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7
8 **UNITED STATES DISTRICT COURT**
9 **CENTRAL DISTRICT OF CALIFORNIA**

10 JOSH CRYSTAL, Individually and
on Behalf of All Others Similarly
11 Situated,

12 Plaintiff,

13 v.

14 MEDBOX, INC., PEJMAN
VINCENT MEHDIZADEH,
15 BRUCE BEDRICK, THOMAS
IWANSKI, GUY MARSALA, and
16 DOUGLAS MITCHELL,

17 Defendants.

Case No.:

**COMPLAINT FOR VIOLATIONS
OF THE FEDERAL SECURITIES
LAWS**

CLASS ACTION

DEMAND FOR JURY TRIAL

18
19 Plaintiff, Josh Crystal ("Plaintiff"), individually and on behalf of all others
20 similarly situated, by his undersigned attorneys, has alleged the following based
21 upon the investigation of Plaintiff's counsel, which included a review of United
22 States Securities and Exchange Commission ("SEC") filings by Medbox, Inc.
23 ("Medbox" or the "Company"), as well as media and financial analyst reports
24 about the Company, conference call transcripts and certain court records.
25 Plaintiff believes that substantial additional evidentiary support will exist for the
26 allegations set forth herein after a reasonable opportunity for discovery.

1 5. While Defendants kept the full extent of their fraud concealed
2 throughout the Class Period, the market learned bits of the truth through several
3 partial disclosures.

4 6. Initially, the price the Company's common stock declined partially
5 in January 2014 when the Financial Industry Regulatory Authority ("FINRA")
6 issued an advisory concerning risks related to investing in marijuana related
7 stocks. To keep the price of Medbox stock inflated, Defendants issued an
8 immediate response reassuring the market that Medbox's financial reporting was
9 sound, quoting Defendant Mehdizadeh emphasizing that: "Since day 1, our
10 company has made its quarterly reports and financials available to the public,
11 kept shareholders diligently informed about the company and its operating
12 personnel at all times, offered ongoing support to its many clients, completed an
13 audit of its financials, ... and also demonstrated profitability while not deriving
14 revenue from the cultivation or sale of the marijuana itself."

15 7. Thereafter, on February 18, 2014, *Citron Research* issued a report
16 accusing Medbox of keeping three sets of books and stating, among other things,
17 that "systemic fraud" and stock promotion had facilitated the Company's
18 \$1 billion market capitalization. Again to keep the stock price inflated, the same
19 morning *Citron Research* issued its report, the Company issued a press release
20 commending the Obama administration for new rules it said would ease the
21 concerns of banks wanting to deal with businesses that legally sell marijuana. In
22 its release, the Company noted that its CEO would appear on CNBC's Closing
23 Bell on Tuesday, February 18, and Fox Business on Wednesday, February 19.
24 Later in the day on February 18, 2014, following the issuance of the damning
25 *Citron Research* report, the Company issued a rebuke of the *Citron Research*
26 report quoting Defendant Mehdizadeh claiming that while it had discovered
27 some past accounting "errors," Medbox was now "getting it right and being fully
28 transparent with [its] shareholders at all times" and had "instituted better

1 controls over financial reporting to avoid further corrections.” Following the
2 news of the day, shares of Medbox decreased from an opening price of
3 \$33.42 per share to close at \$29.80 per share on February 18, 2014, closing
4 lower again on February 19, 2014 at \$27.25 per share.

5 8. On or about April 10, 2014, Defendant Mehdizadeh resigned as
6 COO and as a director of Medbox, but was appointed as “Senior Strategist and
7 Founder” of Medbox.

8 9. Thereafter, the price of Medbox stock declined again, dropping
9 from a closing price of \$17.52 per share on May 16, 2014 to close down at
10 \$16.11 per share on May 19, 2014, following the Friday, May 16, 2014 issuance
11 of a report by the SEC warning of “possible scams involving marijuana-related
12 investments” and quoting Elisha Frank, co-chair of the SEC Enforcement
13 Division’s Microcap Fraud Task Force as stating “[w]hen we see incomplete
14 or misleading disclosures, we act quickly to protect investors.”

15 10. However, with Medbox issuing press releases on July 1, 2014,
16 claiming that it had become a “Fully Reporting Public Company” and on July
17 24, 2014, announcing that Defendant Guy Marsala (“Marsala”), who investors
18 were assured had “a track record of driving exceptional results in both public
19 and private companies by implementing Fortune 500 company best practices at
20 early stage and middle market companies,” had been named Chairman of
21 Medbox’s Board and was appointed as President and CEO of the Company,
22 replacing Defendant Bruce Bedrick (“Bedrick”),¹ the price of Medbox stock
23 remained artificially inflated, closing at \$14.70 per share on July 24, 2014; the
24 Company was also able to facilitate the sale of \$5.5 million in convertible
25 debentures in private placements during July and September 2014.

26 _____
27 ¹ Following his resignation as CEO, in August 2014, Defendant Bedrick also
28 resigned from Medbox’s Board. Following his resignation from the Board, the
Company announced that Defendant Bedrick would continue to serve as a
consultant.

1 11. On or about October 17, 2014, the Company disclosed that
2 Defendant Mehdizadeh had resigned as an officer of Medbox but that he would
3 continue to serve the Company as a consultant with the title of Founder and
4 Senior Advisor.

5 12. Then, on or about October 21, 2014, the Company disclosed that
6 Medbox's Chief Financial Officer ("CFO") Thomas Iwanski ("Iwanski") – who
7 was just hired in that capacity by the Company in February 2014 - was being
8 replaced by Defendant Douglas Mitchell ("Mitchell"), though Iwanski too would
9 stay on as a consultant.

10 13. Thereafter, on October 31, 2014, the Company disclosed that it had
11 appointed a special board committee to investigate a letter from a former
12 Company employee to the SEC "alleging wrongdoing by a former officer of the
13 Company who [was] a consultant to the Company" and that "a federal grand jury
14 document subpoena [had been] served in August 2014 on the Company's
15 accountants by the U.S. Department of Justice...."

16 14. On November 3, 2014, a press release was issued stating it was
17 released by Medbox entitled "Medbox Comments on Recent 8-K Filing" which
18 claimed that the former employee who sent the letter to the SEC had done so in
19 retribution for Medbox's refusal to pay him a cash settlement, quoting
20 Defendant Mehdizadeh, and further stating that "[c]urrent management
21 commented that the Company ha[d] not found any indications that the subject
22 matter contained in the [former employee's] letter [was] true concerning the
23 conduct of prior officers of the company."

