PINEAPPLE EXPRESS, INC.

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015

With Audit Report of Independent Registered Public Accounting Firm Thereon

PINEAPPLE EXPRESS, INC.

CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Pineapple Express, Inc.

We have audited the accompanying consolidated balance sheet of Pineapple Express, Inc. (the "Company") as of December 31, 2015 and the related consolidated statement of operations, stockholders' deficit, and cash flows for the period ended January 29, 2015 (date of inception) to December 31, 2015. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2015, and the results of its operations and its cash flows for period ended January 29, 2015 (date of inception) to December 31, 2015, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company has suffered losses from operations, which raise substantial doubt about its ability to continue as a going concern.

RBSM LLP

RBSM, LLP
June 2, 2016.
Henderson, Nevada

PINEAPPLE EXPRESS, INC.
CONSOLIDATED BALANCE SHEET
DECEMBER 31, 2015
(RESTATED)

ASSETS		
Current assets:		
Cash	$	1,234
Advances to suppliers		93,933
Deposits, short term		12,000
Total current assets		107,167
Property and equipment		3,653,025
Other assets:		
Investments		162,214
Total assets	$	3,922,406
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable and accrued expenses	$	128,484
Notes payable, related party		42,000
Capital lease, short term portion		1,495,198
Advances on agreements		750,000
Total current liabilities		2,415,682
Long term debt:		
Capital lease		1,761,993
Total liabilities		4,177,675
Commitments and contingencies		-
Stockholders' deficit:		
Preferred stock, $0.0000001 par value, 20,000,000 shares authorized		
Series A Convertible Preferred stock, $0.0000001 par value, 5,000,000 shares designated, none issued and outstanding		-
Common stock, $0.0000001 par value, 500,000,000 shares authorized, 55,957,311 shares issued and outstanding		6
Common stock subscription		50,000
Additional paid in capital		882,833
Accumulated deficit		(1,188,108)
Total stockholders' deficit		(255,269)
Total liabilities and stockholders' deficit	$	3,922,406

The accompanying notes are an integral part of these financial statements

PINEAPPLE EXPRESS, INC.
CONSOLIDATED STATEMENT OF OPERATIONS
(RESTATED)

	From January 29, 2015 (Date of Inception) Through December 31, 2015
OPERATING EXPENSES:	
General and administrative	$ 1,154,605
Depreciation	1,147
Total operating expenses	1,155,752
Net loss from operations	(1,155,752)
Other income (expense):	
Interest expense	(32,356)
Total other income (expense)	(32,356)
Net loss before provision for income taxes	(1,188,108)
Provision for income taxes	-
NET LOSS	$ (1,188,108)
Net loss per common share, basic and diluted	$ (0.02)
Weighted average number of common shares, basic and diluted	51,746,666

The accompanying notes are an integral part of these financial statements

PINEAPPLE EXPRESS, INC.
CONSOLIDATED STATEMENT OF STOCKHOLDERS' DEFICIT
FROM JANUARY 29, 2015 (DATE OF INCEPTION) THROUGH DECEMBER 31, 2015
(RESTATED)

	Preferred stock		Common stock		Common Stock	Additional Paid In	Accumulated	
	Shares	Amount	Shares	Amount	Subscriptions	Capital	Deficit	Total
Shares issued to founders	-	$ -	50,000,000	$ 5	$ -	$ -	$ -	$ 5
Effect of merger with Pineapple Express, Inc. (formerly known as Globestar Industries)	-	-	415,978	-	-	-	-	-
Shares issued upon conversion of debt	-	-	3,350,000	1	-	334,999	-	335,000
Shares issued for services	-	-	347,333	-	-	86,834	-	86,834
Sale of common stock	-	-	1,844,000	-	-	461,000	-	461,000
Proceeds from common stock subscription	-	-	-	-	50,000	-	-	50,000
Net loss	-	-	-	-	-	-	(1,188,108)	(1,188,108)
Balance, December 31, 2015	-	$ -	55,957,311	$ 6	$ 50,000	$ 882,833	$ (1,188,108)	$ (255,269)

The accompanying notes are an integral part of these financial statements

PINEAPPLE EXPRESS, INC
CONSOLIDATED STATEMENT OF CASH FLOWS
(RESTATED)

