PINEAPPLE EXPRESS, INC.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

PINEAPPLE EXPRESS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2016 (unaudited)	December 31, 2015
ASSETS		
Current assets:		
Cash	$ 28,565	$ 1,234
Prepaid and other	6,566	-
Advances to suppliers	128,265	93,933
Deposits, short term	-	12,000
Total current assets	163,396	107,167
Property and equipment	3,941,899	3,653,025
Other assets:		
Trademarks	1,000,000	-
Domain name	1,250,000	-
Goodwill	153,757	-
Investments	162,214	162,214
Land acquisition costs	655,000	-
Security deposit	11,694	-
Total other assets	3,232,665	162,214
Total assets	$ 7,337,960	$ 3,922,406
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable	$ 454,049	$ 128,484
Advances, related party	800	-
Due under purchase agreement	100,000	-
Notes payable, related party	805,000	42,000
Notes payable, net of debt discounts of $44,444	943,056	-
Capital lease, short term	1,525,353	1,495,198
Advances on agreements	691,200	750,000
Total current liabilities	4,519,458	2,415,682
Long term debt:		
Capital lease	1,495,016	1,761,993
Total liabilities	6,014,474	4,177,675
Commitments and contingencies		
Put liability	-	-
Stockholders' equity (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 shares issued and outstanding	-	-
Common stock, $0.0000001 par value, 500,000,000 shares authorized, 59,966,175 and 55,957,311 shares issued and outstanding as of June 30, 2016 and December 31, 2015, respectively	6	6
Common stock subscription	598,000	50,000
Additional paid in capital	3,171,764	882,833
Accumulated deficit	(2,446,284)	(1,188,108)
Total stockholders' equity (deficit)	1,323,486	(255,269)
Total liabilities and stockholders' equity (deficit)	$ 7,337,960	$ 3,922,406

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

PINEAPPLE EXPRESS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	From January 29, 2015 (Date of Inception) Through June 30, 2015
OPERATING EXPENSES:				
General and administrative	$ 643,995	$ 77,451	$ 1,267,547	$ 135,566
Depreciation	1,286	-	1,973	-
Total operating expenses	645,281	77,451	1,269,520	135,566
Loss from operations	(645,281)	(77,451)	(1,269,520)	(135,566)
Other income (expense):				
Other income (expense)	(864)	-	6,404	-
Gain on change in fair value of put liability	266,190	-	266,190	-
Interest expense	(194,185)	-	(261,250)	-
Total other income (expense):	71,141	-	11,344	-
Net loss before provision for income taxes	(574,140)	(77,451)	(1,258,176)	(135,566)
Provision for income taxes	-	-	-	-
NET LOSS	$ (574,140)	$ (77,451)	$ (1,258,176)	$ (135,566)
Net loss per common share, basic and diluted	$ (0.01)	$ (0.00)	$ (0.02)	$ (0.00)
Weighted average number of common shares, basic and diluted	59,545,076	50,415,978	58,233,392	50,415,978

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

PINEAPPLE EXPRESS, INC.
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' DEFICIT
SIX MONTHS ENDED JUNE 30, 2016
(unaudited)

	Common stock		Common Stock Subscriptions	Additional Paid In Capital	Accumulated Deficit	Total
	Shares	Amount				
Balance, December 31, 2015	55,957,311	$ 6	$ 50,000	$ 882,833	$ (1,188,108)	$ (255,269)
Shares issued for services	353,731	-	-	204,365	-	204,365
Sale of common stock at $0.50 per share	910,000	-	(50,000)	455,000	-	405,000
Sale of common stock at $1.00 per share	470,000	-	-	470,000	-	470,000
Shares issued to acquire THC Industries, Inc.	2,275,133	-	-	1,137,566	-	1,137,566
Shares issuable to acquire equipment	-	-	-	22,000	-	22,000
Proceeds from common stock subscription	-	-	598,000	-	-	598,000
Net loss	-	-	-	-	(1,258,176)	(1,258,176)
Balance, June 30, 2016	59,966,175	$ 6	$ 598,000	$ 3,171,764	$ (2,446,284)	$ 1,323,486

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

PINEAPPLE EXPRESS, INC

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

From January 29, 2015
(Date of Inception)