24 15. Meanwhile, shares of Medbox fell \$1.50 per share from their
25 October 31, 2014 closing price of \$13.95 per share, or 10.8%, to close at \$12.45
26 on November 3, 2014. Shares fell another \$2.75 per share on November 5, 2014
27 as the financial media reported on the ensuing SEC investigation and the market
28 impacted the full import of the disclosures.

1 **PARTIES**

2 22. Plaintiff purchased Medbox common stock during the Class
3 Period as described in the Certification attached hereto and incorporated herein
4 by reference and suffered damages thereon.

5 23. Medbox is headquartered at 8439 West Sunset Boulevard,
6 Suite 101, West Hollywood, California 90069. During the Class Period,
7 Medbox had more than 30.4 million shares of common stock outstanding, which
8 shares traded in an efficient market on the Over-the-Counter-Market under the
9 ticker symbol “MDBX.” Medbox was constantly in communication with the
10 markets and investors in quarterly conference calls and frequent presentations to
11 investor and analyst conferences. Indeed, as Medbox itself highlighted during
12 the Class Period, its founder, Defendant Mehdizadeh, “appeared in interviews
13 with CNN, ABCNews, Reuters, Associated Press, NPR, and ha[d] been featured
14 in articles appearing in Newsweek, Los Angeles Times, and the Wall Street
15 Journal, as well as over 30 other news agencies around the world concerning
16 [its] cutting-edge products and services.” Medbox also filed periodic public
17 reports with the SEC, and regularly issued press releases to the financial press.

18 24. Defendant Mehdizadeh founded Medbox in 2010 and served as a
19 director and as its COO until April 2014, as its “Senior Strategist and Founder”
20 until October 2014, following which he continued to serve as a consultant to the
21 Company with the title of “Founder and Senior Advisor” through the remainder
22 of the Class Period.

23 25. Defendant Bedrick served as Medbox’s President and CEO from the
24 start of the Class Period until July 23, 2014, and as a director of Medbox until
25 August 2014, following which Bedrick continued to serve as a consultant to the
26 Company.

1 industries. The Company offers Medbox, a biometric medicine dispensing
2 machine that dispenses herbal and prescription medications to individuals based
3 on biometric identification primarily for pharmacies, assisted living facilities,
4 prisons, hospitals, and doctors' offices. Its products also include Safe Access
5 Storage Lockers that are used by medium to large mail-order chains; Medbox
6 medicine storage machines; and Lockbox Rx, a storage/retrieval system that is
7 used for prescription medication, over-the-counter medicines, and other
8 pharmacy products. In addition, the Company provides Sample-Safe, a wall-
9 mounted unit for use in doctors' offices; sells the point-of-sale system that
10 includes a monitor, keyboard, credit card reader, and computer with interface;
11 and offers Medbox OTC machines, a non-biometric machine for over-the-
12 counter items, as well as sells various vaporizer and accessory products, such as
13 miVape, through online and distribution partners.

14 32. The Company, which Defendant Mehdizadeh founded as
15 MindfulEye Inc. in 2010 and changed its name to Medbox, Inc. in October 2011,
16 was incorporated in 1977 and is headquartered in West Hollywood, California.

17 33. Defendant Mehdizadeh has a checkered history of business failures
18 and criminal convictions, including grand theft in 2013. Specifically, in 2013,
19 Defendant Mehdizadeh pled no-contest to a 15-count criminal complaint that
20 was filed against him relating to a law firm Defendant Mehdizadeh managed as a
21 non-lawyer. Defendant Mehdizadeh received probation and agreed to pay
22 \$450,000 as part of a plea agreement. Defendant Mehdizadeh also declared
23 bankruptcy in July 2010, which was discharged in 2011.

24 34. During the Class Period, Defendant Mehdizadeh occupied various
25 roles at Medbox including serving as its COO, as an officer with the title "Senior
26 Strategist and Founder," and as a "consultant" to Medbox with the title "Founder
27 and Senior Advisor."
28

1 35. At the start of the Class Period, Mehdizadeh owned approximately
2 65% of Medbox’s common stock and is still “the beneficial owner of the
3 majority of the voting power of the Company[,]” owning or controlling
4 approximately 58% of the Company’s outstanding shares, according to the
5 Schedule 14C Mehdizadeh filed, or caused to be filed, with the SEC on or about
6 January 9, 2015.

7 **MATERIALLY FALSE AND MISLEADING CLASS PERIOD**
8 **STATEMENTS²**

9 36. The Class Period starts on November 20, 2013. On that morning,
10 before the opening of trading, Medbox issued a press release announcing the
11 Company’s 3Q 2013 financial results for the period ended September 30, 2013,
12 which stated in pertinent part as follows:

13 **Highlights of 3rd Quarter Financials include:**

- 14 • *Revenues surged to over \$5.046 million through three*
15 *quarters, making 2013 the company's best revenue generating*
16 *year in the company's history.*
17 • *Revenues reported of \$2.079 million for 3rd quarter of 2013,*
making it the highest grossing quarter in the company's
history.

18 * * *

- 19 • *Gross profit margin for the quarter was a healthy \$833*
20 *thousand and EBITDA margin for the quarter was*
approximately 21%.
21 • *Income from operations through 3 quarters, before taxes, was*
22 *a healthy \$647 thousand.*

23 *“We have had another record breaking quarter, which provides*
24 *further validation that our business plan is solid and our operating*
strategy is sound,” stated Dr. Bruce Bedrick, CEO of Medbox, Inc.
25 *“As we move forward, we will continue to seek out opportunities that*
provide growth for our company and added value for our
shareholders.”

26 *The company also announced that they have brought accounting*
27 *functions in-house to help expedite preparation of statements and*
reports.

28 ² All emphasis is added unless otherwise noted.

1 ***“As we continue to mature and transition to being a fully reporting***
2 ***company, we need to be able to provide timely reports, status***
3 ***updates, and filings,” Bedrick commented. “We have assembled an***
4 ***in-house team of accounting professionals. This team can devote***
5 ***more time to work seamlessly with our outside auditing firm so that***
6 ***we meet our deadlines and obligations, and provide the most***
7 ***accurate and timely information to the SEC and the general public.”***

8 37. On November 25, 2013, the Company issued a press release
9 entitled “Medbox Issues Status Update to Company Shareholders,” stating in
10 pertinent part that ***“Medbox posted record revenue figures for YTD 2013,***
11 ***amassing more than \$5 million in consulting and equipment sales revenue***
12 ***through 9 months.”***

13 38. In January 2014, FINRA issued an advisory concerning risks
14 related to investing in marijuana-related stocks. The FINRA advisory cautioned:

15 Like many investment scams, pitches to invest in potentially
16 fraudulent marijuana-related companies may arrive in a variety of
17 ways — faxes, email or text message invitations to webinars,
18 infomercials, tweets or blog posts. Regardless of how you first hear
19 about them, the offers almost always contain hallmarks of “pump and
20 dump” ploys. Specifically, fraudsters lure investors with aggressive,
21 optimistic — and potentially false and misleading — statements or
22 information designed to create unwarranted demand for shares of a
23 small, thinly traded company with little or no history of financial
24 success (the pump). Once share prices and volumes reach a peak, the
25 cons behind the scam sell off their shares at a profit, leaving investors
26 with worthless stock (the dump).

