) on December 31, 2016 or (iii) upon written notice from the Company to Kodiak.

During the six months ended December 31, 2016, The Company issued 2,725,000 shares to Kodiak and received \$213,825. As of December 31, 2016, the Company has put 3,100,000 shares to Kodiak under the equity purchase agreement.

Investment Agreement with GHS Investments, LLC

On August 13, 2016 the Company entered into an Investment Agreement (the “Investment Agreement”) with GHS Investments, LLC (“GHS”). The Investment Agreement gives the Company the option to sell to GHS, up to \$5,000,000 worth of its common stock (“Shares”), over the period following effectiveness of a registration statement covering the resale of the Shares (the “Effective Date”) and ending thirty-six (36) months after the Effective Date. Under the terms of the Investment Agreement, the Company has the right to deliver from time to time a Put Notice to GHS stating the dollar amount of Put Shares (up to \$500,000 under any individual Put Notice)(the “Put Amount”) that it intends to sell to GHS with the price per share based on the following formula: the lesser of (a) the lowest sale price for the Common Stock on the date of the Put Notice (the “Put Notice Date”); or (b) the arithmetic average of the three (3) lowest trading prices for the Company’s Common Stock during the five trading days following the Put Notice Date. The maximum number of shares that can be put to GHS is two times the average daily trading volume during the ten trading days prior to the closing of a put (the “Closing Date”). If the amount of the tranche of its outstanding shares exceeds the volume limitation, additional tranches will be delivered until the entire Purchase Amount is delivered. Each tranche, including the initial tranche, will trigger a new purchase price, and will be priced according to the purchase price definition. There are a number of conditions to the Company effecting a put, including the effectiveness of the registration statement.

As of December 31, 2016 the registration statement for the above Investment Agreement still needs to be amended to include recent financial statements. Therefore the Company has not placed any shares under this GHS agreement.

Vendor Credit Agreements

On June 26, 2015, the Company entered into a Stock Purchase Agreement with Yuyu General Machinery Co., LTD, whereby the Company issued 200,000 shares of its common stock at \$1.00 per share. The purchase price is in the form of a manufacturing credit of \$200,000 to use for future inventory purchases (the “Vendor Credit”). The Company can use all or part of the Vendor Credit until the Vendor Credit is exhausted. As of December, 2016 and June 30, 2016, the Company had \$54,635 and \$105,096, respectively, of Vendor Credit included in prepaid expenses in the condensed consolidated balance sheets.

Stock Incentive Plan

On October 21, 2014, the Board of Directors and the Company’s sole stockholder adopted the 2014 Stock Incentive Plan. The purpose of the 2014 Stock Incentive Plan is to advance the best interests of the Company by providing those persons who have a substantial responsibility for management and growth of the Company with additional incentive and by increasing their proprietary interest in the success of the Company, thereby encouraging them to maintain their relationships with the Company. Further, the availability and offering of stock options and common stock under the plan supports and increases the Company’s ability to attract and retain individuals of exceptional talent upon whom, in large measure, the sustained progress, growth and profitability which the Company depends. The total number of shares available for the grant of either stock options or compensation stock under the plan is 3,000,000 shares of common stock, subject to adjustment. The Board of Directors administers the plan and has full power to grant stock options.

On October 7, 2016, the Company issued 825,000 options to employees in accordance to the Stock Incentive Plan. Options generally vest over three years, expire after three years, and have an exercise price of \$0.07 per share. The options granted were fair valued at \$47,970 using the Black-Scholes option pricing model with the following variables: annual dividend yield of 0%; expected life of three years; risk free rate of return of 0.99%; and expected volatility of 158%. During the three-month period ended December 31, 2016, the Company recognized \$3,724 of stock-based compensation, which is included in general and administrative expense. As of December 31, 2016, none of these options have vested. However, the Company does expect all options to vest.

