

**MEDBOX, INC**  
**FINANCIAL STATEMENTS**  
**December 31, 2012**

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INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

To MANAGEMENT  
MEDBOX, INC  
6700 FALLBROOK AVENUE, SUITE 289  
WEST HILLS, CA 91307

I have compiled the accompanying consolidated balance sheet of MEDBOX, INC (a corporation) and subsidiaries as of December 31, 2012, and the related consolidated statements of income and retained earnings, cash flows and changes in stockholders' equity for the quarter/year then ended. I have not audited or reviewed the accompanying consolidated financial statements and, accordingly, do not express an opinion or provide any assurance about whether the consolidated financial statements are in accordance with accounting principles generally accepted in the United States of America.

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the consolidated financial statements.

My responsibility is to conduct the compilation in accordance with Statement on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of consolidated financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the consolidated financial statements.

A handwritten signature in black ink, consisting of several overlapping, sweeping lines that form a stylized, somewhat abstract shape.

February 10, 2013

**MEDBOX, INC**  
**BALANCE SHEET**  
**As of December 31, 2012**

**ASSETS**

**CURRENT ASSETS**

Cash in Bank	\$	1,026,901.58
Accounts Receivable		2,397,000.00
Subscriptions Receivable		153,250.00
Inventory		<u>377,900.00</u>

**Total Current Assets** \$ 3,955,051.58

**PROPERTY AND EQUIPMENT**

Machinery & Equipment		2,508.69
Auto & Truck		<u>92,000.00</u>
	\$	94,508.69

Less: Accumulated Depreciation (43,490.69)

**Total Property and Equipment** 51,018.00

**OTHER ASSETS**

Deposits	\$	4,850.00
Intangible Asset - Patent		<u>950,000.00</u>

**Total Other Assets** 954,850.00

\$ 4,960,919.58

**MEDBOX, INC**  
**BALANCE SHEET**  
**As of December 31, 2012**

**LIABILITIES AND STOCKHOLDERS' EQUITY**

**CURRENT LIABILITIES**

Accounts Payable	\$	288,881.09
Accrued Expenses		9,315.00
Current Portion L-T Debt		359,538.00
Sales Tax Payable		15,000.00
Income Taxes Payable		<u>621,462.00</u>

**Total Current Liabilities** \$ 1,294,196.09

**LONG-TERM DEBT**

Loan Payable - PVM International, Inc.	\$	775,037.74
Loan Payable - Chase Auto Loan		40,007.72
Loan Payable - Wozniak		82,000.00
Loan Payable - Kerr		12,000.00
Deferred Tax Liability		<u>39,054.00</u>
	\$	948,099.46

Less Current Portion Above (359,538.00)

**Total Long-Term Debt** 588,561.46

**STOCKHOLDERS' EQUITY**

Common Stock	\$	14,041.00
Common Stock Subscribed		37.00
Add'l Paid In Capital		2,109,321.00
Dividends Paid to Subsidiary Shareholders'		(49,965.37)
Retained Earnings, 12/31/2012		<u>1,004,728.40</u>

