

**Medbox, Inc.**

**OTC Pink Basic Disclosure Guidelines**

**September 30, 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 September 30, 2013

CUSIP:	584051D 100
Par or Stated Value:	\$.001 par value
Total shares authorized:	100,000,000
Total shares outstanding:	14,475,375

Preferred Stock as of September 30, 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:**

On November 11, 2011, we issued an aggregate of 6,000,000 shares of our Series A Preferred Stock to P. Vincent Mehdizadeh and Shannon Illingworth in exchange for services rendered to the Company. 3,000,000 shares were subsequently cancelled and returned to treasury.

From January 1, 2012 through December 31, 2012, the Company sold a total of 1,798,733 shares of common stock to accredited investors for an average of \$1.33 per share, or aggregate consideration of \$2.4 million, including carry-over shares through the January of 2013, deemed by management to be materially part of the prior period.

From January 1, 2013, through July 11, 2013, the Company sold a total of 331,450 shares of common stock to accredited investors for \$5 per share, or an aggregate of \$1,407,250.

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.

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

#### Business Overview and Our Subsidiaries

Medbox, Inc. is a Nevada corporation. We currently operate through seven wholly-owned 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;
- Vaporfection International, Inc., a Florida corporation through which we distribute our medical vaporizing products and accessories pursuant to a recent acquisition;
- 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 which has the same name as the Company; 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 machine also has a companion option for dispensing refrigerated products.

The Medbox features patented systems that dispense herbal and prescription medications to individuals based on biometric identification. This system allows pharmacies, assisted living facilities, prisons, hospitals, doctors' offices, and alternative medicine clinics to help manage employee possession of sensitive drugs.

Through MDS we offer turn-key consulting services to the pharmaceutical industry. We also offer turnkey consulting services to individuals seeking to establish alternative medicine clinics, primarily in jurisdictions that have recently passed legislation concerning the availability of alternative medicines (principally, medical marijuana). These services include site selection, permitting, design, full build-out and licensing.

We recently acquired Vaporfection International, Inc., pursuant to which we offer a line of medical vaporizing products and accessories. We are also developing several new products, including:

- *Safe Access Storage Lockers*, which is designed for use by medium to large mail-order chains for the retrieval of retail goods by their customers;
- *Lockbox Rx*, a system designed to provide pharmacies with a mechanism to allow their customers to pick up their medications, quickly and conveniently, 24 hours a day; and
- *Sample-Safe*, a wall-mounted unit intended for use in doctors' offices, which offers strict inventory control of prescription medicine samples through the use of biometrics and an internal record keeping system designed to be unalterable by office staff.

## **Emerging Growth Company Status**

As a company with less than \$1 billion in revenue in our last fiscal year, we are defined as an “emerging growth company” under the Jumpstart Our Business Startups (“JOBS”) Act. We will retain “emerging growth company” status until the earliest of:

- The last day of the fiscal year during which our annual revenues are equal to or exceed \$1 billion;
- The last day of the fiscal year following the fifth anniversary of our first sale of common stock pursuant to a registration statement filed under the Securities Act;
- The date on which we have issued more than \$1 billion in nonconvertible debt in a previous three-year period; or
- The date on which we qualify as a large accelerated filer under Rule 12b-2 adopted under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) (i.e., an issuer with a public float of \$700 million that has been filing reports with the U.S. Securities and Exchange Commission (“SEC”) under the Exchange Act for at least 12 months).

As an emerging growth company, we may take advantage of specified reduced disclosure and other requirements that are otherwise applicable generally to SEC reporting companies. For so long as we remain an emerging growth company we will not be required to:

- have an auditor report on our internal control over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Wall Street Reform and Consumer Protection Act of 2002;
- comply with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor’s report providing additional information about the audit and the financial statements (i.e., an auditor discussion and analysis);
- submit certain executive compensation matters to stockholder non-binding advisory votes;
- submit for stockholder approval golden parachute payments not previously approved;
- disclose certain executive compensation related items such as the correlation between executive compensation and financial performance and comparisons of the Chief Executive Officer’s compensation to median employee compensation, when such disclosure requirements are adopted; and
- present more than two years of audited financial statements and two years of selected financial data in this registration statement and future filings, instead of the customary three years for audited financial statements and five years for selected financial data.

Pursuant to Section 107(b) of 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. Section 107 of the JOBS Act provides that our decision to opt into the extended transition period for complying with new or revised accounting standards is irrevocable.

Because the worldwide market value of our common stock held by non-affiliates, or public float, is below \$75 million, we are also a “smaller reporting company” as defined under the Exchange Act. Some of the foregoing reduced disclosure and other requirements are also available to us because we are a smaller reporting company and may continue to be available to us even after we are no longer an emerging growth company under the JOBS Act but remain a smaller reporting company under the Exchange Act. As a smaller reporting company we are not required to:

- have an auditor report on our internal control over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act; and
- present more than two years of audited financial statements in our registration statements and annual reports on Form 10-K and present any selected financial data in such registration statements and annual reports.

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 an optional companion machine 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. While currently only utilized in alternative medicine clinics the system can allow pharmacies, assisted living facilities, prisons, hospitals, and doctors' offices 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 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 our lucrative consulting business. Consulting customers who establish clinics through Medbox are contractually obligated to purchase a Medbox dispensing system, consisting of a climate controlled medicine dispensing machine and a 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 systems. In 2010 and 2011, MDS sold POS systems separately from Medbox machines. As of January 2012, we have included the POS system with any machine sold and have discontinued selling the POS system separately.

Pursuant to the recent acquisition discussed below, we also sell a line of medical vaporizers.

### **Corporate History**

We were originally incorporated on June 16, 1977 in the State of Nevada 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 the kiosks were minimal. That business has since been discontinued. On November 25, 2011, P. Vincent Mehdizadeh, the founder of MDS and creator of the Medbox, purchased 5,421,500 shares of common stock of the Company, after which he owned 50% of the outstanding shares of common stock of the Company. On August 30, 2011, in anticipation of the transaction discussed below, we changed our name to Medbox, Inc. to better reflect our current business operations.

Pursuant to a Stock Purchase Agreement between Medbox, Inc. and PVM International, Inc. ("PVM") dated as of December 31, 2011, pursuant to two separate closings held on January 1, 2012 and December 31, 2012, the Company acquired from PVM all of the outstanding shares of common stock in (i) MDS, (ii) Medicine Dispensing Systems, Inc. (our Arizona subsidiary), and (iii) Medbox, Inc. (our California subsidiary that is currently inactive), in exchange for two million shares of the Company's common stock and a \$1 million promissory note. The promissory note has been paid in full.

PVM is an entity wholly owned by P. Vincent Mehdizadeh. It is a separate entity from our subsidiary, MDS.

