

MEDBOX, INC
FINANCIAL STATEMENTS
September 30, 2012

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INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

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

I have compiled the accompanying consolidated balance sheet of MEDBOX, INC (a corporation) and subsidiaries as of September 30, 2012, and the related statements of income and retained earnings, cash flows and changes in stockholders' equity for the quarter/period then ended. I have not audited or reviewed the accompanying consolidated financial statements and, accordingly, do not express an opinion or provide any assurance about whether the consolidated financial statements are in accordance with accounting principles generally accepted in the United States of America.

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

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

Management has elected to omit substantially all of the disclosures required by accounting principles generally accepted in the United States of America. If the omitted disclosures were included in the consolidated financial statements, they might influence the user's conclusions about the Company's financial position and results of operations. Accordingly, these financial statements are not designed for those who are not informed about such matters.

A handwritten signature in black ink, consisting of several overlapping, sweeping strokes that form a stylized, elongated shape.

November 1, 2012

MEDBOX, INC
BALANCE SHEET
As of September 30, 2012

ASSETS

CURRENT ASSETS

Cash in Bank	\$	93,097.66
Accounts Receivable		1,626,000.00
Loan Receivable - Officers'		52,721.00
Loan Receivable		99,962.26
Inventory		<u>178,900.00</u>

Total Current Assets \$ 2,050,680.92

PROPERTY AND EQUIPMENT

Machinery & Equipment		2,508.69
Auto & Truck		<u>92,000.00</u>
	\$	94,508.69
Less: Accumulated Depreciation		<u>(17,243.69)</u>

Total Property and Equipment 77,265.00

OTHER ASSETS

Deposits	\$	<u>4,850.00</u>
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Total Other Assets 4,850.00

\$ 2,132,795.92

MEDBOX, INC
BALANCE SHEET
As of September 30, 2012

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES

Accounts Payable	\$	280,000.00
Accrued Expenses		13,225.00
Current Portion L-T Debt		15,203.00
Sales Tax Payable		22,500.00
Income Taxes Payable		<u>567,924.00</u>

Total Current Liabilities \$ 898,852.00

LONG-TERM DEBT

Loan Payable - Chase Auto Loan	\$	<u>43,685.14</u>
	\$	43,685.14

Less Current Portion Above (15,203.00)

Total Long-Term Debt 28,482.14

STOCKHOLDERS' EQUITY

Add'l Paid In Capital	336,092.00
Dividends Paid to Subsidiary Shareholders'	(40,154.37)
Retained Earnings, 9/30/2012	<u>909,524.15</u>

Total Stockholders' Equity 1,205,461.78

\$ 2,132,795.92

MEDBOX, INC
STATEMENT OF INCOME &
& RETAINED EARNINGS

	3 Months Ended September 30, 2012	%	9 Months Ended September 30, 2012	%
Income				
Sales	\$ 1,302,500.00	36.40	\$ 3,578,359.20	100.00
Total Income	\$ 1,302,500.00	36.40	\$ 3,578,359.20	100.00
Cost of Sales (Sch B-1)	340,596.89	26.15	802,706.78	22.43
Income Before Oprtng Expns	\$ 961,903.11	26.88	\$ 2,775,652.42	77.57
Operating Expenses (Sch B-2)	697,293.62	19.49	1,324,063.59	37.00
Income Before Other Expns	\$ 264,609.49	7.39	\$ 1,451,588.83	40.57
Other Expenses				
Depreciation	\$ 1,225.00	0.03	\$ 3,675.00	0.10
Interest	1,008.21	0.03	3,255.68	0.09
Officer's Salary	135,000.00	3.77	135,000.00	3.77
	\$ 137,233.21	3.84	\$ 141,930.68	3.97
Net Income Bef Income Tax	\$ 127,376.28	3.56	\$ 1,309,658.15	36.60
Provision for Income Tax	(48,792.00)	(1.36)	(523,558.00)	(14.63)
Net Income	\$ 78,584.28	2.20	\$ 786,100.15	21.97
Retained Earnings, 1/1/12			123,424.00	
Retained Earnings, 9/30/12			\$ 909,524.15	

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

	3 Months Ended September 30, 2012		9 Months Ended September 30, 2012	
		%		%
Cost of Sales				
Purchases	307,201.89	23.59	353,447.48	9.88
Construction & Buildouts	33,395.00	2.56	109,140.30	3.05
Licenses & Permits	0.00	0.00	340,119.00	9.50
Total Cost of Sales	\$ 340,596.89	26.15	\$ 802,706.78	22.43

