EXOlifestyle, Inc.
Form 10-K
January 09, 2017

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended September 30, 2016

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number: 000-51935

EXOlifestyle, Inc.

(Exact name of registrant as specified in its charter)

Nevada	**90-1119774**

(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

136 NW 16th Street,	
Boca Raton, FL	**33432**
(Address of principal executive offices)	(Zip Code)

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

Securities registered under Section 12(b) of the Act: **None**

Securities registered under Section 12(g) of the Act: **Common Stock, $0.001 par value per share**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes [ ] No [X]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes [ ] No [X]

[ ] Indicate by check mark whether the issuer (1) 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.

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

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 definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Ruble 12b-2 of the Exchange Act.

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

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

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was sold as of the last business day of the registrant’s most recently completed second fiscal quarter. $0 on March 31, 2016.

As of January 3, 2017, there were 94,813,785 shares of the registrant’s common stock issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

None.

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FORWARD-LOOKING STATEMENTS

This annual report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The Securities and Exchange Commission (the "SEC") encourages companies to disclose forward-looking information so that investors can better understand a company's future prospects and make informed investment decisions. This annual report on Form 10-K and other written and oral statements that we make from time to time contain such forward-looking statements that set out anticipated results based on management's plans and assumptions regarding future events or performance. We have tried, wherever possible, to identify such statements by using words such as "anticipate," "estimate," "expect," "project," "intend," "plan," "believe," "will" and similar expressions in connection with any discussion of future operating or financial performance. In particular, these include statements relating to future actions, future performance or results of current and anticipated sales efforts, expenses, the outcome of contingencies, such as legal proceedings, and financial results. Factors that could cause our actual results of operations and financial condition to differ materially are discussed in greater detail under Item 1A - "Risk Factors" of this annual report on Form 10-K.

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

PART I

ITEM 1. BUSINESS

Our Company

EXOlifestyle, Inc. (“we,” “us,” “our,” “EXO,” or the “Company) was organized as a Nevada corporation on April 5, 2005 unde the name Tomi Holdings, Inc. In October 2005, we changed our name to InfraBlue (US), Inc., and in October 2007, changed our name to NextGen Bioscience, Inc. (“NextGen”). NextGen was a biotechnology company focused on the research, development and commercialization of novel therapeutic proteins. In December 2008, we changed our name to Kalahari Greentech, Inc. (“Kalahari”). Kalahari was a U.S. based minerals exploration company with a primary focus on projects with prior exploration and production history. On May 26, 2015, the Company amended its Articles of Incorporation to change its name from Kalahari Greentech, Inc. to PF Hospitality Group, Inc. and effected a 2,000-for-1 reverse stock split of its issued and outstanding shares of common stock, $0.0001 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.

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, we became a management firm to create, cultivate, and operate innovative and healthy lifestyle brands within the restaurant and retail industries. Following our December 16, 2015 acquisition of EXO:EXO, Inc., a designer and producer of active wear brands offered in national fitness retailers in the U.S., we sell the “Exosleeve” compression knee sleeves and other active wear products that are utilized in functional athletic fitness, powerlifting, Olympic weightlifting, endurance training, boot camps, circuit training programs, and strength training protocols, and are sold by major online retailers.

On December 16, 2015, we acquired EXO:EXO, Inc. (“EXO, Inc.”), a designer and producer of active wear brands offered in national fitness retailers in the U.S. pursuant to the terms of a stock exchange agreement dated December 16, 2015 (the “Stock Exchange Agreement”) with EXO, Inc. and Sloane McComb (EXO, Inc.’s sole shareholder) on December 16, 2015. Pursuant to the Stock Exchange Agreement, we acquired all of the issued and outstanding shares of EXO, Inc. 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, Inc., and (iv) contingent consideration of up to 700,000 shares of our unregistered common stock in the following amounts upon attainment of EXO, Inc. gross sales targets in any calendar year following the closing: 100,000 shares if EXO, Inc. attains gross sales of at least $250,000 but less than $500,000, an additional 150,000 shares if EXO, Inc. attains gross sales of at least $500,000 but less than $750,000, an additional 200,000 shares if EXO, Inc. attains gross sales of at least $750,000 but less than $1,000,000 and an additional 250,000 shares if EXO, Inc. 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, Inc. for inventory, marketing and working capital purposes. Pursuant to the Stock Exchange Agreement, EXO, Inc. became our wholly owned subsidiary upon the closing of the Stock Exchange.

In connection with the closing under the Stock Exchange Agreement, EXO, Inc. 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, Inc.'s EBITDA in the prior quarter, and other benefits as determined by our board of directors.

In connection with our efforts to expand and rebrand our identity, on September 1, 2016 we amended our Articles of Incorporation to change our corporate name from PF Hospitality, Inc. to EXOlifestyle, Inc. These actions were approved by our board of directors by written consent in lieu of a meeting on September 1, 2016, and the holders of a majority of our common stock by written consent in lieu of a meeting on September 1, 2016 (the "Written Consent") in accordance with the relevant sections of the Nevada Revised Statutes. On September 23, 2016, the Amendment of the Articles of Incorporation and the change of our trading symbol to EXOL became effective following approval by the Financial Information Regulatory Association, Inc. ("FINRA").

We have three wholly owned operating subsidiaries, each of which is described below:

EXO:EXO, Inc.: A designer and producer of active wear brands offered in national fitness retailers in the U.S.;

Shaker and Pie, Inc.: Inactive as of September 30, 2016 and subsequently dissolved.

Pizza Fusion Holdings, Inc.: A franchisor of the Pizza Fusion branded restaurants.

We are a designer, marketer and producer of functional sports gear and apparel that is available through various retail outlets worldwide. Our offerings include our original product, an innovative compression knee sleeve collection offered in a variety of custom prints and colorful patterns, knee wraps, wrist wraps, weight belts targeted to the high-performance athletic market including CrossFit®, weightlifting, endurance training, boot camps, circuit training programs, powerlifting, Olympic weightlifting and other strength training protocols. In the past year, we have strategically planned and grown sales in our EXO products from a single-line compression knee sleeve company to a multi-line apparel brand offering wrist wraps, weight belts, apparel and active wear.

We derive a portion of our revenue from operating the all-natural and organic pizza franchise, Pizza Fusion, which operates under Pizza Fusion Holdings, Inc.

BUSINESS STRATEGY

We are focused on developing and marketing consumer fitness products to help people achieve healthier lives. Our products are targeted to meet the needs of a broad range of consumers, including fitness enthusiasts and individuals who are seeking the benefits of regular exercise. We plan to expand our product portfolio of high quality fitness products into multiple product lines utilizing our increasingly recognized brand name, EXO. We are focused on consumer markets and specialty and commercial distribution channels, and view the continual innovation of our product offerings as a key aspect of our business strategy. We are looking to expand our existing product lines by offering new technologies and materials, and focus significant effort and resources on the development or acquisition of innovative new fitness products for introduction to the marketplace at periodic intervals. We intend to continue to increase net revenues by strengthening our position in the sports gear and apparel market and growing our market. Specific elements of our strategy for continued growth include the following:

Build Our Core Business. The cornerstone of our business has historically been our compression knee sleeve offerings. We are focused on growing that core business with our existing base of retail partners by working to increase exposure and brand awareness while continuing to innovate through quality and technology. We will continue to align ourselves with brand ambassadors in several sports which will enable us to continue to expand our presence in the fitness space. EXO was one of the first compression knee sleeve companies to incorporate custom prints and colors into our designs and this will remain as a focus for seasonal offerings as well. We have seen success in building our B2B customer base and we expect to continue this growth by through expanded relationships with strategic retail partners.

Target Additional Consumer Segments. We continually seek to target new consumer segments for our performance products. We are expanding our offering for women and will be launching a higher-end "activewear" apparel line in Q2 of 2017. This launch is expected to take the brand's reach well outside our core market of strength training, CrossFit® and weightlifting and open us up to the multi-billion-dollar yoga, Pilates and Zumba® segments. Additionally, we intend to target additional consumers by expanding our direct-to-consumer presence through our website and partners' retail outlets. We are also developing branded knee sleeve prototypes for various NCAA Division I-A colleges in hopes to not only offer our functional gear to the athletes but to also increase sales through possible licensing agreements with the schools. We are currently working with Ohio State University as our first pilot school.

We have recently launched a sales channel on the Amazon.com market place and we hope we see significant sales growth reaching a much broader customer base through one of the most trusted retailers in the world at Amazon. Amazon will be handing all of the fulfillment, returns and customer feedback through the Fulfillment by Amazon program. Outsourcing this aspect of our business will allow us to allocated human resources to growing other facets of our business.

Broaden Product Offering. We seek to develop and introduce new and innovative products. Through our various existing product lines, we provide branded offerings throughout our retailers' selling seasons, and we continue to expand these lines to address consumer demands by expanding the fits, styles and colors of our current offerings. We intend to expand our offerings to multiple price points, enabling us to compete more successfully and grow our consumer base. In just the last year alone, our product offerings have grown from a single compression knee sleeve product to a multi-line athletic gear and apparel brand offering wrist wraps, weight belts, apparel and active wear.