		From January 29, 2015 (Date of Inception) Through December 31, 2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$	(1,188,108)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation		1,147
Common stock issued for services		86,839
Changes in operating assets and liabilities:		
Advances to suppliers		(93,933)
Accounts payable and accrued expenses		160,840
Deposits		(12,000)
Advances on agreements		750,000
Net cash used in operating activities		(295,215)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investments		(162,214)
Purchases of property and equipment		(329,337)
Net cash used in investing activities		(491,551)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from sale of common stock		461,000
Proceeds from common stock subscription		50,000
Proceeds from convertible notes payable		335,000
Proceeds from related party notes payable		305,000
Repayments of capital leases		(100,000)
Repayments of related party notes payable		(263,000)
Net cash provided by financing activities		788,000
Net increase in cash		1,234
Cash, beginning of period		-
Cash, end of period	$	1,234
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:		
Common stock issued in settlement of convertible notes	$	335,000
Property acquired under capital lease	$	3,324,835

The accompanying notes are an integral part of these financial statements

NOTE 1 – NATURE OF OPERATIONS AND BASIS OF PRESENTATION

Pineapple Express, Inc. (the "Company") was incorporated under the laws of the State of Nevada on August 3, 1983 as "Global Resources, Ltd". On April 12, 1999, the Company changed its name from Global Resources, Ltd. to Helixsphere Technologies, Inc and on October 2, 2013 to New China Global Inc. On October 30, 2013, the Company filed Articles of Continuance with the Secretary of State in the State of Wyoming pursuant to which the Company re-domiciled from the State of Nevada to the State of Wyoming. On July 15, 2014, the Company filed an amendment to its Articles of Incorporation to change its name from New China Global Inc. to Globestar Industries.

On August 24, 2015, the Company entered into a Share Exchange Agreement (the "Agreement) with Better Business Consultants, Inc. ("BBC"), a corporation incorporated under the laws of California on January 29, 2015 and Shane Oei, a majority shareholder of the Company at the time. Pursuant to the terms of the Agreement, BBC shareholders exchanged all of the issued and outstanding capital of BBC for an aggregate of 50,000,000 newly and duly issued, fully paid and non-assessable shares of common stock of the Company. Upon closing, BBC became a wholly owned subsidiary of the Company. In addition, Mr. Oei and Gary Stockport, another former shareholder of the Company at the time, cancelled 100,000,000 and 500,000 shares of the Company's common stock, respectively, in connection with the Agreement. Effective September 3, 2015, the Company changed its name from Globestar Industries to Pineapple Express, Inc. As the owners and management of BBC obtained voting and operating control of the Company after the share exchange and Globestar Industries was non-operating and did not meet the definition of a business, the transaction has been accounted for as a recapitalization of BBC, accompanied by the exchange of previously issued common stock for outstanding common stock of Globestar Industries, 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 January 29, 2015 (inception date) and accordingly all share and per share amounts have been adjusted.

The Company through its wholly owned subsidiary BBC provides capital to canna-business clientele, purchases and leases real property to those canna-businesses and provides consulting services and technology to develop, enhance or expend existing and newly formed canna-businesses.

<u>Basis of presentation:</u>

The consolidated financial statements include the accounts of Pineapple Express, Inc. and its wholly owned subsidiary, BBC (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 December 31, 2015, the Company had a cash balance of $1,234 and a working capital deficit of $2,308,515. During the period from January 29, 2015 (date of inception) through December 31, 2015, the Company used net cash in operating activities of $295,215. The Company has not generated 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 period from January 29, 2015 (date of inception) through December 31, 2015, the Company raised $335,000 in cash proceeds from the issuance of convertible notes, $501,000 from the sale of common stock and subscriptions and $305,000 through short term borrowings from related parties.

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

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

Revenue Recognition

The Company will recognize revenue from rent, tent reimbursements, and other revenue sources once all of the following criteria are met in accordance with Accounting Standards Codification ("ASC") subtopic 605 -Revenue Recognition: (a) the agreement has been fully executed and delivered; (b) services have been rendered; (c) the amount is fixed and determinable, and (d) the collectability of the amount is reasonably assured.

In accordance with ASC 840-Leases, minimum rental revenue will be recognized in rental revenues on a straight-line basis over the term of the related lease. Rental revenue recognition commences when the tenant takes possession or controls the physical use of the leased space. In order for the tenant to take possession, the leased space must be substantially ready for its intended use. To determine whether the leased space is substantially ready for its intended use, management evaluates whether the Company or tenant is the owner of the tenant improvements for accounting purposes. When management concludes that the Company is the owner of the tenant improvements, rental revenue recognition begins when the tenant takes possession of the finished space, which is when such tenant improvements are substantially complete. In certain instances, when management concludes that the Company is not the owner (the tenant is the owner) of tenant improvements, rental revenue recognition begins when the tenant takes possession of or controls the space.