**Total Stockholders' Equity** 3,078,162.03

**\$ 4,960,919.58**

**MEDBOX, INC**  
**STATEMENT OF INCOME &**  
**& RETAINED EARNINGS**

	3 Months Ended December 31, 2012	%	12 Months Ended December 31, 2012	%
<b>Income</b>				
Sales	\$ 965,500.00	21.25	\$ 4,543,859.20	100.00
Interest Income	26.59	0.00	26.59	0.00
<b>Total Income</b>	<b>\$ 965,526.59</b>	<b>21.25</b>	<b>\$ 4,543,885.79</b>	<b>100.00</b>
<b>Cost of Sales (Sch B-1)</b>	<b>93,310.37</b>	<b>9.66</b>	<b>896,017.15</b>	<b>19.72</b>
Income Before Oprtng Expns	\$ 872,216.22	19.20	\$ 3,647,868.64	80.28
<b>Operating Expenses (Sch B-2)</b>	<b>517,088.04</b>	<b>11.38</b>	<b>1,841,151.63</b>	<b>40.52</b>
Income Before Other Expns	\$ 355,128.18	7.82	\$ 1,806,717.01	39.76
<b>Other Expenses</b>				
Amortization - Patent	\$ 50,000.00	1.10	\$ 50,000.00	1.10
Depreciation	26,247.00	0.58	29,922.00	0.66
Interest	1,718.93	0.04	4,974.61	0.11
Officer's Salary	45,000.00	0.99	180,000.00	3.96
	<b>\$ 122,965.93</b>	<b>2.71</b>	<b>\$ 264,896.61</b>	<b>5.83</b>
<b>Net Income Bef Income Tax</b>	<b>\$ 232,162.25</b>	<b>5.11</b>	<b>\$ 1,541,820.40</b>	<b>33.93</b>
<b>Provision for Income Tax</b>	<b>(136,958.00)</b>	<b>(3.01)</b>	<b>(660,516.00)</b>	<b>(14.54)</b>
<b>Net Income</b>	<b>\$ 95,204.25</b>	<b>2.10</b>	<b>\$ 881,304.40</b>	<b>19.40</b>
<b>Retained Earnings, 1/1/12</b>			<b>123,424.00</b>	
<b>Retained Earnings, 12/31/12</b>			<b>\$ 1,004,728.40</b>	

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**MEDBOX, INC**  
**SCHEDULE OF COST OF SALES**  
**SCHEDULE B-1**

	<b>3 Months Ended December 31, 2012</b>	<b>%</b>	<b>12 Months Ended December 31, 2012</b>	<b>%</b>
<b>Cost of Sales</b>				
Purchases	17,093.80	1.77	370,541.28	8.15
Construction & Buildouts	76,216.57	7.89	185,356.87	4.08
Licenses & Permits	0.00	0.00	340,119.00	7.49
<b>Total Cost of Sales</b>	<b>\$ 93,310.37</b>	<b>9.66</b>	<b>\$ 896,017.15</b>	<b>19.72</b>

**MEDBOX, INC**  
**SCHEDULE OF OPERATING EXPENSES**

**SCHEDULE B-2**

	<b>3 Months Ended December 31, 2012</b>	<b>%</b>	<b>12 Months Ended December 31, 2012</b>	<b>%</b>
<b>Operating Expenses</b>				
Advertising	26,281.03	2.72	76,893.65	1.69
Answering Service	1,978.30	0.20	4,730.30	0.10
Automobile	3,164.35	0.33	4,801.85	0.11
Bad Debt Expense	0.00	0.00	418,095.00	9.20
Bank Charges	3,907.74	0.40	14,452.15	0.32
Bankcard Discounts	0.00	0.00	105.51	0.00
Computer Service & Supplies	219.87	0.02	2,674.67	0.06
Delivery	3,565.72	0.37	10,976.90	0.24
Dues & Subscriptions	400.00	0.04	2,102.00	0.05
Employee Benefits	618.00	0.06	4,266.00	0.09
Entertainment	1,408.83	0.15	7,322.25	0.16
Equipment Rental	0.00	0.00	3,060.00	0.07
Gifts	138.57	0.01	138.57	0.00
Legal & Accounting	48,463.50	5.02	154,011.77	3.39
Lease Fees	10,000.00	1.04	12,000.00	0.26
Licenses	0.00	0.00	938.00	0.02
Maintenance & Repairs	103.28	0.01	103.28	0.00
Marketing	17,541.00	1.82	62,516.92	1.38
Meetings & Conferences	0.00	0.00	4,256.37	0.09
Merchant Charges	0.00	0.00	124.85	0.00
Office Expense	2,070.56	0.21	5,005.75	0.11
Outside Services	38,980.00	4.04	113,969.12	2.51
Parking	104.25	0.01	320.28	0.01
Penalties	2,800.94	0.29	4,112.95	0.09
Postage	0.00	0.00	47.97	0.00
Printing	456.14	0.05	456.14	0.01
Professional Fees	246,936.37	25.58	573,265.14	12.62
Promotion	0.00	0.00	7,284.85	0.16
Rent	62,700.00	6.49	222,886.43	4.91
Research	799.90	0.08	10,916.71	0.24
Security	5,250.00	0.54	14,518.12	0.32
Supplies	3,105.97	0.32	5,390.84	0.12
Taxes & Licenses	2,144.95	0.22	6,424.93	0.14
Taxes - Franchise	11,974.06	1.24	14,775.00	0.33
Telephone	1,620.91	0.17	7,168.04	0.16
Travel	19,659.90	2.04	67,457.77	1.48
Transportation	343.93	0.04	1,009.77	0.02
Utilities	0.00	0.00	1,044.66	0.02
Web Site	349.97	0.04	1,527.12	0.03
<b>Total Operating Expenses</b>	<b>\$ 517,088.04</b>	<b>53.56</b>	<b>\$ 1,841,151.63</b>	<b>40.52</b>