Expand Our Presence Globally. We believe the trend toward performance athletic products is global, and we are working to introduce our products to fitness fanatics throughout the world. Consistent with our domestic branding strategy, we are working with professional athletes and teams to gain more brand awareness in key growth markets. We already do business in Canada, Mexico, UK, UAE, New Zealand and Australia directly with consumers via our website as well as through newly establish retail partnerships. We are targeting Q3 of 2017 to launch our International Amazon marketplaces, opening us up to the world's largest e-commerce communities. These would be including, but not limited to Amazon Canada, Mexico, UK, Spain, France, Italy and Germany. Q1 of 2018 we will move into the Asian marketplaces. We will utilize a global fulfillment partner, that can scale with our business over time. These planned strategic partnerships will position us for growth without any significant additional overhead.

INDUSTRY OVERVIEW

According to a report by Allied Market Research titled, "World Sports Apparel - Market Opportunities and Forecasts, 2014-2020", the world sports apparel market is expected to generate revenue of $184.6 billion by 2020, growing at a cumulative annual growth rate (CAGR)of 4.3% during the forecast period, 2015-2020. Growing health awareness, increasing disposable income and a surge in female participation in sports are the major factors driving the growth of the world sports apparels market. Based on the mode of sale; retail segment accounted for significant market share in 2014. Some of the prominent companies have focused on opening retail stores in the emerging economies to expand their geographical presence and increase their customer base. The retail segment is comprised of supermarkets, brand outlets and discount stores. Online platforms, especially e-commerce sites like EXOsleeve.com, have exhibited a robust growth Europe and Australia, owing to the ease of accessibility and availability of a wide range of products at a competitive price. The online mode of sale segment is expected grow at a CAGR of 9.5% during the forecast period.

When drilling down specifically into the compression segment, a recent study from Persistence Market Research predicts the global compression therapy industry will expand at a compounded annual growth rate of 5.2% between

2014 and 2020. The study concluded that the industry, which was valued at $2.38 billion in 2014, will balloon to $3.23 billion in 2020. While its products are sold around the world, the compression therapy market is dominated by the United States and Canada. North America contributed $1.1 billion in 2014, approximately 46% of the global market.

Also, there has been a proliferation of offerings on a variety of media including YouTube, Instagram and other video programing of instructions and tutorials by trainers and professionals on a variety of exercises from yoga poses to the proper way to do lunges. There are also full-length, targeted workouts are available on these channels for cardio, strength, flexibility, and other fitness-related routines of interest to a health conscious consumer.

Sporting goods sales are also increasing at an accelerated rate. According to Statista, total global sporting goods revenues increased to $146.5 billion in 2014 from $130.2 billion in 2013 and $129.9 billion in 2012. U.S. sporting goods revenues increased to $64.8 billion in 2014 from $63.7 billion in 2013 and $62.6 billion in 2012.

According to the International Health, Racquet and Sportsclub Association (IHRSA), two significant developments are continuing to drive the growth experienced by the fitness industry: obesity continues in endemic proportions and the healthcare industry continues its trend towards prevention versus treatment. According to the U.S. Center for Disease Control, almost 70% of Americans over the age of 20 are overweight, including 35% that are considered obese according to their November 2015 report. Also, First Lady Michelle Obama developed the Let's Move program to promote healthy lifestyles in order to curb childhood obesity and improper nutrition. Furthermore, population growth, particularly among individuals aged 20 to 64, which composes the largest gym-going demographic, has also impacted the increased demand for health club memberships, according to IBISworld report dated May 2016. As the focus on exercise and overall healthy lifestyles continue to impact the health club industry, increased availability of health related programing and instruction and increasing spending of sporting goods, we believe the market for compression wear is likely to expand faster than the overall performance apparel category.

The use of compression wear has become popular among athletes, and among those who engage in recreational exercise. We believe this is largely as a result of a growing awareness of the importance of maintaining a healthy lifestyle, combined with heavy commercial promotion. Further supporting our belief is the continued increase in U.S. fitness club industry revenues and sporting goods sales. We can benefit from these dynamics as we position ourselves as a top consumer brand of choice within the functional fitness market.

SALES

We currently sell our products through a number of channels, including business-to-business, through distributors and direct to consumer via our website www.EXOsleeve.com and various sporting events and expos. We actively ship to over 10 countries through relationships with international partners and retailers. We are also actively seeking to establish relationships with select national sporting goods retailers for the sale of our products in their stores.

In our business-to-business channel, we sell our products worldwide through a network of retail companies, consisting of sporting goods stores, Internet retailers, small specialty retailers, and independent gyms. Some of our retailers include:

Rogue Fitness USA
WOD Superstore-USA
Kinetic Collective - USA
Barbella Box - USA
The Wod Life - Australia
Monkeysports - Sweden
CrossFit Lebanon
Afterhand - Germany

KitBox - Canada,
Again Faster - Australia,
The BattleBox - United Kingdom

We offer programs that provide price discounts to our retail and wholesale customers for ordering container-sized shipments or placing orders early enough in the season to allow for more efficient manufacturing by our suppliers. These programs are designed to reduce our shipping and handling costs, with much of the savings being passed on to our customers. In addition, we often offer other types of sales incentives to our retail customers, including volume discounts and various forms of rebates or allowances, which generally are intended to increase product exposure and availability for consumers, reduce transportation costs, and encourage marketing and promotion of our brands or specific products.

MARKETING

Our marketing efforts are based on an integrated combination of digital and traditional media, social media, event sponsorships, athlete sponsorship/ brand ambassador programs and direct consumer contact. We utilize Internet advertising, product websites, and our sponsored athlete program. Marketing and media effectiveness is measured continuously based on sales inquiries generated, cost-per-lead, conversion rates, return on investment and other performance metrics and we strive to optimize the efficiency of our marketing expenditures based on this data. Almost all of our direct customer orders are received either on our Internet website at www.exosleeve.com. or our Amazon store.

Our marketing and promotion efforts begin with a strategy of “seeding” our products among athletes and teams in order to gain recognition through the use of our products “on the field” and in the gym. In addition to the brand recognition and authenticity that this strategy provides, we have entered into endorsement agreements with a limited number of athletes and brand ambassadors with significant social media influence in their respective sports. We also sponsor and/or showcase at several regional and national events. We seek to sponsor these events to drive awareness and brand authenticity from a grassroots level. We have also relied on a well-established social media presence to generate awareness for our products, such as Instagram, Facebook, Twitter, Pinterest, and YouTube.

We intend to focus our marketing strategies on the following areas:

Consumer: We will seek to deploy consistent brand messaging and campaigns to build engagement with our consumers using a combination of marketing mediums including but not limited to catalog and digital marketing, social networks, rewards programs, affiliate programs, print, point-of-sale marketing, public relations, and sponsorship and event participation. We expect to utilize these channels to also distribute content, education in our efforts to build the global awareness, purchase intent, conversion, and ultimately, demand through brand loyalty.

Athlete Sponsorship Program: We intend to expand our network of influencers brand ambassadors to generate brand awareness.

Sponsored Athletes & Brand Ambassadors include:

Keanu Neal – 2016 NFL 1st Round Draft Pick, Atlanta Falcons (Safety)
Anna Tunnicliffe – 2008 Olympic Gold Medalist, 4X CrossFit Games Competitor
Noah Ohlsen – 3X CrossFit Games Competitor, Wodapalooza Champion 2015, 2016
Sarah Robles – 2016 Olympic Bronze Medalist-weightlifting
Christmas Abbot – Best Selling Health & Wellness Author & Celebrity, NASCAR Pit Crew

Brooke Ence – Fitness Celebrity and Professional CrossFit Athlete
Kaela Stephano – 2016 CrossFit Games Teen Champion
Elijah Muhammed -Elite CrossFit Athlete
Dan Bailey –Elite CrossFit Athlete
Sheila Barden - 2X CrossFit Games Competitor
Lauren Brooks -CrossFit Games Athlete

PRODUCT DESIGN AND INNOVATION

Innovation is a vital part of the growth of our business, and we seeking to expand and diversify our product offerings by searching for new innovations that will help us grow our business through higher sales. To accomplish this objective, we seek out ideas and concepts both within our company and from outside designers.

As a consumer-driven company, we plan to employ qualitative and quantitative consumer research to help us assess new product concepts. If we determine that a third-party innovation concept meets certain financial criteria, we may enter into a licensing arrangement to utilize the technology or, in certain circumstances, purchase the technology for our own use.

SEASONALITY AND VARIABILITY OF BUSINESS

EXO. Our business is affected by the general seasonal trends common to the industry, including seasonal weather and discretionary consumer shopping and spending patterns. Our products are marketed on a seasonal basis and our sales are weighted substantially toward the third and fourth quarters, while our operating costs are more equally distributed throughout the year. The expansion of our direct-to-consumer operations has increased the proportion of sales, profits and cash flows that we generate in the fourth calendar quarter.

We generally solicit orders from wholesale customers and independent distributors for the fall and spring seasons based on seasonal ordering deadlines that we establish to aid our efforts to plan manufacturing volumes to meet demand. We typically ship the majority of our advance fall season orders to customers beginning in July and continuing through December. Similarly, we typically ship the majority of our advance spring season orders to customers beginning in January and continuing through June. Generally, orders are subject to cancellation prior to the date of shipment.

