

# Medbox, Inc.

## OTC Pink Basic Disclosure Guidelines

March 31, 2013

### 1) Name of the issuer and its predecessors (if any)

We were originally incorporated June 16, 1977 in the State of Nevada on, as Rabatco, Inc. In May 2000, we changed our name to MindfulEye, Inc. At that time MindfulEye was in the business of operating self-serve kiosks where consumers could download movies onto a flash drive. Although MindfulEye had continuous operations and non-cash assets, revenues through the operation of kiosks were minimal. As a result, we revised our business plan and on August 30, 2011, we changed our name to Medbox, Inc. to better reflect our current operations.

### 2) Address of the issuer's principal executive offices

**Company Headquarters:** Medbox, Inc.  
8439 West Sunset Blvd., Suite 101  
West Hollywood, CA 90069

Phone: (800) 762-1452  
Website: www.medboxinc.com

**IR Contact:** None

### 3) Security Information

**Trading Symbol:** MDBX

#### **Exact title and class of securities outstanding:**

##### Common Stock as of March 31, 2013

CUSIP:	584051D 100
Par or Stated Value:	\$.001 par value
Total shares authorized:	100,000,000
Total shares outstanding:	14,703,122

##### Preferred Stock as of March 31, 2013

Par or Stated Value:	\$.001 par value
Total shares authorized:	10,000,000
Total shares outstanding:	3,000,000

#### **Transfer Agent:**

Action Stock Transfer Corp  
2469 E. Fort Union Blvd, Suite 214  
Salt Lake City, UT 84121  
(801) 274-1088

**Is the Transfer Agent registered under the Exchange Act?** Yes

**List any restrictions on the transfer of security:** None

**Describe any trading suspension orders issued by the SEC in the past 12 months:** None

#### 4) Issuance History

List below any events, in chronological order, that resulted in changes in total shares outstanding by the issuer in the past two fiscal years and any interim period. The list shall include all offerings of securities, whether private or public, and all shares or any other securities or options to acquire such securities issued for services, describing (1) the securities, (2) the persons or entities to whom such securities were issued and (3) the services provided by such persons or entities. The list shall indicate:

A. The nature of each offering (e.g., Securities Act Rule 504, intrastate, etc.); Rule 506 of the Securities Act of 1933.

B. Any jurisdictions where the offering was registered or qualified; California

C. – E. The number of shares offered, sold and purchase price:

Date of Sale	Purchaser Name	Average Price Per Share (\$)	# Shares Sold/Issued	Security	Aggregate Offering Price
12/16/2010	S&I Innovations, Inc.	N/A	1,000,000	Common	N/A
12/16/2010	Shannon W. Illingworth	N/A	10,000,000	Common	N/A
12/31/2011	PVM International, Inc.	N/A	2,000,000	Common	N/A
11/24/2011	Vincent Chase, Inc.	N/A	3,000,000	Preferred	N/A
11/24/2011	Shannon Illingworth	N/A	3,000,000	Preferred	N/A
01/01/2012 – 12/31/2012	Various accredited Investors	\$1.33	1,798,733	Common	N/A

In August 2012, 3,000,000 shares of our Series A Convertible Preferred Stock were transferred by a third party to Vincent Chase, Inc. Vincent Chase, Inc. subsequently returned the preferred shares to treasury. Vincent Chase, Inc. currently holds 3,000,000 shares of our Series A Convertible Preferred Stock. At year end 12/31/12, P. Vincent Mehdizadeh was the beneficial owner of Vincent Chase, Inc. Also, at year end 12/31/12, Mr. Mehdizadeh was and still is beneficial owner of PVM International, Inc.

From January 1, 2012 through December 31, 2012 a total of 1,798,733 shares were sold to accredited investors by the company, raising \$2.4 million, in addition to carry-over shares through the January of 2013, deemed by management to be materially part of the prior period.

The securities disclosed above were all sold for cash. The issuance of securities described above were exempt from registration under the Securities Act in reliance on Section 4(a)(2) thereof and Rule 506 of Regulation D as transactions by an issuer not involving any public offering and in which shares were purchased by accredited investors. The recipients of securities in each such transaction represented their intention to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof, and appropriate legends were affixed to the certificates representing the stock issued in such transactions. The offer and sale of these securities were made without general solicitation or advertising.

We intend to use the proceeds from sale of the securities for the purchase of Medbox machines from our manufacturer, supplies and payroll for operations, professional fees, and working capital.

As discussed above, Medbox, Inc. issued 2 million shares of its common stock to PVMI, Inc. on December 31, 2011 as part of the transaction in which it purchased from PVMI all of the shares of common stock that PVMI owned in the following

companies: (i) MDS (9,000 shares); (ii) Medicine Dispensing Systems, Inc. (10,000 shares); and (iii) Medbox, Inc. (10,000 shares).

In addition, on February 26, 2013, Medbox, Inc. issued 233,333 shares of its common stock (and \$500,000) to Bio-Tech Medical Software, Inc., a Florida corporation, in exchange for 277,777 shares of common stock of Bio-Tech, and agreed to issue an additional 466,667 shares of common stock (and \$1 million cash) in exchange for an additional 466,666 shares of common stock of Bio-Tech.