Acquisition of Assets of Glideboxx LLC

On October 10, 2016 the Company acquired all of the rights, title, and interest to the GlideBoxx Product, USPTO # 7857734, and related training programs and marketing materials to the Company free and clear of any and all liens, encumbrances, and or liabilities for a purchase price of 100,000 shares of common stock and will also pay Glideboxx LLC 5% (five percent) in total of all net revenue derived from sales of the GlideBoxx for a period of 7 (seven) years in cash or kind. Net Revenue is defined as Gross revenue net discounts and returns. The shares issued were fair valued at \$8,900 using the Company’s publicly traded stock price.

Other Common Stock Issuances

On November 11, 2016, the Company issued 869,565 shares of unregistered common stock to settle a payable obligation. The shares were fair valued at \$126,087 using the Company’s publicly traded stock price. On November 9, 2016, and on December 26, 2016, the Company issued 28,879 and 250,000 shares of common

stock, respectively, as consideration for services received. Using the Company's publically traded stock price, the shares were fair valued at \$53,468 and stock-based compensation expense was recognized, which is included in general and administrative expense.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Lease Commitments

On June 18, 2015, the Company entered into a lease agreement for approximately 25,788 square feet of warehouse and office space under a thirty-eight (38) month operating lease that commences on September 1, 2015 and expires on October 31, 2018. The lease has monthly payments of \$16,504 with standard rent increases over the life of the lease scheduled in October of each year.

On June 5, 2015, the Company entered into a sublease of a portion of the premises for the period September 1, 2015 through January 31, 2017, at a monthly rental rate of \$5,000.

Rent expense for the six-month periods ended December 31, 2016 and 2015, was \$141,721 and \$67,937, respectively.

Litigation

From time-to-time, the Company is subject to various litigation and other claims in the normal course of business. The Company establishes liabilities in connection with legal actions that management deems to be probable and estimable. No amounts have been accrued in the consolidated financial statements with respect to any matters.

NOTE 11 – SUBSEQUENT EVENTS

On December 31, 2016 Mr. Vautrin, the Company's Chief Executive Officer, informed the Company's Board of Directors of his intention to resign as CEO to pursue other opportunities, effective as of March 1, 2017. Mr. Vautrin will remain on the Board of Directors. On February 15, 2017 the Board hired William Singer to serve as the Company's CEO following Mr. Vautrin's departure.

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

FORWARD-LOOKING INFORMATION

The following information should be read in conjunction with XFit Brands, Inc. and its subsidiaries ("we", "us", "our", or the "Company") condensed consolidated unaudited financial statements and the notes thereto contained elsewhere in this report. Information in this Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and elsewhere in this Form 10-Q that does not consist of historical facts, are "forward-looking statements." Statements accompanied or qualified by, or containing words such as "may," "will," "should," "believes," "expects," "intends," "plans," "projects," "estimates," "predicts," "potential," "outlook," "forecast," "anticipates," "presume," and "assume" constitute forward-looking statements, and as such, are not a guarantee of future performance.

Forward-looking statements are subject to risks and uncertainties, certain of which are beyond our control. Actual results could differ materially from those anticipated as a result of the factors described in the "Risk Factors" and detailed in our other Securities and Exchange Commission filings. Risks and uncertainties can include, among others, fluctuations in general business cycles and changing economic conditions; changing product demand and industry capacity; increased competition and pricing pressures; and advances in technology that can reduce the demand for the Company's products. Consequently, investors should not place undue reliance on forward-looking statements as predictive of future results.

Because of these risks and uncertainties, the forward-looking events and circumstances discussed in this report or incorporated by reference might not transpire. Factors that cause actual results or conditions to differ from those anticipated by these and other forward-looking statements include those more fully described elsewhere in this report and in the "Risk Factors" section of our Annual Report on Form 10-K for the year ended June, 30, 2015.

Except as required by law, The Company disclaims any obligation to update the forward-looking statements in this report.

Overview

XFit Brands, Inc. was incorporated in September 2014 under the laws of the State of Nevada. As used herein, the terms “we,” “us,” “XFIT,” and the “Company” refer to XFit Brands, Inc. and its predecessors, subsidiaries, and affiliates, collectively, unless the context indicates otherwise. Our fiscal year end is June 30. Our principal office address is 25731 Commercentre Drive, Lake Forest, CA 92630. Our telephone number is (949) 916-9680. As of February 14, 2017, we had 11 employees.

