MEDBOX, INC

CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2013

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INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

To MANAGEMENT
MEDBOX, INC
8439 W. SUNSET BLVD., SUITE 101
WEST HOLLYWOOD, CA 90069

I have compiled the accompanying consolidated balance sheet of MEDBOX, INC (a corporation) and subsidiaries as of March 31, 2013, and the related consolidated statements of income and retained earnings, cash flows and changes in stockholders' equity for the quarter 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 acccepted 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.

May 20, 2013

MEDBOX, INC
STATEMENT OF INCOME & EXPENSE
& RETAINED EARNINGS

		3 Months Ended March 31, 2013	%
Revenues	$	1,749,554.93	99.99
Costs and Expenses (Sch B-1)		1,300,128.96	74.31
Income Before Other <Income> Expense	$	449,425.97	25.69
Other <Income> Expense			
Interest		847.89	0.05
Interest Income		(119.87)	(0.01)
Total Other <Income> Expense	$	728.02	0.04
Net Income Before Income Tax	$	448,697.95	25.64
Provision for Income Tax		(176,680.00)	10.10
Net Income	$	272,017.95	(15.55)
Retained Earnings, 1/1/2013		329,556.03	
Retained Earnings, 3/31/2013	$	601,573.98	

MEDBOX, INC
CONSOLIDATED BALANCE SHEET
As of March 31, 2013

ASSETS

CURRENT ASSETS		
Cash in Bank	$ 1,043,670.66	
Accounts Receivable	1,046,000.00	
Unbilled Receivable	63,600.00	
Loan Receivable	70,000.00	
Inventory	311,500.00	
Inventory Deposits	155,826.69	
Total Current Assets		$ 2,690,597.35
PROPERTY AND EQUIPMENT		
Machinery & Equipment	2,508.69	
Furniture & Fixtures	24,243.04	
Auto & Truck	92,000.00	
	$ 118,751.73	
Less: Accumulated Depreciation	(49,191.69)	
Total Property and Equipment		69,560.04
OTHER ASSETS		
Advances on Inv in Bio-Tech Medical Software, Inc.	$ 500,000.00	
Advances on Investment in MedVend Holdings, LLC	300,000.00	
Loan Receivable - MedVend Holdings, LLC	300,000.00	
Advances -Vaporfection International, Inc.	375,850.00	
Deposits	22,850.00	
Total Other Assets		1,498,700.00
		$ 4,258,857.39

MEDBOX, INC
CONSOLIDATED BALANCE SHEET
As of March 31, 2013

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES				
Accounts Payable	$	201,646.91		
Deferred Revenue		120,000.00		
Current Portion L-T Debt		15,880.00		
Sales Tax Payable		18,250.00		
Income Taxes Payable		404,340.00		
Total Current Liabilities			$	760,116.91
Note Payable - PVM International, Inc.	$	440,037.74		
Loan Payable - Chase Auto Loan		20,369.26		
Deferred Tax Liability		8,989.00		
				469,396.00
STOCKHOLDERS' EQUITY				
Preferred Stock	$	3,000.00		
Common Stock		14,703.00		
Common Stock Subscribed		11,000.00		
Add'l Paid In Capital		2,410,552.00		
Dividends Paid to Subsidiary Shareholders'		(11,484.50)		
Retained Earnings, 3/31/2013		601,573.98		
Total Stockholders' Equity				3,029,344.48
			$	4,258,857.39

MEDBOX, INC
SCHEDULE OF COSTS AND EXPENSES

SCHEDULE B-1

	3 Months Ended March 31, 2013	%
Costs and Expenses		
Automobile	3,659.44	0.21
Bank Charges	2,641.14	0.15
Commissions	50,000.00	2.86
Computer Service & Supplies	7,641.55	0.44
Construction & Buildouts	99,977.13	5.71
Contributions	10,000.00	0.57
Depreciation	5,701.00	0.33
Employee Benefits	714.00	0.04
Entertainment	811.75	0.05
Legal & Accounting	316,953.23	18.11
Licenses and Fees	468.00	0.03
Marketing	293,594.57	16.78
Meetings & Conferences	1,736.70	0.10
Office Expense	2,565.79	0.15
Outside Services	176,870.00	10.11
Parking	2,438.54	0.14
Postage	6,685.28	0.38
Printing	7,584.46	0.43
Professional Fees	102,730.02	5.87
Rent	92,482.85	5.29
Research	4,780.00	0.27
Salaries	68,403.42	3.91
Supplies	5,424.97	0.31
Telephone	3,946.91	0.23
Travel	22,402.87	1.28
Transportation	367.14	0.02
Utilities	1,698.23	0.10
Web Site	7,849.97	0.45
Total Costs and Expenses	$ 1,300,128.96	74.31