27 39. On January 13, 2014, to blunt the effects of the FINRA advisory
28 concerning the risks related to investing in marijuana-related stocks, the
29 Company issued a press release entitled “Medbox Comments on FINRA
30 Advisory Concerning Marijuana Stocks,” which stated in pertinent part as
31 follows:

32 ... Medbox ... commented on FINRA’s renewed advisory concerning
33 marijuana related stocks. The advisory, released Friday, highlights
34 what investors should be aware of when investing in marijuana related
35 stocks.

36 The [FINRA] advisory stated, in part:

37 “We are reissuing this alert to warn investors not only about the
38 potential for fraud in this arena, but also to reiterate the risks of

1 investing in thinly traded companies about which little is known...
2 One company, for example, promoted its move into the medical
3 cannabis space by issuing more than 30 press releases during the first
4 half of 2013. These releases publicized rosy financial prospects and
5 the growth potential of the medical marijuana market. The company
6 was also touted on the Internet through the use of sponsored links,
7 investment profiles and spam email, including one promotional piece
8 claiming the stock “could double its price SOON” and another
9 asserting the stock was “poised to light up the charts!” Yet the
10 company's balance sheet showed only losses, and the company stated
11 elsewhere that it was only beginning to formulate a business plan.”

12 Other excerpts from the [FINRA] advisory stated, in part:

13 “For example, the CEO of one thinly traded, yet heavily touted,
14 company that purports to be in the medical marijuana business spent
15 nine years in prison for operating one of the largest drug smuggling
16 operations in U.S. history. The former CEO of a similar company was
17 recently indicted for his role in a multi-million dollar mortgage-based
18 Ponzi scheme.”

19 Medbox executives were pleased that a stern advisory was re-issued
20 about the sector's stocks by FINRA and had the following comments:

21 “Some of the public companies in the marijuana sector are in the
22 business of selfpromotion with little or no substance or even an
23 executable business plan,” stated Vincent Mehdizadeh, Chief
24 Operations Officer at Medbox, Inc. ***“Since day 1, our company has
25 made its quarterly reports and financials available to the public,
26 kept shareholders diligently informed about the company and its
27 operating personnel at all times, offered ongoing support to its many
28 clients, completed an audit of its financials, donated substantial
amounts to industry advocacy groups that support medical marijuana
patient rights to safe access of the medicine, and also demonstrated
profitability while not deriving revenue from the cultivation or sale
of the marijuana itself.*** As far as I know, we are the only company in
the space to have accomplished those feats. With that being said we
have stated in the past that investors should make informed decisions
when buying our stock as the volatility may not be something the
average retail investor can stomach.”

Company executives also pointed out that most, if not all, of the other
marijuana related public companies in the sector spend the majority of
their operating budgets promoting their stocks through assorted
public/investor relations firms and as a result show operating losses
quarter after quarter. Medbox does not have an investor relations firm
and according to company executives its general preference has been
not to operate with one through this period in the company's
development until a reputable candidate is identified.

“Much of the investor interest in Medbox has occurred through
financial press, financial media, and general media coverage
chronicling advances in the medical marijuana industry, an industry in
which we feel we are the most reputable company,” stated Dr. Bruce
Bedrick, Chief Executive Officer at Medbox, Inc. “Consequently, we

1 spent much of last year trying to find a reputable firm that would be a
2 good fit to handle our investor relations consistent with best industry
3 practices, and now feel we have found the right fit for our company.
4 We expect to announce more details some time after our Form 10
5 registration statement is filed with the SEC this week, as that is our
6 main priority at present.”

7 40. On January 24, 2014, the Company issued a press release entitled
8 “Medbox, Inc. Launches Proactive Investor Relations Program.” The press
9 release announced that the Company had engaged Hayden IR and
10 RedChipCompanies, Inc., “*two independent firms to handle ongoing corporate*
11 *messaging and investor relations*” and “*to raise the visibility of Medbox with*
12 *the investment community.*” The press release continued, quoting Defendant
13 Bedrick stating that the Company retained these firms who he referred to as
14 “proven IR counsel” to “*help [the Company] raise [its] visibility in the*
15 *investment community, communicate [its] investment thesis and broaden [its]*
16 *shareholder base.*”

17 41. On February 13, 2014, the Company issued a press release
18 announcing that Defendant Iwanski had been appointed CFO, stating in
19 pertinent part that he had “approximately 10 years of public accounting
20 experience with the Big 4 firm of KPMG LLP” and quoted Defendant
21 Mehdizadeh stating that the Company had now “worked with ... Tom for
22 several months, and [that he] add[ed] *proven ... financial management and*
23 *public company oversight....*”

24 42. On the morning of February 18, 2014, the Company issued a press
25 release entitled “Medbox, Inc. Commends Obama Administration for New
26 Guidelines Enabling Banks to Deal with Businesses that Legally Sell
27 Marijuana,” in which the Company lauded the Obama administration “for its
28 forward-thinking action to ease the issues that banks currently have in doing
business with dispensary operators which Medbox directly serves.” The press
release referenced recent rules issued by the Treasury and Justice Departments

1 which the Company said would open the door for “lawful marijuana businesses
2 to have access to the American banking system.” The press release also
3 promoted upcoming appearances by Defendant Bedrick on CNBC's Closing Bell
4 on Tuesday, February 18 at 4:40 p.m. Eastern Standard Time, and Fox Business
5 on Wednesday, February 19 during the 4:00 p.m. hour, Eastern Standard Time.

6 43. Later on February 18, 2014, *Citron Research* issued a scathing
7 report entitled “Busting Medbox,” accusing Medbox of keeping three sets of
8 books and stating, among other things, that “systemic fraud” and stock
9 promotion had facilitated the Company’s then \$1 billion market capitalization.

10 44. Later that day, following the publication of the *Citron Research*
11 report, on February 18, 2014, the Company issued a press release entitled
12 “Medbox Responds to Critics and Issues Status Update to Company
13 Shareholders,” which stated in pertinent part as follows:

14 Medbox ... issued a status update to its shareholders on past, present,
15 and future projects. *Company executives also commented on*
16 *bloggers looking to discredit the company for financial gain and law*
firms looking to capitalize on misinformation in order to solicit
clients.