Pizza Fusion. 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.

Generally. Results of operations in any period should not be considered indicative of the results to be expected for any future period, particularly in light of persistent volatility in global economic and geopolitical conditions and volatility of foreign currency exchange rates which, when combined with seasonal weather patterns and inflationary or volatile input costs, reduce the predictability of our business.

MERCHANDISE SOURCING

All of our EXO products are produced by third-party manufacturers, and all of our manufacturing partners were primarily located in China. Lead times for inventory purchases from our suppliers, from order placement to receipt of goods, generally range from approximately 8 to 12 weeks, of which standard transit time represents 3 to 4 weeks. The length of our lead times requires us to place advance manufacturing orders based on management forecasts of future demand for our products. We attempt to compensate for our long replenishment lead times by maintaining adequate levels of inventory.

Our third-party manufacturing contracts are generally sourced on the basis of individual purchase orders. Our manufacturing relationships are non-exclusive, and we are permitted to procure our products from other sources at our discretion. None of our manufacturing contracts include production volume or purchase commitments on the part of either party. Our third-party manufacturers are responsible for the sourcing of raw materials and finished products to our specifications.

LOGISTICS

Our warehouse and distribution facility is located in Boca Raton, Florida . In addition to our Company-operated distribution center, we plan to utilize third-party warehouses and logistics providers to fulfill orders as we expand our operations. In our direct business, we strive to maintain inventory levels that will allow us to ship our products shortly after receiving a customer’s order. We use common carriers for substantially all of our merchandise shipments to direct customers.

In our retail business, we manage our inventory levels to accommodate anticipated seasonal changes in demand. Generally, we maintain higher inventory levels at the end of the third and fourth quarters to satisfy relatively higher consumer demand in the fourth and first quarters of each year. Many of our retail customers place orders well in advance of peak periods of consumer demand to ensure an adequate supply for the anticipated selling season.

We use various commercial truck lines for our merchandise shipments to retail customers.

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COMPETITION

EXO. The markets for all of our active wear products are highly competitive. We believe the principal competitive factors affecting our business are quality, brand recognition, innovation and pricing. We believe we are well positioned to compete in markets in which we can take advantage of our strong brand name, and that our focus on innovative product design, quality, and performance distinguishes our products from the competition.

Our products compete directly with those offered by a large number of companies that market consumer active wear apparel. As the use of Internet websites for product sales by traditional retailers has increased, our competitors have become increasingly similar across our Direct and Retail sales channels.

Our principal competitors include Rock Tape, Workt, Rehband, Sling Shot and Nike.

Pizza Fusion. We believe that our direct competitors in this aspect of our business, 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.

PIZZA FUSION

Pizza Fusion was incorporated under the laws of the State of Florida on November 6, 2006. This company franchises restaurants emphasizing the preparation of food with high quality organic and fresh ingredients for pizza and other menu items. Management has made the determination that its Pizza Fusion hospitality operations are not aligned with the company's fitness apparel operations.

As of September 30, 2016, we franchised a total of 11 Pizza Fusion locations (six in the U.S., two in United Arab Emirates and three in Saudi Arabia. We have seen a reduction of four of the seven locations in Saudi Arabia as a result of weakening demand stemming from reductions in discretionary spending due to continued world-wide reductions in the price of and demand for crude oil. Royalty income was $166,055 as of September 30, 2016, a reduction of $44,678 from the same period in 2015. As a result of these factors, management believes that its resources can be better utilized in its other businesses and is currently evaluating strategic alternatives for its franchise operations including the partial or full sale of its interest in this business. Presently we do not have a timetable for when or if this business will be sold.

Franchise and Development Agreements

We have historically attempted to sell franchises to third parties, but as of November 2016, the Board of Directors and management of the Company determined not to continue to pursue this line of business. We will continue to be involved in the franchises that we have sold to date, and we will continue to sell license agreements to larger third parties, that will permit these parties to use the "Pizza Fusion" name, trademarks, etc.

In connection with our 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 six 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).

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.

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.

Other Agreements

As disclosed in the Company’s Form 8-K filed on September 20, 2016, on September 15, 2016, the Company and Midam Ventures, LLC (“Consultant”) entered into an Engagement Letter pursuant to which the Consultant shall provide to the Company, among other services, the following services: (i) investor relations and public relations, (ii) product marketing; (iii) product development; (iv) product awareness, (v) business advisory and consulting services for the purpose of creating market awareness, etc. (the “Services”). As consideration for the Services, the Company is obligated to pay to Consultant a total of $150,000 cash compensation, payable $75,000 on or before September 19, 2016 and $75,000 no later than September 30, 2016. The term of the agreement is six weeks, with the first two weeks to be dedicated to a “ramp up period” and the remaining four weeks to be dedicated to “marketing”. In addition, the agreement contains customary terms relating to payment of expenses, confidentiality, indemnification and other matters. The agreement expired in accordance with its terms on October 30, 2016.

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.

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Government Regulation

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

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 January 3, 2017, we had six 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.

Financings

July 27, 2015 Financing

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. As of September 30, 2016, $477,000 has been advanced under this debenture and we are in discussions with the investors about the timing for resumption of payments of the remaining $723,000 due.

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 our obligation to file 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.

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

30 days after the last day of each fiscal quarter.

July 20, 2016 Financing

On July 20, 2016 we issued a $200,000.00 principal amount convertible debenture due July 20, 2021 (the "Convertible Debenture") which we sold at par value to an unrelated third party investor (the "Investor"). The terms of the Convertible Debenture include:

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Maturity Date, Interest and Prepayment. The principal amount of the Convertible Note and accrued interest shall have been paid no later than November 30, 2020 (the “Maturity Date”). The note bears interest at an annual rate of 10.00% on the principal balance. Interest shall be accrued and added to the principal amount of the Convertible Note. The principal amount and any accrued interest due under the Convertible Note may be prepaid, in whole or in part at any time upon ten days written notice to the Investor. If the Company exercises its right to prepay any portion of the Convertible Note, the Company shall make payment to the Investor of an amount in cash equal to the sum of the then outstanding principal amount of this Convertible Debenture being prepaid and accrued interest thereon multiplied by 130%.

Optional Conversion. The Investor may at any time convert the amount due under the Convertible Debenture into shares of common stock (“Conversion Shares”) at a conversion price (“Conversion Price”) equal to the product of 50% multiplied by the lowest traded price of the Common Stock for the twenty trading days prior to the conversion date subject to adjustment as noted below.

Ownership Limitations. The Convertible Debenture is not convertible to the extent that (a) the number of shares of our common stock beneficially owned by the Investor and (b) the number of shares of our common stock issuable upon the conversion of the Convertible Debenture or otherwise would result in the beneficial ownership by Investor 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 Investor upon 61 days’ notice to us.

Certain Adjustments and Subsequent Rights Offerings. The conversion price of the Convertible Debenture is subject to proportional adjustment in the event of stock splits, stock dividends and similar corporate events. In addition, if at any time the Company grants, issues or sells any common stock equivalents or rights to purchase stock, warrants, securities or other property pro rata to the record holders of any class of shares of Company’s Common Stock (the “Purchase Rights”), then the Investor will be entitled to acquire, upon the terms applicable to such Purchase Rights, the aggregate Purchase Rights which the Investor could have acquired if the Investor had held the number of shares of Common Stock acquirable upon complete conversion of the Convertible Debenture (without regard to any limitations on exercise hereof, including without limitation, the beneficial ownership limitation) immediately before the date on which a record is taken for the grant, issuance or sale of such Purchase Rights, or, if no such record is taken, the date as of which the record Investors of shares of Common Stock are to be determined for the grant, issue or sale of such Purchase Rights (provided, however, to the extent that the Investor’s right to participate in any such Purchase Right would result in the Investor exceeding the beneficial ownership limitation, then the Investor shall not be entitled to participate in such Purchase Right to such extent (or beneficial ownership of such shares of Common Stock as a result of such Purchase Right to such extent) and such Purchase Right to such extent shall be held in abeyance for the Investor until such time, if ever, as its right thereto would not result in the Investor exceeding the beneficial ownership limitation).

Negative Covenants. As long as the Convertible Debenture is outstanding, unless the holders of at least 75% of the then outstanding principal amount of the Convertible Debenture shall have otherwise given prior written consent, we agreed that we will not amend our charter documents and bylaws in any manner that materially and adversely affects any rights of the holder, repurchase our common stock or certain other securities, pay dividends or distributions on any securities junior to the Convertible Debenture, sell, lease or otherwise dispose of any significant portion of our assets outside the ordinary course of business, enter into any related party transactions or enter into any agreement with respect to any of the foregoing.

Pledge of Shares. Pursuant to the terms of a stock pledge agreement, our Chief Executive Office, Vaughn Dugan and its President, Randy Romano, agreed to pledge as collateral for the Convertible Debt 19,200,000 and 19,683,492 shares, respectively, of our common stock they own to the Investor. The number of shares pledged are subject to reduction in an amount equal to the reduction in the principal amount of the Convertible Debentures held by Investor divided by $200,000.00 (plus interest on such amount which accrues commencing on the date of the Convertible Debenture) and multiplying the result by the number of pledged shares until the number of pledged shares is zero (the “Pledged Share Reduction”). The Pledged Share Reduction shall be computed no less frequently than within 30 days after the last day of each fiscal quarter.