Each of the above issuances were exempt from the registration provisions of the Securities Act pursuant to Section 4(a)(2) thereof as a transaction not involving any public offering.

There were no underwritten offerings employed in connection with any of the transactions set forth above.

#### **F. The trading status of the shares; and**

All shares were issued as restricted.

#### **G. Whether the certificates or other documents that evidence the shares contain a legend (1) stating that the shares have not been registered under the Securities Act and (2) setting forth or referring to the restrictions on transferability and sale of the shares under the Securities Act.**

All shares were issued with a restrictive legend

**With respect to private offerings of securities, the list shall also indicate the identity of the persons who purchased securities in such private offering; *provided, however*, that in the event that any such person is an entity, the list shall also indicate (a) the identity of each natural person beneficially owning, directly or indirectly, more than ten percent (10%) of any class of equity securities of such entity and (b) to the extent not otherwise disclosed, the identity of each natural person who controlled or directed, directly or indirectly, the purchase of such securities for such entity.**

See section 4(C) above.

#### **5) Financial Statements**

**Provide the financial statements described below for the most recent fiscal year end or quarter end to maintain qualification for the OTC Pink Current Information tier. For the initial disclosure statement (qualifying for Current Information for the first time) please provide reports for the two previous fiscal years and any interim periods.**

Our Financial Statements are attached at the end of this Disclosure Statement and incorporated herein by reference thereto.

#### **6) Describe the Issuer's Business, Products and Services**

##### **A. A description of the issuer's business operations;**

###### **Overview**

Medbox, Inc. is a Nevada corporation. As an "emerging growth company" we are exempt from certain reporting requirements such as Section 404(b) of the Sarbanes-Oxley Act of 2002 and Section 14A(a) and (b) of the Securities and Exchange Act of 1934. We will retain "emerging growth company" status until the earliest of:

- The first fiscal year after our annual revenues are more than \$1 billion.
- The first fiscal year following the fifth anniversary of our IPO
- The date on which we issue more than \$1 billion in nonconvertible debt in a previous three-year period.
- The date on which we qualify as a large accelerated filer under SEC rules. (i.e., an issuer with a public float of \$700 million that has been reporting publicly for at least one year).

## **JOBS Act Election**

Pursuant to Section 107(b) of the Jumpstart Our Business Startups Act ("The JOBS Act"), we have elected to use the extended transition period for complying with new or revised accounting standards under Section 102(b)(2) of The JOBS Act. This election allows us to delay the adoption of new or revised accounting standards that have different effective dates for public and private companies until those standards apply to private companies. As a result, our financial statements may not be comparable to companies that comply with public company effective dates.

## **Our Subsidiaries**

We operate through six subsidiaries:

- Prescription Vending Machines, Inc., a California corporation, dba Medicine Dispensing Systems in the State of California ("MDS"), which distributes our Medbox product and provides related consulting services discussed further below;
- Medicine Dispensing Systems, Inc., an Arizona corporation, which provides our consulting services in Arizona;
- Mini-Storage Solutions, Inc., a California corporation that produces and will market our Safe Access Storage Locker product;
- Medbox Rx, Inc., a California corporation that produces and will market our Rx product line including Lockbox Rx and Sample-Safe;
- Medbox, Inc., a California corporation that is currently inactive; and
- Medbox Leasing, Inc., a California corporation that is currently inactive.

MDS developed the Medbox™ patented biometric medicine dispensing machine designed to confirm patient identification through a biometric verification system prior to dispensing medicine to authorized patients. The Medbox also has a companion option for dispensing refrigerated products.

Medbox features patented systems that dispense herbal and prescription medications to individuals based on biometric identification; while the related patent covers both fingerprint and retinal scan identification, the Medbox currently uses only fingerprint identification. This system allows pharmacies, assisted living facilities, prisons, hospitals, doctors' offices, and alternative medicine clinics to help manage employee possession of sensitive drugs. In a retail environment typical in most alternative medicine clinics, the system also allows these clinics to document that the user is a registered patient and that the patient has a valid and unexpired authorization from a physician to possess and use the medicine dispensed. Each transaction is tracked internally for accounting and compliance purposes. Patient information is all kept securely onsite, and is not online as the software is completely self-supportive and does not require an Internet connection.

Medbox, through MDS, offers turn-key consulting services to the pharmaceutical industry. We also offer turnkey consulting services to individuals seeking to establish alternative medicine clinics. These services include site selection, permitting, design, full build-out, and licensing. Medbox does not engage in the production, sale, or marketing of any products dispensed through our machines. We provide systems and equipment to the final distribution point of consumer pharmaceuticals in addition to certain consulting services.

MDS provides consulting services primarily to individuals and groups seeking to establish new clinics, often in jurisdictions that have recently passed legislation concerning the availability of alternative medicines (principally, medical marijuana). In general, soon after legislation is introduced in a particular state the media provides extensive coverage, interested operators commence preliminary due diligence, consultants become familiar with the legislation and local (state) issues, and once the legislation is passed there is often a deluge of prospective clinic operators, consultants, and industry participants jockeying for position within the local market.