17 The following is a summary of key events occurring in recent weeks:

- 18 • Medbox filed its Form 10 with the SEC in January *and will be*
19 *an SEC filer, with all the burdens and benefits that result*
from that status, as of mid-March 2014.

20 * * *

21 Company executives clarified their position on the restatement of
22 financials that accompanied the Form 10 registration statement filed
with the SEC as a maturation process in becoming an SEC filer.

23 “The company undertook a project to bring all accounting functions in
24 house and during that lengthy process we discovered some errors in
25 accounting which we have since corrected in the latest financials
26 included in the Form 10. *The point is getting it right and being fully*
transparent with our shareholders at all times,” stated Vincent
27 Mehdizadeh, Board Chairman at Medbox, Inc. *“The company has, as*
part of those corrections, instituted better controls over financial
reporting to avoid further corrections. In addition, it is important to
28 note that revenues for the nine months of 2013 had increased over the
comparative period of the prior year (as corrected) and we are
continuing to add skilled people to accelerate our growth in 2014.

1 Unfortunately, when you are the most visible company in the space,
2 with a large market capitalization, you become a target.”

3 ***Company executives caution company shareholders that while the***
4 ***media has been extremely supportive of Medbox as one of the only***
5 ***viable medical marijuana related public companies, with success***
6 ***there will always be opponents that publish deceptive and***
7 ***misleading articles about the company and its executives.***

8 In addition, company executives clarified that the company offers
9 support services to the medical marijuana sector on an arm's length
10 basis. Often times in a state where applications are being accepted for
11 marijuana dispensary licensing, some landlords would not lease to the
12 newly formed non-profit entities formed for the company's clients. As
13 a result, in some rare instances and simply as an absolute benefit to
14 their clients, it was agreed that Medbox would lease the properties and
15 assign all rights to the applicant, with the permission of the landlord.

16 “We go the extra mile for our clients and that is evident through our
17 glowing testimonials displayed on our websites,” stated Dr. Bruce
18 Bedrick, CEO at Medbox, Inc. “Interestingly, with the recent banking
19 policy guidance by the federal government, we can now start to
20 develop an additional revenue stream of acquiring properties and
21 leasing to our dispensary operator clients. This is one of many revenue
22 streams that Medbox is actively developing given the current climate
23 and relaxed federal posture.”

24 45. Following the news of the day, shares of Medbox decreased from
25 an opening price of \$33.42 per share to close at \$29.80 per share on February 18,
26 2014.

27 46. On March 10, 2014, the Company issued a press release entitled
28 “Medbox Issues Shareholder Update – Board to Pursue Listing on Major
National Exchange During 2014.” The release stated in pertinent part as
follows:

... Medbox ... today announced an update on pending projects, ***SEC reporting status***, and other strategic items:

- The Company's Form 10 registration statement filed with the SEC will be effective as of March 22, 2014. The Company expects to respond to SEC comments and file audited 2013 year-end financials on a Form 10-K by the end of March.
- ***The board of directors is seeking to list Medbox with the NASDAQ Capital Markets or another national exchange by the end of 2014.***

- 1 • ***The Company added public company experience with the***
2 ***additions of Thomas Iwanski at CFO, Matt Feinstein at Vice***
3 ***President, and also Mitch Lowe as the Company's first***
4 ***independent director.***

5 * * *

6 “The last 90 days have been highly productive, and Medbox continues
7 to lead this burgeoning new industry,” stated Vincent Mehdizadeh,
8 Board Chairman at Medbox, Inc. “We continue to take the steps to set
9 Medbox apart from others in the industry, ***ensuring that we have the***
10 ***appropriate controls and resources in place*** and adding seasoned
11 talent to lead future growth.”

12 Dr. Bruce Bedrick, Medbox President and CEO, added, ***“With the***
13 ***effectiveness of our Form 10 later this month, Medbox will be a***
14 ***fully reporting company. Our pending status as a future SEC filer,***
15 ***as well as key additions to our management team, are important***
16 ***steps for strengthening the legitimacy of Medbox and increasing our***
17 ***ability to reach new investors and clients. We look forward to***
18 ***continuing to exceed expectations in the coming months.”***

19 47. On March 26, 2014, the Company issued a press release entitled
20 “Medbox Completes SEC Filing Requirements – Company's amended Form 10
21 registration statement and audited 2013 financials to be filed with SEC by March
22 31, 2014,” which stated in pertinent part as follows:

23 ... Medbox ... today announced that it has ***completed the requisite***
24 ***steps to formally become a fully-reporting company*** as of March 24,
25 2014 and is now subject to the Securities and Exchange Commission
26 reporting requirements.

27 On March 25, 2014, Medbox filed its requisite Form 3's. The
28 Company expects to file its amended Form 10 registration statement,
along with audited full-year 2013 financials, by March 31, 2014.

“This is a key step in our goal of listing our shares on a national
exchange, and ***further evidence of our goal to maintain the highest***
standards for corporate governance and transparency,” stated
Vincent Mehdizadeh, Chairman and COO of Medbox, Inc. “It is of
special importance to me personally that ***we are one of the only fully***
reporting public companies that has generated considerable revenues
in the marijuana ancillary services sector and demonstrated an
executable business plan. ***Our main subsidiary, Medicine Dispensing***
Systems, has turned a profit every year since commencing
operations in 2010. These key differences set us apart from our
competitors.”

48. On March 31, 2014, the Company filed a Form 10 with the SEC
purporting to report its fiscal 2013 financial results. The Form 10 stated in

1 pertinent part that “[r]evenue increased \$2,633,196, or 101.65%, to \$5,223,775
2 for the twelve months ended December 31, 2013, from \$2,590,579 for the
3 twelve months ended December 31, 2012, primarily as a result of the completion
4 of contracts for [its] Arizona customers” and that the “main reason for the
5 increase in revenues was a change in volume, because there were no changes in
6 pricing policies.” The Form 10 was signed by Defendant Bedrick.

7 49. On April 1, 2014, the Company issued a press release announcing
8 its 4Q and fiscal 2013 financial results for the period ended December 31, 2013
9 entitled “Medbox Generates 102% Increase in Revenue for Fiscal 2013 –
10 Company increases inventory, expands sales and marketing infrastructure, to set
11 the stage for additional growth.” The release stated in pertinent part as follows:

12 ... Medbox ... today announced record full-year revenue. Medbox
13 included its audited numbers for the year ended December 31, 2013 in
14 its amended Form 10 filing with the Securities and Exchange
15 Commission.