	Six months ended June 30, 2016	Through June 30, 2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (1,258,176)	$ (135,567)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	1,973	-
Amortization of debt discounts	168,056	-
Common stock issued for services	204,365	5
Gain on change in fair value of put agreement	(266,190)	-
Changes in operating assets and liabilities:		
Advances to suppliers	(34,332)	-
Prepaid and other	(6,566)	
Accounts payable-operating	208,990	-
Deposits	(11,694)	-
Advances on agreements	(58,800)	-
Net cash used in operating activities	(1,052,374)	(135,562)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments to acquire THC Industries, Inc.	(300,000)	-
Payment of land acquisition costs	(643,000)	-
Purchases of property and equipment	(268,847)	-
Change in accounts payable-development costs	116,574	-
Net cash used in investing activities	(1,095,273)	-
CASH FLOWS FROM FINANCING ACTIVITIES:		
Bank overdraft	-	462
Proceeds from related party advances	800	
Proceeds from sale of common stock	875,000	-
Proceeds from common stock subscription	598,000	-
Proceeds from notes payable	475,000	10,000
Proceeds from related party notes payable	819,500	125,100
Repayments of capital leases	(236,822)	-
Repayments of notes payable	(300,000)	-
Repayments of related party notes payable	(56,500)	-
Net cash provided by financing activities	2,174,978	135,562
Net increase in cash	27,331	-
Cash, beginning of period	1,234	-
Cash, end of period	$ 28,565	$ -
Supplemental disclosures of cash flow information:		
Cash paid during the period for interest	$ 63,178	$ -
Cash paid during the period for income taxes	$ -	$ -
Non-cash investing and financing activities:		
Common stock issued to acquire THC Industries, Inc.	$ 1,137,566	$ -
Common stock issuable to acquire furniture	$ 22,000	$ -
Notes payable issued and purchase obligation to acquire THC Industries, Inc.	$ 700,000	$ -
Put liability in connection with THC Industries, Inc acquisition	$ 266,190	$ -

The accompanying notes are an integral part of these unaudited condensed 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 California 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 August 24, 2015 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 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.

On May 29, 2015, the Company's wholly owned subsidiary, BBC, organized Pineapple Express One, LLC and Pineapple Express Two, LLC, both organized under the laws of the State of California. As of June 30, 2016, both are inactive.

Acquisition

THC Industries, Inc.

On February 12, 2016, the Company acquired THC Industries Inc., pursuant to the terms of that certain Agreement of Merger entered into between the Company and THC Industries, Inc. dated February 12, 2016.

Upon Closing, the Company acquired all of the outstanding shares of THC Industries, Inc. in exchange for 2,275,133 shares of the Company's common stock, put liability of $266,190 (see below and Note 10-Put Liability), cash payment of $300,000 with an obligation to pay an additional $100,000 upon settlement of certain litigation, and issuance of secured promissory notes payable in aggregate of $600,000 for a total purchase price of $2,403,757.

The secured promissory notes are non-interest bearing and are due two equal installments on the 60 and 90 day anniversaries of the closing and are secured by certain intellectual property acquired from THC Industries, Inc.

A summary of consideration is as follows:

Cash paid	$ 300,000
Cash payment obligation	100,000
Put agreement	266,190
2,275,133 shares of the Company's common stock	1,137,567
Secured promissory notes	600,000
Total purchase price	$ 2,403,757

There is not a sufficient viable market for the Company's common stock to determine its fair value, therefore management is required to estimate the fair value to be utilized in determining acquisition costs. In estimating the fair value, management considers recent sales of its common stock to independent qualified investors. Considerable management judgment is necessary to estimate the fair value. Accordingly, actual results could vary significantly from management's estimates.

Approximately 95% of the shares were issued to the main shareholder of THC Industries, Inc., Ramsey Salem, who along with all other shareholders receiving shares from the Company in this transaction have entered into two-year lockup agreements with the Company restricting any share sales during that period. Mr. Salem executed a five-year employment agreement and will serve as CEO of THC Industries, LLC, the Company's new wholly owned subsidiary. The THC shareholders shall 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 for the period commencing on the 24-month anniversary of the closing and ending on the 30 month anniversary of the closing; provided however that they may only exercise this option if the Company's stock price is below $0.88 and trading volume is below 50,000 a day for a 90 day period.