Our principal business activity is the design, development, and worldwide marketing and selling of functional equipment, training gear, apparel, and accessories for the impact sports market and fitness industry. Our products are marketed and sold under our Throwdown®, XFit Brands®, and Transformations™ brand names to gyms, fitness facilities, and directly to consumers via our internet website and through third party catalogues (which we refer to as our “Direct to Consumer” operations) through a mix of independent distributors and licensees throughout the world. All of our products are manufactured by independent contractors. Our equipment and apparel products are produced both in the United States and abroad.

We are an “emerging growth company” within the meaning of the federal securities laws. For as long as we are an emerging growth company, we will not be required to comply with the requirements that are applicable to other public companies that are not “emerging growth companies,” including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, the reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and the exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved. We intend to take advantage of these reporting exemptions until we are no longer an emerging growth company.

Results of Operations

For the next twelve months, our current operating plan is focused on the development and sale of sports surfaces, training and protective gear for the Mixed Martial Arts (“MMA”), fitness, training, and exercise industry.

Our long term growth strategy includes expanding our presence in the fitness, training, and exercise community; leveraging our MMA core credibility and heritage; developing strategic alliances; and acquiring other companies in the fitness, training, and exercise industry to leverage our asset base, manufacturing infrastructure, market presence, and experienced personnel.

As is discussed further in the Liquidity and Capital Resources section below, we have limited funds to support our operations. Our continuation as a going concern subsequent to the year ended June 30, 2017 is dependent on our ability to obtain additional financing to fund the continued operation of our business model for a long enough period to achieve profitable operations. Based on our current business plan, we currently estimate we will need up to an additional \$600,000 of financing to execute our business plan over the next twelve months. There can be no assurance, however, that such financing will be available or, if it is available, that we will be able to structure such financing on terms acceptable to us and that it will be sufficient to fund our cash requirements until we can reach a level of profitable operations and positive cash flows. If we are unable to obtain the financing necessary to support our operations, we may be unable to continue as a going concern.

Six months ended December 31, 2016 Compared to the Six Months Ended December 31, 2015

Our revenue, operating expenses, and net loss from operations for the six month period ended December 31, 2016 as compared to the six month period ended December 31, 2015, are set forth below.

	Six Months Ended December 31:		Change	% Change Increase (Decrease)
	2016	2015		
REVENUES				
Product sales	\$ 1,394,192	\$ 1,147,931	\$ 246,261	21%
COST OF REVENUES	854,937	645,331	209,606	32%
Gross profit	497,382	502,600	(5,218)	(1)%
OPERATING EXPENSES:				
General and administrative	924,717	847,505	77,212	9%
Sales and marketing	138,503	174,196	(35,693)	(20)%
Total operating expenses	1,063,220	1,021,701	41,519	4%
Loss from operations	(523,965)	(519,101)	(4,864)	1%
Interest expense	(353,148)	(258,556)	94,592	37%
Loss on extinguishment of debt	(175,575)	-	(175,575)	100%
Net loss	<u>\$ (1,052,688)</u>	<u>\$ (777,657)</u>	<u>\$ (275,031)</u>	<u>35%</u>

Revenues . Revenues consist of product sales. Total revenues for the six months ended December 31, 2016 were \$1,394,192, an increase of \$246,261, or 21%, from \$1,147,931 of total revenues for the six months ended December 31, 2015. The increase in product sales is attributable to increased selling efforts and momentum during the six months ended December 31, 2016.

Cost of Revenues. Total cost of revenues for the six months ended December 31, 2016 were \$854,937, an increase of \$209,606, or 32%, from \$645,331 for the six months ended December 31, 2015. The increase was due to cost of turf materials and installation for a project at Enviroturf.

Gross Profit. Gross profit decreased \$(5,218) to \$497,382 for the six months ended December 31, 2016, from a gross profit of \$502,600 for the six months ended December 31, 2015. The decrease in gross profit reflects the increase in product cost of sales in connection with promotional activity. During the six months ended December 31, 2016, we realized a 36% gross profit on our product sales as compared to a 44% gross profit on product sales during the six months ended December 31, 2015. The lower gross profit achieved during the six months ended December 31, 2015 is promotional activity with the fitness accessories at Xfit.