MDS is a for-profit corporation organized on February 15, 2008, under the laws of the state of California. Mr. Mehdizadeh, MDS' founder, developed the Medbox. MDS has been a profitable and operating business both prior and

subsequent to this transaction.

In August 2012, Mr. Mehdizadeh purchased the remainder of the outstanding shares of the Company in a private transaction and transferred such shares to a holding company named Vincent Chase, Inc., controlled by Mr. Mehdizadeh at the time. As the controlling owner of the Company, Mr. Mehdizadeh replaced the Company's management with current management as discussed elsewhere in this document. As of the date hereof, Vincent Chase, Inc., is beneficially owned by Mr. Mehdizadeh.

#### **Recent Acquisition of Vaporfection International, Inc.**

On March 22, 2013, we entered into a Securities Purchase Agreement with Vapor Systems International, LLC, to acquire from it all of the outstanding shares of common stock of Vaporfection International, Inc., a wholly owned subsidiary of Vapor Systems International, LLC formed in contemplation of this transaction and to which Vapor Systems International, LLC subsequently transferred all its operations and assets, in exchange for warrants to purchase shares of Medbox, Inc. common stock, which warrants can be exercised at a later date at the election of Vapor Systems International, LLC. The agreement was amended on July 5, 2013.

The closing of this acquisition took place on April 1, 2013. Pursuant to this agreement, we issued Vapor Systems International warrants to purchase 260,864 shares of our common stock in exchange for the outstanding shares of Vaporfection International, Inc., which is now our wholly owned subsidiary. The warrants have an exercise price of \$.001 per share, subject to adjustment for stock dividends, subdivisions or combinations of the common stock, reclassifications and similar transactions. The warrants are exercisable beginning on March 21, 2014 and are exercisable until April 1, 2018. Pursuant to this agreement we also agreed to fund Vaporfection International's operations with up to \$1.6 million, of which Medbox has funded approximately \$500,000 to date, for ongoing working capital purposes (which funds will remain within our control as the parent of Vaporfection International) and cancel an outstanding \$50,000 promissory note executed by Vapor Systems International to Medbox, Inc. as lender.

Vapor Systems International is limited in the amount of Medbox common stock it can sell during the 12-month period following the closing, or until April 1, 2014.

We also agreed to issue a number of "performance shares" of our common stock if the cumulative four-year EBITDA (earnings before interest, taxes, depreciation and amortization) of Vaporfection International, Inc. during the period March 23, 2013 to March 31, 2017 is at least 70% of \$16,883,057. If so, then we will issue additional shares of our common stock in an amount equal to such EBITDA amount minus \$7,597,376, divided by the average closing price of the common stock over the ten trading days preceding the date of the calculation, which will be April 1, 2017. Therefore, there is no limit on the number of shares we may issue pursuant to the agreement as such number, assuming the EBITDA figure is met, is based on trading prices and the final EBITDA figure. However, the following table estimates the number of shares we would be required to issue at various assumed average ten-day closing prices assuming the minimum EBITDA requirement (\$11,818,139) was met:

<b>Average Ten-Day Closing Price</b>	<b>Number of Shares to be Issued</b>
\$25.00	168,830
\$10.00	422,076
\$5.00	844,152
\$2.50	1,688,305
\$1.00	4,220,763
\$0.50	8,441,526

The EBITDA calculation will be made on an annual basis and, if the EBITDA threshold is met or exceeded on any April 1<sup>st</sup> prior to April 1<sup>st</sup>, 2017, 25% of any shares due will be paid out that year, with the balance retained to serve as a carryover reserve provision for years with a shortfall in EBITDA earnings or fewer shares are due as a result in changes of the applicable closing price of the common stock. Of any performance shares distributed, 70% will be issued to Vapor Systems International, LLC, and 20% to the management of Vapor Systems International, Inc. and 10% to Postma Realty Investments Management, Inc., an independent contractor of Vaporfection International, Inc. The final amount of shares due to be issued will be calculated on April 1, 2017 using the final EBITDA and ten-day closing price on such date, with any shares issued to date deducted from the final number of shares to be issued pursuant to the agreement.

Finally, Medbox, Inc. agreed to pay \$175,000 in cash and issue a warrant to purchase 5,000 shares of Medbox common stock to Amir Yomtov, the inventor of certain patents used by Vapor Systems International, in order to settle ongoing litigation between Mr. Yomtov and Vapor Systems International. Mr. Yomtov is also restricted in the amount of shares he can re-sell during any monthly period as set forth in the agreement.

Through our new subsidiary Vaporfection International, Inc., we distribute of a line of medical vaporizing products including award winning Vaporfection vaporizers. Awards won by the Vaporfection vaporizers include the *High Times Magazine's* Cannabis Cup, Product of the Year – Best Vaporizer 2011 for the ViVape and Best Vaporizer, Kush Expo 2012, for the ViVape 2. The Kush Expo is hosted by Monster Events, Inc., who bills it as “the world’s biggest Medical Marijuana Show.”

Our purchase of Vaporfection International included an inventory of the Vaporfection vaporizer. Vaporfection’s patented designs using Vapor Glass™ and Vapor Touch™ technology, featuring laboratory grade “glass on glass” heating element, heating chamber airway, and touch screen temperature control provide a directed stream of pure heated air into the herb, which causes it to release its medicinal ingredient into the vapor. The process virtually eliminates impurities and carcinogens from the medicating process, creating a vapor of only the purest, efficient and virtually odorless medical ingredient directly into the patient’s respiratory system. This process allows for patients to ingest medicine in hospitals, treatment facilities, and even their homes, without disturbing others nearby.

Vaporfection currently has two flagship products, one of which is a handheld portable device called the MiVape that is undergoing product enhancements with a scheduled launch date of the latter part of 2013. Vaporfection’s only product in production at present is the ViVape 2 unit that is not handheld and is a more robust vaporizing system.

#### **Other Recent Acquisition Agreements**

We recently entered into agreements for two additional business partnerships which we anticipated would help us to develop a fuller range of products and services, however, we are attempting to rescind these agreements as discussed below.

##### *Bio-Tech Medical Software, Inc.*

On February 26, 2013, Medbox entered into (i) an Amended and Restated Stock Purchase Agreement (“Stock Purchase Agreement”), and (ii) an Amended and Restated Technology License Agreement, with Bio-Tech Medical Software, Inc. On June 26, 2013, we notified Bio-Tech that we were canceling these agreements with them due to a breach in a provision contained therein. We are currently in negotiations with Bio-Tech to separate from our proposed business partnerships amicably.