Emerging Growth Company and Smaller Reporting Company Status

Emerging Growth Company

We are an "emerging growth company" as defined in Section 2(a)(19) of the Securities Act, as modified by the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"). As such, we are eligible to take advantage of certain exemptions from various reporting 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 of 2002 (the "Sarbanes-Oxley Act"), reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a non-binding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. We intend to take advantage of all of these exemptions.

In addition, Section 107 of the JOBS Act also provides that an "emerging growth company" can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards, and delay compliance with new or revised accounting standards until those standards are applicable to private companies. We have elected to take advantage of the benefits of this extended transition period.

We could be an emerging growth company until the last day of the first fiscal year following the fifth anniversary of our first common equity offering, although circumstances could cause us to lose that status earlier if our annual revenues exceed $1.0 billion, if we issue more than $1.0 billion in non-convertible debt in any three-year period or if we become a "large accelerated filer" as defined in Rule 12b-2 under the Exchange Act.

Smaller Reporting Company

We also qualify as a "smaller reporting company" under Rule 12b-2 of the Exchange Act, which is defined as a company with a public equity float of less than $75 million. To the extent that we remain a smaller reporting company at such time as are no longer an emerging growth company, we will still have reduced disclosure requirements for our public filings, some of which are similar to those of an emerging growth company, including not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act and the reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements.

ITEM 1A. RISK FACTORS

The risk factors in this section describe the material risks to our business, prospects, results of operations, financial condition or cash flows, and should be considered carefully. In addition, these factors constitute our cautionary statements under the Private Securities Litigation Reform Act of 1995 and could cause our actual results to differ materially from those projected in any forward-looking statements (as defined in such act) made in this annual report on Form 10-K. Investors should not place undue reliance on any such forward-looking statements. Any statements that are not historical facts and that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as "will likely result," "are expected to," "will continue," "is anticipated," "estimated," "intends," "plans," "believes" and "projects") m forward-looking and may involve estimates and uncertainties which could cause actual results to differ materially from those expressed in the 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.

Risks Related to Our Business and Our Industry

Not applicable for a smaller reporting company.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

As of September 30, 2015, we do not own any real property. We lease office space of approximately 2,300 square feet in Boca Raton, Florida pursuant to a lease that expires on August 31, 2019. We pay base rent of $2,800 per month. Rent is subject to increases of 5% each year.

We believe our current space is adequate for our operations at this time.

ITEM 3. 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 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASE OF EQUITY SECURITIES

Market Information

Our common stock is currently quoted on OTC Market Group, Inc.’s OTC Pink tier under the symbol, “EXOL.” 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, 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

Fiscal Year Ended September 30, 2016

	High	**Low**
Fiscal Quarter Ended:		
December 31, 2015	$3.79	$0.51
March 31, 2016	$2.84	$0.27
June 30, 2016	$0.40	$0.06
September 30, 2016	$0.23	$0.08

On January 2, 2017, the closing price for our common stock on the OTC Markets was $0.0192 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 January 3, 2017, there were 451 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 6. SELECTED FINANCIAL DATA

Not applicable to a smaller reporting company.

ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial condition and results of operations should be read in conjunction with our consolidated financial statements, and notes thereto, included elsewhere in this annual report on Form 10-K. This discussion should not be construed to imply that the results discussed herein will necessarily continue into the future, or that any conclusion reached herein will necessarily be indicative of actual operating results in the future.

Fiscal Year Periods

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

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

"fiscal 2016" — October 1, 2015 through September 30, 2016.

Overview

EXO:EXO

Through our wholly-owned subsidiary, EXO:EXO, we area designer, marketer and producer of functional sports gear and apparel that is available through various retail outlets worldwide. Our offerings include our original product, an innovative compression knee sleeve collection offered in a variety of custom prints and colorful patterns, knee wraps, wrist wraps, weight belts targeted to the high-performance athletic market including CrossFit®, weightlifting, endurance training, boot camps, circuit training programs, powerlifting, Olympic weightlifting and other strength training protocols. In the past year, we have strategically planned and grown sales in our EXO products from a single-line compression knee sleeve company to a multi-line apparel brand offering wrist wraps, weight belts, apparel and active wear.

PIZZA FUSION

As of September 30, 2016, we franchised a total of 11 Pizza Fusion locations (six in the U.S., two in United Arab Emirates and three in Saudi Arabia. We have seen a reduction of four of the seven locations in Saudi Arabia as a result of weakening demand stemming from reductions in discretionary spending due to continued world-wide reductions in the price of and demand for crude oil. As a result of these factors, management believes that its resources can be better utilized in its other businesses and is currently evaluating strategic alternatives for its franchise operations including the partial or full sale of its interest in this business. Presently we do not have a timetable for when or if this business will be sold.

Results of Operations

Year Ended September 30, 2016 Compared to Year Ended September 30, 2015

Total Revenue. For fiscal 2016, total revenue increased by $337,343 to $547,976 compared to $210,633 in the same period in fiscal 2015, primarily as a result of sales of $381,919 from EXO, Inc. which we acquired on December 16, 2015. Total revenue was comprised of royalty and franchise fees of $166,055 and product sales of $381,919 for fiscal 2016 as compared to $210,633 and $-0- for fiscal 2015, respectively.

Cost of Sales. For fiscal 2016, cost of sales of $219,282 was comprised of cost of product sold, packaging, and shipping costs from the manufacturer. We did not have cost of sales in fiscal 2015.

Associated gross margins were $328,692 (60.0%) and $210,633 (100.0%) for the fiscal 2016 and 2015, respectively. For fiscal 2016, gross margins associated with the sale of our product from EXO, Inc. were $162,637 (42.6%) as compared to $-0- for fiscal 2015.

Total Operating Expenses. For fiscal 2016, total operating expenses increased 93.3% to $1,442,337 compared to $746,337 for same period in fiscal 2015. This increase was primarily due to selling, general and administrative expenses of $945,810 in the current period as compared to $339,444 in the prior year, due to our acquisition of EXO subsidiary. Lastly we incurred additional selling, general and administrative expense due to our acquisition of Pizza Fusion Holdings, Inc., SEC reporting obligations and compliance with our SEC filing obligations.

Net Loss. As a result of the above, the net loss for fiscal 2016 increased $578,020, or 107.9%, to $1,113,724 compared to $535,704 in the same period in fiscal 2015.

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, 2016 Compared to Year Ended September 30, 2015

As of September 30, 2015, our working capital deficit amounted to $1,117,056, a reduction of $172,566, a reduction of as compared to working capital deficit of $944,490 as of September 30, 2015. This decrease is primarily a result of a $107,803 increase in total current liabilities partially offset by a $29,874 increase in cash. Working capital at September 30, 2016 included primarily cash and cash equivalents of $29,874 and accounts payable and accrued liabilities of $1,028,629, advances of $218,361 and convertible notes payable of $283,529.

Cash used in operating activities of $686,770 during fiscal 2016 was primarily attributable to a gain on change in fair value of derivative liabilities of $1,361,092 and an increase of $2,035,762 of non-cash interest.

Cash used in investing activities was $36,453 during fiscal 2016, and principally related to design and related costs associated with a planned new restaurant.

Cash provided by financing activities of $497,662 during fiscal 2016 was attributable to proceeds from issuance of convertible notes, proceeds from advances and sale of common stock. Cash provided by financing activities of $462,988 during fiscal 2014 was attributable to proceeds from issuance of convertible notes, proceeds from advances, sale of common stock and series A preferred stock.

Capital Resources

We expect to incur a minimum of $500,000 in expenses during the next twelve months of operations as we expand our EXO operations, acquisition of new restaurant concepts and manage our current franchise operations. We estimate that this will be comprised of approximately $300,000 towards inventory and marketing costs and approximately $200,000 will be needed for general overhead expenses such as for corporate legal and accounting fees, office overhead and general working capital.

We have not determined the amount of funds needed to finance our growth plans. In the event we run into cost overruns or lower than anticipated revenues, we will have to raise the funds to pay for these expenses. We potentially will have to issue debt or equity, or enter into a strategic arrangement with other third parties.

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

Off-Balance Sheet Arrangements

As of September 30, 2016, we 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

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, 2016, net losses of

$1,859,500, accumulated deficit of $10,862,378 and total current liabilities in excess of current assets of $1,117,056.

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.

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

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

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

Critical Accounting Policies

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

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

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

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

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

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

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

Royalty income

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

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

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

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

Sales

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

During the year ended September 30, 2016, sales were comprised of sports products from or wholly owned subsidiary, EXO:EXO, Inc.