16 **Recent Operational highlights:**

- 17 • On March 24, 2014, the Form 10 registering Medbox's shares
18 of common stock became effective with the Securities and
19 Exchange Commission and *Medbox is now a fully-reporting
20 public company.*
- 21 • *The Company added public company experience, naming
22 Thomas Iwanski as CFO, Matt Feinstein at Vice President, and
23 also Netflix co-founder and former Redbox president Mitch
24 Lowe as the Company's first independent director.*

25 * * *

26 “This was a productive and exciting year for Medbox, and the first 90
27 days of 2014 have been even more productive,” commented Dr. Bruce
28 Bedrick, Chief Executive Officer of Medbox. “We have solidified our
29 position as the industry leader, and *in the last three months we have
30 taken specific steps to improve corporate governance, expand
31 transparency and deliver shareholder value.* During the rest of 2014
32 we will grow organically, taking advantage of the tremendous
33 momentum in the industry. We will also leverage our reputation,
34 presence in the industry, and our relationships to develop new revenue
35 streams. *This will be an exciting year for Medbox, its clients and its
36 shareholders.*”

37 *Full-year revenues were \$5.2 million, a 101.7% increase compared
38 to \$2.6 million last year. The increase in revenues was due to*

1 *primarily the result of recognizing revenue deferred from 2012*
2 *related to the completion of contracts for Arizona customers which*
3 *was delayed by court action that was not resolved until 2013. Gross*
4 *profit for 2013 was \$2.6 million, or 50.5% gross profit margin,*
5 *compared to gross profit of \$1.5 million, or 59.4% gross profit*
6 *margin for 2012. The change in gross profit margin was due to*
7 *increased costs related to the build-out of locations for clients and*
8 *delays in implementing the Arizona program related to the litigation.*

9 Total selling, general and administrative expenses were \$3.2 million,
10 or 61.2% of total revenues, compared to total selling, general and
11 administrative expenses of \$1.9 million, or 72.5% of total revenues
12 last year. *The loss from operations for the year was \$(560,000),*
13 *compared to a loss from operations of \$(340,000) last year. Net loss*
14 *for the year was \$(557,000), or \$(0.02) per basic and \$(0.01) per*
15 *diluted share, compared to a net loss last year of \$(344,000), or*
16 *\$(0.01) per basic and diluted share, last year.*

17 While *the Company's largest operating subsidiary, Medicine*
18 *Dispensing Systems, remained profitable with a pretax profit of*
19 *\$948,443*, the net loss for 2013 included \$1.2 million in losses from
20 the parent company's operations, related primarily to accounting and
21 SEC attorney legal fees (related to the filing of, and subsequent
22 withdrawing of, a Registration Statement on Form S-1, and the filing
23 of a Form 10 registration statement in order to register the common
24 stock of Medbox) and additional legal fees (related to litigation on
25 behalf of Arizona clients to allow them to move forward with
26 dispensary licenses the state of Arizona had awarded). In addition, the
27 Company's Vaporfection subsidiary, acquired on April 1, 2013,
28 recognized a net loss of \$317,000 for nine months of operations.

“Our primary subsidiary, Medicine Dispensing Systems, has been
17 *profitable each year since commencing operations in 2010, and*
18 *remains profitable today,”* added Vincent Mehdizadeh, Chairman and
19 Chief Operating Officer of Medbox, Inc. “However, public company
20 costs, expenses related to financing efforts, and legal fees related to
21 Arizona litigation resulted in a net loss for the public company. We do
22 not expect these expenses to impact our 2014 results, however, we are
23 growing our infrastructure in anticipation of future growth, and expect
24 additional fees related to public company costs as the Company
25 pursues a listing on a national exchange.

22 **Fourth Quarter Financial Results**

23 *Revenues for the fourth quarter ending December 31, 2013*
24 *increased to \$423,000 compared to \$47,250 for the same period of*
25 *2012. The increase in revenues was due to an increased number of*
26 *contracts signed and initial non-refundable consulting fees. Gross*
27 *profit for the quarter was \$278,000, or 65.7% gross profit margin,*
28 *compared to a negative gross profit of \$(508,000), or (10.8%)*
negative gross profit margin, in the fourth quarter of 2012. This was
partially due to deferral of some revenue for Arizona contracts from
2012 to 2013 because of Arizona licensing stoppages by their
authorities.

1 Total selling, general and administrative expenses significantly
2 increased by \$657,007 in the fourth quarter of 2013 compared to the
3 same period of 2012, this is due to the fact that the Company incurred
4 higher general and administrative expenses related to raising capital
5 and regulatory compliance as described above.

6 *Net loss for the fourth quarter of 2013 was \$(513,000) or \$(0.02) per
7 basic and \$(0.01) per diluted share, compared to a net loss of
8 \$(533,000) or \$(0.02) per basic and \$(0.01) per diluted share for the
9 fourth quarter of 2012.*

10 50. On or about April 10, 2014, Defendant Mehdizadeh resigned as
11 COO and as a director of the Company, but was appointed as “Senior Strategist
12 and Founder” of Medbox.

13 51. On May 15, 2014, the Company issued a press release announcing
14 its 1Q 2014 financial results for the period ended March 31, 2014. The release
15 stated in pertinent part as follows:

16 **Recent Operational Highlights:**

17 * * *

- 18 • On March 24, 2014, the Form 10 registering Medbox's shares
19 of common stock became effective with the Securities and
20 Exchange Commission and *Medbox is now a fully-reporting
21 public company.*

22 * * *

- 23 • Began providing company information via S&P Capital IQ
24 Corporation Records Listing Program *to increase visibility to
25 the institutional investment community.*

26 * * *

27 “We continued to establish the company as the leader in the rapidly
28 growing legitimate marijuana industry *while increasing our
transparency to the investment community and position in the
capital markets,*” commented Dr. Bruce Bedrick, Chief Executive
Officer of Medbox. “As this industry continues to evolve and redefine
itself, Medbox is strategically positioned as the partner of choice with
a growing array of solutions, technologies and services.”

Dr. Bedrick continued, "Across the country, states and municipalities
evolve regulations regarding medical and recreational marijuana, and
often struggle with the best ways to manage this change and address
reasonable concerns. The results we are reporting today are somewhat
overshadowed by accounting provisions necessitated by changes in
the business and legal environment in one of the markets in which we

1 operate. *Medbox stands at the forefront of this industry, offering*
2 *solutions that help dispensary operators and cultivators maintain*
3 *compliance and records that exceed regulatory requirements.”*

4 **First Quarter Financial Results**

5 *First quarter gross revenues were \$1.3 million, a 3.9% increase*
6 *compared to \$1.2 million in the first quarter of 2013.* Due to changes
7 in a final adopted ordinance in the San Diego market, the total number
8 of licenses to be awarded by the city was reduced by over 75% as well
9 as the likelihood of securing properly zoned locations. As a result of
10 not being able to satisfy the demand of the company's clients in that
11 market, Medbox recorded a provision for sales allowances of
12 approximately \$963,000, resulting in a reduction of revenues for the
13 quarter.