The public is often concerned about regulation and safety and the media normally focuses heavily on this issue. Medbox, Inc. often garners substantial media attention on this issue. We believe that this attention helps us establish our local credibility and that credibility helps our competitive position with respect to the lucrative consulting business. Consulting customers who establish clinics through Medbox are contractually obligated to purchase a Medbox dispensing system, comprising of a climate controlled medicine machine and an optional refrigerated secondary machine for storage of additional products, for their new clinic. Since introduction of the Medbox, MDS has provided consulting services to over 150 startup clinics, all of which have acquired Medbox machines and/or Point of Sale ("POS") systems. In 2010 and 2011, MDS sold POS systems separately from Medbox machines.

**B. Date and State (or Jurisdiction) of Incorporation:** We were originally incorporated June 16, 1977 in the State of Nevada.

**C. the issuer's primary and secondary SIC Codes;**

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**D. the issuer's fiscal year end date;** 12/31

**E. principal products or services, and their markets;**

**The Medicine Dispensing System: The Medbox**

The founder of MDS conceived of the Medicine Dispensing System ("Medbox") in 2007. In November 2007 he filed the patent application for the Medbox as discussed above, and finalized the current design of the Medbox in March 2010.

The Medbox machines are manufactured according to MDS' patented design. We have contracted with a related party manufacturer based in Corona, California to manufacture the Medbox. The local manufacturer is controlled by one of our shareholders and has subcontracted the building of the physical machines to a manufacturer located in Spain. We do not have a contractual relationship with the Spanish manufacturer.

Although we do not have a minimum order requirement, MDS typically purchases machines in lots of 26 units shipping via an intermodal shipping container. The machines are shipped from the Spanish sub-contractor to the local manufacturer, which then installs the biometric and card reader equipment. The raw materials required for our machines are fungible and readily available from a multitude of sources. Shipping and related costs are undertaken by our Corona, California manufacture.

Our agreement with the manufacturer prohibits the manufacturer from producing any machine competitive with the Medbox, and provides that the sub-contractor must be prohibited from manufacturing any competitive machine for the U.S. market. Pursuant to the agreement, each Medbox units costs us \$10,000. We pay half this amount (\$5,000) at the time we place the order with the manufacturer and the other half when the machine is placed "in service." When MDS receives an order for a Medbox, it contacts the local manufacturer, who installs the customer-security related electronics (biometric and card reader) and then ships the machine to the end-user. Installation is completed by the local supplier according to MDS specifications. Upon installation of the machine at the end-user's site MDS pays the manufacturer the final \$5,000 due on its purchase price. The lead time for ordering machines is three weeks (order to arrival of the container). The lead time from sale of a machine to a customer until the machine is installed (installation of electronics, delivery to end-user, and set-up of machine) is usually six business days.

MDS has further developed more advanced electronic features for its Medbox family of products (security, control, and tracking). Because MDS adds these features upon sale of a machine, an enhanced design can be seamlessly incorporated into the existing hardware inventory without disrupting inventory. We believe this approach provides MDS with a distinct competitive advantage in its ability to remain on the leading edge of technology. This approach further allows MDS to design technological improvements that can easily be retrofitted to existing installed machines.

The Medbox is intended for herbal medications and prescription medications. As further discussed below, our primary target market for the Medbox system is alternative medicine (medical marijuana) clinics. Currently we market the Medbox for the control and dispensing of medical marijuana. We only market this product in states that have regulatory systems in place to license alternative medicine clinics; thus we do not market in states that have de-criminalized the possession of medical marijuana if they have not put a licensing mechanism in place for clinics. In such states we assist our consulting clients with procuring licenses and otherwise operating in compliance with the relevant regulations as well as outfitting their clinics with our Medbox technology. In the clinics in states with these regulations, the Medbox machines sit behind the counter and are at the control of the clinic employee as an inventory management and compliance tool. While the Medbox machine can be used to dispense medicines to individual patients on a self-service basis, based on practical considerations, such as public sentiment, they presently are not being used this way. We believe, however, that in the future as the public becomes more comfortable with herbal medications, such self-service use by consumers may become common.

We also target urgent care facilities for use of the Medbox. Currently the Medbox is being installed at two urgent care facilities located in the United States. These facilities will use the Medbox to monitor their inventory of medications that are

dispensed to the facility's employees for use both within the clinic and to fill prescriptions for the facility's patients. Again, the Medbox is used only by the facilities' employees and not as a self-service mechanism for patients to fill their prescriptions.

While we have not actively marketed to other facilities, we have been contacted by the Washington State Department of Corrections and in response to their request have submitted a bid to place Medbox machines in their prisons state-wide. Depending on the success of this bid we may consider more actively marketing to prison systems in the foreseeable future.

While pharmacies, assisted living facilities and hospitals represent additional future markets for use of the Medbox system, we do not plan on marketing to these markets within the next 12 to 48 months.

A conventional temperature-controlled Medbox machine retails for \$25,000 without the POS. Sales terms with customers are a 50% deposit with order and 50% upon delivery.