##### *MedVend, LLC*

On March 12, 2013, we entered into a Membership Interest Purchase Agreement with the holders (the “Sellers”) of 94.8% of the equity interests in MedVend Holdings, LLC, the holding company for MedVend, LLC (“MedVend”), a Michigan based bio-tech company that features a patented automated medicine dispensing machine used for traditional prescription pharmaceutical dispensing, and several related entities. Pursuant to the agreement, we agreed to acquire 50% of the equity interests in MedVend Holdings in exchange for \$4.1 million to be paid \$300,000 in cash at closing and \$3.8 million to be paid in either cash or our common stock on the 10<sup>th</sup> business day after the one-year anniversary of the closing (the “Subsequent Payment Date”),

As contemplated by the agreement, the parties agreed to form a new company, to be named MedVend, Inc., which will be owned 50% by Medbox, Inc. and 50% by the other holders of MedVend Holdings, and into which MedVend would transfer its assets and liabilities, and which will thereafter operate MedVend’s current business.

On May 7, 2013, we were served with a complaint entitled *Envy Tech Fund, LLC vs. Darryl B. Kaplan*, filed in the Michigan Circuit Court for the County of Oakland, Case #: 2013-133858-CKCK. The complaint alleges that the Sellers did not have authority to enter into the transaction with us because the consent of the minority stockholders was required. We have obtained a dismissal from the action and are currently working to rescind the Membership Interest Purchase Agreement based on the fact that the Sellers did not have the power and authority to enter into the agreement as they had represented therein.

## **Patents Related to our Business**

### *Patent Number US 7,844,363 B1*

There is one U.S. patent related to the Medbox system, Patent Number US 7,844,363 B1, which is for a medicine dispensing system that allows for safe and secure access for patients that require medicine, while still giving clinic operators a powerful tool to help with inventory control and medication management. The machine limits abuse and insures all patient data is securely kept onsite, at the pharmacy location, via computer-based application. The patent, which expires in November 2028, is owned by PVMI and exclusively licensed to Medbox, Inc. for the duration of the patent, on a payment basis to PVMI of \$1 per year.

The text for this patent is as follows:

“The present invention relates to the idea of enabling an individual to conveniently purchase herbal medications and prescription medicines from specialized machines. The system provides for the individual to be processed through a central database to be certain that the item being purchased has been legally authorized by an appropriate medical authority such as a licensed physician and has provided appropriate verification to confirm that the individual who is receiving the medication is the correct individual. The present invention enables the individual to conveniently purchase the medication from a machine.”

PVMI has four additional patents pending for our dispensing and storage systems for dispensaries, urgent care centers, pharmacies, assisted living centers, prisons, hospice care facilities, and doctors' offices. One such patent is an application that seeks to expand on the existing issued patent discussed above. We have entered into an exclusive licensing agreement with PVMI with respect to these and any other patents issued in the future with respect to our products on a payment basis to PVMI of \$1 per year for each issued and pending patent.

### *US Patent Number D677,774*

Through Vaporfection International, Inc., we own both national and international patents on the Vaporfection vaporizers' unique design and heating assembly. This patent was granted on March 12, 2013 and expires in November 2027.

## **New Products**

We have developed the following new products which will expand our product line beyond the Medbox and the Vaporfection vaporizers. We expect these products to be manufactured by the same companies and under the same arrangements as our Medbox machine, as discussed below.

### **Safe Access Storage Lockers**

These systems can be used by medium to large mail-order chains, which is our target market for this product, 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 (a/k/a Lockbox Express)**

This system provides pharmacies, our target market for this product, 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. Thereafter, when the customer's prescription order is ready, the customer will receive a text message that their order is ready, along with suggestions or coupons for complimentary products if appropriate, which the customer can add to their order using the pharmacy's web site. Then, the customer visits the pharmacy at their convenience and proceeds directly to the Lockbox system. 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, along with their additional order, if any, is ready for retrieval. The cost of the medicine and other products ordered 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 as well as over-the-counter medicines and other pharmacy products.

### Sample-Safe

Our target market for this wall-mounted unit is 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 additions 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.

### Employees

We currently have six full time employees . We also use the services of fourteen independent contractors.

### Research and Development

We estimate that we spent about \$100,000 during each of the years ended December 31, 2011 and 2012, on research and development activities.

### Properties

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. We may also receive mail at these addresses, but do not have a permanent staff at these locations.

### Legal Proceedings

On May 22, 2013, Medbox initiated litigation in the Arizona District Federal Court against MedVend Holdings LLC, and its majority shareholders for fraud related to a contemplated transaction. The litigation is pending and Medbox has sought a cancellation of the agreement entered into for a 50% ownership stake in MedVend due to a fraudulent conveyance of the asset since, as discussed above, the shareholders did not have the power to sell their ownership stake in MedVend Holdings.

On May 7, 2013, we were served with a complaint entitled Envy Tech Fund, LLC vs. Darryl B. Kaplan, filed in the Michigan Circuit Court for the County of Oakland, Case #: 2013-133858-CKCK. The complaint alleges that the Sellers did not have authority to enter into the transaction with us because the consent of the minority stockholders was required. We have obtained a dismissal from the action and are currently working to rescind the Membership Interest Purchase Agreement based

on the fact that the Sellers did not have the power and authority to enter into the agreement as they had represented therein.

From time to time, we may be involved in litigation relating to claims arising out of our operations in the normal course of business. Other than described herein, we are not involved in, or the subject of, any pending legal proceedings or governmental actions the outcome of which, in management's opinion, would be material to our financial condition or results of operations.

**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;**

3585 - AIR COND & WARM AIR HEATING EQUIP & COMM & INDL REFRIG EQUIP

**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, which we call the 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 manufacturer based in Corona, California to manufacture the Medbox. The local manufacturer, AVT, Inc., which is controlled by Shannon Illingworth, one of our non-affiliate stockholders, 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 as well as the touch-screen interface. Shipping and related costs are undertaken by our Corona, California manufacture, who also arranges for shipping to the U.S. and to the location of the dispensary/purchaser upon our instructions.

The raw materials required for our machines are fungible and readily available from a multitude of sources. We also believe that we would be able to find a replacement or additional manufacturers if our current manufacturer was unable to continue to manufacture our products or keep up with demand.

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. 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 manufacturer according to MDS specifications. The lead time for ordering machines is three weeks (order to arrival of the shipping 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 also 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, we currently do not offer that configuration to our clients. 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.

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 to assist in the dispensing and control of traditional pharmaceuticals. Depending on the success of this bid we may consider more actively marketing to prison systems in the foreseeable future.

A conventional temperature-controlled Medbox machine retails for \$25,000. Sales terms with customers are a 50% deposit with order and 50% upon delivery.