Recent Accounting Pronouncements

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

Off-Balance Sheet Arrangements

As of September 30 , 2016, 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.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See Index to Financial Statements and Financial Statement Schedules appearing on pages F-1 through F-20 of this annual report on Form 10-K.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

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

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for the preparation of our consolidated financial statements and related information. Management uses its best judgment to ensure that the consolidated financial statements present fairly, in material respects, our financial position and results of operations in conformity with generally accepted accounting principles. Management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in the Securities Exchange Act of 1934, as amended. These internal controls are designed to provide reasonable assurance that the reported financial information is presented fairly, that disclosures are adequate and that the judgments inherent in the preparation of financial statements are reasonable. There are inherent limitations in the effectiveness of any system of internal controls including the possibility of human error and overriding of controls. Consequently, an ineffective internal control system can only provide reasonable, not absolute, assurance with respect to reporting financial information.

Our internal control over financial reporting includes policies and procedures that: (i) pertain to maintaining records that, in reasonable detail, accurately and fairly reflect our transactions; (ii) provide reasonable assurance that transactions are recorded as necessary for preparation of our financial statements in accordance with generally accepted accounting principles and that the receipts and expenditures of company assets are made in accordance with our management and directors authorization; and (iii) provide reasonable assurance regarding the prevention of or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on our financial statements.

Under the supervision of management, including our Chief Executive Officer and President, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and subsequent guidance prepared by the Commission specifically for smaller public companies. Based on that evaluation, our management concluded that our internal control over financial reporting were not effective as of September 30, 2016 for the reasons discussed below.

A significant deficiency is a deficiency, or combination of deficiencies in internal control over financial reporting, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. A material weakness is a deficiency or a combination of deficiencies in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the annual or interim consolidated financial statements will not be prevented or detected on a timely basis.

Management identified the following material weakness and significant deficiencies in its assessment of the effectiveness of internal control over financial reporting as of September 30, 2016:

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

Significant Deficiencies – Inadequate segregation of duties.

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

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

This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to the rules of the Securities and Exchange Commission that permit us to provide only management's report in this annual report.

Changes in Internal Control over Financial Reporting

No changes were made to our internal control over financial reporting during the quarter ended September 30, 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

Effective as of September 23, 2016, the Financial Information Regulatory Association, Inc. (FINRA) approved the Company's name change from PF Hospitality Group, Inc. to EXOlifestyle, Inc. The Company's ticker symbol on the OTCQB tier of the OTC Markets Group, Inc. has been changed to "EXOL".

Between October 1, 2016 and November 14, 2016, the Company issued a total of 4,689,169 shares of its common stock to a total of four entities in exchange for the conversion of notes or debt. Of the total shares issued, 1,050,000 shares were issued for consideration of $0.0015228 per share, 2,450,000 shares were issued for consideration of $0.0015375 per share, and 1,189,169 were issued for consideration of $0.04875 per share.

On or about October 20, 2016, we issued 1,282,051 shares of its common stock in settlement of $55,555 of convertible debentures.

On or about December 15, 2016 we issued 3,940,110 shares of our common stock pursuant to a conversion of a convertible promissory note, at a conversion price of $0.0015228. On or about December 16, 2016 we issued 2,600,000 shares of our common stock pursuant to a conversion of a convertible promissory note at a conversion price of $0.0015375.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

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	44	Chief Executive Officer and Director
Randy Romano	59	President, Chief Financial and Accounting Officer 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, Chief Financial and Accounting Officer 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, Inc., and president/founder of a service franchise American College Planning Service that franchised its college planning centers throughout the United States.

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.EXOlifestyle.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 136 N.W. 16th Street, 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.

Procedures for Nominating Directors

There have been no material changes to the procedures by which security holders may recommend nominees to the Board during the quarter ended September 30, 2015.

ITEM 11. EXECUTIVE COMPENSATION

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, 2016 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, 2016.

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

2016 Summary Compensation Table

Name and Principal Position	Fiscal Year Ended	Salary ($)	Bonus ($)	Stock Awards ($)	Option Awards ($)	All Other Compensation ($)	Total ($)
Vaughan Dugan (1)	9/30/2016	157,500(2)	—	—	—	—	157,500
Vaughan Dugan	9/30/2015	150,000	—	—	—	—	150,000
Randy Romano (1)	9/30/2016	157,500(2)	—	—	—	—	157,500
Randy Romano	9/30/2015	150,000	—	—	—	—	150,000

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

(2) Salaries partly deferred as of September 30, 2016

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 annual report on Form 10-K, 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 annual report on Form 10-K, 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.

Long-Term Incentive Plans

There are no arrangements or plans in which the Company would provide pension, retirement or similar benefits for directors or executive officers.

Compensation Committee

We currently do not have a compensation committee of our board of directors. The board as a whole determines executive compensation.

Director Independence

Our board of directors is currently composed of two members, neither of whom qualifies as an independent director in accordance with the published listing requirements of the NASDAQ Global Market. The NASDAQ independence definition includes a series of objective tests, such as that the director is not, and has not been for at least three years, one of our employees and that neither the director, nor any of his family members has engaged in various types of business dealings with us. In addition, our board has not made a subjective determination as to each director that no relationships exist which, in the opinion of our board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director, though such subjective determination is required by the NASDAQ rules. Had our board of directors made these determinations, our board would have reviewed and discussed information provided by the directors and us with regard to each director's business and personal activities and relationships as they may relate to us and our management.

Outstanding Equity Awards at 2016 Fiscal Year-End

The following table provides information concerning unexercised options, stock that has not vested and equity incentive plan awards for each named executive officer outstanding as of September 30, 2016:

OPTION AWARDS						STOCK AWARDS			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights that Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (#)
Vaughan Dugan	0	0	0	0	0	0	0	0	0
Randy Romano	0	0	0	0	0	0	0	0	0

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Limitation on Liability

Under the Nevada Revised Statutes and our Articles of Incorporation, as amended, our directors will have no personal liability to us or our stockholders for monetary damages incurred as the result of the breach or alleged breach by a director of his "duty of care". This provision does not apply to the directors' (i) acts or omissions that involve intentional misconduct or a knowing and culpable violation of law, (ii) acts or omissions that a director believes to be contrary to the best interests of the corporation or its shareholders or that involve the absence of good faith on the part of the director, (iii) approval of any transaction from which a director derives an improper personal benefit, (iv) acts or omissions that show a reckless disregard for the director's duty to the corporation or its shareholders in circumstances in which the director was aware, or should have been aware, in the ordinary course of performing a director's duties, of a risk of serious injury to the corporation or its shareholders, (v) acts or omissions that constituted an unexcused pattern of inattention that amounts to an abdication of the director's duty to the corporation or its shareholders, or (vi) approval of an unlawful dividend, distribution, stock repurchase or redemption. This provision would generally absolve directors of personal liability for negligence in the performance of duties, including gross negligence.

The statute does not affect a director's responsibilities under any other law, such as the Federal securities laws. The effect of the foregoing is to require our company to indemnify our officers and directors for any claim arising against such persons in their official capacities if such person acted in good faith and in a manner that 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.

Insofar as the limitation of, or indemnification for, liabilities arising under the Securities Act may be permitted to directors, officers, or persons controlling us pursuant to the foregoing, or otherwise, we have been advised that, in the opinion of the SEC, such limitation or indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

At January 3, 2017, there were 94,813,785 shares of our common stock issued and outstanding. The following table sets forth information regarding the beneficial ownership of our common stock as of January 3, 2017 for:

- each of our 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 stockholders and we have determined beneficial ownership in accordance with the rules of the SEC. 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, subject to applicable community property laws, except as otherwise provided below.

Unless otherwise indicated, the business address of each person listed is in care of EXOlifestyle, Inc., 136 N.W. 16th Street, Boca Raton, FL 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	%	43.90	%
Randy Romano	1,000,000	50.0	%	44.03	%

(1) Calculated on the basis of 2,000,000 issued and outstanding Series A preferred shares as of January 3, 2017. 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	26,383,033	(2)	27.83	%	43.90	%
Randy Romano	26,813,032	(3)	28.28	%	44.03	%
All directors and executive officers as a group (2 persons)	53,021,699		56.11	%	87.93	%

PF Program Partnership LP	5,157,192	5.44 %	1.50 %

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

(2) Includes 24,000,000 shares owned directly, 87,183 shares owned by each of Mr. Dugan's wife and son, 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 24,604,365 shares owned directly, 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 13. 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 $0.25 per share and 100,000 shares of common stock at $2.00 per share, all of which expire in June 2018. 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.

As of September 30, 2016 and 2015, accrued compensation due officers and executives included in accounts payable was $796,496 and $670,839, respectively.

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 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The following table shows the fees that were billed for the audit and other services provided by KLJ & Associates, LLP for the fiscal years ended September 30, 2016 and 2015.

	2016	2015
Audit Fees	$16,000	$15,500
Audit-Related Fees	-	-
Tax Fees	-	-
All Other Fees	-	-
Total	$16,000	$15,500

Audit Fees - This category includes the audit of our annual financial statements, review of financial statements included in our Quarterly Reports on Form 10-Q and services that are normally provided by the independent registered public accounting firm in connection with engagements for those fiscal years. This category also includes advice on audit and accounting matters that arose during, or as a result of, the audit or the review of interim financial statements.

Audit-Related Fees - This category consists of assurance and related services by the independent registered public accounting firm that are reasonably related to the performance of the audit or review of our financial statements and are not reported above under "Audit Fees." The services for the fees disclosed under this category include consultation regarding our correspondence with the SEC, other accounting consulting and other audit services.