MDS offers a second MDS machine, the "Medibles" Machine, which holds 35 different items and ten units of inventory per item, is refrigerated and is used for refrigerated edible products. This system sells for a retail price of \$15,000 and costs us \$7,500 to manufacture. The 26 machine quantity per order discussed above can be a combination of both systems as MDS determines. Sales terms remain 50% up front and 50% upon installation. The additional refrigerated machine can only be used in conjunction with the main Medbox machine and not separately.

Purchasers of a Medbox are required to purchase a maintenance contract from MDS. Pursuant to the maintenance contract purchasers receive from MDS state licensing support, landlord support and technical support for a monthly fee. Customers who purchased a Medbox prior to July 1, 2011 pay a \$79 a month maintenance fee. The current monthly fee ranges from \$295 to \$495 depending on the purchaser's geographic location. The terms of our standard maintenance contract provide that the contract remains in place as long as the clinic that purchased the Medbox remains open. If the clinic closes, MDS has the first right to repurchase the Medbox machine for a discounted price set forth in the contract that is based on how long the machine has been in service.

### **The Point-of-Sale System**

We used to sell the point of sale ("POS") system as an addition to the Medbox. The POS system consists of a monitor, keyboard, credit card reader, and computer with interface. Beginning January 1, 2012, this equipment comes standard with every Medbox machine purchased. The POS connects to the Medbox and dispenses medicine at the control of an operator. This eliminates handling of product and provides better inventory control and reduced product shrinkage.

These systems are manufactured according to MDS' patented design and are far smaller and are not purchased in container lots but instead, in lots of ten systems. The cost to MDS is \$1,000 per system. The retail price was formally \$2,500 but as noted above the POS system is now included at no extra charge with each Medbox machine.

### **Consulting Services**

Through MDS and, in Arizona, Medicine Dispensing Systems, Inc., we offer consulting to individuals in established alternative medicine territories as well as newly emerging states that have recently enacted legislation allowing the use of alternative medicine. Our consulting services assist clients in opening an alternative medicine clinics. We provide comprehensive assistance through the entire clinic opening process, including legal advice through an outside contracted legal services provider, licensing, permitting, zoning hearings, public relations and marketing, site selection, negotiation with landlords and designing and equipping the clinic.

In Arizona, for example, we generated over \$1.2 million in consulting revenues in less than four months from January 2011 through April 2011. In August 2012, we realized an additional \$1.3 million in receivables once the permitting process was finalized in Arizona and our clients were awarded licenses to operate alternative medicine clinics. This model is being duplicated in other states on a going forward basis.

On a turn-key clinic product, which we offer in states that have a state regulated permitting process, we collect \$50,000 for our general consulting services, \$40,000 for a set of machines (Medbox with POS and Edible add-on), and \$60,000 for other store equipment, furniture, displays, and interior construction / leasehold improvements. In general, we typically realize a gross profit on these transactions of \$72,500 from the consulting fees/build-out and \$21,500 from the Medbox/Edible system sales.

### **Turn-Key Dispensing Facility**

The Company charges a flat \$150,000 fee for establishing an operating dispensary, broken down as follows:

	<b>Price</b>	<b>Our Cost</b>	<b>Margin</b>
Package Price	\$150,000	\$56,000	\$94,000
Consulting and Legal	\$50,000	\$10,000	\$40,000
Build-out	\$60,000	\$27,500	\$32,500
Medbox System, including optional add-on and POS	\$40,000	\$18,500	\$21,500

## **New Products**

We have developed the following new products which will expand our product line beyond the Medbox.

### **Safe Access Storage Lockers**

These systems can be used by medium to large mail-order chains for the retrieval of retail goods by their customers. Similar storage systems have recently been implemented by large chains such as Amazon to improve shipping logistics to consumers. These storage lockers are placed in chain retail stores (supermarkets, mini-marts, etc.) and consumers are given the option of having their items shipped or picking their items up at a nearby location by inputting a secure pin-code at one of these storage systems. Our system can be accessed through the use of pin-code or fingerprint recognition.

### **Lockbox Rx**

This system provides pharmacies with a mechanism to allow their customers to pick up their medications, quickly and conveniently, 24 hours a day. This system consists of a series of lockers hooked up to a central kiosk. In order to use this system, a pharmacy client simply pre-registers at the pharmacy, one time, to use the system in the future; when the customer subsequently visits that pharmacy, the Lockbox Rx storage system will recognize the customer through biometric recognition and an identification card that includes the customer's credit card information. Once the system has verified the customer's identity, a temporary use lockbox is unlocked and the customer's medication, pre-loaded by the pharmacist, is ready for retrieval. The cost of the medicine is charged to the customer's credit card that was put on file during the registration process. The Lockbox Rx can be used for any prescription medication.

### **Sample-Safe**

This wall-mounted unit is intended for use in doctors' offices, where, according to recent media reports, samples of prescription medications that have been provided to the office by pharmaceutical companies are often misappropriated by office staff. The unit offers strict inventory control through the use of biometrics and an internal record keeping system designed to be unalterable by office staff. The system also notifies the pharmaceutical companies when samples are in limited supply for restocking purposes. We intend to market this product to pharmaceutical companies as a cost-effective means to control inventory and communicate critical real-time data about restocking needs.