When management concludes that the Company is the owner of tenant improvements, for accounting purposes, management records the cost to construct the tenant improvements as a capital asset. In addition, management records the cost of certain tenant improvements paid for or reimbursed by tenants as capital assets when management concludes that the Company is the owner of such tenant improvements. For these tenant improvements, management records the amount funded or reimbursed by tenants as deferred revenue, which is amortized as additional rental income over the term of the related lease. When management concludes that he tenant is the owner of the tenant improvements for accounting purposes, management records the Company's contribution towards those improvements as a lease incentive, which is amortized as reduction to rental revenue on a straight-line basis over the term of the lease.

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.

Property and Equipment

Property and equipment consists of land, building, furniture and fixtures, equipment, building 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:

Building	Not in service
Construction in Progress	Not in service
Equipment	5 years
Office equipment	3 years

Fair Values

Accounting Standards Codification subtopic 825-10, Financial Instruments ("ASC 825-10") requires disclosure of the fair value of certain financial instruments. 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 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs to the valuation methodology that are significant to the measurement of fair value of assets or liabilities.

To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement is disclosed and is determined based on the lowest level input that is significant to the fair value measurement.

The carrying value of the Company's cash , accounts payable, short-term borrowings (including convertible notes payable), and other current assets and liabilities approximate fair value because of their short-term maturity.

<u>Investments</u>

The Company has adopted Accounting Standards Codification subtopic 323-10, Investments-Other ("ASC 325-10) which requires the accounting for investments at the lower of cost or fair value where the Company cannot exert significant influence of a joint venture or equity investment. The Company accounted for its 15.18% ownership of Nature's Treatment of the Quad Cities, LLC, NTQC Series II ("Series II") utilizing the cost method of accounting.

<u>Leases</u>

The Company currently leases properties in locations that would be acceptable for regulatory purposes and acceptable to sub-lessees for the manufacturing and development of their products. The Company evaluates the lease to determine its appropriate classification as an operating or capital lease for financial reporting purposes. The Company currently has a number of leases, one of which is classified as a capital lease with the remainder classified as operating leases.

Minimum base rent for the Company's operating leases, which generally have escalating monthly rents over the term of the lease, is recorded on a straight-line basis over the lease term. The initial rent term include may include a build-out, or may include a short holiday period, where no rent payments are typically due under the terms of the lease.

<u>Net Loss per Share</u>

The Company computes basic net income (loss) per share by dividing net income (loss) per share available to common stockholders by the weighted average number of common shares outstanding for the period and excludes the effects of any potentially dilutive securities. Diluted earnings per share, if presented, would include the dilution that would occur upon the exercise or conversion of all potentially dilutive securities into common stock using the "treasury stock" and/or "if converted" methods as applicable. The computation of basic and diluted loss per share as of December 31, 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. As of December 31, 2015, the Company did not have any potentially dilutive securities outstanding.

<u>Advertising</u>

The Company's advertising costs are expensed as incurred. Advertising expense was immaterial for the period from January 29, 2015 (date of inception) through December 31, 2015.

<u>Stock-Based Compensation</u>

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.

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 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 December 31, 2015. The Company does not expect any significant changes in its unrecognized tax benefits within twelve months of the reporting date. The Company elects to recognize any income tax penalties or interest as a component of income tax expense.

Recent Accounting Pronouncements

In November 2015, the FASB issued (ASU) 2015-17, *Balance Sheet Classification of Deferred Taxes.* Currently deferred taxes for each tax jurisdiction are presented as a net current asset or liability and net noncurrent asset or liability on the balance sheet. To simplify the presentation, the new guidance requires that deferred tax liabilities and assets for all jurisdictions along with any related valuation allowances be classified as noncurrent in a classified statement of financial position. This guidance is effective for interim and annual reporting periods beginning after December 15, 2016, and early adoption is permitted. The Company has adopted this guidance in the fourth quarter of the year ended December 31, 2015 on a retrospective basis. The adoption of this guidance did not have a material impact on the Company's financial position, results of operations or cash flows, and did not have any effect on prior periods due to the full valuation allowance against the Company's net deferred tax assets.