14 * * *

15 *Net loss for the first quarter of 2014 was \$(1.3) million or \$(0.04)*
16 *per basic and \$(0.03) per diluted share, compared to a net loss of*
17 *\$(330,380) or \$(0.01) per basic and \$(0.01) per diluted share for the*
18 *first quarter of 2013.*

19 52. On May 15, 2014, the Company filed a quarterly financial report
20 with the SEC on Form 10-Q reporting financial results significantly similar to
21 those reported in the press release. The Form 10-Q was signed by Defendants
22 Bedrick and Iwanski.

23 53. On Friday, May 16, 2014, the SEC issued a report warning of
24 “possible scams involving marijuana-related investments” and quoting Elisha
25 Frank, co-chair of the SEC Enforcement Division’s Microcap Fraud Task Force
26 as stating “[w]henver we see incomplete or misleading disclosures, we act
27 quickly to protect investors.” Medbox would close down at \$16.11 per share on
28 Monday, May 19, 2014, from its previous close of \$17.52 per share on May 16,
2014.

54. On July 1, 2014, Medbox issued a press release entitled “Medbox
Becomes a Fully Reporting Public Company – Company’s Form 10 deemed
effective by SEC,” which stated in pertinent part as follows:

... Medbox ... today announced that the company's Form 10 filing has
been deemed effective by the Securities and Exchange Commission,
with no outstanding comments left to address.

1 Dr. Bruce Bedrick, CEO of Medbox, commented, “This step is
2 another milestone for our Company as we continue to build market
3 leadership in the cannabis industry. *We believe that compliance and
transparency are important ... for Medbox to grow as a public
company.*”

4 55. Later that month, on July 24, 2014, the Company announced that
5 Defendant Bedrick was stepping down as the Company’s President and CEO
6 and that Defendant Marsala, who investors were assured had “a track record of
7 driving exceptional results in both public and private companies by
8 implementing Fortune 500 company best practices at early stage and middle
9 market companies,” would take his place. The Company also announced that
10 Defendant Marsala had been appointed to the Board and subsequently elected to
11 serve as its Chairman. Following his resignation as President and CEO of the
12 Company, in August 2014, Defendant Bedrick also stepped down from
13 Medbox’s Board. Defendant Bedrick, however, remained with the Company as
14 a “consultant.”

15 56. In July and September 2014, the Company was able to facilitate the
16 sale of \$5.5 million in convertible debentures in private placements.

17 57. On August 15, 2014, the Company issued a press release entitled
18 “Medbox Files 10-Q and Announces Quarterly Conference Call.” The Form 10-
19 Q Medbox filed with the SEC that day for the financial period ended June 30,
20 2014 was signed by Defendants Marsala and Iwanski and reported that the
21 Company had achieved revenues of \$434,448 and a net loss of \$1.4 million in
22 2Q 2014. The Management Discussion and Analysis (“MD&A”) section of the
23 Form 10-Q stated in pertinent part that “[r]evenue was down for the current
24 period as delays in adoption of final regulations in certain states and the ultimate
25 timing of the application process in states with final regulations reduced and
26 delayed the opportunity to apply for new licenses and consequently delayed the
27 notice of the results of any license application made.” The MD&A section also
28 stated that “revenue was further reduced by additional sales allowances and

1 refunds recorded due to a legislative change in the San Diego market area which
2 reduced the ability of certain clients to obtain licenses and triggered certain
3 contract refunds.”

4 58. On or about October 17, 2014, the Company disclosed that
5 Defendant Mehdizadeh had resigned as an officer of Medbox but that he would
6 continue to serve the Company as a consultant with the title of “Founder and
7 Senior Advisor.”

8 59. On or about October 21, 2014, the Company disclosed that
9 Medbox’s CFO, Defendant Iwanski – who was just hired in that capacity by the
10 Company in February 2014 – was being replaced by Defendant Mitchell.
11 Defendant Iwanski, like Defendants Mehdizadeh and Bedrick before him, would
12 stay on as a consultant.

13 60. Thereafter, on Friday, October 31, 2014, following market close,
14 the Company filed a Form 8-K with the SEC disclosing that on October 27,
15 2014, the Board appointed a special board committee to investigate “(i) a letter
16 from a former Company employee to the Securities and Exchange Commission
17 alleging wrongdoing by a former officer of the Company who is currently a
18 consultant to the Company, and (ii) a federal grand jury document subpoena
19 served in August 2014 on the Company’s accountants by the U.S. Department of
20 Justice, to ascertain what implications, if any, the subpoena or the letter may
21 have with respect to the Company.”

22 61. On Monday, November 3, 2014, before market open, the Company
23 issued a press release entitled “Medbox Comments on Recent 8-K Filing.” The
24 press release attempted to minimize the potential impact of the letter from the
25 former employee to the SEC, quoting Defendant Mehdizadeh who stated that
26 “[t]he former employee vowed to retaliate against the Company in any way he
27 could after his illegal cash demands of the company were ignored. It
28 now appears that writing a letter to government agencies filled with factual

1 inaccuracies and blatant falsehoods was the most effective way to facilitate that
2 goal.” The press release continues noting that “[c]urrent management
3 commented that the Company ha[d] not found any indications that the subject
4 matter contained in the [former employee’s] letter [was] true concerning the
5 conduct of prior officers of the company.” With respect to the subpoena served
6 in August 2014 on the Company’s accountants by the U.S. Department of
7 Justice, the Company, in the press release “clarified that no subpoenas have been
8 served on the Company, it’s current or former officers, or anyone affiliated to
9 the Company.” The press release ends by quoting Defendant Mehdizadeh, who
10 reassures that he:

11 “painstakingly put together the best management team and Board of
12 Directors in our sector for a reason, and in their judgment this
13 voluntary disclosure is what good public companies that have nothing
14 to hide should do. The company will continue to demonstrate to
15 shareholders, the investment community, and all other public
company participants in the cannabis sector, how a well-run and
respectable public company should operate. Medbox has and will
continue to be the gold-standard for accountability.”

16 62. Despite the pre-market press release on November 3, 2014, Medbox
17 stock still closed down at \$12.45 per share for its previous close of \$13.95 per
18 share on October 31, 2014. Shares continued to fall as the financial media
19 reported on the ensuing SEC investigation and the market impacted the full
20 import of the disclosures, with the price of Medbox stock closing at \$9.20 per
21 share on November 5, 2014. However, the price of Medbox stock remained
22 artificially inflated.

23 63. On November 7, 2014, Medbox filed a Current Report on Form 8-K
24 with the SEC stating, “[t]he news release issued Monday, November 3, 2014
25 under the headline “Medbox Comments on Recent 8-K Filing” *was not*
26 *authorized by Medbox, Inc.* (the “Company”) for distribution. The 8-K filed by
27 the Company on Friday, October 31, 2014, should be used as a reference for
28

1 information regarding this matter. The filing is available on the website of the
2 Securities and Exchange Commission.”