We are very excited about the introduction of these new products as an addition to the Medbox family. We have developed a working prototype for each of these products and have commenced manufacturing of a limited number of these new products, which we will use for demonstration and initial sales. We are still developing the distribution channels for these new products.

Like the Medbox system, these new products will have an initial purchase price but the purchaser will also be required to purchase a maintenance contract from us. Because these products are for traditional medications, however, they will not include a legal consulting component and therefore the monthly fees will be lower than the monthly maintenance fees associated with the Medbox. We have not, however, set the prices of our new products or the companion maintenance agreements.

## **Sales Channels**

As discussed above, our primary target market for the Medbox and our related products and services are alternative medicine clinics. MDS currently advertises its products and services via internet advertising to entrepreneurs seeking to establish a clinic. MDS' advertisements can be found at the web site [www.medboxinc.com](http://www.medboxinc.com), in print magazine ads such as

Entrepreneur Magazine, and Culture Magazine. The information at our web site should not be considered, and is not incorporated by reference into, this document.

MDS also promotes its machines to existing clinic operators via direct mail and advertising (both print and online).

After initial contact is made by a potential client, the Medbox sales team gives an orientation as to the different products and services we offer. Typically a meeting is scheduled for a live demonstration of our products at one of our offices.

### **Historic Sales Review**

Over the past 36 months, MDS has sold over 98 Medbox machines. During that time we also sold 53 POS Systems, which we no longer sell separately.

### **The Prescription Dispensing Market**

As further discussed above our secondary market is doctors' offices, pharmacies, assisted living facilities, prisons, urgent care facilities and hospice care facilities that are interested in being able to dispense traditional prescription medications. For pharmacies this could be during off-hours or even during regular hours when the pharmacy wants to offer customers a self-service option, for example, to bypass a long line. As an example, our Lockbox Rx machine would allow a pharmacy customer to visit the store after the pharmacy counter is closed and, using an identification card and pre-established verification retrieve their medication from our Lockbox Rx system. A physician who prescribes a fair amount of a particular group of medications could have a Medbox machine on site that can dispense the medications to nurses or assistants to dispense to patients, right at his or her office. The same model could be utilized at an urgent care facility, where medication management and patient convenience is a top priority. This would eliminate the patient's need to separately visit a pharmacy for their initial prescription and, therefore, provide greater convenience to the patient, while also generating a revenue stream for the healthcare service provider. These markets are further leveraged by our pending acquisitions, such as MedVend AMD technology.

### **The Alternative Medicine Market**

Our primary target market is alternative medicine (medical marijuana) clinics. In addition to our Medbox technology, these clients are often very good prospects for our consulting services.

The development of the alternative medicine market is a function of state legislation. As a result, while specific markets may not be currently available (a potential disadvantage), we can easily monitor the progress of legislation and know with some degree of certainty when new geographic markets will be coming on line. This allows us to target our limited sales and marketing resources to those new markets. In this way, we believe the current legislative environment works in our favor - if the whole country were currently a potential market our limited resources would result in an inability to effectively cover all potential market territories. With limited markets open we can better cover those available territories and have the advantage that our Medbox product is often featured in the media during the legislative process prior to the opening of a new market. We believe that this media coverage provides us with brand awareness and a certain level of credibility.

If the market was wide open – in other words, if all or most states in the U.S. had already passed alternative medicine statutes, we would likely not benefit from the free media coverage we have recently enjoyed. Therefore, existing conditions of the slow roll-out of new states that become potential markets for our products favors our current position.

## **7) Describe the Issuer's Facilities**

### **Real Property**

At present, we do not own any property. We currently lease office space at:

- 8439 West Sunset Blvd., Suite 100 & 101, West Hollywood, CA 90069 (4,000 square foot office);
- 6700 Fallbrook Ave. Suite 289, West Hills, CA 91307 (1,500 square foot office);
- 445 Park Ave., 9th Floor, New York City, New York 10022 (virtual);
- 1 Dundas Street West, Suite 2500, Toronto M5G 1Z3, Canada (virtual);
- 100 Pall Mall, St. James, London SW1Y 5NQ, UK (virtual);
- 14F 1-2-1 Kinshi, Sumida-ku, 1300031 Tokyo, Japan (virtual);
- 57 Pratt Street, Floor #3, Hartford, CT 06103 (1,000 square foot office); and



- 7047 E Greenway Parkway, Suite 250. Scottsdale, AZ 85254 (1,000 square foot office)

Virtual offices allow for reduced rent while still having meeting room capabilities within the office building.

## 8) Officers, Directors, and Control Persons

**A. Names of Officers, Directors, and Control Persons.** In responding to this item, please provide the names of each of the issuer's executive officers, directors, general partners and control persons (control persons are beneficial owners of more than five percent (5%) of any class of the issuer's equity securities), as of the date of this information statement.

The following table sets forth, as of March 31, 2013, information regarding the beneficial ownership of our common stock by:

- (i) each stockholder known by us to be the beneficial owner of more than 5% of our outstanding common stock;
- (ii) each of our directors and executive officers; and
- (iii) all executive officers and directors as a group.

This information as to beneficial ownership was furnished to the Company by or on behalf of each person named. As at March 31, 2013, there were 14,769,884 shares of our common stock issued and outstanding. Unless otherwise noted below, we believe that each person named in the table has or will have the sole voting and sole investment power with respect to each of the securities reported as owned by such person.