MEDBOX, INC.
STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED
MARCH 31, 2013

CASH FLOWS FROM OPERATING ACTIVITIES:	
Net Income	$ 272,018
Adjustments to reconcile net income to	
net cash used by operating activities:	
Depreciation	$ 5,701
Decrease (increase) in:	
Accounts receivable & unbilled receivables	942,400
Subscription receivable	153,250
Loans receivable	(370,000)
Inventory & inventory deposits	(89,427)
Deposits	(18,000)
Increase (decrease) in:	
Accounts payable & accrued expenses	(107,769)
Sales tax payable	3,250
Deferred tax liability	(18,835)
Deferred Revenue	(553,250)
Income Tax Payable	186,447
Total adjustments	$ 133,767
Net cash used by operating activities	$ 405,785
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases of Furniture & Fixtures	$ (24,243)
Proceeds from Equity Investment	1,255,320
Payments in Dividends	(11,485)
Advances on investments	(1,175,850)
Net cash provided by investing activities	$ 43,742
CASH FLOWS FROM FINANCING ACTIVITIES:	
Payments on Loans Payable	$ (432,758)
Net cash used by financing activities	$ (432,758)
NET INCREASE IN CASH AND CASH EQUIVALENTS	$ 16,769
CASH AND CASH EQUIVALENTS, JANUARY 1, 2013	1,026,902
CASH AND CASH EQUIVALENTS, MARCH 31, 2013	$ 1,043,671
SUPPLEMENTAL DISCLOSURES:	
Cash paid during the three months ended for interest	$ 848
Cash paid during the three months ended for income tax	$ 9,068

MEDBOX, INC.

STATEMENT OF CHANGES IN CONSOLIDATED STOCKHOLDERS' EQUITY

FOR THE THREE MONTHS ENDED

MARCH 31, 2013

	Preferred Stock		Common Stock		Additional Paid In	Retained	Total Stockholders'
	Shares	Amount	Shares	Amount	Capital	Earnings	Equity
Balance at January 1, 2013	3,000,000	$ 3,000	14,805,572	$ 14,806	$ 1,166,129	$ 329,556	$ 1,513,491
Net income for the three months ended March 31, 2013			-	-	-	272,018	272,018
Activity for the three months ended March 31, 2013							
Issuance of Common Stock par value of $.001 per share			630,550	630	1,244,423	-	1,245,053
Activity for the three months ended March 31, 2013							
Common Stock subscribed to par value of $.001 per share			-	11,000	-	-	11,000
Dividend Paid						(11,485)	(11,485)
Less : Cancellation of common stock issued			(733,000)	(733)	-		(733)
Balance at March 31, 2013	3,000,000	$ 3,000	14,703,122	$ 25,703	$ 2,410,552	$ 590,089	$ 3,029,344

MEDBOX, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS OF MARCH 31, 2013

Note 1 – Nature of Business

Medbox, Inc. (the Company) was incorporated in the state of Nevada on June 16, 1977, originally as Rabatco, Inc., subsequently changing its name on May 12, 2000 to MindfulEye, Inc., and again on August 30, 2011 to Medbox, Inc. The company is a leader in the development, sales and service of automated, biometrically controlled dispensing and storage systems for medicine and merchandise and is headquartered in West Hollywood, California. The Company provides their patented systems, software and consulting services to pharmacies, dispensaries, urgent care centers, drug rehab clinics, hospitals, prison systems, hospice facilities and medical groups worldwide.

The Company's subsidiaries, Prescription Vending Machines, Inc. (subsidiary) was incorporated in the state of California in 2008 and Medicine Dispensing Systems was incorporated in the state of Arizona in 2011.

Note 2 – Summary of Significant Accounting Policies

Use of Estimates

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

Principles of Consolidation

The consolidated financial statements include the accounts of Medbox, Inc. and its wholly owned subsidiaries, Prescription Vending Machines, Inc. and Medline Dispensing Systems Incorporated. All material intercompany transactions have been eliminated.

Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits with banks, and all highly liquid investments with original maturities of three months or less.

Concentration of Credit Risk

The Company maintains cash balances at several financial institutions in the Los Angeles, California area. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to $250,000. At March 31, 2013, the Company's uninsured balances totaled approximately $727,783.

Marketing Costs

Marketing costs are expensed as incurred. Marketing expense for the period ending March 31, 2013 was $293,595.

Fair Value of Financial Instruments

Under FASB ASC 820-10-05, the Financial Accounting Standards Board establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. This statement reaffirms that fair value is the relevant measurement attribute. The adoption of this standard did not have a material effect on the Company's financial statements as reflected herein. The carrying amounts of cash, prepaid expenses and accrued expenses reported on the balance sheet are estimated by management to approximate fair value primarily due to the short term nature of the instruments. The Company had no items that required fair value measurement on a recurring basis.

Revenue Recognition

The Company recognizes revenues in compliance with FASB ASC 605, *"Revenue Recognition"*. Provisions for discounts and rebates to customers, estimated returns and allowances, and other adjustments are provided for in the same period the related sales are recorded. The Company will allow customers to return merchandise under most circumstances. The reserve for returns will be included as are allowances in the Company's balance sheet. The reserve is estimated based on the Company's historical experience of returns made by customers. The Company will defer any revenue from sales in which payment has been received, but the earnings process has not occurred.

Allowance for Bad Debts

The Company evaluates the collectability of its receivables based on a combination of factors. Management periodically reviews the individual accounts receivable balances and determines which accounts to initiate collection procedures on. It is the practice of the Company to expense uncollectible accounts receivable only after exhausting all efforts to collect amounts due. Management believes that all amounts will be collected in full and no allowance for doubtful accounts has been established.

Inventory

Inventories are stated at the lower of cost or market. Cost is determined on a standard cost basis that approximates the first-in, first-out (FIFO) method. Market is determined based on net realizable value. Appropriate consideration is given to obsolescence, excessive levels, deterioration and other factors in evaluating net realizable value.

Property and Equipment

Property and equipment are recorded at cost. Expenditures for major additions and improvements are capitalized and minor replacements, maintenance, and repairs are charged to expense as incurred. When property and equipment are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the results of operations for the respective period. Depreciation is provided over the estimated useful lives of the related assets using the straight-line method for financial statement purposes. The Company uses other depreciation methods (generally accelerated) for tax purposes where appropriate. The estimated useful lives for significant property and equipment categories are as follows:

Vehicles	5 years
Office equipment	5 years
Furniture and fixtures	5 years

Depreciation expense for the period ending March 31, 2013 was $5,701.

Income Taxes

Effective January 1, 2009, the Company was required to adopt the revised provisions of FASB ASC 740, relating to uncertain income tax positions. These standards require management to perform an evaluation of all income tax positions taken or expected to be taken in the course of preparing the Company's income tax returns to determine whether the income tax positions meet a "more likely than not" standard of being sustained under examination by the applicable taxing authorizes. This evaluation is required to be performed for all open tax years, as defined by the various statutes of limitations, for federal and state purposes.

The Company is required to file federal and state income tax returns. Various taxing authorities periodically audit the Company's income tax returns. These audits include questions regarding the Company's tax filing positions, including the timing and amount of deductions and the allocation of income to various tax jurisdictions.

The Company has not yet undergone an examination by any taxing authorities. Management has performed its evaluation of all other income tax positions taken on all open income tax returns and has determined that there were no positions taken that do not meet the "more likely than not" standard. Accordingly, there are no provisions for income taxes, penalties or interest receivable or payable relating to uncertain income tax provisions in the accompanying financial statements.

From time to time, the Company may be subject to interest and penalties assessed by various taxing authorities. These amounts have historically been insignificant and are classified as other expenses when they occur.

Deferred income taxes are provided for temporary differences arising from using the straight-line depreciation method for financial statement purposes and accelerated methods of depreciation for income taxes. In addition, deferred income taxes are recognized for certain expense accruals, allowances and net operating loss carryforwards available to offset future taxable income, net of valuation allowances for potential expiration and other contingencies that could impact the Company's ability to recognize the benefit.