Tax Fees - This category consists of professional services rendered by our independent registered public accounting firm for tax compliance and tax advice. The services for the fees disclosed under this category include tax return preparation and technical tax advice.

All Other Fees - This category consists of fees for other miscellaneous items.

Our Board of Directors has adopted a procedure for pre-approval of all fees charged by our independent registered public accounting firm. Under the procedure, the Board approves the engagement letter with respect to audit, tax and review services. Other fees are subject to pre-approval by the Board, or, in the period between meetings, by a designated member of Board. Any such approval by the designated member is disclosed to the entire Board at the next meeting.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a)(1) Financial Statements

The consolidated financial statements and Report of Independent Registered Public Accounting Firm are listed in the "Index to Financial Statements and Schedules" on page F-1 and included on pages F-2 through F-19.

(2) Financial Statement Schedules

All schedules for which provision is made in the applicable accounting regulations of the SEC are either not required under the related instructions, are not applicable (and therefore have been omitted), or the required disclosures are contained in the financial statements included herein.

(3) 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 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 Exhibit10.6 to the Company’s Form 10/A (Amendment No. 2) as filed with the SEC on January 5, 2016).
10.7	Banking Engagement Agreement between PF Hospitality Group, Inc. and Newbridge Securities Corporation dated February 29, 2016 (incorporated by reference to Exhibit 10.1 to the Company’s current report on Form 8-K as filed with the SEC on March 3, 2016).
10.8	$200,000 Principal Amount Convertible Debenture dated July 20, 2016 (incorporated by reference to Exhibit 10.1 to the Company’s current report on Form 8-K as filed with the SEC on July 26, 2016).
10.9	Form of Stock Pledge Agreement dated July 20, 2016 (incorporated by reference to Exhibit 10.2 to the Company’s current report on Form 8-K as filed with the SEC on July 26, 2016).
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10.10	Engagement Letter between PF Hospitality Group, Inc. and Midam Ventures, LLC dated September 15, 2016 (incorporated by reference to Exhibit 10.1 to the Company's current report on Form 8-K as filed with the SEC on September 20, 2016).
21.1	Subsidiaries
31.1	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for Vaughan Dugan.
31.2	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for Randy Romano.
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, for Vaughan Dugan.
32.2	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, for Randy Romano.
101.INS*	XBRL INSTANCE DOCUMENT
101.SCH*	XBRL TAXONOMY EXTENSION SCHEMA
101.CAL*	XBRL TAXONOMY EXTENSION CALCULATION LINKBASE
101.DEF*	XBRL TAXONOMY EXTENSION DEFINITION LINKBASE
101.LAB*	XBRL TAXONOMY EXTENSION LABEL LINKBASE
101.PRE*	XBRL TAXONOMY EXTENSION PRESENTATION LINKBASE

+ Management contract or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

	EXOlifestyle, Inc.
Date: January 9, 2017	By: */s/ Vaughan Dugan* Vaughan Dugan Chief Executive Officer

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

Signature	Title	Date
/s/ Vaughan Dugan Vaughan Dugan	Chief Executive Officer and Director (principal executive officer)	January 9, 2017
/s/ Randy Romano Randy Romano	President and Director (principal financial and accounting officer)	January 9, 2017

EXOLIFESTYLE, INC.

CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and

Stockholders EXOlifestyle , Inc.

We have audited the accompanying balance sheets of EXOlifestyle, Inc. (f/k/a PF Hospitality Group, Inc.) (the "Company") as of September 30, 2016 and 2015 and the related statements of operations, stockholders' equity (deficit) , and cash flows for the years ended. EXO lifestyle, Inc.'s management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audits.

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 financial statements referred to above present fairly, in all material respects, the financial position of PF Hospitality Group, Inc.as of September 30, 2016 and 2015, and the results of its operations and its cash flows for years ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, The Company has suffered net losses and has had negative cash flows from operating activities during the years ended September 30, 2016 and 2015. These matters raise substantial doubt about the Company's ability to continue as a going concern. Management's plans concerning these matters are also described in Note 2. The financial statements do not include any adjustments to the recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might result should the Company be unable to continue as a going concern.

/s/ KLJ & Associates, LLP

KLJ & Associates, LLP
Edina, MN
January 9, 2017

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EXOLIFESTYLE, INC.
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2016 AND 2015

	2016	2015
ASSETS		
Current assets:		
Cash	$47,224	$272,785
Accounts receivable, net	29,874	-
Royalties receivable	9,339	15,383
Inventory	107,295	-
Vendor deposits	62,253	-
Prepaid and other current assets	8,102	5,103
Total current assets	264,087	293,271
Property and equipment, net	48,664	34,626
Other assets:		
Intangible assets, net	111,110	116,990
Receivable from litigation settlement	8,854	30,104
Deposits	2,968	4,834
Goodwill	1,328,182	-
Total other assets	1,451,114	151,928
Total assets	$1,763,865	$479,825
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable and accrued liabilities	$1,028,629	$920,826
Advances	218,361	205,861
Customer deposits, short term	6,000	-
Deferred revenue, short term portion	30,000	-
Notes payable	60,162	50,000
Convertible notes payable, current portion	37,991	61,074
Total current liabilities	1,381,143	1,237,761
Long term debt:		
Convertible notes payable, long term portion	283,529	166,083
Deferred revenue, long term portion	404,210	404,210
Customer deposits	58,000	50,000
Derivative liability	1,043,479	-
Total long term debt	1,789,218	620,293
Total liabilities	3,170,361	1,858,054
Stockholders' deficit:		

Preferred stock, $0.0001 par value, 20,000,000 shares authorized as of September 30, 2016 and 2015		
Series A Preferred Stock, $0.0001 par value; 2,000,000 shares designated, 2,000,000 shares issued and outstanding as of September 30, 2016 and 2015	200	200
Common stock, $0.0001 par value; 500,000,000 and 2,000,000,000 shares authorized, 82,302,455 and 63,044,404 shares issued and outstanding as of September 30, 2016 and 2015, respectively	8,230	6,304
Additional paid in capital	11,306,952	9,477,645
Deficit	(12,721,878)	(10,862,378)
Total deficit	(1,406,496)	(1,378,229)
Total liabilities and stockholders' deficit	$1,763,865	$479,825

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

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EXOLIFESTYLE, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year ended September 30,	
	2016	2015
Revenues:		
Royalty and franchise income	$166,055	$210,633
Sales	381,919	-
Total revenues	547,976	210,633
Cost of sales	219,282	-
Gross profit	328,692	210,633
Operating expenses:		
Payroll expenses	477,765	390,538
Selling, general and administrative expenses	945,810	339,444
Depreciation and amortization	18,841	16,356
Total operating expenses	1,442,416	746,337
Net loss from operations	(1,113,724)	(535,704)
Other income (expense):		
Gain on change in derivative liabilities	1,361,092	-
Litigation settlement	-	102,500
Other income	37,300	1,942
Interest expense	(2,144,168)	(5,621)
Total other income (expense):	(745,776)	98,821
Net loss before income tax provision	(1,859,500)	(436,884)
Provision for income taxes	-	-
NET LOSS	$(1,859,500)	$(436,884)
Net loss per common share, basic and diluted	$(0.02)	$(0.02)
Weighted average number of common shares outstanding, basic and diluted	79,158,444	26,893,716

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

EXOLIFESTYLE, INC.
CONSOLIDATED STATEMENT OF STOCKHOLDERS' DEFICIT
TWO YEARS ENDED SEPTEMBER 30, 2016

	Series A Preferred stock		Common stock		Additional Paid in	Accumulated	
	Shares	Amount	Shares	Amount	Capital	Deficit	Total
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)
Common stock issued upon settlement of convertible notes	-	-	18,158,051	1,816	307,954	-	309,770
Common stock issued for services	-	-	600,000	60	395,940	-	396,000
Common stock issued to acquire EXO:EXO	-	-	500,000	50	1,314,950	-	1,315,000
Beneficial conversion feature related to convertible notes	-	-	-	-	80,769	-	80,769
Reclassify beneficial conversion feature from equity to derivative liability	-	-	-	-	(270,306)	-	(270,306)
Net loss	-	-	-	-	-	(1,859,500)	(1,859,500)
Balance, September 30, 2016	2,000,000	$ 200	82,302,455	$ 8,230	$ 11,306,952	$ (12,721,878)	$ (1,406,496)

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

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EXOLIFESTYLE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended September 30,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$(1,859,500)	$(436,884)
Adjustments to reconcile net loss to cash used in operating activities:		
Depreciation and amortization	18,841	16,356
Amortization of debt discount	103,771	3,621
Non-cash merger costs	-	88,552
Non-cash interest	2,035,762	-
Gain on change in fair value of derivative liabilities	(1,361,092)	-
Common stock issued for services	396,000	-
Changes in operating assets and liabilities:		
Accounts and royalties receivable	(23,830)	(10,503)
Inventory	(90,403)	-
Litigation receivable	21,250	(30,104)
Vendor deposits	(62,253)	-
Other prepaid assets	12,867	-
Accounts payable and accrued liabilities	91,817	116,771
Deferred income and customer deposits	30,000	(12,895)
Net cash used in operating activities	(686,770)	(265,086)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net cash paid to acquire EXO:EXO	(22,163)	-
Purchase of property and equipment	(14,290)	(20,914)
Net cash used in investing activity	(36,453)	(20,914)
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	12,500	106,500
Proceeds from short term notes payable	16,350	-
Proceeds from issuance of convertible notes payable	475,000	352,000
Repayments of short term notes payable	(6,188)	-
Net cash provided by financing activities	497,662	462,988
Net (decrease) increase in cash	(225,561)	176,988
Cash, beginning of the period	272,785	95,797
Cash, end of the period	$47,224	$272,785
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	$80,769	$189,537
Common stock issued in settlement of convertible notes	$309,770	$28,965
Common stock issued to acquire EXO:EXO	$1,315,000	$-

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

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EXOLIFESTYLE, INC.