General and Administrative Expenses. General and administrative expenses increased by \$77,212 or 9%, to \$924,717 for the six months ended December 31, 2016 from \$847,505 for the six months ended December 31, 2015. General & administrative expenses for the six months ended December 31, 2016 are comprised of salaries and wages of \$417,229, professional fees of \$215,402, office expenses of \$12,610, insurance of \$56,388, rent of \$141,721, travel of \$32,996, and other of \$48,371. General & administrative expenses for the six months ended December 31, 2015 are comprised of salaries and wages of \$383,109, professional fees of \$315,085, office expenses of \$5,695, insurance of \$47,451, rent of \$67,937, travel of \$23,704, and \$4,524 of other general and administrative expenses. The decrease in general and administrative expenses during the six months ended December 31, 2016 is comprised of an increase in salaries and wages of \$34,120, a decrease in professional fees of \$99,683, an increase in office expenses of \$6,915, an increase of \$8,937 in insurance expense, an increase of \$73,784 of rent expense, an increase of \$9,292 of travel expenses, and a net \$43,847 increase in other general and administrative expenses.

Sales and Marketing Expense. Sales and marketing expense decreased \$35,693 or 20%, to \$138,503 for the six months ended December 31, 2016 from \$174,196 for the six months ended December 31, 2015. This decrease in sales and marketing expense is attributable to a decrease in wages and sales commissions due to the termination of a sales employee.

Interest Expense. Interest expense increased by \$94,592 to \$353,148 for the six months ended December 31, 2016 from \$258,556 for the six months ended December 31, 2015. The increase is largely due to the increased interest expense on the delayed draw note with the PIMCO Fund during the six months ended December 31, 2016.

Net Loss. Net loss increased by \$275,031 or 35% to a net loss of \$1,052,688 for the six months ended December 31, 2016 from a net loss of \$777,657 for the six months ended December 31, 2015. This increase in net loss is attributable to a loss on the extinguishment of debt and a loss on operating the EnviroTurf division.

Three months ended December 31, 2016 Compared to the Three Months Ended December 31, 2015

Our revenue, operating expenses, and net loss from operations for the three month period ended December 31, 2016 as compared to the three month period ended December 31, 2015, are set forth below.

	Three Months Ended December 31:		Change	% Change Increase (Decrease)
	2016	2015		
REVENUES				
Product sales	\$ 902,185	\$ 674,675	\$ 227,510	34%
COST OF REVENUES	<u>577,829</u>	<u>386,487</u>	<u>191,342</u>	<u>50%</u>
Gross profit	324,356	288,188	36,168	13%
OPERATING EXPENSES:				
General and administrative	526,472	402,575	123,897	31%
Sales and marketing	74,328	84,302	(9,974)	12%
Total operating expenses	<u>600,800</u>	<u>486,877</u>	<u>113,923</u>	<u>24%</u>
Loss from operations	<u>(276,444)</u>	<u>(198,689)</u>	<u>(77,755)</u>	<u>39%</u>
Interest expense	(194,216)	(142,279)	(51,937)	37%
Loss on extinguishment of debt	<u>(175,575)</u>	<u>-</u>	<u>(175,575)</u>	<u>100%</u>
Net loss	<u>\$ (646,235)</u>	<u>\$ (340,968)</u>	<u>\$ (305,267)</u>	<u>90%</u>

Revenues . Revenues consist of product sales. Total revenues for the three months ended December 31, 2016 were \$902,185, an increase of \$227,510, or 34%, from \$674,675 of total revenues for the three months ended December 31, 2015. The increase in product sales is attributable to increased selling efforts and momentum during the three months ended December 31, 2016.

Cost of Revenues. Total cost of revenues for the three months ended December 31, 2016 were \$577,829, an increase of \$191,342, or 50%, from \$386,487 for the three months ended December 31, 2015. Cost of product sales during the three months ended December 31, 2016 were 64% as compared to 57.3% during the three months ended December 31, 2015. The increase in cost of revenues is attributable to both promotional activity with a key account in conjunction with the 33.7% increase in product sales during the three months ended December 31, 2016.