In January 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update (ASU) 2016-01, which amends the guidance in U.S. GAAP on the classification and measurement of financial instruments. Changes to the current guidance primarily affect the accounting for equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. In addition, the ASU clarifies guidance related to the valuation allowance assessment when recognizing deferred tax assets resulting from unrealized losses on available-for-sale debt securities. The new standard is effective for fiscal years and interim periods beginning after December 15, 2017, and upon adoption, an entity should apply the amendments by means of a cumulative-effect adjustment to the balance sheet at the beginning of the first reporting period in which the guidance is effective. Early adoption is not permitted except for the provision to record fair value changes for financial liabilities under the fair value option resulting from instrument-specific credit risk in other comprehensive income. The Company is currently evaluating the impact of adopting this guidance.

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, Leases (Topic 842). Under the new guidance, lessees will be required recognize the following for all leases (with the exception of short-term leases) at the commencement date: a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Under the new guidance, lessor accounting is largely unchanged. Certain targeted improvements were made to align, where necessary, lessor accounting with the lessee accounting model and Topic 606, Revenue from Contracts with Customers. The new lease guidance simplified the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and lease liabilities. Lessees will no longer be provided with a source of off-balance sheet financing. Public business entities should apply the amendments in ASU 2016-02 for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years (i.e., January 1, 2019, for a calendar year entity). Early application is permitted. Lessees (for capital and operating leases) and lessors (for sales-type, direct financing, and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. Lessees and lessors may not apply a full retrospective transition approach. The company is currently evaluating the impact of adopting this guidance.

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

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2015 is summarized as follows:

Land	$	1,662,417
Building		1,662,418
Improvements		320,276
Marketing displays		3,299
Office equipment and software		5,762
Subtotal		3,654,172
Less accumulated depreciation		(1,147)
Property and equipment, net	$	3,653,025

Property and equipment are stated at cost and depreciated using the straight-line method over their estimated useful lives of 3 to 5 years and improvements over 10 years, or term of lease in the case of tenant buildout, whichever is shorter. When retired or otherwise disposed, the related carrying value and accumulated depreciation are removed from the respective accounts and the net difference less any amount realized from disposition, is reflected in earnings. As of December 31, 2015, the Company's facility has not yet been placed in service, no depreciation on building or improvements has been provided.

On September 1, 2015, the Company executed a purchase agreement for three acres of real property, including 23,250 square feet of warehouse space, in Desert Hot Springs, California pursuant to a rent-to own agreement.

The Company will pay the seller of the property an aggregate of $3,500,000 to purchase the property, of which $100,000 was paid September 1, 2015 and $1,000,000 will be paid in July 2016. $4,000 was paid monthly from September 2015 through January 2016 and $50,000 has been and is expected to be paid monthly from January 2016 until such time as the seller moves into the new facilities, contemplated between the parties to be July 2017, when the Company shall be obligated to complete the purchase and pay the remaining balance in full.

The Company determined that the above described purchase agreement is a capital lease and therefore recorded the allocated present value of the lease to land and building. As of December 31, 2015, the Company has yet to take full possession of the property and is not considered placed in service. The present value of the lease was determined using an estimated 4% per annum discount rate.

Depreciation expense was $1,147 at December 31, 2015.

NOTE 5 – INVESTMENTS

During the period from January 29, 2015 (date of inception) through December 31, 2015, the Company purchased a 15.18% ownership interest in Nature's Treatment of the Quad Cities, LLC NTQC Series II ("Series II") and Nature's Treatment of Illinois, Inc. ("NTI"), both companies founded by Matthew Feinstein, the Company's Chief Executive Officer, President, Secretary and Chairman of the Board, for an aggregate investment of $162,214. Series II is expected to own a building that will house dispensary operations of NTI. Mr. Feinstein transferred his interests in Series II and NTI to BBC in 2015 for $50,000.

Nature's Treatment of Illinois became one of the first licensed medical cannabis dispensaries in Illinois. NTI is now able to engage in the distribution of cannabis for medical use in Illinois and will be the only medical marijuana dispensary in Illinois' District 7.

In connection with the investment, the Company, through its wholly owned subsidiary BBC, entered into a consulting agreement whereby the Company will provide consulting and managerial services in exchange for the lesser of 5% of NTI's gross profit or 15.18% of the after-tax distributable income of NTI. The consulting agreement has a five year term with an automatic five year renewal period unless terminated upon 30 days' notice prior to end of current term by either party.

Construction of the facility has been completed and the facility opened February 2016.