MDS offers a second machine as an add-on to the basic Medbox machine that can hold up to ten units of 35 different items, is refrigerated and is used for refrigerated medible products (i.e. food items that contain marijuana). This system sells for a retail price of \$15,000. 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 and local licensing support and technical support for a monthly fee (we have waived such fees to date but these fees will cease to be waived beginning in January 2014). The monthly maintenance fee is \$79 a month for customers who purchased a Medbox prior to July 1, 2011 and ranges from \$295 to \$495, depending on the purchaser's geographic location, for all other customers. 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 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, 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**

#### *Alternative Medicine Clinics*

Through MDS and, in Arizona, Medicine Dispensing Systems, Inc., we offer consulting services to individuals in established alternative medicine territories as well as newly emerging states that have recently enacted legislation allowing the use of alternative medicine. At December 31, 2012 we had 53 consulting clients under contract in the states of California, Arizona, Connecticut, Washington, Colorado, and Massachusetts. Twenty of these clients have been awarded licenses and 33 are in the pre-license application phase to establish alternative medicine clinics.

Through our consulting services we assist clients in opening an alternative medicine clinic. We provide persons that want to open an alternative medicine clinic 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 refrigerated add-on unit), 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 system sales.

### *Pharmaceutical Industry*

Through Medbox Rx, Inc. we offer consulting services to entities in the pharmaceutical industry, principally chain pharmacies. Such services focus on alternative methods of storage of pharmaceutical products and networking with medical providers and pharmacies in order to increase distribution and sales. While currently, the pharmaceutical industry represents zero percent of our business, we believe that there is great potential in this area.

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

We charge a flat \$150,000 fee for establishing an operating dispensary, broken down as follows:

	<b>Price</b>
Package Price	\$150,000
Consulting and Legal	\$50,000
Build-out	\$60,000
Medbox System, including optional Medible add-on and POS	\$40,000

### **Regulatory Requirements**

While we are not required to obtain governmental approval in connection with the manufacture and sale of our products, establishing an operating dispensary requires governmental approval, usually at the local and State level. This is obtained through a complex licensing process that is newly adopted by the states in almost all cases, which we navigate on behalf of our clients.

### **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 our web site [www.thedispensingsolution.com](http://www.thedispensingsolution.com) and in print magazine ads such as Entrepreneur Magazine and Culture Magazine. The information at our web site should not be considered a part of, 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**

During the 36 months ended December 31, 2012, MDS sold over 98 Medbox machines, including both base machines and the optional refrigerated add-on unit. 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 the we intend to develop 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. We believe these markets also provide an opportunity for us to market the technology we will acquire in connection with our pending acquisitions.

### **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.

As noted above, we market the Medbox in states that have regulatory systems in place to license alternative medicine clinics. So far ten states have implemented such licensing systems. Of these states, we currently serve clients in Arizona, Connecticut, Massachusetts, California, Colorado, Nevada, Illinois, Oregon and Washington and consider these states our current primary target market. We consider Michigan to be a secondary target market that we plan to target once that state adopts a dispensary licensing process in the near future. We provide licensing and application support in states outside of California through phone, email, in-person client meetings when necessary, and also through the use of video-conferencing. While we maintain physical offices in some of our target market states, most client matters are accomplished remotely.

In addition, based on the status of pending legislation in such states, we expect New York to pass such legislation in the next six months and become a primary market for us.

### **The Vaporfection Vaporizer Market**

Our target market for our vaporizer products are patients who use inhaled medications. We market our vaporizer products to distributors and customers alike through the use of social media, print ads, and online marketing channels. We also market our vaporizer products directly to state licensed dispensaries for sale to their registered patients.

### **Competition – Dispensing Systems**

We have competition in each product / service line and discuss each that we are aware of in turn below. We start with our flagship product, the Medbox. Of course, we also compete with the traditional model for the dispensing of regulated medications, where a consumer purchases their medication at a pharmacy through a face-to-face transaction with pharmacy personnel.

The information in this section is based on publicly available information regarding the companies discussed.

InstyMeds Corporation  
Minneapolis, Minnesota

InstyMeds offers the InstyMeds Prescription Medication Dispenser (“PMD”) and InstyMeds Prescription Writer. The PMD is an automated, ATM-style dispenser of acute prescription medications that dispenses directly to patients at the point of care. The system features a touch screen, credit card swipe, and a 24/7 patient assistant phone. According to InstyMeds, as of

December 2012, the PMD is sold in 34 states and has safely dispensed over one million medications to patients. InstyMeds sells to conventional medical facilities including hospitals, clinics, surgery centers and urgent care facilities, and markets its system as a way for patients to quickly receive their initial prescription of acute care medications. The Prescription Writer interfaces to the PMD and medication is dispensed. We view this system as competitive with the Medbox in the physician market. To our knowledge, InstyMeds has not pursued the alternative medicine market and, because their product dispenses medicine directly to patients, we believe their technology is not compatible with that market in the manner in which we currently target it, that is, by dispensation through an operator as opposed to directly to patients. The PMD system does not possess biometric verification or a patient database as is proprietary through PVMI's patent that we license for our products.

MedBox, LLC  
Manchester, Missouri

MedBox, LLC was founded in July 2006 but remains in prototype development stage. The firm's intended market is pharmacies, physicians, pharmaceutical manufacturers and health insurance companies. Similar to InstyMeds, MedBox, LLC seeks to provide immediate dispensing of prescriptions at the healthcare provider's facility. A central video monitor allows the patient to connect to and communicate with the pharmacist. MDS has issued a cease and desist letter to MedBox, LLC, as to its usage of the term "Medbox" as Medbox is a registered trademark of MDS. To our knowledge, MedBox, LLC has not pursued the alternative medicine market and for reasons similar to that discussed above, we believe their technology is not currently compatible with that market. The system does not possess biometric verification or a patient database as is proprietary through PVMI's patent that we license for our products.

QuigMeds™  
Malvern, Pennsylvania

QuigMeds™, a division of Qmeds, Inc. and organized in late 2004, offers a vending machine for prescription medications. The system can hold over 700 unit-of-use packages, prints labels and patient information documentation, uses a touch-screen device and operates on a closed, fully secure wireless network. The system is designed for use by physicians and office staff and is not presently designed for direct patient use. The QuigMeds™ system has two components – a dispensing cabinet and a stand-alone touch screen where orders are entered. The firm's target market appears to be medical practices and they focus on physician dispensing of prescription medications. To our knowledge, this company has not pursued the alternative medicine market. This product does not possess biometric verification or a patient database as is proprietary through PVMI's patent that we license for our products.

Dispense Labs  
Aliso Viejo, California

Dispense Labs is a company established in 2012 that offers a marijuana vending machine called "Autospense" that is consumer accessed and can operate 24 hours per day. This company's business model is different from ours in that it caters to dispensaries that need to provide 24-hour direct consumer access to product. Therefore, we do not believe that this company is a threat to our business. According to Dispense Labs, as of March 2013, the company has one machine currently operational.