Gross Profit. Gross profit increased \$36,168 to \$324,356 for the three months ended December 31, 2016, from a gross profit of \$288,188 for the three months ended December 31, 2015. The increase in gross profit reflects the increase in product cost of sales in connection with promotional activity. During the three months ended December 31, 2016, we realized a 36% gross profit on our product sales as compared to a 42.7% gross profit on product sales during the three months ended December 31, 2015. The lower gross profit achieved during the three months ended December 31, 2016 is promotional activity with the fitness accessories.

General and Administrative Expenses. General and administrative expenses increased by \$123,897 or 31%, to \$526,472 for the three months ended December 31, 2016 from \$402,575 for the three months ended December 31, 2015. The increase in general and administrative expenses is attributable to expenses related to the EnviroTurf division.

Sales and Marketing Expense. Sales and marketing expense decreased \$9,974 or -12%, to \$74,328 for the three months ended December 31, 2016 from \$84,302 for the three months ended December 31, 2015. This decrease in sales and marketing expense is attributable to a decrease in wages and sales commission due to the termination of a sales employee.

Interest Expense . Interest expense increased by \$51,937 to \$194,216 for the three months ended December 31, 2016 from \$142,279 for the three months ended December 31, 2015. The increase is largely due to the increased interest expense on the delayed draw note with the PIMCO Fund during the three months ended December 31, 2016.

Net Loss. Net loss increased by \$305,267 or 90% to a net loss of \$646,235 for the three months ended December 31, 2016 from a net loss of \$340,968 for the three months ended December 31, 2015. This increase in our net loss is attributable to a loss on the extinguishment of debt and a loss on the operation of the EnviroTurf division.

Liquidity and Capital Resources

Our consolidated financial statements have been presented on the basis that we are a going concern, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. As presented in the consolidated financial statements, we incurred a net loss of \$1,052,688 during the six months ended December 31, 2016, and losses are expected to continue in the near term. The accumulated deficit since inception is \$8,845,945 at December 31, 2016. We have been funding our operations through private loans and the sale of equity interests in private placement transactions. See our discussion of our Credit Facility with PIMCO and our Equity Purchase Agreement with Kodiak Capital below. Our cash resources are insufficient to meet our planned business objectives without additional financing. The accompanying condensed consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the possible inability of our company to continue as a going concern.

Management anticipates that significant additional expenditures will be necessary to further develop our product lines and licensing relationships to expand product sales and royalty revenues before significant positive operating cash flows can be achieved. Our ability to continue as a going concern is dependent upon our ability to raise additional capital and to ultimately achieve sustainable revenues and profitable operations. At December 31, 2016, we had \$78,745 of cash on hand. We anticipate that our existing cash and cash equivalents, together with our cash from operating activities will not be sufficient to fund operations and expected growth through at least the next twelve months. These funds are insufficient to complete our business plan and as a consequence, we will need to seek additional funds, primarily through the issuance of debt or equity securities for cash to operate our business. No assurance can be given that any future financing will be available or, if available, that it will be on terms that are satisfactory to us. Even if we are able to obtain additional financing, it may contain undue restrictions on our operations, in the case of debt financing or cause substantial dilution for our stock holders, in case of equity financing.

Management has undertaken steps as part of a plan to improve operations with the goal of sustaining our operations for the next twelve months and beyond. These steps include (a) raising additional capital and/or obtaining financing; (b) executing contracts with international licensees; and (c) controlling overhead and expenses. There can be no assurance that we can successfully accomplish these steps and it is uncertain that we will achieve a profitable level of operations and obtain additional financing. There can be no assurance that any additional financing will be available to us on satisfactory terms and conditions, if at all.

In the event we are unable to continue as a going concern, we may elect or be required to seek protection from our creditors by filing a voluntary petition in bankruptcy or may be subject to an involuntary petition in bankruptcy. To date, management has not considered this alternative, nor does management view it as a likely occurrence.