Title Of Class	Name And Address Of Beneficial Owner <sup>(1)</sup>	Amount and Nature Of Beneficial Ownership	Percentage Of Class
Common Stock	Dr. Bruce Bedrick <sup>(2)</sup>	25,442,390 <sup>(3)</sup>	85.4%
Common Stock	Leila Guieb <sup>(2)</sup>	5,000	*
Common Stock	Vincent Mehdizadeh <sup>(4)</sup>	1,452,020 <sup>(5)</sup>	4.8%
Common Stock	William R. Smith, III	2500	*
Common Stock	All Directors and Officers as a Group	26,901,910	90.2%

\* Less than 1%

(1) For purposes of this table, beneficial ownership has been determined in accordance with the provisions of Rule 13d-3 of the Securities Exchange Act of 1934, as amended, under which, in general, a person is deemed to be the beneficial owner of a security if he has or shares the power to vote or direct the voting of the security or the power to dispose of or direct the disposition of the security, or if he has the right to acquire beneficial ownership of the security within 60 days.

(2) The address for Mr. Bedrick is 8439 West Sunset Blvd., Suite 101, West Hollywood, CA 90069.

(3) Includes 500,000 shares held in the name of Kind Clinics, LLC, an entity controlled by Dr. Bedrick. Includes 1,000,000 shares of our Series A Convertible Preferred Stock held by Dr. Bedrick and 2,000,000 shares of our Series A Convertible Preferred Stock held by Vincent Chase, Inc., an entity controlled by Dr. Bedrick. Each share of our Series A Convertible Preferred is convertible into five shares of our common stock. Also includes includes 7,942,390 shares held by Vincent Chase, Inc., which is controlled by Dr. Bedrick.

(4) The address for Mr. Mehdizadeh is 6700 Fallbrook Ave., Suite 289, West Hills, CA 91307.

- (5) Includes 1,452,020 shares held by PVM International, Inc., controlled by Vincent Mehdizadeh.

### Directors and Executive Officers.

The following table sets forth, as of the date of this registration statement, the name, age and positions of our executive officers and directors.

<u>NAME</u>	<u>AGE</u>	<u>POSITION</u>
Dr. Bruce Bedrick	44	Chief Executive Officer and Director
Leila Guieb	33	Chief Financial Officer and Secretary
William R. Smith, III	49	Vice President of Sales & Marketing, Director of Acquisitions and Director of Medbox, Inc., Chief Executive Officer of MDS
P. Vincent Mehdizadeh	34	Founder and Senior Consultant at MDS

The business background and certain other information about our directors and executive officers is set forth below:

#### **Dr. Bruce Bedrick – Chief Executive Officer / Director**

Dr. Bruce Bedrick is a highly accomplished, versatile and respected Physician and business owner with over 15 years of diverse and innovative experience. As a dynamic leader, he consistently achieves outstanding results in challenging environments while building and maintaining strong, loyal relationships with both colleagues and community members. Dr. Bedrick offers the unique combination of hands-on administration that maximizes organizational effectiveness, operations-oriented leadership that ensures efficiency and people-oriented guidance that yields productivity. Prior to joining the Company, Dr. Bedrick opened a chiropractic practice in 2008, which he managed until the Fall of 2010 when he sold his practice to pursue other business endeavors.

Dr. Bedrick joined MDS in the Fall of 2010 as the Company's Chief Operating Officer. He became CEO of Medbox, Inc. in December, 2011 and has served as a Director since December 2011. As our CEO, Dr. Bedrick is responsible for managing our day-to-day operations, as well as overseeing our marketing and sales divisions. He provides leadership at Medbox in the planning and implementation of all new strategic initiatives. Dr. Bedrick has over 15 years experience in the healthcare field as a practitioner, consultant and executive. He has successfully developed and operated several healthcare practices during that time. A Philadelphia native, Dr. Bedrick earned his undergraduate degree from Ithaca College and his Doctorate from Western States Chiropractic College.

Our Board of Directors believes that Dr. Bedrick's qualifications to serve as a Director of Medbox include his medical and business background, his development of healthcare practices in the past, as well as a wealth of knowledge about new business development.

#### **Leila Guieb – Chief Financial Officer / Secretary**

Leila Guieb joined MDS in November 2010 as its Chief Financial Officer. In December 2011 she became Chief Financial Officer and Secretary of Medbox, Inc., and she also served as a Director of Medbox from December 2011 until April 1, 2013. As our Chief Financial Officer, Ms. Guieb is responsible for all accounting functions including payroll, accounts payable, accounts receivables, and monitoring ongoing marketing expenses.

We employ Ms. Guieb on a part-time basis. Since December 2012 Ms. Guieb has also been employed as a Senior Treasury Cash Manager at Toyota Financial Services. In this role she performs ongoing daily cash transaction processing, position consolidation, file interfaces and reconciliation and reporting activities, monitors cash positions and transaction flows, and manages bank accounts and related services. From March 2011 through March 2012, in addition to her positions with Medbox, Inc. and MDS, she was a business analyst at BCBG Max Azaria.