THC Industries, Inc. owns the web domain www.thc.com, and the trademark THC®, which is a Class 25 trademark pertaining to clothing, footwear and headgear. THC has been an operating business and was incorporated in California since 1996, making THC one of the first internet based cannabis related businesses in the nation.

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

Assets acquired		
Trademarks	$	1,000,000
Domain name		1,250,000
Goodwill		153,757
Liabilities assumed		-
Net Assets acquired	$	2,403,757

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 $153,757 as a result of the acquisition of THC Industries, Inc. during the three months ended March 31, 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.

The Company, through its wholly owned subsidiaries, BBC and THC Industries, LLC, provide capital to canna-business clientele, purchase and lease real property to those canna-businesses and provides consulting services and technology to develop, enhance or expend existing and newly formed canna-businesses.

Basis of presentation:

The consolidated financial statements include the accounts of Pineapple Express, Inc. and its wholly owned subsidiaries, BBC (which wholly owns Pineapple Express One, LLC, Pineapple Express Two, LLC) and THC Industries, LLC (hereafter referred to as the "Company"). All significant intercompany balances and transactions have been eliminated in consolidation.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information. Accordingly, they do not include all of the information and disclosures required by U.S. GAAP for annual financial statements.

In the opinion of management, such statements include all adjustments (consisting only of normal recurring items) which are considered necessary for a fair presentation of the condensed consolidated financial statements of the Company as of March 31, 2016 and for the three months ended March 31, 2016 and from January 29, 2015 (date of inception) through March 31, 2015. The results of operations for the three months ended March 31, 2016 are not necessarily indicative of the operating results for the full year ending December 31, 2016, or any other period. These interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related disclosures of the Company as of December 31, 2015 and for the year then ended, which were filed with the OTC Markets (as restated).

NOTE 2 – GOING CONCERN AND MANAGEMENT'S LIQUIDITY PLANS

As of June 30, 2016, the Company had a cash balance of $28,565 and a working capital deficit of $4,356,062. During the six months ended June 30, 2016, the Company used net cash in operating activities of $935,800. The Company has not generated 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 six months ended June 30, 2016, the Company raised $475,000 in cash proceeds from the issuance of notes, $1,473,000 from the sale of common stock and subscriptions and $820,300 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, and 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.

Net Loss per Share

The Company computes basic net income (loss) per share by dividing net income (loss) per share available to common stockholders by the weighted average number of common shares outstanding for the period and excludes the effects of any potentially dilutive securities. Diluted earnings per share, if presented, would include the dilution that would occur upon the exercise or conversion of all potentially dilutive securities into common stock using the "treasury stock" and/or "if converted" methods as applicable. The computation of basic and diluted loss per share as of June 30, 2016 and 2015 excludes potentially dilutive securities when their inclusion would be anti-dilutive, or if their exercise prices were greater than the average market price of the common stock during the period. As of June 30, 2016 and 2015, the Company did not have any potentially dilutive securities outstanding.

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.

Recent Accounting Pronouncements

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

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment as of June 30, 2016 and December 31, 2015 is summarized as follows:

	June 30, 2016	December 31, 2015
Land	$ 1,662,417	$ 1,662,417
Building	1,662,418	1,662,418
Improvements	565,511	320,276
Furniture and fixtures	42,352	-
Office equipment and software	12,321	9,061
Subtotal	3,945,019	3,654,172
Less accumulated depreciation	(3,120)	(1,147)
Property and equipment, net	$ 3,941,899	$ 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 June 30, 2016, the Company's facility has not yet been placed in service, no depreciation on building or improvements has been provided.

Depreciation expense for the three and six months ended June 30, 2016 was $1,286 and $1,973, respectively; and from January 29, 2015 (date of inception) through June 30, 2015 was $-0-.