The success of our ability to continue as a going concern is dependent upon obtaining new customers for our products and new licensees to generate royalty revenues, and maintaining a break even or profitable level of operations. We have incurred operating losses since inception, and this is likely to continue in the near future. We believe that we are able to fund our immediate operations, working capital requirements, and debt service requirements with existing working capital, cash flows generated from operations, and additional borrowings under our delayed draw note or, if available, under our equity purchase agreement with GHS.

Our financial requirements will be dependent upon the financial support through credit facilities and additional sales of our equity securities. There can be no assurance, however, that such financing will be available or, if it is available, that we will be able to structure such financing on terms acceptable to us and that it will be sufficient to fund our cash requirements until we can reach a level of profitable operations and positive cash flows. If we are unable to obtain the financing necessary to support our operations, we may be unable to continue as a going concern. We currently have a verbal commitment but no formal written commitments for any additional capital.

The downturn in the United States stock and debt markets could make it more difficult to obtain financing through the issuance of equity or debt securities. Even if we are able to raise the funds required, it is possible that we could incur unexpected costs and expenses, fail to collect significant amounts owed to us, or experience unexpected cash requirements that would force us to seek alternative financing. Further, if we issue additional equity or debt securities, stockholders may experience additional dilution or the new equity securities may have rights, preferences or privileges senior to those of existing holders of our shares of common stock or the debt securities may cause us to be subject to restrictive covenants. If additional financing is not available or is not available on acceptable terms, we may have to curtail our operations.

Cash, total current assets, total assets, total current liabilities and total liabilities as of December 31, 2016 and June 30, 2016 are as follows:

	December 31, 2016	June 30, 2016
Cash	\$ 78,745	\$ 6,829
Total current assets	\$ 1,136,267	\$ 588,709
Total assets	\$ 1,260,132	\$ 663,492
Total current liabilities	\$ 1,008,425	\$ 1,263,665
Total liabilities	\$ 4,508,425	\$ 3,742,385

Credit Facility

On June 10, 2014, we entered into a Note Purchase Agreement (“Agreement”) with PIMCO Funds: Private Account Portfolio Series: PIMCO High Yield Portfolio, a separate investment portfolio of PIMCO Funds, a Massachusetts business trust (“PIMCO”) that authorized the issuance of up to \$2,500,000. On June 12, 2014, we entered into a Senior Secured Note (“Note”) whereby we drew \$1,500,000. The note bears interest at 14% and matures on June 12, 2017. Interest is payable monthly in arrears, provided that if no event of default has occurred, Obligor can elect to pay cash interest on each payment date at 9%, with the additional unpaid interest due on such dates added to the principal balance. The note bears an effective interest rate of 21%. This Note is collateralized by all of our assets. The Note includes various covenants, including but not limited to, having annual audited financial statements within 90 days of the end of the fiscal year.

On February 6, 2015, we drew an additional \$500,000 under this facility to increase the principal amount payable (including the accrued interest added to the principal amount) under this note to \$2,044,300 and on October 20, 2015, we drew the remaining \$500,000 available under this facility to increase the amount payable under this note (with accrued interest) to \$2,620,098. We issued 10,000 shares of our common stock to PIMCO as a loan fee in consideration of the October 2015 draw down. A replacement note was issued on each draw down date to reflect the note increase.

On December 16, 2016 we entered into an Amended and Restated Note Purchase Agreement (the “PIMCO Amendment”) with PIMCO pursuant to which we issued a \$3.5 million 9% Senior Secured Fixed Rate Note due July 12, 2020 (the “Note”). The Note refinanced our prior 14% Senior Secured Note in the principal amount of \$2.5 million (the “Prior Note”), providing us with an additional \$1 million in working capital. As with the Prior Note, the Note is secured by a lien on substantially all of our assets (other than those sold pursuant to our factoring agreement with Crown Financial).