The tax provision differs from the expense that would result from applying statutory rates to loss before income taxes because of permanent differences such as meals and entertainment that are not fully deductible for tax purposes.

Note 3 – Property and Equipment

Property and equipment at March 31, 2013 consist of:

		2013
Depreciable assets:		
Office equipment	$	2,509
Furniture and fixtures		24,243
Transportation equipment		92,000
Sub-total	$	118,752
Less accumulated depreciation		(49,192)
Total, property and equipment, net	$	69,560

Note 4 – Investment and Advances

On March 22, 2013, the Company entered into a purchase agreement for $7,597,376 in exchange for 100,000 shares or $.001 par value common stock which represents 100% of the issued and outstanding common stock of Vaporfection International Inc. owned by Vapor Systems International LLC.

Upon execution of this agreement, the Company issued and provided Vapor Systems International LLC a warrant dated March 21, 2013 the right to subscribe for, purchase and receive 260,854 shares of $.001 par value common stock by any time from March 21, 2014 to April 1, 2018, 5:00 P.M.Pacific time at which time the warrant will expire.

In addition, if at a date within 24 months from the closing date, the closing price of the Company's common stock falls below $25 for a period greater than 30 consecutive trading days, the Company shall issue to Vapor additional common stock equal to 71.37% of the stock value multiplied by the number of shares issuance upon exercise of the warrant.

Terms of the agreement also include the Company providing up to $1,600,000 in working capital. Upon execution of this purchase agreement, the first working capital in the amount of $325,850 was provided. Included as part of the $1,600,000 working capital is the cancellation and forgiveness of a $50,000 promissory note executed on February 28, 2013 by Vapor Systems International LLC as the borrower and Medbox, Inc. as the lender.

Terms also include the Company settling an ongoing litigation on behalf of Vapor Systems International LLC. The Company agreed to pay $175,000 and issue a warrant to purchase 5,000 restricted shares of Medbox common stock to the litigant.

The Company will also guaranty a March 13, 2013 $175,000 10% convertible note executed by Vaporfection International Inc. with $.001 par value common stock at a rate of 50% of the market value at time of the conversion. The note has a maturity date of September 22, 2013.

This purchase acquisition agreement was consummated in April 2013.

On February 8, 2013 for a purchase price of $1,500,000, the Company entered into an agreement with Bio-Tech Medical Software, Inc. which would allow the Company to purchase 833.333 of authorized shares of common stock which would represent 25% of Bio-Tech's issued and outstanding shares of common stock.

The Company advanced $500,000 upon execution of this agreement for the right to purchase with the remaining balance of $1,000,000 due and payable in installments at various dates by August 25, 2013.

In addition to the $1,500,000 purchase price the Company will provide 700,000 shares of authorized unissued common stock, contingent upon future performance by Bio-Tech Medical Software, Inc.

On March 12, 2013, the Company entered into an agreement with three members of Medvend Holdings LLC whereby the Company would acquire 50% of their equity interest in Medvend. The purchase price of the equity interest is $4,100,000 whereby the Company paid an advance of $300,000 upon execution of the contract for the right to purchase.

In May 2013, the three members of Medvend Holdings LLC were served and named in a lawsuit by that entity's minority shareholders alleging improper conveyance of the three members' ownership interest in Medvend Holding LLC to the Company. In May 2013, Medbox filed suit against Medvend Holdings, LLC and the three members of that entity that were involved in the transaction.

Note 5 – Long-term Debt

Long-term debt at March 31, 2013 consists of:

	2013
Term note to Chase, payable in monthly installments of $1,535.45 including interest at 8.756 through May 2015. The note is secured with a 2011 Porsche	$ 36,249
Less current portion	(15,880)
Long-term portion	$ 20,369

The following is a schedule of maturities for the next three years ending December 31 and thereafter:

2013	$	11,780
2014		16,954
2015		7,515
Total maturities	$	36,249
Less current portion		(15.880)
Long-term debt, net	$	20,369

Note 6 – Related Party Transactions/Due From Related Companies/Parties

On January 1, 2012, the Company issued a note payable to PVM International Inc. ("PVMI"), a related party which is 100% owned by the Senior Consultant of the Company in the amount of $1,000,000 along with the issuance of 2,000,000 (two million) of restricted shares of the Company's common stock for the use of its patent related to the Company's dispensing systems and the Company also received 24,000 restricted shares of three subsidiaries that were controlled by PVM International, Inc. The three subsidiary companies were: Prescription Vending Machines, Inc., Medicine Dispensing Systems, Inc. and Medbox, Inc. (CA Corp that is not in use) (collectively "PVM Shares") . The 24,000 shares represented 80% of PVMI's outstanding stock in the three subsidiaries. By December 31, 2012, the Company received the other 6000 shares which completed the 100% transaction.