NOTE 5 – VACANT LAND ACQUISITION COSTS

Land acquisition costs are comprised of the following:

Reference	Description	Purchase price	Payments	Balance Due	Date Due
#665-030-032	Vacant Land	$ 650,000	$ 100,000	$ 584,422	8/31/2016
#665-030-042	Vacant Land	400,000	10,000	413,800	8/31/2016
#665-030-043	Vacant Land	665,000	515,000	151,410	8/31/2016
#665-030-044	Vacant Land	378,000	10,000	380,715	8/31/2016
#665-030-045	Vacant Land	440,000	20,000	421,519	8/31/2016
Total		$ 2,533,000	$ 655,000	$ 1,951,866	

In March 2016 (#665-030-032), the Company entered into a purchase agreement to acquire an adjoining vacant land parcel to its existing land in the City of Desert Hot Springs for $650,000. The Company has made payments totaling $100,000 and still owes approximately $584,000, which is expected to occur in August 2016.

In March 2016 (#665-030-042), the Company entered into a purchase agreement to acquire an adjoining vacant land parcel to its existing land in the City of Desert Hot Springs for $400,000. The Company has made payments totaling $10,000 and still owes approximately $413,000, which is expected to occur in August 2016.

In March 2016 (#665-030-043), the Company entered into a purchase agreement to acquire an adjoining vacant land parcel to its existing land in the City of Desert Hot Springs for $665,000. The Company has made payments totaling $40,000 and issued an aggregate of $475,000 notes payable to secure the property (See Note 7-Notes payable). In connection with the issuance of the one of the notes, the property was titled in the noteholder's name and will be transferred to the Company upon note payoff.

In March 2016 (#665-030-044), the Company entered into a purchase agreement to acquire an adjoining vacant land parcel to its existing land in the City of Desert Hot Springs for $378,000. The Company has made payments totaling $10,000 and still owes approximately $380,000 to close the purchase, which is expected to occur in August 2016.

In December 2015 (#665-030-045), the Company entered into a purchase agreement to acquire an adjoining parcel to its existing land in the City of Desert Hot Springs for $440,000. The Company has made payments totaling $20,000 and still owes approximately $421,000, which is expected to occur in August 2016.

NOTE 6 – NOTES PAYABLE-RELATED PARTY

On March 10, 2016, the Company issued an unsecured promissory note for $750,000 to Sky Island, Inc., a company owned by a related party. The promissory note is due and payable upon demand and bears interest of 10% per annum. If no demand is made, then payments of interest only shall be payable on the unpaid principal amount on the last day of each calendar quarter beginning December 31, 2016 and any and all remaining principal and interest due in full on December 31, 2021. During the six months ended June 30, 2016, the Company has paid $40,000 towards the note payable. As of June 30, 2016, the outstanding balance was $710,000.

During the six months ended June 30, 2016, the Company issued an aggregate of $95,000 notes payable to related parties. The notes are non-interest bearing and payable on demand.

As of June 30, 2016, interest accrued to related party was $22,016.

NOTE 7 – NOTES PAYABLE

Notes payable are comprised of the following as of June 30, 2016 and December 31, 2015:

	June 30, 2016	December 31, 2015
Promissory notes due May 2016, (see below)	$ 300,000	$ -
Note payable, due March 2017, net of unamortized debt discount of $44,444	143,056	-
Note payable, due June 2016, (see below)	500,000	-
Total	943,056	-
Less short term portion	(943,056)	-
Long term portion	$ -	$ -

In connection with the THC Industries, Inc. acquisition, the Company issued an aggregate of $600,000 non-interest bearing secured promissory notes, due in two equal installments on the 60 and 90 day anniversaries of the closing of THC Industries, Inc. and are secured by certain intellectual property acquired from THC Industries, Inc. As of June 30, 2016 was $300,000 in in default. On August 5, 2016, subsequent to these financial statements (See Note 14), the Company entered into a forbearance agreement whereby the Company and the noteholder agreed to: i) extend the due date to December 3, 2016; ii) accrued interest from the default date of May 18, 2016 at 6%, ,due at maturity and to iii) consolidate into one debt obligation the unpaid balance of $300,000, the amount due under the purchase agreement of $100,000 (see Note 1) and expenses incurred on the Company's behalf of $23,286 to an aggregate note payable of $423,286.

On March 18, 2016, the Company issued an unsecured note payable for $187,500 for net proceeds of $125,000 after deduction of an original issue discount ("OID") of $62,500 and is due March 13, 2017.