In connection with the PIMCO Amendment, (i) PIMCO converted \$278,689 in accrued and unpaid interest into 1,990,639 shares of our common stock. In addition we had previously issued PIMCO a warrant to purchase ten percent of our equity at an exercise price of \$1.5 million. We amended the terms of the common stock purchase warrant previously issued to PIMCO to reduce the exercise price thereof to \$350,000 to reflect the market capitalization of the Company as of the date of the Amendment

Crown Financial, LLC Factoring Agreement

On August 3, 2016 we entered into an Agreement with Crown Financial, LLC which advances 80% of invoices approved and assumed by Crown for collection. Depending on the length of time taken to collect the invoices we will receive additional payments from Crown ranging from 18.25% if collected within 20 days to 0% if collected in 120 days. Crown has the right to require us to repurchase unpaid invoices outstanding for more than 120 days. PIMCO has waived its security interest in invoices assigned to Crown.

GHS Investment Agreement

On August 13, 2016 we entered into an Investment Agreement (the “Investment Agreement”) with GHS Investments, LLC (“GHS”). Although we are not mandated to sell shares under the Investment Agreement, the Investment Agreement gives us the option to sell to GHS, up to \$5,000,000 worth of our common stock (“Shares”), over the period following effectiveness of the registration of a registration statement covering the resale of the Shares (the “Effective Date”) and ending thirty-six (36) months after the Effective Date. Under the terms of the Investment Agreement, we have the right to deliver from time to time a Put Notice to GHS stating the dollar amount of Put Shares (up to \$500,000 under any individual Put Notice)(the “Put Amount”) that we intend to sell to GHS with the price per share based on the following formula: the lesser of (a) the lowest sale price for the Common Stock on the date of the Put Notice (the “Put Notice Date”); or (b) the arithmetic average of the three (3) lowest trading prices for the Company’s Common Stock during the five trading days following the Put Notice Date. The maximum number of shares that can be put to GHS is two times the average daily trading volume during the ten trading days prior to the closing of a put (the “Closing Date”). If the amount of the tranche of our outstanding shares exceeds the volume limitation, additional tranches will be delivered until the entire Purchase Amount is delivered. Each tranche, including the initial tranche, will trigger a new purchase price, and will be priced according to the purchase price definition.

In addition, there is an ownership limit for GHS of 9.99% of our outstanding shares.

On any Closing Date, we shall deliver to GHS the number of shares of the Common Stock registered in the name of GHS as specified in the Put Notice. In addition, we must deliver the other required documents, instruments and writings required. GHS is not required to purchase the shares unless:

- Our Registration Statement with respect to the resale of the shares of Common Stock delivered in connection with the applicable Put shall have been declared effective.
- at all times during the period beginning on the date of the Put Notice and ending on the date of the related closing, our common stock has been listed on the Principal Market as defined in the Investment Agreement (which includes, among others, the OTC Market: QB Tier) and shall not have been suspended from trading thereon.
- we have complied with its obligations and is otherwise not in breach of or in default under the Investment Agreement, the Registration Rights Agreement or any other agreement executed in connection therewith;
- no injunction has been issued and remains in force, and no action has been commenced by a governmental authority which has not been stayed or abandoned, prohibiting the purchase or the issuance of the Put Shares; and
- the issuance of the Put Shares will not violate any shareholder approval requirements of the market or exchange on which our common stock is principally listed.

GHS will not engage in any “short-sale” (as defined in Rule 200 of Regulation SHO) of our common stock at any time during this Agreement. Pursuant to the Investment Agreement with GHS, we agreed to pay a fee equaling \$250,000 or 5% of the Commitment Amount (the “Commitment Fee”) which shall be paid in installments of Fifty Thousand (\$50,000) beginning on the earlier of (i) the Effective Date of the Registration Statement and (ii) January 1, 2017 and, the first Trading Day of each January, April, July and October thereafter until fully paid. Each installment of the Commitment Fee shall be paid either in cash or, at the election of the Company, in shares of Common Stock, which shall be deemed a put under the Investment Agreement. On August 13, 2016, we entered into a Registration Rights Agreement with GHS requiring, among other things that we prepare and file with the SEC a Registration Statement on Form S-1 covering the resale of the shares issuable to GHS under the Investment Agreement. As per the Investment Agreement, GHS’ obligations are not assignable.