3 64. On November 12, 2014, the Company filed a quarterly financial
4 report on Form 10-Q with the SEC reporting its financial results for its 3Q 2014
5 ended September 30, 2014. The Form 10-Q, was signed by Defendants Marsala
6 and Mitchell and stated that MedBox had achieved net revenues of \$107,429 and
7 a net loss of \$3.2 million for the quarter. The MD&A section of the Form 10-Q
8 also stated in pertinent part as follows:

9 Revenue was down for the current period partially due to delays in
10 adoption of final regulations in certain states and delays in approving
11 license applications. Additionally, the Company’s revenue model is
12 significantly different in the third quarter of 2014 as compared to third
13 quarter of 2013. This difference is mainly due to the fact that the
14 Company is moving away from the business model of obtaining
15 licenses for clients for a one-time upfront fee. The Company is in the
16 process of modifying its business model to provide ongoing
17 management and support services for clients so that the consulting
18 contract would continue in perpetuity. During the transition period to
19 a new business model, expenses to secure new contracts and licenses
20 are incurred and revenue is deferred principally until new licenses are
21 obtained and new dispensaries and cultivation centers begin operating.

22 65. The true facts, which were known by Defendants but concealed
23 from the investing public during the Class Period, were as follows:

24 (a) Medbox was recognizing revenue before earned on certain
25 customer contracts;

26 (b) Medbox lacked effective internal controls;

27 (c) Due to its false financial reporting, Medbox was not
28 complying with Generally Accepted Accounting Principles or SEC rules and
regulations during the Class Period and, as such, was not eligible for listing on a
national stock exchange;

(d) Due to its financial misstatements, Medbox was not in
compliance with its debt covenants; and

(e) As a result, Medbox was not on track to achieve its financial
targets during the Class Period.

1 66. Before the opening of trading on December 30, 2014, the Company
2 issued a press release entitled “Medbox, Inc. to Amend and Restate Prior Period
3 Financial Statements.” The release disclosed in pertinent part as follows:

4 Medbox ... today announced it will amend and restate its financial
5 statements for the year ended December 31, 2013, the third and fourth
6 quarters of 2013 and the first three quarters of 2014.

7 In October, 2014, the Board of Directors of the Company appointed a
8 special board committee (the “Special Committee”) to investigate a
9 federal grand jury subpoena pertaining to the Company which was
10 served upon the Company’s accountants, as well as certain alleged
11 wrongdoing raised by a former employee of the Company. Thereafter,
12 the Company received subpoenas from the federal grand jury and the
13 Securities and Exchange Commission. In connection with its
14 investigation of these matters, the Special Committee, in conjunction
15 with the Audit Committee, initiated an internal review by
16 management and by an outside professional advisor of certain prior
17 period financial reporting of the Company.

18 ***Medbox’s audit committee, upon management’s recommendations,
19 has concluded that the consolidated financial statements for the
20 year ended December 31, 2013 and for the third and fourth quarters
21 of 2013 as well as for the quarters ended March 31, 2014, June 30,
22 2014 and September 30, 2014, should no longer be relied upon and
23 will be restated to correct the errors. As part of the investigative
24 process, Medbox will also examine the financial statements for 2012
25 and for the first two quarters of 2013 and, if necessary, correct those
26 as well.*** The company intends to correct the errors in its financial
27 statements to bring them into conformity with accounting principles
28 generally accepted in the United States of America (GAAP) and SEC
regulations. Medbox plans to engage an independent CPA firm to
consult with and assist the Company’s staff with preparing restated
financial statements as soon as possible.

***Medbox stated that it appeared that revenue had been recognized too
soon on some customer contracts. The restated financial statements
will recognize revenue at a later time as up-front payments are
recognized over the longer of the contract period or the customer
relationship, revenue is deferred until key contingencies are
removed and it is clear the revenue has been earned in accordance
with GAAP and SEC regulations.*** Other adjustments to its financial
statements are also possible in connection with the Company’s on
going review of its prior period financial statements.

The Company’s announcement that prior period financial statements
can no longer be relied upon ***permit the Company’s existing lenders
to trigger default remedies***, however, ***the Company’s lenders have
agreed to forbearance on declaring a default pending conclusion of
on-going discussions to refinance the Company.***

1 Guy Marsala, CEO of Medbox commented, “The steps we are
2 announcing today are part of the *continued initiative of our new*
3 *board of directors and new management team to implement better*
4 *controls and emphasize transparency*. Improved processes and
controls contributed to our ability to uncover these errors and bring
them to the attention of our independent auditors and audit
committee.”

5 67. On this news, the price of Medbox stock declined precipitously,
6 trading as low as \$4.50 per share during intraday trading on December 30, 2014
7 and closing at \$6.39 per share, *down \$89 per share* from its January 8, 2014
8 Class Period high of \$93.50 per share – *representing a loss market*
9 *capitalization loss of more than \$2.8 billion*.

10 **NO SAFE HARBOR**

11 68. Medbox’s “Safe Harbor” warnings accompanying its reportedly
12 forward-looking statements (“FLS”) issued during the Class Period were
13 ineffective to shield those statements from liability. Because most of the false
14 and misleading statements related to existing facts or conditions, the Safe Harbor
15 has no applicability. To the extent that known trends should have been included
16 in the Company’s financial reports prepared in accordance with GAAP, they are
17 excluded from the protection of the statutory Safe Harbor. 15 U.S.C. §78u-
18 5(b)(2)(A).

19 69. Defendants are also liable for any false or misleading FLS pleaded
20 because, at the time each FLS was made, the speaker knew the FLS was false or
21 misleading and the FLS was authorized and/or approved by an executive officer
22 and/or director of Medbox who knew that the FLS was false. In addition, the
23 FLS were contradicted by existing, undisclosed material facts that were required
24 to be disclosed so that the FLS would not be misleading. Finally most of the
25 purported “Safe Harbor” warnings were themselves misleading because they
26 warned of “risks” that had already materialized or failed to provide meaningful
27 disclosures of the relevant risks.

1 market. Defendants knowingly misstated the Company's then-present business
2 metrics in order to improve the market's perception of Medbox's worth.

3 75. By artificially inflating and manipulating Medbox's stock price,
4 Defendants deceived Plaintiff and the Class and caused them losses when the
5 truth was revealed. When Defendants' prior misrepresentations and fraudulent
6 conduct became apparent to the market through partial disclosures throughout
7 2014, Medbox's stock price declined precipitously as the prior artificial inflation
8 came out of the stock price. As a result of their purchases of Medbox securities
9 during the Class Period, Plaintiff and other members of the Class suffered
10 economic loss, *i.e.*, damages, under the federal securities laws.