Ms. Guieb began her career in 2001 at the Beverly Hills-based world headquarters of Hilton Hotels Corporation. Starting in the accounting department, she was promoted in December 2003 to Treasury Analyst to perform daily cash functions for the company and its joint ventures. She held this position through December 2009. In this position she supported the \$6 billion acquisition of Hilton International, Inc. by managing investment activities to optimize cash flow and investment earnings. She also processed \$1 billion rollover of existing debt, handling interest payments on debt and recording interest. Ms. Guieb was attending the University of Southern California for her Master's degree from 2008 through 2010 and was not employed during the period December 2009 through November 2010, when she joined MDS.

We believe that Ms. Guieb's background in treasury provides excellent skills to handle banking relationships and manage company payments.

A Los Angeles native, Ms. Guieb earned both a Bachelor of Science degree in Business Administration in 2001 and a Master of Business Administration degree in 2010 from the University of Southern California.

**William R. Smith, III – Vice President of Sales & Marketing / Director of Acquisitions, Director of Medbox, Inc., Chief Executive Officer of MDS**

Mr. Smith joined Medbox, Inc. as Vice President of Sales & Marketing and Director of Acquisitions and became the CEO of MDS on January 1, 2012. He was appointed to the Board of Directors of Medbox, Inc. on April 1, 2013. From January 1, 2011 to November 30, 2012, Mr. Smith was a consultant for EcoBay BioGreen his duties dealt with the conceptualizing and drafting of the business plan and feedstock buyers guide. EcoBay BioGreen, was a startup company seeking to enter the woody biomass industry wherein the company would harvest mesquite and grind the wood into wood chips to be consumed in bio-refineries to generate electricity. The end product would be used around the world. From January 1, 2010 to January 1, 2011, Mr. Smith acted in the capacity of a consultant to UltraCraft Homes. The company is in construction, financing, and management of three assisted living and memory care facilities in upstate New York. His activities included identifying local banks willing to syndicate construction financing pursuant to a United States Department of Agriculture loan guarantee program as well as available HUD financing. Further duties included the assimilation of a detailed business plan inclusive identification of a facilities management team for interested lenders. From January 1, 2009 to December 31, 2010, Mr. Smith acted in the capacity of a consultant to ArborOne, a Farm Credit financial institution and NorthEastern Real Properties, Ltd., in the liquidation and disposition of the Sequatchie Pointe Land/Housing Development located in Tennessee. His activities included asset evaluation, cost analysis to complete the project, and feasibility study as to the financial return to any prospective buyer. From January 1, 2008 to December 31, 2009, Mr. Smith served in the capacity of consultant and onto CEO of Ensurapet for the operational wind down of this pet health insurance company during the Wall Street crash since he personally guaranteed the Company's \$4 million liability. Mr. Smith has a BA in Business Management, BS in Accountancy, and a MBA in Business Administration with a concentration in accountancy for CPA eligibility. He is further a doctoral (PhD) pending scholar.

**P. Vincent Mehdizadeh – Senior Consultant and Founder of MDS**

Mr. Mehdizadeh is our senior consultant. The company he controls holds the 2010 patent which is the underlying technology of the Medbox and he founded MDS in February 2008. He devotes 100% of his time and effort consulting with Medbox, Inc. regarding corporate direction and business strategy. Mr. Mehdizadeh was responsible for assembling the talented management core of Medbox, developing the concept behind the business model driving the revenue for the company, and also assists with seminars, media interviews, and public speaking engagements on behalf of the company. Mr. Mehdizadeh's role has evolved into an advisory role as he does not hold a board seat nor is he an officer of the public company. However, because of his intament involvement with the company, we consider him an affiliate of the company. Prior to founding MDS, Mr. Mehdizadeh was the Director of Client Relations for the following law offices at various times from 2003 through 2008: Law Office of Donald J. Townley; Law Offices of Frank E. Miller; Law Offices of Thomas R. Lee, Rexford Law Group; and the Moheban Law Firm. In 2007, Mr. Mehdizadeh was involved in the sale of his automobile to a private party. The transaction terms were in dispute by the parties and Mr. Mehdizadeh pled no-contest to using an access card (credit card) without the owner's consent. The matter was resolved with Mr. Mehdizadeh receiving probation. Mehdizadeh is still currently on probation for that offense. Our Board of Directors believes that Mr. Mehdizadeh's qualifications to serve as a Senior Consultant include his experience as the founder of MDS and developer of the Medbox and his knowledge of the alternative medicine market.

There are no family relationships between any of our executive officers and Directors.

**B. Legal/Disciplinary History. Please identify whether any of the foregoing persons have, in the last five years, been the subject of:**

**1. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses);**

See above Bio of P. Vincent Mehdizadeh.

**2. The entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, or banking activities;**

None

**3. A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended, or vacated; or**

None

**4. The entry of an order by a self-regulatory organization that permanently or temporarily barred suspended or otherwise limited such person's involvement in any type of business or securities activities.**

None

**C. Beneficial Shareholders. Provide a list of the name, address and shareholdings or the percentage of shares owned by all persons beneficially owning more than ten percent (10%) of any class of the issuer's equity securities. If any of the beneficial shareholders are corporate shareholders, provide the name and address of the person(s) owning or controlling such corporate shareholders and the resident agents of the corporate shareholders.**

See Item 8 above.