NOTE 6 – LEASE AGREEMENT

On September 1, 2015, the Company entered into a lease agreement as lessor for its Desert Hot Springs, California property (Note 4) for approximately 12,250 square feet of the 23,250 warehouse space. The lessee is required to make monthly rent payments beginning initially on July 1, 2016 of $49,000 for year 1, increasing to $98,000 per month for year 2. Beginning July 1, 2018 through lease term, monthly rent increases to $122,500. Upon expiry of the initial lease, the lessee has a five year option with an increase of 3.5% increase per year of base and TI rent.

The Company has agreed to complete extensive tenant improvements to accommodate the lessee operations. Lessee is responsible for payment for all improvements through tenant improvement rent. Tenant improvement rent is adjusted quarterly based on work performed. It is estimated that the tenant improvements will be completed by July 2016 at which time, the tenant will take possession. The lease initiation terms will be adjusted according.

NOTE 7 – NOTES PAYABLE-RELATED PARTY

From January 29, 2015 (date of inception) through December 31, 2015, the Company issued unsecured demand notes to a significant shareholder for advances in aggregate of $305,000. As of December 31, 2015, $42,000 was outstanding. The Company did not incur any interest or fees associated with the demand notes.

NOTE 8 – NOTES PAYABLE

From January 29, 2015 (date of inception) through December 31, 2015, the Company issued an aggregate of $335,000 convertible notes payable due upon demand. The notes are convertible into shares of the Company's common stock at $0.10 per share. On August 25, 2015, the Company issued an aggregate of 3,350,000 shares of its common stock in full settlement of the outstanding notes.

NOTE 9 – ADVANCES ON AGREEMENTS

In October 2015, the Company entered into a revenue sharing agreement with a third party for 20% of the rental fees generated by the lessee (See Note 6) of its acquired Desert Hot Springs, California property (See Note 4) for a one-time payment of $750,000. Payments under the revenue sharing agreement are based on rental fees as collected.

In the event that, for the period from February 6, 2016 through the three year anniversary of the effective date of the revenue sharing agreement the Company fails to collect any minimum rents from the tenant, the Company is obligated to pay the third party an aggregate of $825,000 as full settlement under the revenue sharing agreement.

NOTE 10 – CAPITAL LEASE

Capital lease is as follows:

Lease-Desert Hot Springs, California	$	3,224,835
Accrued interest		32,356
Total		3,257,191
Short term portion		1,495,198
Long term portion	$	1,761,993

As more fully described in Note 4 above, on September 1, 2015, the Company entered into a purchase agreement to acquire three acres of real property, including 23,250 square feet of warehouse space, in Desert Hot Springs, California pursuant to a rent-to own agreement. Non-uniform payments are required through July 2017. In determining the present value of the future payments under the capital lease , the Company used a discount rate of 4% per annum.

Aggregate principal maturities of capital lease as of December 31, 2015:

		Amount
Year ended December 31, 2016	$	1,462,842
Year ended December 31, 2017		1,761,993
Total	$	3,224,835

NOTE 11 – STOCKHOLDERS' EQUITY

The Company is authorized to issue 520,000,000 shares, consisting of 500,000,000 shares of common stock, $0.0000001 par value per share, and 20,000,000 shares of preferred stock, par value $0.0000001 per share. As of December 31, 2015, there were 55,957,311 and -0- shares of $0.0000001 par value common and preferred stock outstanding, respectively.

<u>Preferred stock</u>

On September 15, 2015, the Company designated 5,000,000 shares of its authorized preferred stock as Series A Convertible Preferred Stock, $0.0000001 par value. Each share of Series A Preferred Stock is convertible into 10 shares of the Company's common stock.

<u>Common stock</u>

On August 24, 2015, the Company issued an aggregate of 50,000,000 shares of the Company's common stock and 100,500,000 shares in its common stock were cancelled and returned to treasury in connection with the recapitalization (See Note 1)

On September 14, 2015, the Company issued an aggregate of 3,350,000 shares of its common stock in settlement of $335,000 convertible notes payable.

On October 12, 2015, the Company issued an aggregate of 347,333 shares of its common stock for services valued at $86,834.

On October 14, 2015, the Company sold 1,804,000 shares of its common stock for net proceeds of $451,000.

On October 19, 2015, the Company sold 40,000 shares of its common stock for net proceeds of $10,000.

On December 23, 2015, the Company received a $50,000 common stock subscription for the Company's common stock at $0.50 per share.