### **Competition – Vaporfection Vaporizers-**

While there are a myriad of vaporizing products currently available in the marketplace, we do not feel there is one that closely resembles our Vaporfection line of products in design and overall functionality. With our patent on our products in that space, we believe that we can assume profitable market penetration, and since our vaporizer product has a proprietary glass on glass heating assembly, we believe the product itself is unmatched in the industry. Therefore, we do not believe any of the existing vaporizing products currently available are direct competitors for our vaporizer products.

### **Competition – Safe Access**

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. We believe that our systems are superior in design and also offer increased security through the use of biometrics to verify identity of the user

## **Future Goals**

We believe that the Company is well positioned to be the leader in compliance and inventory control in many different industries. We believe that while alternative medicine is an industry that desperately needs regulation, the prescription dispensing market is also in need of a standardized monitoring system that can help limit abuse. We are committed to developing products that help limit abuse of pharmaceutical products across a multitude of industries while improving the standard of care for patients and consumers.

While we currently focus on sales in the United States, our long-range plans include marketing our products to other countries, principally Canada and Mexico.

## **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 September 30, 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 September 30, 2013, there were 14,475,375 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.

The percentages reflect beneficial ownership immediately prior to and immediately after the completion of this offering, assuming all the shares offered hereby are sold, as determined in accordance with Rule 13d-3 under the Exchange Act and are based on shares of our common stock outstanding as of November 1, 2013.

Name And Address Of Beneficial Owner	Shares Owned	Percentage Of Class
Dr. Bruce Bedrick <sup>(1)</sup>	7,423,400 <sup>(2)</sup>	24.6%
P. Vincent Mehdizadeh <sup>(3)</sup>	19,207,390 <sup>(4)</sup> <sup>(5)</sup>	64.9%
All Directors and Officers as a Group	26,630,790	89.5%

\* Less than 1%

- (1) The address for Dr. Bedrick is 8439 West Sunset Blvd., Suite 101, West Hollywood, CA 90069. Dr. Bedrick is an officer and director of the Company.
- (2) Includes 1,000,000 shares of our Series A Convertible Preferred Stock held by Dr. Bedrick. Each share of our Series A Convertible Preferred is convertible into five shares of our common stock.
- (3) The address for Mr. Mehdizadeh is 6700 Fallbrook Ave., Suite 289, West Hills, CA 91307. Mr. Mehdizadeh is an officer and director of the Company.
- (4) Includes 1,895,000 shares of common stock held by PVM International, Inc. PVM International, Inc. is owned and controlled by Mr. Mehdizadeh.
- (5) Includes 7,312,390 shares of common stock and 2,000,000 shares of Series A Convertible Preferred Stock. Each share of Series A Convertible Preferred Stock is convertible into five shares of common stock. Vincent Chase, Inc. is owned and controlled by Mr. Mehdizadeh.

### **Executive Officers and Director**

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

NAME	AGE	POSITION
Dr. Bruce Bedrick	44	Chief Executive Officer and Director
P. Vincent Mehdizadeh	34	Chief Operating Officer and Chairman of the Board, acting principal financial officer

The business background and certain other information about our directors and executive officers, as well our key employee, 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 its 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 gained as a result of years of prior business experiences.

#### **P. Vincent Mehdizadeh – Chief Operating Officer and Chairman of the Board**

Mr. Mehdizadeh founded MDS in February 2008 and served as our senior consultant from December 2012 until May 10, 2013, at which time he was appointed our Chief Operating Officer and Chairman of the Board. Mr. Mehdizadeh is also acting as our principal financial officer following the departure of our former acting Chief Financial Officer on October 1, 2013. The company he controls, PVMI, holds the 2010 patent which is the underlying technology of the Medbox.

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.

Prior to December 2012, Mr. Mehdizadeh was the CEO and Founder of MDS. 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.

Our Board of Directors believes that Mr. Mehdizadeh's qualifications to serve as a Director of Medbox include his experience and knowledge of our main product as the founder of MDS and the creator of the Medbox as well as his knowledge of the alternative medicine market as a result of such experience.

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 charging the vehicle purchaser's credit card without express written consent. The matter was resolved with Mr. Mehdizadeh receiving and successfully completing probation. Mr. Mehdizadeh has applied for an expungement of the record and is awaiting the outcome of that request, which should result in a deletion of the record.

During 2005-2008, Mr. Mehdizadeh was the non-attorney manager for a law firm. In 2008 the supervising attorney whom clients had retained to handle their legal matters retired and left clients without representation. The department of consumer affairs of Los Angeles investigated the matter and decided to recommend prosecution against Mr. Mehdizadeh and not Mr. Mehdizadeh's attorney employer. After a 15 count criminal complaint was filed in 2010, in order to avoid a trial and ongoing bad publicity, Mr. Mehdizadeh pled no-contest to two counts related to theft since money was accepted by the attorney and work had not been completed due to the attorney retiring. Mr. Mehdizadeh accepted the terms of the plea that called for probation and that once Mehdizadeh's probation is complete, it was pre-negotiated that the record of the incident be deleted. Mr. Mehdizadeh maintains his innocence and believes he was unfairly targeted.

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

#### **Key Employee**

##### **Thomas Iwanski – Accounting Consultant**

Mr. Iwanski, age 55, joined Medbox on April 15, 2013 as the company's accounting consultant. We expect that Mr. Iwanski will become our Chief Financial Officer upon Ms. Guieb's scheduled departure on September 1, 2013. Currently, Mr. Iwanski devotes a minimum of 40 per week to the Company. His duties include accounting oversight and consultation concerning SEC compliance. Mr. Iwanski has also been self-employed as a consultant specializing in corporate financing and operations improvement since September 2010. Prior to joining Medbox, since May 2007, Mr. Iwanski served as Director and Chief Executive Officer of Live-Vu Communications, Inc., a company that specializes in turnkey telemedicine and telehealth solutions for hospitals, clinics, long-term care facilities and homes incorporating proprietary video technology. From September 2006 through May 2007, Mr. Iwanski served as Chief Financial Officer of SyncVoice Communications, Inc. From April 2005

through July 2006, Mr. Iwanski served as Senior Vice President, Corporate Secretary and Chief Financial Officer of IP3 Networks, Inc. From February 2003 through April 2005 Mr. Iwanski served as a Special Advisor to the CEO of Procom Technology, Inc., where he played a prominent role in the development and implementation of business and financial strategies. Mr. Iwanski has also served in various other positions, including Vice President Finance, Chief Financial Officer, Director and Secretary for a number of companies, including Cognet, Inc., NetVantage, Inc., Kimalink, Inc., Xponent Photonics, Inc., Prolong, Inc. and Memlink, Inc. Mr. Iwanski also has approximately ten years of public accounting experience having worked for KPMG, LLP, as a Senior Audit Manager and a Certified Public Accountant. Mr. Iwanski received a Bachelor of Business Administration from the University of Wisconsin-Madison in 1980. Mr. Iwanski also currently serves on the board of directors of Pacific Health Care Organization, Inc., a specialty workers' compensation managed care company providing a range of services for California employers and claims administrators.

