

February 24, 2014

Medbox Update:
We Have Seen the Pump ...
Now Here Comes the Dump

As a service to all retail investors who do not have access to a Bloomberg terminal, Citron publishes the latest stock sales Form 144's filed by Bruce Bedrick, CEO of Medbox (OTCBB:MDBX) , **as he sells \$4.5 million worth of stock and tries to hide it from investors and the SEC.**

Here are the documents [Form 144 #1](#) and [Form 144 #2](#). And here are some of the more entertaining things we noticed:

- On form #2, Dr. Bruce lists another 63,000 shares with backdated sale dates : 30,000 shares sold within a range of 2013 dates, and 33,000 more on Jan 7, 2014.

Since Form 144 is supposed to be a notice of **Proposed** Sale of Securities, these listings of prior sales are admitted violations of securities law. C'mon, did you expect anything less? He sells stock in October and doesn't tell the public until February. Just more fraud in a house of fraud. And he leaves the "date of NOTICE" line blank on form #2, which he filled in with "2/5/14" on form #1. Just sloppy, or is he getting nervous?

- Both of the forms list the source of the stock as a "gift" of 500,000 shares from Vince Mehdizadeh on 10/8/2012. Very generous, Vince!

However, Citron hopes the gift tax due (looks to us like \$550,000 , 40% of the \$1,375,000 value of the gift), was due to be paid April 15, 2013, on your Federal Income Tax Return for 2012. If not, you owe it now, Vince, plus a hefty penalty plus interest for being a year late.

Why would Vincent gift his CEO \$500,000 shares? The last time Citron saw a transaction like this was in Longtop Financial ... and we all know how that ended. (Just one way of structuring this deal would have been for Bedrick to receive cheap options as an alternative from the company.)

- Dr. Bruce uses **two different addresses** on the two forms, even though these forms are filed **on the same day**. (This is probably more of an issue for the IRS, not the SEC ...so don't worry, investors ...)

Citron wants investors to see these forms -- because these sales were done by paper submission and not electronic filing (btw...**no one** uses paper submission anymore, except you-know-who ...) - it did not hit the Pink Sheet stock website. Therefore casual investors would not see them ... until its too late. More importantly, these did not hit Bloomberg until two weeks after they were filed (compared to immediately for electronic filings).

Congratulations Dr. Bruce, you have cleared more money in these stock sales than the company's entire gross revenues over the same period of time! Needless to say, your stock sales are **GREATER** than the company's profit, or lack thereof, since inception. Advice to Dr. Bedrick: **DO NOT SPEND THE MONEY**. Defense attorneys and fines get expensive -- you need to save up.

Investors should note that on the same filings made on the same day, Dr. Bruce, the CEO, lists two **completely different amounts of outstanding shares** for Medbox, varying by 100%. Worse, his two entries are both wrong. It is obvious that even when running a stock promotion, Bedrick is not ready for prime time. (The actual outstanding share count is now over 44 million.) His actions telegraph disrespect for the SEC, as he blatantly flaunts his ignorance of the rules and regulations of running a public company. Management's cavalier sloppiness -- on display from the top down -- will cause the ultimate unravel, as they dish up an easy case for the regulators.



Caveat Emptor.



This house of cards is at risk for a devastating implosion at any moment, without prior warning.

Cautious investing to all.