On March 18, 2016, the Company issued a note payable for $500,000 for net proceeds of $350,000 after deduction of an OID of $150,000 and is due June 22, 2016. As described in Note 5-Land Acquisition Costs, the noteholder holds title to land the Company acquired in connection with the issuance of the note. As of June 30, 2016, the outstanding balance of $500,000 was in default. In August 2016, subsequent to these financial statements, the Company anticipates payment in full of the outstanding note obligation (See Note 14 below).

The OID of the two issued notes is amortized ratably over each note's term. For the three months and six ended June 30, 2016, $145,486 and $168,056 was recorded as interest expense in the current period operations, respectively.

NOTE 8 – 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 of its acquired Desert Hot Springs, California property 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.

During the six months ended June 30, 2016, the Company paid in advance to the third party an aggregate of $58,800 reducing the obligation to $691,200 as of June 30, 2016

NOTE 9 – CAPITAL LEASE

Capital lease as of June 30, 2016 and December 31, 2015 is as follows:

	June 30, 2016	December 31, 2016
Lease-Desert Hot Springs, California	$ 3,020,369	$ 3,224,835
Accrued interest	-	32,356
Total	3,020,369	3,257,191
Short term portion	1,525,353	1,495,198
Long term portion	$ 1,495,016	$ 1,761,993

As described in Note 13, on September 1, 2015, the Company entered into a purchase agreement to acquire 3.78-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 March 31, 2016:

	Amount
Six months ended June 30, 2016	$ 1,258,376
Year ended December 31, 2017	1,761,993
Total	$ 3,020,369

NOTE 10 – PUT LIABILITY

In connection with the acquisition of THC Industries, Inc., the Company granted the THC shareholders an option to require the Company to purchase from them up to 1,478,836 shares at a price of $0.68 per share for the period commencing on the 24 month anniversary of the closing and ending on the 30 month anniversary of the closing; provided however that they may only exercise this option if the Company's stock price is below $0.88 and trading volume is below 50,000 a day for a 90 day period. The accounting treatment requires that the Company record fair value of the put liability as of the inception date and to fair value as of each subsequent reporting date.

There is not a sufficient viable market for the Company's common stock to determine its fair value, therefore management is required to estimate the fair value to be utilized in determining acquisition costs. In estimating the fair value, management considers recent sales of its common stock to independent qualified investors. Considerable management judgment is necessary to estimate the fair value. Accordingly, actual results could vary significantly from management's estimates. At June 30, 2016, the Company estimated the fair value of its common stock at $1.00. Accordingly, the Company adjusted the carrying value of the put liability to $-0- and recorded a gain on change in fair value of $266,190 during the six months ended June 30, 2016.

NOTE 11 – STOCKHOLDERS' EQUITY

The Company is authorized to issue 520,000,000 shares, of which 20,000,000 shares are reserved as preferred shares and 500,000,000 shares designated as common shares. As of June 30, 2016 and December 31, 2015, there were 59,966,175 and 55,957,311 shares of $0.0000001 per value common and preferred stock outstanding, respectively.

Common stock

On January 29, 2016, the Company issued an aggregate of 40,000 shares of its common stock for services valued at $20,000.

In February 2016, the Company sold an aggregate of 910,000 shares of its common stock for net proceeds of $405,000 and previously received subscription of $50,000.

On March 2, 2016, the Company issued 158,731 shares of its common stock for services valued at $79,366.

On March 16, 2016, the Company issued an aggregate of 2,275,133 shares of its common stock to acquire THC Industries, Inc. (See Note 1-Nature of Operations and Basis of Presentation).

On March 16, 2016, the Company issued 100,000 shares of its common stock for services valued at $50,000.

On April 7, 2016, the Company issued 100,000 shares of its common stock for a previously received subscription of $100,000.

On June 17, 2016, the Company issued 50,000 shares of its common stock to a joining board member valued at $50,000.

On June 23, 2016, the Company issued 5,000 shares of its common stock as compensation valued at $5,000.

On June 29, 2016, the Company issued an aggregate of 370,000 shares of its common stock for net proceeds of $370,000.

As of June 30, 2016, the Company had outstanding $598,000 in common stock subscriptions.

NOTE 12 – RELATED PARTY TRANSACTIONS

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 6 above, the Company issued demand notes to a related parties for previous advances in the aggregate of $845,000. As of June 30, 2016, $805,000 was outstanding. The Company incurred interest of $22,016 associated with one of the demand notes. The remaining are non-interest bearing and due on demand.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

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 September 1, 2015 and $1,000,000 will be paid in July 2016. $4,000 was paid 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.