The note is payable upon demand at an interest of zero. The note is secured with 1,000,000 restricted shares of the Company or interest at 10% of the outstanding balance beginning January 1, 2013. The balance at March 31, 2013 was $440,038.

The Company utilizes Vincent Chase Incorporated, a related party and 100% owned by the Senior Consultant of the Company for management advisory and consulting services. During the period ended March 31, 2013, the Company incurred $101,000 in fees for these services.

The Company utilizes Kind Clinics, LLC, a related party, and 100% owned by an officer of the Company for marketing services. During the period ended March 31, 2013, the Company incurred $123,613 in direct reimbursement payments to third parties on behalf of the Company.

The Company utilizes AVT, Inc., a related party, and majority owned by a shareholder of the Company for the manufacture and assembly of its dispensary units. During the period ended March 31, 2013, the Company incurred approximately $88,165 in manufacturing costs. In addition, the Company's existing inventory of dispensary units is held at AVT, Inc.'s manufacturing facility in Corona, California on behalf of the Company. The Company believes that its transactions with AVT, Inc. are completed on an arms-length basis.

Note 7 – Stockholder's Equity

Common and Preferred Stock

In November 2011, the Company issued 6,000,000 of zero par value convertible restricted preferred stock to the founder of subsidiary Prescription Vending Machines, Inc. and also a shareholder of the Company. This preferred stock can be converted from 1 (one) restricted share to 5 (five) restricted shares of common stock. In October 2012, 3,000,000 preferred shares were returned to the Company and cancelled.

During the period ended March 31, 2013, the Company sold approximately 650,000 shares of common stock for proceeds of approximately $1,250,000. The Company also received $11,000 in exchange for 6,000 shares of non issued common stock subscribed. This stock subscribed is to be issued during the quarter ended June 30, 2013. I

Note 8 – Income Taxes

The Company accounts for income taxes under FASB ASC 740-10, which requires use of the liability method. FASB ASC 740-10-25 provides that deferred tax assets and liabilities are recorded based on the differences between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes, referred to as temporary differences.

The consolidated provision for federal and state income taxes for the period ended March 31, 2013 is as follows:

		March 31, 2013
Current	$	195,515
Deferred		(18,835)
Total provision for income taxes	$	176,680

The Company's total deferred tax liabilities which have been presented on the financial statements as a noncurrent deferred tax (liability) at March 31, 2013 are as follows:

		March 31, 2013
Total deferred tax (liability)	$	(8,989)

Note 9 – Lease Obligations

The Company may rent property, equipment, transportation equipment, and various clinics on an as needed basis.

On August 1, 2011 and amended on February 11, 2013, the Company entered into a lease agreement for office space located in West Hollywood, California through June 30, 2017 at a monthly rate of $14,397.00. The payment is also charged to rent expense as incurred.

In addition, the Company leases various office facilities located at West Hills California, Scottsdale Arizona, Hartford Connecticut and Natick Massachusetts from unrelated third parties under a month to month operating lease at a total monthly rate of $4,300. The payment is charged to rent expense as incurred.

Total rent expense under operating leases for March 31, 2013 was $92,483.

The minimum future lease payments under operating leases at March 31, 2013 are as follows:

MEDBOX, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS OF MARCH 31, 2013
(Continued)

Year Ending	Amount
2013	111,382
2014	172,759
2015	172,759
2016	172,759
2017	86,379
Total	$ 716,038

Note 10 – Subsequent Events

Beginning April 2013, the Company will be unveiling an in-house financial division whereby they will be providing in-house financing to selective accounts and contracts.

The Company has entered into contracts with various customers totaling approximately $1,500,000 which have not been recognized because the contracts have not commenced as of March 31, 2013.

The Company entered into a verbal agreement with a supplier for various machines in the amount of $260,000 for purchase commitments as of March 31, 2013.