NOTE 12 – RELATED PARTY TRANSACTIONS

As described in Note 5 above, the Company purchased a 15.18% ownership interest in ("Series II") and NTI, companies founded by Matthew Feinstein; the Company's Chief Executive Officer, President, Secretary and Chairman of the Board for an aggregate investment of $162,214.

As described in Note 7 above, the Company issued demand notes to related parties for advances in the aggregate of $305,000. As of December 31, 2015, $42,000 was outstanding. The Company did not incur any interest or fees associated with the demand notes.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

<u>Operating leases</u>

Corporate Facility The Company leases office space at its corporate location in Los Angeles, California for approximately $5,200 per month under a lease that expired in February 2016. The Company now rents the office space for approximately $5,742 per month, on a month to month basis.

From January 29, 2015 (date of inception) through December 31, 2015, total rent expense was $59,611.

Real estate purchase commitment

On September 1, 2015, the Company executed a purchase agreement for three acres of real property, including 23,250 square feet of warehouse space, in Desert Hot Springs, California pursuant to a rent-to own agreement. The Company will pay the seller of the property an aggregate of $3,500,000 to purchase the property, of which $100,000 was paid on September 1, 2015 and $1,000,000 will be paid in July 2016. $4,000 was paid as monthly rent from September 2015 through December 2015 and $50,000 has been and is expected to be paid monthly from January 2016 until such time as the seller moves into the new facilities, contemplated between the parties to be July 2017, when the Company shall be obligated to complete the purchase and pay the remaining balance in full.

Litigation

The Company may be subject 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. The Company had no other pending legal proceedings or claims other than described above as of December 31, 2015.

NOTE 14 – LOSS PER SHARE

The following table presents the computation of basic and diluted losses per share:

Net loss available to Common stockholders	$	(1,188,108)
Basic and diluted loss per share	$	(0.02)
Weighted average common shares outstanding		51,746,666

NOTE 15 — INCOME TAXES

The Company follows Accounting Standards Codification subtopic 740, Income Taxes ("ASC 740") which requires the recognition of deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under such method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases using enacted tax rates in effect for the year in which the differences are expected to reverse.

The difference between income tax expense computed by applying the federal statutory corporate tax rate and actual income tax expense is as follows:

Income taxes using U.S. federal statutory rate	$	(351,328)
State income taxes, net of federal benefit		(97,340)
Change in Valuation Allowance		448,668
	$	-

At December 31, 2015, the significant components of the deferred tax assets (liabilities) are summarized below:

Deferred tax assets:		
Stock Based Compensation	$	-
Net Operating Losses		471,764
State tax (deferred)		(33,096)
Total deferred tax assets		438,668
Deferred tax liabilities:		-
Total deferred tax liabilities		-
Valuation allowance		438,668
Net deferred tax assets	$	-

As of December 31, 2015, the Company had U.S. federal net operating loss carryforwards of approximately $1,101,000, which expire at in 2035. These net operating loss carryforwards may be used to offset future taxable income and thereby reduce the Company's U.S. federal income taxes. Section 382 of the Internal Revenue Code of 1986 (the "Code") imposes an annual limit on the ability of a corporation that undergoes a greater than 50% ownership change to use its net operating loss carry forwards to reduce its tax liability. If in the future the Company issues common stock or additional equity instruments convertible in common shares which result in an ownership change exceeding the 50% limitation threshold imposed by section 382 of the Code, the Company's net operating loss carryforwards may be significantly limited as to the amount of use in a particular years. In addition, all or a portion of the Company's net operating loss carryforwards may expire unutilized. As of December 31, 2015, the Company had net operating loss carryforwards for state income tax purposes of approximately $973,000 which expire at 2035.

The Company has provided a full valuation allowance against its net deferred tax assets, since in the opinion of management based upon the earnings history of the Company; it is more likely than not that the benefits of these assets will not be realized.

The Company complies with the provisions of FASB ASC 740-10 in accounting for its uncertain tax positions. ASC 740-10 addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under ASC 740-10, the Company may recognize the tax benefit from an uncertain tax position only if it is more likely that not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. Management has determined that the Company has no significant uncertain tax positions requiring recognition under ASC 740-10.

The Company is subject to income tax in the U.S., and certain state jurisdictions. The Company has not been audited by the U.S. Internal Revenue Service, or any states in connection with income taxes. The Company's tax years generally remain open to examination for all federal and state tax matters until its net operating loss carryforwards are utilized and the applicable statutes of limitation have expired. The federal and state tax authorities can generally reduce a net operating loss (but not create taxable income) for a period outside the statute of limitations in order to determine the correct amount of net operating loss which may be allowed as a deduction against income for a period within the statute of limitations.