#### **9) Third Party Providers**

**Please provide the name, address, telephone number, and email address of each of the following outside providers that advise your company on matters relating to operations, business development and disclosure:**

##### **Legal Counsel:**

Phillip E. Koehnke, APC  
PO Box 235472  
Encinitas, CA 92024

##### **Accountant:**

Alexander C. Anguiano, CPA  
20969 Ventura Boulevard, Suite 204  
Woodland Hills, CA 91364

**Investor Relations Consultant:** None

**Other Advisor:** Any other advisor(s) that assisted, advised, prepared or provided information with respect to this disclosure statement.

None.

## 10) Issuer Certification

The issuer shall include certifications by the chief executive officer and chief financial officer of the issuer (or any other persons with different titles, but having the same responsibilities).

The certifications shall follow the format below:

The undersigned, certify that:

1. I have reviewed this Quarterly disclosure statement of Medbox, Inc.
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

June 3, 2013 /s/ Leila Guieb  
By: Liela Guieb  
Its: Acting Chief Financial Officer

/s/ Dr. Bruce Bedrick  
By: Dr. Bruce Bedrick  
Its: Chief Executive Officer

MEDBOX, INC  
CONSOLIDATED FINANCIAL STATEMENTS  
March 31, 2013

ALEXANDER C. ANGUIANO, C.P.A.  
20969 Ventura Boulevard, Suite 204  
Woodland Hills, California 91364

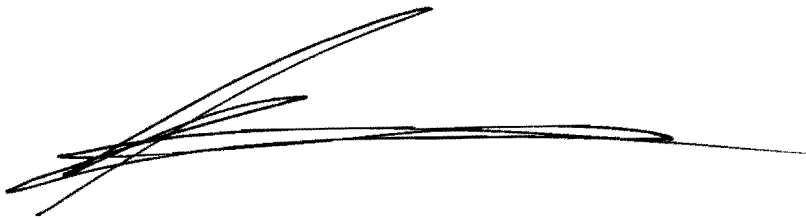
INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

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 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.

May 20, 2013

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

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

See Accountants' Compilation Report



**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	<u>155,826.69</u>

**Total Current Assets** \$ 2,690,597.35

**PROPERTY AND EQUIPMENT**

Machinery & Equipment	2,508.69
Furniture & Fixtures	24,243.04
Auto & Truck	<u>92,000.00</u>
	\$ 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	<u>22,850.00</u>

**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	<u>404,340.00</u>	

**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	<u>8,989.00</u>	
		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	<u>601,573.98</u>	

**Total Stockholders' Equity** 3,029,344.48

\$ 4,258,857.39

**MEDBOX, INC**  
**SCHEDULE OF COSTS AND EXPENSES**

**SCHEDULE B-1**

	<b>3 Months Ended March 31, 2013</b>	%
<b>Costs and Expenses</b>		
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
<b>Total Costs and Expenses</b>	<u>\$ 1,300,128.96</u>	<u>74.31</u>

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

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
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	<u>\$ 133,767</u>
Net cash used by operating activities	<u>\$ 405,785</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
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	<u>\$ 43,742</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>	
Payments on Loans Payable	<u>\$ (432,758)</u>
Net cash used by financing activities	<u>\$ (432,758)</u>
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	<u><u>\$ 1,043,671</u></u>
<b>SUPPLEMENTAL DISCLOSURES:</b>	
Cash paid during the three months ended for interest	<u>\$ 848</u>
Cash paid during the three months ended for income tax	<u><u>\$ 9,068</u></u>

**MEDBOX, INC.**  
**STATEMENT OF CHANGES IN CONSOLIDATED STOCKHOLDERS' EQUITY**  
**FOR THE THREE MONTHS ENDED**  
**MARCH 31, 2013**

	Preferred Stock		Common Stock		Additional Paid In Capital	Retained Earnings	Total Stockholders' Equity
	Shares	Amount	Shares	Amount			
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	<u>3,000,000</u>	<u>\$ 3,000</u>	<u>14,703,122</u>	<u>\$ 25,703</u>	<u>\$ 2,410,552</u>	<u>\$ 590,089</u>	<u>\$ 3,029,344</u>

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.

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

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.

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

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:



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

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 authorities. 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.

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

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.

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

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.

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

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:

	<u>2013</u>
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	<u>(15,880)</u>
Long-term portion	<u>\$ 20,369</u>

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

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

2013	\$	11,780
2014		16,954
2015		<u>7,515</u>
Total maturities	\$	36,249
Less current portion		<u>(15,880)</u>
Long-term debt, net	\$	<u><u>20,369</u></u>

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.

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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:

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

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:

	<u>March 31, 2013</u>
Total deferred tax (liability)	<u>\$ (8,989)</u>

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:

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<u>Year</u> <u>Ending</u>	<u>Amount</u>
2013	111,382
2014	172,759
2015	172,759
2016	172,759
2017	<u>86,379</u>
Total	<u>\$ 716,038</u>

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.