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:

I, P. Vincent Mehdizadeh, 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.

November 19, 2013

/s/ P. Vincent Mehdizadeh  
By: P. Vincent Mehdizadeh  
Its: Director

**Medbox, Inc.**  
**Consolidated Condensed Balance Sheets**  
**September 30, 2013 and December 31, 2012**

	<b>(Unaudited)</b>	<b>(As restated)</b>
	<b>September 30,</b>	<b>December 31,</b>
	<b>2013</b>	<b>2012</b>
	<hr/>	<hr/>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 100,301	\$ 1,026,902
Accounts receivable, net	1,945,607	2,052,000
Loan receivable	55,000	-
Assets held for payment	210,000	-
Inventory	868,696	377,900
Prepaid expenses	88,300	-
Other current assets	9,088	-
Total current assets	<hr/>	<hr/>
	3,276,992	3,456,802
Property and equipment, net of accumulated depreciation of \$130,162 and 43,491, respectively	186,062	51,018
Advances on equity investments	1,200,000	-
Intangible assets	1,026,000	-
Goodwill	1,635,086	-
Other assets	98,726	4,850
<b>Total assets</b>	<hr/> <hr/>	<hr/> <hr/>
	\$ 7,422,866	\$ 3,512,670
<b>Liabilities and stockholders' equity</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 380,454	\$ 313,196
Income taxes payable	258,856	-
Deferred revenue	120,000	1,608,280
Loans payable	150,000	-
Related party notes payable	61,038	869,038
Current portion of long-term debt	15,548	15,548
Customer deposits	298,468	-
Other current liabilities	11,500	-
Total current liabilities	<hr/>	<hr/>
	1,295,864	2,806,062
Long term-debt, less current portion	12,204	24,460
Stockholders' equity		

Preferred stock, \$0.001 par value: 10,000,000 authorized, 3,000,000 issued and outstanding as of September 30, 2013 and 6,000,000 issued and outstanding as of December 31, 2012	3,000	6,000
Common stock, \$0.001 par value: 100,000,000 authorized, 14,475,375 issued and outstanding as of September 30, 2013 and 13,683,572 issued and outstanding as of December 31, 2012	14,475	13,684
Additional paid-in capital	4,859,069	1,164,356
Additional paid-in capital-warrants	1,198,612	
Common stock subscribed	-	(153,250)
Retained earnings (accumulated deficit)	39,642	(348,642)
Total stockholders' equity	<u>6,114,798</u>	<u>682,148</u>
<b>Total liabilities and stockholders' equity</b>	<u><u>\$ 7,422,866</u></u>	<u><u>\$ 3,512,670</u></u>

*See notes to consolidated condensed financial statements.*

**Medbox, Inc.**  
**Consolidated Condensed Statements of Operations**  
**For the three and nine months ended September 30, 2013 and 2012**  
**See notes to consolidated condensed financial statements.**

	<b>(unaudited)</b> <b>Three months ended</b> <b>September 30,</b> <b>2013</b>	<b>(unaudited)</b> <b>Nine months ended</b> <b>September 30,</b> <b>2013</b>
	<u>2013</u>	<u>2013</u>
Revenues, net	\$ 2,079,454	\$ 5,046,634
Cost of revenues	<u>1,291,731</u>	<u>1,946,158</u>
Gross margin	833,397	3,100,476
Selling, general and administrative expenses		
Selling and marketing	53,043	927,372
Depreciation	26,870	48,091
General and administrative	<u>326,733</u>	<u>1,475,966</u>
Total costs and expenses	<u>406,646</u>	<u>2,451,429</u>
Income (loss) from operations	426,751	649,047
Interest income	13,233	13,365
Interest (expense)	<u>(8,409)</u>	<u>(15,272)</u>
Income before provision for income taxes	431,575	647,140
Provision for income taxes	<u>172,630</u>	<u>258,856</u>
Net income	<u>\$ 258,945</u>	<u>\$ 388,284</u>
Earnings per share attributable to common stockholders:		
Basic - 14,649,142 shares and 14,176,138 shares for the three months and nine month period ended September 30, 2013, respectively.	\$ 0.02	\$ 0.03
Diluted - 29,649,142 shares and 29,948,398 shares for the three months and nine month period ended September 30, 2013, respectively.	\$ 0.01	\$ 0.01

*See notes to consolidated condensed financial statements.*

**Medbox, Inc.**  
**Consolidated Statements of Stockholders' Equity**  
**For the Nine Months Ended September 30, 2013**

	<u>Preferred Stock</u>		<u>Common Stock</u>		<u>Additional Paid-In Capital</u>	<u>Common Stock Subscribed</u>	<u>Retained Earnings (Accumulated) (Deficit)</u>	<u>Total Stockholders' Equity</u>
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>				
Balance at December 31, 2012, as restated	6,000,000	\$ 6,000	13,683,572	\$ 13,684	\$ 1,164,356	\$ (153,250)	\$ (348,642)	\$ 682,148
Cancellation of preferred stock	(3,000,000)	(3,000)			3,000			-
Issuance of common stock, net of issuance costs			770,050	770	3,593,629	153,250	-	3,747,649
Issuance of warrants for purchase of subsidiary					1,198,612			1,198,612
Issuance of stock for debt			21,753	21	98,084			98,105
Net income							388,284	388,284
Balance at September 30, 2013	<u>3,000,000</u>	<u>\$ 3,000</u>	<u>14,475,375</u>	<u>\$ 14,475</u>	<u>\$ 6,057,681</u>	<u>\$ -</u>	<u>\$ 39,642</u>	<u>\$ 6,114,798</u>

See notes to Consolidated Financial Statements



**Medbox, Inc.**  
**Consolidated Condensed Statements of Cash Flows**  
**For the Nine Months Ended September 30, 2013 and the Year Ended December 31, 2012**