Employment agreements

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 rate of $120,000 per year. Ms. Flynt also was issued 100,000 shares of common stock in accordance with her employment agreement.

On March 15, 2016, we entered into a consulting agreement with Sean Cunningham pursuant to which he agreed to serve as our Interim Chief Financial Officer. We appointed Mr. Cunningham as our Chief Financial Officer on May 1, 2016. The consulting agreement had a term of three months, which the Company and Mr. Cunningham extended while finalizing the terms of an employment agreement. Mr. Cunningham is also required, for a period of two years following his resignation or removal, to not disclose any confidential material, subject to customary exceptions, and is also required to never solicit actual or potential customers, employees, consultants and suppliers to the Company. Mr. Cunningham is entitled to cash compensation of $12,500 per month. Upon the conclusion of the term, if Mr. Cunningham continues to provide services to the Company, we shall issue him $50,000 shares of our Common Stock, calculated based on the closing price of our Common Stock on the first day following the end of the term. These shares shall be subject to a lockup agreement restricting public sales until September 1, 2017. Mr. Cunningham's annual compensation shall be increased to $175,000 cash and $25,000 of common stock upon the earlier of January 1, 2017 or the achievement of certain milestones. The agreement requires that, for the duration of the term, Mr. Cunningham not provide similar consulting services to any other entity and ensure that no conflict of interest arises with respect to his transactions with any other entity.

On July 15, 2016 the Company entered into a one-year employment agreement with Sean Cunningham to serve as Chief Financial Officer for the Company at a base salary of $150,000, effective July 1, 2016. The agreement may be terminated by either party upon four weeks of notice, provided however, that the Company may terminate the agreement immediately for cause and upon six weeks of notice for disability. The base salary shall be increased to $200,000 commencing on January 1, 2017 through the remaining term of his agreement. The Company issued Mr. Cunningham an aggregate of 425,000 shares of common stock in connection with his employment agreement and prior consulting agreement. Mr. Cunningham is not entitled to severance payments upon termination.

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 as of March 31, 2016.

NOTE 14— SUBSEQUENT EVENTS

Top Shelf

On July 20, 2016, the Company entered into a Patent Assignment Agreement with Sky Island Inc. ("Sky Island"), wherein Sky Island agreed to sell, assign or transfer all rights, title and interests relating to the Top Shelf patent, back to the Company. In May of this year, the Company was obligated to reverse the patent rights it had to the Top Shelf system back to Sky Island as part of the agreement by Sky Island to rescind the preferred shares that were issued to them in exchange for the original patent assignment, back in August of 2015.

Forbearance Agreement

On August 5, 2016, the Company entered into a forbearance agreement with a note payable issued in connection with the THC Industries, Inc. acquisition due May 18, 2016 whereby the Company and the noteholder agreed to; i) extend the due date to December 3, 2016; ii) accrued interest from the default date of May 18, 2016 at 6% per annum, due at maturity and to iii) consolidate into one debt obligation the unpaid balance of $300,000, the amount due under the purchase agreement of $100,000 (see Note 1) and expenses incurred on the Company's behalf of $23,286 to an aggregate note payable of $423,286.

Financing

On August 5, 2016, the Company issued an unsecured promissory note in the amount of $28,910 for unpaid services and expenses. The note bears interest at 6% per annum and is due with principal on December 3, 2016.

On August 18, 2016, the Company issued an unsecured promissory note in the amount of $13,825 for unpaid invoices. The note bears interest at 10% per annum back to May 15, 2016 and is due with principal on August 31, 2016.

Share Issuance

In August 2016 the Company issued 806,250 shares of our Common Stock to an employee in connection with his employment agreement.

In August 2016 the Company issued 16,000 shares of our Common Stock to two separate service providers as compensation for $10,000 and $6,000, respectively, worth of services.

Pineapple Park

In August 2016, the Company's subsidiary Pineapple Express Two, LLC signed an LOI with Hydro Realty, LLC dba Del-Gro ("Del-Gro") wherein they will execute a master lease and provide tenants for three buildings within Pineapple Park.