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**MEDBOX, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE TWELVE MONTHS ENDED**  
**DECEMBER 31, 2012**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Net Income	<u>\$ 881,304</u>
Adjustments to reconcile net income to net cash used by operating activities:	
Depreciation	\$ 29,922
Amortization	\$ 50,000
Decrease (increase) in:	
Accounts receivable	(2,397,000)
Subscription receivable	(153,250)
Loan receivable - Officers'	177,145
Loan receivable	104,650
Inventory	(277,900)
Intangible asset-patent	(1,000,000)
Increase (decrease) in:	
Accounts payable	288,881
Accrued Expenses	9,315
Current Portion Long-term Debt	359,538
Sales tax payable	(20,028)
Deferred tax liability	39,054
Income Tax Payable	577,096
Total adjustments	<u>\$ (2,212,577)</u>
Net cash used by operating activities	<u>\$ (1,331,273)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Proceeds from Equity Investment	\$ 13,976
Payments in Dividends	(49,965)
Buyback of common stock/shareholders	(125,000)
Payments to Additional paid in capital	1,989,331
Net cash provided by investing activities	<u>\$ 1,828,342</u>

**CASH FLOWS FROM FINANCING ACTIVITIES:**

Current Portion Long-term Debt	\$ (359,538)
Increase in loans payable	\$ 1,125,000
Payments on Loans Payable	(277,985)
Net cash provided by financing activities	<u>\$ 487,477</u>

**NET INCREASE IN CASH AND CASH EQUIVALENTS**

**CASH AND CASH EQUIVALENTS, JANUARY 1, 2012**

**CASH AND CASH EQUIVALENTS, DECEMBER 31, 2012**

\$ 984,546
<u>42,356</u>
<u>\$ 1,026,902</u>

**SUPPLEMENTAL DISCLOSURES:**

Cash paid during the year for interest	\$ 4,975
Cash paid during the year for income tax	<u>\$ 59,141</u>

**MEDBOX, INC.**  
**STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY**  
**DECEMBER 31, 2012**

	Common Stock		Additional Paid In Capital	Retained Earnings	Total Stockholders' Equity
	Shares	Amount			
Balance at January 1, 2012	-	\$ -	\$ -	\$ 123,424	\$ 123,424
December 31, 2012 net income	-	-	-	881,304	881,304
Activity for December 31, 2012					
Issuance of Common Stock par value of \$.001 per share	14,040,559	14,041	2,081,108	-	2,095,149
Activity for December 31, 2012					
Common Stock subscribed to par value of \$.001 per share	37,050	37	153,213	-	153,250
Dividend Paid				(49,965)	(49,965)
Less : Buyout of PVM, Inc Shareholders	-	-	(125,000)		(125,000)
Balance at December 31, 2012	<u>14,077,609</u>	<u>\$ 14,078</u>	<u>\$ 2,109,321</u>	<u>\$ 954,763</u>	<u>\$ 3,078,162</u>