11 **CLASS ACTION ALLEGATIONS**

12 76. Plaintiff brings this action as a class action pursuant to Federal Rule
13 of Civil Procedure 23(a) and (b)(3) on behalf of those who purchased or
14 otherwise acquired Medbox common stock between November 20, 2013 and
15 December 29, 2014, inclusive, and who were damaged thereby (the "Class").
16 Excluded from the Class are Defendants and their families, the officers and
17 directors of the Company, at all relevant times, members of their families and
18 their legal representatives, heirs, successors, or assigns, and any entity in which
19 Defendants have or had a controlling interest.

20 77. Class members are so numerous that joinder of them is
21 impracticable. While the exact number of Class members is unknown to
22 Plaintiff at this time and can only be ascertained through appropriate discovery,
23 Plaintiff believes that there are hundreds or thousands of members in the
24 proposed Class. Record owners and other members of the Class may be
25 identified from records maintained by Medbox or its transfer agent and may be
26 notified of the pendency of this action by mail, using the form of notice that is
27 customarily used in securities class actions.

1 78. Common questions of law and fact exist as to all members of the
2 Class and predominate over any questions solely affecting individual members
3 of the Class. Among the questions of law and fact common to the Class include
4 whether Defendants:

- 5 (a) violated the Exchange Act;
- 6 (b) omitted and/or misrepresented material facts;
- 7 (c) knew or recklessly disregarded that their statements were
8 false;
- 9 (d) artificially inflated the price of Medbox common stock; and
- 10 (e) the extent of and appropriate measure of damages.

11 79. Plaintiff's claims are typical of the claims of the members of the
12 Class as all members of the Class are similarly affected by Defendants' wrongful
13 conduct in violation of federal law complained of herein.

14 80. Plaintiff will adequately protect the interests of the Class and has
15 retained counsel competent and experienced in class action, shareholder, and
16 securities litigation.

17 81. A class action is superior to all other available methods for the fair
18 and efficient adjudication of this controversy since joinder of all members is
19 impracticable. Further, prosecution of individual actions would create a risk of
20 inconsistent adjudications. Additionally, since the damages suffered by the
21 individual Class members may be relatively small, the expense and burden of
22 individual litigation make it impossible for members of the Class to individually
23 redress the wrongs done to them. There will be no difficulty in the management
24 of this action as a class action.

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COUNT I

**For Violation of Section 10(b) of the Exchange Act
and Rule 10b-5 Promulgated Thereunder Against All Defendants**

82. Plaintiff repeats and realleges the above paragraphs as though fully set forth herein.

83. Throughout the Class Period, Defendants, in pursuit of their scheme and continuous course of conduct to inflate the market price of Medbox common stock, had the ultimate authority for making, and knowingly or recklessly made, materially false or misleading statements or failed to disclose material facts necessary to make the statements made, in light of the circumstances under which they were made, not misleading.

84. During the Class Period, Defendants, and each of them, carried out a plan, scheme, and course of conduct using the instrumentalities of interstate commerce and the mails, which was intended to and, throughout the Class Period did: (a) artificially inflate and maintain the market price of Medbox common stock; (b) deceive the investing public, including Plaintiff and other Class members, as alleged herein; (c) cause Plaintiff and other members of the Class to purchase Medbox common stock at inflated prices; and (d) cause them losses when the truth was revealed. In furtherance of this unlawful scheme, plan and course of conduct, Defendants, and each of them, took the actions set forth herein, in violation of §10(b) of the Exchange Act and Rule 10b-5, 17 C.F.R. §240.10b-5. All Defendants are sued either as primary participants in the wrongful and illegal conduct charged herein or as controlling persons as alleged below.

85. In addition to the duties of full disclosure imposed on Defendants as a result of their affirmative false and misleading statements to the investing public, these Defendants had a duty to promptly disseminate truthful information with respect to Medbox's operations and performance that would be material to

1 investors in compliance with the integrated disclosure provisions of the SEC,
2 including with respect to the Company's revenue and earnings trends, so that the
3 market price of the Company's securities would be based on truthful, complete
4 and accurate information. SEC Regulations S-X (17 C.F.R. §210.01, *et seq.*)
5 and S-K (17 C.F.R. §229.10, *et seq.*).

6 86. Medbox and the Individual Defendants had actual knowledge of the
7 misrepresentations and omissions of material facts set forth herein or acted with
8 reckless disregard for the truth in that they failed to ascertain and disclose such
9 facts, even though such facts were either known or readily available to them.

10 87. As a result of the dissemination of the materially false and
11 misleading information and failure to disclose material facts as set forth above,
12 the market price of Medbox common stock was artificially inflated during the
13 Class Period. In ignorance of the fact that the market price of Medbox common
14 stock was artificially inflated, and relying directly or indirectly on the false and
15 misleading statements made knowingly or with deliberate recklessness by
16 Medbox and the Individual Defendants, or upon the integrity of the market in
17 which the shares traded, Plaintiff and other members of the Class purchased
18 Medbox stock during the Class Period at artificially high prices and, when the
19 truth was revealed, were damaged thereby.

20 88. Had Plaintiff and the other members of the Class and the
21 marketplace known of the true facts, which were knowingly or recklessly
22 concealed by Medbox and the Individual Defendants, Plaintiff and the other
23 members of the Class would not have purchased or otherwise acquired their
24 Medbox shares during the Class Period, or if they had acquired such shares
25 during the Class Period, they would not have done so at the artificially inflated
26 prices which they paid.

1 of the Class suffered damages in connection with their purchases of the
2 Company's common stock during the Class Period.

3 **PRAYER FOR RELIEF**

4 WHEREFORE, Plaintiff, on behalf of himself and the Class, prays for
5 judgment as follows:

6 A. Determining that this action is a proper class action, designating
7 Plaintiff as Lead Plaintiff and certifying Plaintiff as a class representative under
8 Rule 23 of the Federal Rules of Civil Procedure and Plaintiff's counsel as Lead
9 Counsel;

10 B. Awarding compensatory damages in favor of Plaintiff and the other
11 Class members against all Defendants, jointly and severally, for all damages
12 sustained as a result of Defendants' wrongdoing, in an amount to be proven at
13 trial, including interest thereon;

14 C. Awarding Plaintiff and the Class their reasonable costs and
15 expenses incurred in this action, including counsel fees and expert fees; and

16 D. Awarding such other and further relief as the Court may deem just
17 and proper.

18 **JURY DEMAND**

19 Plaintiff demands a trial by jury.

20
21 Dated: January 16, 2015

JOHNSON & WEAVER, LLP
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