The Company recognizes interest and penalties related to unrecognized tax benefits, if incurred, as a component of income tax expense.

NOTE 16— RESTATEMENT

The accompanying financial statements for the for the period from January 29, 2015 (date of inception) through December 31, 2015 has been restated to present the effects of reclassifying an operating lease agreement to finance lease, recession of preferred shares issued for services and top shelf system, change in fair value of issued common shares and corrections in accruals and account classifications.

Accordingly, the Company restated the financial statements as of and for the period from January 29, 2015 (date of inception through December 31, 2015 by disclosing the effect of these errors in these financial statements.

The result of the December 31 Consolidated Balance Sheet restatement is to:

- Increase current assets by $36,196 for reclassification errors
- Increase property and equipment by $3,256,962 primarily to reflect real estate purchase agreement from operating to capital lease
- Decrease other assets by $100,000 to reclass initial lease payment towards capital lease obligation
- Increase current liabilities by $1,501,407 primarily to reflect current portion of capital lease obligation and increase in account payable accrual.
- Decrease in additional paid in capital to correct valuation of common shares issued for services of $451,532 and cancel preferred stock issued of 2,950,000
- Total stockholders' deficit increased by $70,241 as the result of the combination of factors described above.

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The changes in reported amounts are summarized in the following reconciliations of the Company's restatement of the Consolidated Balance Sheet as of December 31, 2015.

		As of December 31, 2015	
		(As Restated)	(As Reported)
ASSETS			
Current assets:			
Cash	$	1,234	1,120
Advances to suppliers		93,933	69,851
Deposits, short term		12,000	-
Total current assets		107,167	70,971
Property and equipment, net		3,653,025	396,063
Other assets:			
Investments		162,214	162,214
Deposits		-	100,000
Total other assets		162,214	262,214
Total assets	$	3,922,406	729,248
LIABILITIES AND STOCKHOLDERS' DEFICIT			
Current liabilities :			
Accounts payable	$	128,484	122,276
Notes payable, related party		42,000	42,000
Capital lease, short term		1,495,198	-
Advances under agreements		750,000	750,000
Total current liabilities		2,415,682	914,276
Long term debt:			
Capital lease, long term		1,761,993	-
Stockholders' deficit:			
Preferred stock		-	-
Common stock		6	6
Common stock subscription		50,000	50,000
Additional paid-in-capital		882,833	4,284,365
Accumulated deficit		(1,188,108)	(4,519,399)
Total Stockholders' deficit		(255,269)	(185,028)
Total Liabilities and stockholders' deficit	$	3,922,406	729,248

For the period January 29, 2015 (date of inception) through December 31, 2015, the result of the Consolidated Income Statement restatement is to:

		For the Period from January 29, 2015 (date of inception) through December 31, 2015	
		(As Restated)	(As Reported)
OPERATING EXPENSES:			
General and administrative	$	1,154,605	4,518,252
Depreciation		1,147	1,147
Total operating expenses		1,155,752	4,519,399
Loss from operations		(1,155,752)	(4,519,399)
OTHER INCOME (EXPENSE):			
Interest expense		(32,356)	-
Net loss before provision for income taxes		(1,188,108)	(4,519,399)
Provision for income taxes		-	-
NET LOSS	$	(1,188,108)	(4,519,399)
Net loss per common share, basic and diluted		(0.02)	(0.09)

The result of the December 31 Consolidated Statement of Operations restatement is to:

- Decrease general and administrative expenses by $3,363,647 primarily to reflect change in fair value of common shares issued for services of $451,532, cancellation of issued preferred shares of $2,950,000 issued for services and corrections in accruals
- Increase in interest expense to reflect proper accounting for capital lease interest accrual

The result of the Cash Flow restatement is to:

- Decrease in loss for the period ended December 31, 2015 by $3,331.291 as described above
- Reflect the change in fair value of common shares issued for services of $451,532, cancellation of issuance of preferred shares of $2,950,000, correct classification of payment toward capital lease and to correct sundry accruals

The changes in reported amounts are summarized in the following reconciliations of the Company's restatement of the Consolidated Statement of Cash Flows for the period from January 29, 2015 (date of inception through December 31, 2015.