Notes to Consolidated Financial Statements

NOTE 1 – NATURE OF OPERATIONS AND BASIS OF PRESENTATION

EXOLifestyle, Inc. (the “Company”) was incorporated in Nevada on April 5, 2005 under the name Tomi Holdings, Inc. In October 2005, the Company changed its name to InfraBlue (US), Inc., and in October 2007, changed its name to NextGen Bioscience, Inc. In December 2008, the Company changed its name to Kalahari Greentech, Inc., on May 2015, the Company changed its name to PF Hospitality Group, Inc. and on September 1, 2016, the Company changed its name to EXOlifestyle, Inc. In conjunction with the name change, effective September 23, 2016, the Company’s quotation symbol on the OTCQB tier of the OTC Markets Group, Inc. was changed from PFHS to EXOL. 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, EXOlifestyle, Inc. 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 EXOlifestyle., 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.

Acquisition

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

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

A summary of consideration is as follows:

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

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

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

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

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

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

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

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

Basis of presentation:

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

NOTE 2 – GOING CONCERN AND MANAGEMENT’S LIQUIDITY PLANS

As of September 30, 2016, the Company had cash of $47,224 and a working capital deficit of $1,117,056. During the year ended September 30, 2016, the Company used net cash in operating activities of $686,770. 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, 2016, the Company raised $475,000 in cash proceeds from the issuance of convertible notes and $28,850 through short term borrowings. . In October 20, 2016, subsequent to these financial statements, the Company raised $75,000 from the issuance of a convertible note (See Subsequent Events-Note 15).

The Company believes that its current cash on hand will not be sufficient to fund its projected operating requirements.

The Company's primary source of operating funds since inception has been cash proceeds from the private placements of common stock and preferred stock, proceeds from private placements of convertible debt and short term borrowing. The Company intends to raise additional capital through private placements of debt and equity securities, but there can be no assurance that these funds will be available on terms acceptable to the Company, or will be sufficient to enable the Company to fully complete its development activities or sustain operations.

If the Company is unable to raise sufficient additional funds, it will have to develop and implement a plan to further extend payables, reduce overhead, or scale back its current business plan until sufficient additional capital is raised to support further operations. There can be no assurance that such a plan will be successful.

Accordingly, the accompanying 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.

Royalty and franchise income

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

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

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

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

Sales

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

During the year ended September 30, 2016, sales were comprised of sports products from the Company's wholly owned subsidiary, EXO.

Inventory

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

As of September 30, 2016, the Company’s inventory, comprised of available for sale athletic sporting goods and apparel, was $107,295.

Cost of sales

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

Use of Estimates

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

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.

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, 2016 and 2015, 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
Computers	3 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

Fair Value of Financial Instruments

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

Impairment of Long-Lived Assets

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

At September 30, 2016 and 2015, the Company management performed an evaluation of its acquired intangible assets for purposes of determining the implied fair value of the assets at September 30, 2016 and 2015. The tests indicated that the recorded remaining book value of its intangible assets did not exceed its fair value for the years ended September 30, 2016 and 2015; and no impairment was deemed to exist as of September 30, 2016 and 2015. 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, 2016 and 2015, 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, 2016 and 2015, the Company's expenditures on research and product development were immaterial.

Derivative Liability

The Company accounts for derivatives in accordance with ASC 815, which establishes accounting and reporting standards for derivative instruments and hedging activities, including certain derivative instruments embedded in other financial instruments or contracts and requires recognition of all derivatives on the balance sheet at fair value, regardless of hedging relationship designation. Accounting for changes in fair value of the derivative instruments depends on whether the derivatives qualify as hedge relationships and the types of relationships designated are based on the exposures hedged. At September 30, 2016 and 2015, the Company did not have any derivative instruments that were designated as hedges. See Notes 8 and 9 for discussion of the Company's derivative liabilities.

Convertible Instruments

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

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

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

Segment Information

Accounting Standards Codification subtopic Segment Reporting 280-10 (“ASC 280-10”) establishes standards for reporting information regarding operating segments in annual financial statements and requires selected information for those segments to be presented in interim financial reports issued to stockholders. ASC 280-10 also establishes standards for related disclosures about products and services and geographic areas.

Operating segments are identified as components of an enterprise about which separate discrete financial information is available for evaluation by the chief operating decision maker, or decision-making group, in making decisions how to allocate resources and assess performance. The information disclosed herein materially represents all of the financial information related to the Company's only material principal operating segment.

Net Income (Loss) per Share

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

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

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

	September 30, 2016	September 30, 2015
Convertible notes payable	40,566,618	37,597,538
Warrants to purchase common stock	13,797,242	13,797,242
Totals	54,363,860	51,294,780

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 $47,864 and $249 for the years ended September 30, 2016 and 2015.

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, 2016 and 2015. The Company does not expect any significant changes in its unrecognized tax benefits within twelve months of the reporting date.

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, 2016, the Company determined that possible payments under its registration rights agreement was not probable and therefore did not accrue as interest expense in current period operations for possible liability under the registration rights agreements.

Recent Accounting Pronouncements

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

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, 2016 and 2015 is summarized as follows:

	September 30, 2016	September 30, 2015

Construction in process	$ 18,150	$ 18,150
Equipment	67,997	47,697
Leasehold improvements	12,232	10,513
Furniture and fixtures	42,584	37,604
Subtotal	140,963	113,964
Less accumulated depreciation	(92,299)	(79,338)
Property and equipment, net	$ 48,664	$ 34,626

Depreciation expense for the years ended September 30, 2016 and 2015 was $12,961 and $10,476, respectively.

NOTE 6 – INTANGIBLE ASSETS

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

	September 30, 2016	September 30, 2015
Franchise and trademark rights	$ 71,949	$ 71,949
Trademark costs	45,429	45,429
Website	43,625	43,625
Subtotal	161,003	161,003
Less accumulated depreciation	(49,893)	(44,013)
Intangible assets, net	$ 111,110	$ 116,990

Amortization expense for the years ended September 30, 2016 and 2015 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, 2016 and 2015 was $50,000.

On June 9, 2016, the Company issued a unsecured promissory note with a face value of $7,600, bearing interest at 8% due six months from issuance with monthly payments of $1,347 per month. The balance as of September 30, 2016 was $3,502.

On September 8, 2016, the Company issued a unsecured factoring agreement with a face value of $8,750, bearing an estimated interest rate of 13% whereby the Company will remit daily a portion of their collected receivables until an aggregate of $9,888 has been repaid, including interest. The balance as of September 30, 2016 was $6,660.

NOTE 8 – CONVERTIBLE NOTES PAYABLE

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

	September 30, 2016	September 30, 2015
Notes payable, acquired in recapitalization	$ 37,991	$ 61,074
Notes payable, due July 27, 2020, net of unamortized debt discounts of $314,006 and $224,924, respectively	271,544	166,183
Note payable, due July 20, 2020, net of unamortized debt discounts of $190,144	9,856	-
Note payable, due August 5, 2020, net of unamortized debt discount of $53,426	2,129	-
Subtotal	321,520	227,257
Less current maturities	(37,991)	(61,074)
Long term portion	$ 283,529	$ 166,183

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

As of September 30, 2016, the Company has received net proceeds of $477,000 under the security purchase agreement, $250,000 not under the security purchase agreement (same terms and conditions); and subsequent to these financial statements, an additional $75,000 under the security purchase agreement (same terms and conditions) (See Note 15-Subsequent Events).

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

The debentures are convertible into shares of the company's common stock at a conversion price initially 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. In July 2016, the percentage was reduced (reset) from 65% to 50% of those notes under the Securities Purchase Agreement. The conversion price of the debentures is subject to proportional adjustment in the event of stock splits, stock dividends and similar corporate events. In addition, the conversion price is subject to adjustment if the company issues or sells shares of its common stock for a consideration per share less than the conversion price then in effect, or issue options, warrants or other securities convertible or exchange for shares of its common stock at a conversion or exercise price less than the conversion price of the debentures then in effect. If either of these events should occur, the conversion price is reduced to the lowest price at which these securities were issued or are exercisable.

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

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

From January 1, 2016 through September 30, 2016, the Company issued an aggregate of $325,000 convertible debentures. The Company determined the initial fair value of the embedded conversion provisions of the debentures of $545,170 at issuance date using the Multinomial Lattice pricing model and the following assumptions: estimated contractual terms, a risk free interest rate of 0.86% to 0.92%, a dividend yield of 0%, and volatility of 62.37% to 62.74%. The determined fair value of the derivative liability of $545,170 was charged as a debt discount up to the net proceeds of the notes with the remainder of $220,170 charged to current period operations as non-cash interest expense.