	<b>(unaudited)</b>	<b>(as restated)</b>
	<b>For the Nine Months Ended September 30, 2013</b>	<b>For Year Ended December 31, 2012</b>
<b>Cash flows from operating activities</b>		
Net income	\$ 388,284	\$ (361,460)
Adjustments to reconcile net income to net cash used by operating activities:		
Depreciation and amortization	48,091	29,922
Decrease (increase) in:		
Accounts receivable	106,393	(2,052,000)
Loan receivable	(55,000)	104,650
Assets held for repayment	(210,000)	-
Advances to officer	-	177,050
Prepaid expenses	(88,300)	-
Other current assets	(9,088)	-
Inventory	(220,897)	(277,900)
Other assets	(93,876)	-
Increase (decrease) in:		
Accounts payable and accrued expenses	(329,158)	267,041
Income taxes payable	258,856	(52,817)
Deferred income taxes payable	-	-
Deferred revenue	(1,488,280)	1,608,280
Customer deposits	239,369	-
Other current liabilities	11,500	-
<b>Net cash used by operating activities</b>	<b>(1,442,106)</b>	<b>(557,234)</b>
<b>Cash flows from investing activities</b>		
Payments received on loan receivable	104,650	104,650
Advances on equity investments	(1,200,000)	-
Investment in subsidiary	(1,291,537)	-
<b>Net cash provided by (used for) investing activities</b>	<b>(2,386,887)</b>	<b>104,650</b>
<b>Cash flows from financing activities</b>		
Payments received on advances to officer	-	177,050
Payments on related party notes payable	(808,000)	(31,000)

Payments on long-term debt	(12,256)	(21,928)
Payment on notes payable	(25,000)	-
Subscription receivable	153,250	
Dividends paid	-	(49,965)
Proceeds from issuance of common stock	3,594,399	1,362,974
<b>Net cash provided by financing activities</b>	<u>2,902,393</u>	<u>1,437,131</u>
Net increase (decrease) in cash and cash equivalents	(926,600)	984,547
Cash and cash equivalents at beginning of year	<u>1,026,902</u>	<u>42,355</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ 100,301</u>	<u>\$ 1,026,902</u>
<b>Supplemental cash flow information</b>		
Cash paid during the period for:		
Interest	<u>\$ 3,600</u>	<u>\$ 4,975</u>
Income taxes	<u>\$ -</u>	<u>\$ 59,141</u>
Non- cash transactions:		
Fair value of warrants issued for acquisition of subsidiary	<u>\$ 1,198,612</u>	<u>\$ -</u>
Issuance of common stock for retirement of obligations in acquisition	<u>\$ 98,105</u>	<u>\$ -</u>
Issuance of related party notes payable for common stock	<u>\$ -</u>	<u>\$ 125,000</u>
Cancellation of preferred stock	<u>\$ 3,000</u>	<u>\$ -</u>
Issuance of note payable in acquisition of subsidiary	<u>\$ 175,000</u>	<u>\$ -</u>

*See notes to consolidated condensed financial statements.*

**Medbox, Inc.**  
**Notes to Consolidated Condensed Financial Statements**  
**As of September 30, 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 offers 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, Medicine Dispensing Systems, Inc. was incorporated in the state of Arizona in 2011, and Vaporfection International, Inc. was incorporated in the state of Florida in March 2013. Medbox, Inc. (inactive). was incorporated in the state of California in 2010.

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., Medline Dispensing Systems Inc., Medbox, Inc. (a California corporation but inactive) and Vaporfection International Inc. All material intercompany transactions have been eliminated.

Medbox, Inc.  
Notes to Consolidated Condensed Financial Statements  
As of September 30, 2013  
(Continued)

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.

Marketing and Advertising Costs

Marketing and advertising costs are expensed as incurred.

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 has certain restricted securities provided by a customer for payment of services that the company adjusts to its carrying amount on each reporting period. As the liquidation of the security at a later date is a means of partial payment against any amounts due the Company for services no gain or loss provision is reflected on any adjustments of the carrying value. In addition, as a part of the purchase of Vaporfection International, Inc. certain intangible assets were valued and they are periodically reviewed for impairment.

Revenue Recognition

The Company applies the revenue recognition provisions pursuant to Accounting Standards Codification ("ASC") 605.10, *Revenue Recognition*

Medbox, Inc.  
Notes to Consolidated Condensed Financial Statements  
As of September 30, 2013  
(Continued)

Revenue Recognition (continued)

(“ASC 605”) (formerly SAB Topic 13A), which provides guidance on the recognition, presentation and disclosure of revenue in financial statements filed with the SEC. The guidance outlines the basic criteria that must be met to recognize the revenue and provides guidance for disclosure related to revenue recognition policies.

The Company recognizes revenue related to consulting fees based upon the terms of the contract. In general, the Company recognizes revenue when a milestone is reached in the contract such as submittal of the license application or if otherwise delineated awarding of a license. In addition, if the contract includes the build out of the client location and the installation of Medbox dispensing machines then the remainder of the revenue is recognized when the facility is completed and available for move-in by the client.

Allocation of revenue based on relative values of a contract are determined by the value of the whole contract which comprises of the sales amounts attributed to filing applications, selecting and procuring facility locations, obtaining a license, if applicable, and building out the facility and installation of the standalone Medbox dispensing machines.

In addition, the Company intends to charge maintenance fees for consulting, equipment and software on a monthly basis, and would recognize revenue on these monthly charges when (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred or services have been rendered, (iii) the fee is fixed or determinable and (iv) collectability is reasonably assured.

The Company’s consulting clients generally pay in advance for their services by either wire or check. Advance payments from clients and billings made in advance of work or services performed are recorded on the balance sheet as deferred revenue. An allowance for uncollectible accounts is established for any customer who is deemed as possibly uncollectible.

Equipment sales not associated with a consulting contract or other consumer product sales made via the company’s e-commerce site or by the company’s sales force are recognized as the product is shipped.

Medbox, Inc.  
Notes to Consolidated Condensed Financial Statements  
As of September 30, 2013  
(Continued)

Revenue Recognition (continued)

Provisions for discounts and rebates to customers, estimated returns and allowances, and other adjustments are provided in the same period the related sales are recorded. The Company will allow customers to return certain consumer type merchandise under many circumstances. The provision for returns as well as an allowance for uncollectible accounts will be included in the Company's balance sheet.

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. 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. Inventories consists of new and repurchased machines, capitalized costs for construction projects being built for clients or for resale, purchased dispensary locations and repurchased dispensary licenses which are available for sale. 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

Medbox, Inc.  
Notes to Consolidated Condensed Financial Statements  
As of September 30, 2013  
(Continued)

Property and Equipment (continued)

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
Machinery and equipment	5 years

Goodwill and Purchased Intangible Assets

The Company evaluates the recoverability of identifiable intangible assets whenever events or changes in circumstances indicate that an intangible asset's carrying amount may not be recoverable. Such circumstances could include, but are not limited to a significant decrease in the market value of an asset, a significant adverse change to the extent or manner in which an asset is used, or an accumulation of costs significantly in excess of the amount originally expected for the acquisition of an asset. The Company measures the carrying amount of the asset against the estimated non-discounted future cash flows associated with it. Should the sum of the expected future cash flows be less than the carrying value of the asset being evaluated, an impairment loss would be recognized. The impairment loss would be calculated as the amount by which the carrying value of the asset exceeds its fair value. The fair value is measured based on quoted market prices, if available. If quoted market prices are not available, the estimate of fair value is based on various valuation techniques, including the discounted value of estimated future cash flows. The evaluation of asset impairment requires the Company to make assumptions about future cash flows over the life of the asset being evaluated. These assumptions require significant judgment and actual results may differ from assumed and estimated amounts. There has been no impairment losses recorded as of September 30, 2013.