Consistent with the original summary presentation, following is a reconciliation of the Company's restatement of the Consolidated Statement of Cash Flows for the period from January 29, 2015 (date of inception) through December 31, 2015. See the full Consolidated Statement of Cash Flows for the period from January 29, 2015 (date of inception) through December 31, 2015 for additional details.

		For the Period from January 29, 2015 (date of inception) through December 31, 2015	
		(As Restated)	(As Reported)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	$	(1,188,108)	(4,519,399)
Adjustments to reconcile net loss to net cash used in operating activities:			
Series A preferred stock for services		-	2,950,000
Common stock for services		86,839	538,371
Changes in operating assets and liabilities		804,907	902,425
Net cash used in operating activities		(295,215)	(327,456)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investments		(162,214)	(162,214)
Purchases of property and equipment		(329,337)	(397,210)
Net cash used in investing activities		(491,551)	(559,424)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net unchanged items		888,000	888,000
Repayments of capital lease		(100,000)	-
Net cash provided by financing activities		788,000	888,000
Net increase in cash		1,234	1,120
Cash, beginning of period		-	-
Cash, end of period	$	1,234	1,120

NOTE 17— SUBSEQUENT EVENTS

In January 2016 the Company issued 10,000 shares of common stock to consultants as compensation for services.

In January 2016 the Company issued 30,000 shares of common stock to NTI as consideration for services.

In February 2016 the Company issued 910,000 shares of common stock to accredited investors for an aggregate purchase price of $455,000.

On February 12, 2016, the Company acquired all of the business and assets of THC Industries, LLC, a California corporation (“THC Parent”), through a two-step merger by and among the Company, THC Parent, the Company’s wholly owned subsidiary THC Industries, a California limited liability company (“THC”), and the Company’s former wholly owned subsidiary THCMergerCo., Inc., a California corporation. The Company acquired the THC business for consideration consisting of (i) a cash payment in the amount of $400,000, (ii) 2,275,133 shares of common stock and (iii) a $600,000 note secured by all of the purchased intellectual property that is payable in two equal installments on the 60 day and 90 day anniversaries of closing. $150,000 of the initial cash payment shall be held in escrow to cover Mr. Salem’s expected personal litigation costs related to trademark enforcement of the purchased intellectual property. 95% of the shares were issued to Mr. Salem, who, along with the other THC Parent shareholders, entered into two-year lockup agreements with the Company.

The THC Parent shareholders have the option to require the Company to purchase from them up to 1,478,836 shares at a price of $0.68 per share from February 12, 2018 through August 12, 2018; provided however that they may only exercise this option if, for a 90 day period, the Company's stock price is both less than $0.88 and the average daily trading volume is below 50,000.

In March 2016, the Company entered into an agreement to purchase an adjoining parcel to its existing land in the in the City of Desert Hot Springs for $400,000. The Company has made payments totaling $10,000 and still owes $390,000 to close the purchase, which is expected to occur in May 2016.

In March 2016, the Company purchased and closed on an adjoining parcel to its existing land in the in the City of Desert Hot Springs for $515,000. The Company entered into an agreement with JJJK, LLC pursuant to which JJJK, LLC loaned the Company a total of $350,000 to facilitate part of the purchase and the Company assigned the right to purchase the parcel to JJJK, LLC. The Company has 90 days to return to JJJK, LLC the initial loan amount, plus $150,000 to transfer the title of the parcel into the Company's name. Joy DiPalma loaned the Company $125,000 to facilitate the remaining portion of the purchase price. Prior to March 2017, the Company shall pay Ms. DiPalma $3,750 in rent per month until the original loan amount, plus $62,500 has been paid.

In March 2016 the Company issued 100,000 shares of common stock to an accredited investor for an aggregate purchase price of $100,000.

In March 2016 the Company entered into one year employment agreements with Matthew Feinstein at a base salary of $180,000 per year, Christopher Plummer at a base salary of $150,000 per year and Theresa Flynt at a base salary of $120,000 per year. Ms. Flynt also was issued 100,000 shares of common stock in accordance with her employment agreement.

In March 2016, the Company entered into a three month consulting agreement with Sean Cunningham. Mr. Cunningham's compensation includes cash payments of $12,500 per month, an initial grant of $50,000 worth of restricted common stock as well as 50,000 shares of common stock to be issued after one year of service. The Company will adjust Mr. Cunningham's annual compensation to $175,000 and $25,000 worth of restricted common stock, upon the Company's "Pineapple Park" reaching the milestone of 75% leased and with tenants paying rent, or starting the date of January 1, 2017, whichever occurs first.