At September 30, 2016, the fair value of the embedded conversion provisions of the debentures of $1,043,479 was determined using the Binomial Option Pricing model with the following assumptions: dividend yield: 0%; volatility: 62.10%; risk free rate: 0.88%; and expected life: 3.80 to 3.85 years. The Company recorded a gain on change in derivative liabilities of $1,361,092 during the year ended September 30, 2016.

On July 1, 2016, the Company issued 1,282,051 shares of its common stock in settlement of $55,555 of the outstanding debentures.

For the year ended September 30, 2015, the Company amortized $103,771 and $16,356 of debt discount and original issuance discounts to current period operations as interest expense, respectively.

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

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

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

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

NOTE 9 - DERIVATIVE LIABILITIES

As described in Note 8, the Company issued convertible notes that contain conversion features and reset provision. The accounting treatment of derivative financial instruments requires that the Company record fair value of the derivatives as of the inception date and to fair value as of each subsequent reporting date.

NOTE 10 – STOCKHOLDERS' (DEFICIT)

Preferred stock

The Company is authorized to issue 20,000,000 shares of $0.0001 par value preferred stock as of September 30, 2016 and 2015. As of September 30, 2016, 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 shares of $0.0001 par value common stock as of September 30, 2016 and 2015, respectively. As of September 30, 2016 and 2015, the Company had 82,302,455 and 63,044,404 common 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.

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

During the year ended September 30, 2016, the Company issued 1,282,051 shares of its common stock in settlement of $55,555 of the outstanding debentures.

During the year ended September 30, 2016, the Company issued 600,000 shares of its common stock for consulting services valued at $396,000.

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

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.

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, 2016:

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

In Connection with the merger agreement, the Company issued an aggregate of 13,797,2422 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, 2016 and 2015 is as follows:

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	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at October 1, 2014	13,797,242	$ 0.25	3.00	$ -
Grants	-			-
Exercised				
Canceled				
Outstanding at September 30, 2015	13,797,242	$ 0.25	2.75	$ -
Grants	-			
Exercised	-			
Canceled	-			
Outstanding at September 30,2016	13,797,242	$ 0.25	1.75	$ -
Vested and expected to vest at September 30, 2016	13,797,242	$ 0.25	1.75	$ -
Exercisable at September 30, 2016	13,797,242	$ 0.25	1.75	$ -

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, 2016, which would have been received by the warrant holders had those warrant holders exercised their warrants as of that date.

NOTE 11 – LOSS PER SHARE

The following table presents the computation of basic and diluted loss per share for the years ended September 30, 2015 and 2014:

	September 30, 2016	September 30, 2015
Net loss available to Common stockholders	$(1,859,500)	$(436,884)
Basic and diluted earnings (loss) per share	$(0.02)	$(0.02)
Weighted average common shares outstanding	79,158,444	26,893,716

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Operating leases

The Company leases approximately 2,300 square feet of office space/warehouse space in Boca Raton, Florida with a base rent of $2,800 per month,. The lease is subject to a 5% per year increase and expires August 31, 2019.

Employment agreements

Vaughan Dugan

On June 1, 2013, the Company 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 the Company, 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, the Company 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 the Company, 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.

Debt assumption/indemnification

In connection with the merger on July 1, 2015, previous officers of PF Hospitality Group, Inc. assumed and indemnified the Company for an aggregate of $590,990 outstanding debt, all of which was considered old, unidentified and considered not due by the previous management.

Litigation

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

NOTE 13 – RELATED PARTY TRANSACTIONS

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

As of September 30, 2016 and 2015, accrued compensation due officers and executives included in accounts payable was $796,496 and $670,839, respectively.

Effective July 1, 2015, the Company merged with Pizza Fusion. Under the terms of the merger with Pizza Fusion, we issued 17,117,268 shares of the Company's common stock (after giving effect to the reverse stock split) for 100% of Pizza Fusion's 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 the Company's Chief Executive Officer and a Director at the closing of the merger, and Randy Romano, who became the Company's President and a Director at the closing of the merger, each received 3,162,999 shares of common stock and 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 the Company's common stock and 1,000,000 shares of the Company's Series A preferred stock, at a price of $0.0001 per share.

NOTE 13 – INCOME TAXES

At September 30, 2016, the Company has available for federal income tax purposes a net operating loss carry forward of approximately $4,300,000, expiring in the year 2035, that may be used to offset future taxable income. The Company has provided a valuation reserve against the full amount of the net operating loss benefit, since in the opinion of management based upon the earnings history of the Company; it is more likely than not that the benefits will not be realized. Due to possible significant changes in the Company's ownership, the future use of its existing net operating losses may be limited. All or portion of the remaining valuation allowance may be reduced in future years based on an assessment of earnings sufficient to fully utilize these potential tax benefits.

We have adopted the provisions of ASC 740-10-25, which provides recognition criteria and a related measurement model for uncertain tax positions taken or expected to be taken in income tax returns. ASC 740-10-25 requires that a position taken or expected to be taken in a tax return be recognized in the financial statements when it is more likely than not that the position would be sustained upon examination by tax authorities. Tax position that meet the more likely than not threshold are then measured using a probability weighted approach recognizing the largest amount of tax benefit that is greater than 50% likely of being realized upon ultimate settlement. The Company had no tax positions relating to open income tax returns that were considered to be uncertain.

The Company is required to file income tax returns in the U.S. Federal jurisdiction. The Company is no longer subject to income tax examinations by tax authorities for tax years ending before September 30, 2013.

The effective rate differs from the statutory rate of 34% for due to the following:

	September 30, 2016		September 30, 2015	
Statutory rate on pre-tax book loss	(34.00	)%	(34.00	)%
Stock based compensation	21.30	%	11.70	%
Change in fair value of derivative liabilities	(73.20	)%		
Financing costs	115.06	%	2.40	%
Valuation allowance	29.16	%	19.90	%
	0.00	%	0.00	%

The Company’s deferred taxes as of September 30, 2016 consist of the following:

	September 30, 2016	September 30, 2015
Non-Current deferred tax asset:		
Net operating loss carry-forwards	$1,462,000	$1,224,000
Valuation allowance	(1,462,000)	(1,224,000)
Net non-current deferred tax asset	$-	$-

NOTE 14 - FAIR VALUE MEASUREMENTS

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

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2: Quoted prices in markets that are not active, or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability; or

Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and are unobservable.

Items recorded or measured at fair value on a recurring basis in the accompanying consolidated financial statements consisted of the following items as of September 30, 2016 (none as of September 30, 2015):

	Level 1	Level 2	Level 3	Total
Long-term investments	$ –	$ –	$–	$–
Total	$ –	$ –	$–	$–
Derivative liabilities	$ –	$ –	$1,043,479	$1,043,479
Total	$ –	$ –	$1,043,479	$1,043,479

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

Year ended September 30, 2016:

	Derivative Liabilities
Balance, April 1, 2015	$-
Transfers in: from equity the initial beneficial conversion feature	
From equity: initial beneficial conversion feature	270,306
From initial fair value of derivative liability upon debenture issuance	325,000
Transfers out: upon payoff or conversion of debentures	(226,497)
Adjustment to interest expense the excess of fair value of fair value of derivative liabilities	2,035,762
Mark-to-market at September 30, 2016:	(1,361,092)
Balance, September 30, 2016	$1,043,479
Net gain for the period included in earnings relating to the liabilities held at September 30, 2016	$1,361,092

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

NOTE 15 – SUBSEQUENT EVENTS

On October 20, 2016, the Company issued 1,282,051 shares of its common stock in settlement of $55,555 of convertible debentures.

Between October 1, 2016 and November 14, 2016, the Company issued a total of 4,689,169 shares of its common stock to a total of four entities in exchange for the conversion of notes or debt. Of the total shares issued, 1,050,000 shares were issued for consideration of $0.0015228 per share, 2,450,000 shares were issued for consideration of $0.0015375 per share, and 1,189,169 were issued for consideration of $0.04875 per share.

In October 2016 the Company received gross proceeds of $75,000 from the issuance of convertible debentures due July 27, 2020. The convertible debentures include substantially the same terms and conditions as provided for in the convertible debentures previously issued as discussed in Note 8 above.

In December 2016 the Company received gross proceeds of $40,000 from the issuance of convertible debentures due July 27, 2020. The convertible debentures include substantially the same terms and conditions as provided for in the convertible debentures previously issued as discussed in Note 8 above.

On or about December 15, 2016 we issued 3,940,110 shares of our common stock pursuant to a conversion of a convertible promissory note, at a conversion price of $0.0015228. On or about December 16, 2016 we issued 2,600,000 shares of our common stock pursuant to a conversion of a convertible promissory note at a conversion price of $0.0015375.

In accordance with ASC 855-10, the Company has analyzed its operations subsequent to September 30, 2016 to December 28, 2016 the date these financial statements were issued and has determined that it does not have any material subsequent events to disclose in these financial statements other than the events described above.