Design costs, the value of distributor retention, domain name, non-compete agreements and trademarks and patents are initially measured

Medbox, Inc.  
Notes to Consolidated Condensed Financial Statements  
As of September 30, 2013  
(Continued)

Goodwill and Purchased Intangible Assets (continued)

based on their fair/purchase values. These intangible assets are being amortized on a straight-line basis over the life of the asset and are stated at cost net of accumulated amortization.

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 general and administrative expenses when they occur.



Medbox, Inc.  
Notes to Consolidated Condensed Financial Statements  
As of September 30, 2013  
(Continued)

Income Taxes (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 carry-forwards 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 September 30, 2013 consist of:

	<u>September 30, 2013</u>
Depreciable assets:	
Product tooling	\$ 64,293
Office equipment	8,269
Purchased software	4,616
Furniture and fixtures	61,478
Website development	85,568
Transportation equipment	<u>92,000</u>
Sub-total	\$ 316,224
Less accumulated depreciation	<u>( 130,162)</u>
Total, property and equipment, net	<u>\$ 186,062</u>

Medbox, Inc.  
Notes to Consolidated Condensed Financial Statements  
As of September 30, 2013  
(Continued)

Note 4 – Investment and Advances

On March 22, 2013, the Company entered into a purchase agreement for 100% of the issued and outstanding common stock of Vaporfection International Inc. (“VII”) owned by Vapor Systems International LLC. The Company issued 260,854 warrants to shareholders of VII allowing them to purchase Medbox common stock at \$.001 per share beginning April 1, 2014. These warrants were valued for Medbox accounting purposes at \$4.51 per share based upon a third party valuation. Terms also included the Company issuance of 21,753 shares of common stock and 5,000 warrants exercisable into shares of common stock in exchange for the payment of \$583,954 of purchased liabilities. The purchase price including warrants and net liabilities assumed was approximately \$1.6 million.

In addition, to the above warrants the purchase agreement and associated consulting contract with the prior management company of the business unit calls for additional shares to be issued in the event that the performance of the business unit exceeds \$11,818,140 of accumulated EBITBA profitability over the subsequent 4 year operating period. The Company has treated the obtainment of that performance provision as being remote and consequently has not assigned any future value to the purchase price.

Effective April 1, 2013, the purchase agreement was amended to adjust the closing date to April 1, 2013, remove the provision requiring additional shares should the Medbox stock price fall below \$25 per share, remove any requirement to limit warrant holder stock sales twelve months after the closing date, remove registration rights and clarify internal language within the contract.

The Company also guaranteed a March 23, 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 had a maturity date of September 22, 2013 but was amended to require seven monthly payments of \$25,000 beginning September 22, 2013 and a eight monthly payment of accrued interest. .

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 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 Condensed Financial Statements  
As of September 30, 2013  
(Continued)

Note 5 – Investment and Advances (continued)

The Company advanced \$600,000 upon execution of this agreement for the right to purchase with the remaining balance of \$900,000 due and payable in installments at various dates by August 25, 2013.

On June 26, 2013, the company notified Bio-Tech that it was canceling the agreements with them. The company is currently in litigation with Bio-Tech to separate from their proposed business partnerships.

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 was \$4,100,000 whereby the Company paid an advance of \$300,000 upon execution of the contract for the right to purchase and paid an additional \$300,000 as a loan to the operating unit.

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 6 – Long-term Debt

Long-term debt at September 30, 2013 consists of:

	<u>September 30, 2013</u>
Term note to Chase, payable in monthly installments of \$1,535.45 including interest at 3.9% through May 2015. The note is secured with a 2011 Porsche	\$ 27,752
Less current portion	<u>(15,548)</u>
Long-term portion	<u>\$ 12,204</u>

Medbox, Inc.  
Notes to Consolidated Condensed Financial Statements  
As of September 30, 2013  
(Continued)

Note 7 – Long-term Debt (continued)

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

2013	\$	3,283
2014		16,954
2015		<u>7,515</u>
Total maturities	\$	27,752
Less current portion		<u>(15,548)</u>
Long-term debt, net	\$	<u>12,204</u>

Note 8 – 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 6,000 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. At June 30, 2013 the note was paid off.

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 September 30, 2013, the Company incurred \$230,956 in fees for these services.

Medbox, Inc.  
Notes to Consolidated Condensed Financial Statements  
As of September 30, 2013  
(Continued)

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 September 30, 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 September 30, 2013, the Company incurred approximately \$188,025 in manufacturing costs. In addition, the Company's existing inventory of new and repurchased 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 9 – 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 by the shareholder and issued to the founder. In January 2013 these 3,000,000 preferred shares were returned to the Company by the founder and cancelled.

During the period ended September 30, 2013, the Company sold approximately 770,050 shares of common stock for proceeds of approximately \$3,747,649.

Note 10 – 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.

Medbox, Inc.  
Notes to Consolidated Condensed Financial Statements  
As of September 30, 2013  
(Continued)

Note 11 – Income Taxes (continued)

The consolidated provision for federal and state income taxes for the period ended September 30, 2013 is as follows:

	<u>September 30, 2013</u>
Current	\$ 258,856
Deferred	<u>0</u>
Total provision for income taxes	<u>\$ 258,856</u>

The Company's total deferred tax liabilities which have been presented on the financial statements as a noncurrent deferred tax (liability) at September 30, 2013 are as follows:

	<u>September 30, 2013</u>
Total deferred tax (liability)	<u>\$ 0</u>

Note 12 – 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 Boca Raton, Florida from unrelated third parties under a month to month operating lease at a total monthly rate of \$4,800. The payment is charged to rent expense as incurred.

Total rent expense under facility operating leases unrelated to construction build-outs for nine months ending September 30, 2013 was \$154,979.

Medbox, Inc.  
Notes to Consolidated Condensed Financial Statements  
As of September 30, 2013  
(Continued)

Note 12 – Lease Obligations (continued)

The minimum future lease payments under non-cancelable office facility operating leases at September 30, 2013 are as follows:

<u>Year</u> <u>Ending</u>	<u>Amount</u>
2013	43,191
2014	172,759
2015	172,759
2016	172,759
2017	<u>86,379</u>
Total	<u>\$ 647,847</u>

Note 13 – Subsequent Events

Since September 30, 2013, the Company entered into various agreements for the issuance of 255,000 restricted shares for an aggregate of \$1,075,000.