Off-Balance Sheet Arrangements

We do 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.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

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

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of the end of our last fiscal quarter ended December 31, 2016, we carried out an evaluation, under the supervision and with the participation of management, including our chief executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based upon those evaluations, management concluded that our disclosure controls and procedures were effective as of December 31, 2016 to cause the information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods prescribed by the SEC, and that such information is accumulated and communicated to management, including our chief executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Going forward from this filing, the Company intends to improve its disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) that are designed to be effective in providing reasonable assurance that information required to be disclosed in our reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and that such information is accumulated and communicated to our management to allow timely decisions regarding required disclosure.

In designing and evaluating disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable, not absolute assurance of achieving the desired objectives. Also, the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. The design of any system of controls is based, in part, upon certain assumptions about the likelihood of future events and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Changes in Internal Control over Financial Reporting

During the quarter covered by this Report, there were no changes in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, the Company may become a party to litigation or other legal proceedings that it considers to be a part of the ordinary course of its business. The Company is not involved currently in legal proceedings that could reasonably be expected to have a material adverse effect on its business, prospects, financial condition or results of operations. The Company may become involved in other material legal proceedings in the future.

Item 1A. Risk Factors

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and, as such, are not required to provide the information under this item. Please refer to “Risk Factors” contained in our Annual Report on Form 10-K for the year ended June 30, 2016.

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

See Reports on Form 8-K filed on December 16, 2016

Item 3. Defaults upon Senior Securities

None

Item 4. Mine Safety Disclosures

None

Item 5. Other Information

Item 6. Exhibits

EXHIBIT INDEX

Exhibit No.	Description
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of the Principal Executive Officer pursuant to U.S.C. Section 1350 As adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of the Chief Financial Officer pursuant to U.S.C. Section 1350 As adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Schema Linkbase Document
101.CAL	XBRL Taxonomy Calculation Linkbase Document
101.DEF	XBRL Taxonomy Definition Linkbase Document
101.LAB	XBRL Taxonomy Labels Linkbase Document
101.PRE	XBRL Taxonomy Presentation Linkbase Document

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf of the undersigned thereunto duly authorized

XFIT BRANDS, INC
(Registrant)

Date: February 23, 2017

By: */s/ David E. Vautrin*

David E. Vautrin
Chief Executive Officer
(Principal Executive Officer)

Date: February 23, 2017

By: */s/ Charles S Cameron*

Charles Scott Cameron
Chief Financial Officer
(Principal Accounting Officer)

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, David E. Vautrin, certify that:

(1) I have reviewed this quarterly report on Form 10-Q of XFit Brands, Inc. (Registrant).

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

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

(4) The registrants other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

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

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

(c) disclosed in this report any changes in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of a quarterly report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

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

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

Date: February 23, 2017

By: /s/ David E. Vautrin

David E. Vautrin,
Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Charles Scott Cameron, certify that:

(1) I have reviewed this quarterly report on Form 10-Q of XFit Brands, Inc., (Registrant).

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

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

(4) The registrants other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

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

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

(c) disclosed in this report any changes in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of a quarterly report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

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

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

Date: February 23, 2017

By: /s/ Charles Scott Cameron

Charles Scott Cameron
Chief Financial Officer

CERTIFICATION OF DISCLOSURE PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of XFit Brands, Inc. (the "Company") on Form 10-Q for the period ending December 31, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report") I, David E. Vautrin, Chief Executive Officer of the Company, certify, pursuant to 18 USC section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge and belief:

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

Dated: February 23, 2017

By: /s/ David E. Vautrin

David E. Vautrin,
Chief Executive Officer
Principal Executive Officer

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

CERTIFICATION OF DISCLOSURE PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of XFit Brands, Inc. (the "Company") on Form 10-Q for the period ending December 31, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report") I, Charles Scott Cameron, Chief Financial Officer of the Company, certify, pursuant to 18 USC section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge and belief:

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

Dated: February 23, 2017

By: /s/ Charles Scott Cameron

Charles Scott Cameron
Chief Financial Officer
Principal Financial Officer

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.