See Accountants' Compilation Report

MEDBOX, INC
SCHEDULE OF OPERATING EXPENSES
SCHEDULE B-2

	3 Months Ended September 30, 2012	%	9 Months Ended September 30, 2012	%
Operating Expenses				
Advertising	6,595.01	0.51	50,612.62	1.41
Answering Service	688.00	0.05	2,752.00	0.08
Automobile	1,182.17	0.09	1,637.50	0.05
Bad Debt Expense	418,095.00	32.10	418,095.00	11.68
Bank Charges	3,571.80	0.27	10,544.41	0.29
Bankcard Discounts	0.00	0.00	105.51	0.00
Computer Service & Supplies	383.00	0.03	2,454.80	0.07
Delivery	1,546.00	0.12	7,411.18	0.21
Dues & Subscriptions	138.00	0.01	1,702.00	0.05
Employee Benefits	618.00	0.05	3,648.00	0.10
Entertainment	1,350.18	0.10	5,913.42	0.17
Equipment Rental	0.00	0.00	3,060.00	0.09
Legal & Accounting	36,533.69	2.80	105,548.27	2.95
Lease Fees	2,000.00	0.15	2,000.00	0.06
Licenses	259.00	0.02	938.00	0.03
Marketing	17,175.00	1.32	44,975.92	1.26
Meetings & Conferences	373.10	0.03	4,256.37	0.12
Merchant Charges	124.85	0.01	124.85	0.00
Office Expense	117.72	0.01	2,935.19	0.08
Outside Services	38,571.67	2.96	74,989.12	2.10
Parking	76.53	0.01	216.03	0.01
Penalties	0.00	0.00	1,312.01	0.04
Postage	0.00	0.00	47.97	0.00
Professional Fees	124,854.20	9.59	326,328.77	9.12
Promotion	0.00	0.00	7,284.85	0.20
Rent	25,449.00	1.95	160,186.43	4.48
Research	2,255.00	0.17	10,116.81	0.28
Security	500.00	0.04	9,268.12	0.26
Supplies	159.51	0.01	2,284.87	0.06
Taxes & Licenses	1,140.00	0.09	4,279.98	0.12
Taxes - Franchise	2,133.00	0.16	2,800.94	0.08
Telephone	1,645.18	0.13	5,547.13	0.16
Travel	9,557.29	0.73	47,797.87	1.34
Transportation	201.72	0.02	665.84	0.02
Utilities	0.00	0.00	1,044.66	0.03
Web Site	0.00	0.00	1,177.15	0.03
Total Operating Expenses	\$ 697,293.62	53.54	\$ 1,324,063.59	37.00

See Accountants' Compilation Report

MEDBOX, INC.
STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED
September 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES:

Net Income	<u>\$ 786,100</u>
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	\$ 3,675
Decrease (increase) in:	
Accounts receivable	(1,626,000)
Loan receivable - Officers'	124,330
Loan receivable	4,688
Inventory	(78,900)
Increase (decrease) in:	
Accounts payable	280,000
Accrued Expenses	13,225
Current Portion Long-term Debt	15,203
Sales tax payable	(12,528)
Income Tax Payable	<u>523,558</u>
Total adjustments	<u>\$ (752,749)</u>
Net cash provided in operating activities	<u>\$ 33,351</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Proceeds from equity investment	\$ 102,000
Payments in Dividends	(40,154)
Payments to Additional paid in capital	<u>(11,000)</u>
Net cash provided in investing activities	<u>\$ 50,846</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Current Portion Long-term Debt	\$ (15,203)
Payments on Loans Payable	<u>(18,252)</u>
Net cash used in financing activities	<u>\$ (33,455)</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS	\$ 50,742
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CASH AND CASH EQUIVALENTS, JANUARY 1, 2012	<u>42,356</u>
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CASH AND CASH EQUIVALENTS, SEPTEMBER 30, 2012	<u><u>\$ 93,098</u></u>
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SUPPLEMENTAL DISCLOSURES:

Cash paid during the nine months for interest	<u><u>\$ 3,256</u></u>
Cash paid during the nine months for income tax	<u><u>\$ -</u></u>

MEDBOX, INC.
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
SEPTEMBER 30, 2012

	<u>Common Stock</u>		<u>Additional</u>	<u>Retained</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>Paid In</u>	<u>Earnings</u>	<u>Stockholders'</u>
			<u>Capital</u>		<u>Equity</u>
Balance at January 1, 2012	-	\$ -	\$ -	\$ 123,424	\$ 123,424
September 30, 2012 net income	-	-	-	834,892	834,892
Activity for September 30, 2012					
Issuance of Common Stock	13,174,839	-	336,092	-	336,092
Dividend Paid				40,154	40,154
Balance at September 30, 2012	<u>13,174,839</u>	<u>\$ -</u>	<u>\$ 336,092</u>	<u>\$ 918,162</u>	<u>\$ 1,254,254</u>