UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2016

OR

☐ **TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

COMMISSION FILE NUMBER: 000-54928

NOTIS GLOBAL, INC.
(Exact name of registrant as specified in its charter)

Nevada **(State or other jurisdiction of incorporation or organization)**	**45-3992444** **(I.R.S. Employer Identification No.)**
600 Wilshire Blvd. Suite 1500, Los Angeles, CA **(Address of principal executive offices)**	**90017** **(zip code)**

(800) 762-1452
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☐ (Do not check if smaller reporting company)	Smaller reporting company	☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of May 13, 2016, the registrant had 436,021,516 shares of common stock, par value $0.001 per share, outstanding.

MEDBOX, INC.

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

NOTIS GLOBAL, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 2016 (unaudited)	December 31, 2015
Assets		
Current assets		
Cash and cash equivalents	$ 68,213	$ 119,010
Marketable securities	12,544	9,410
Accounts receivable	135,993	29,999
Notes receivable	35,000	60,000
Inventory	32,300	150,823
Prepaid insurance	172,810	73,755
Prepaid expenses and other current assets	170,507	83,663
Total current assets	627,367	526,660
Property and equipment, net of accumulated depreciation of $24,481 and $16,986, respectively	463,083	470,578
Land	4,945,000	4,945,000
Construction in progress	1,009,228	624,173
Deferred Costs	343,946	375,018
Deposits and other assets, net of reserve of $115,000 and $115,000, respectively	7,486	50,212
Total assets	$ 7,396,110	$ 6,991,641
Liabilities and Stockholders' Deficit		
Current liabilities		
Accounts payables	$ 4,549,097	$ 3,100,804
Accrued interest payable	633,967	430,702
Accrued expenses, directors	237,856	241,410
Accrued settlement and severance expenses	715,761	962,703
Accrued legal contingencies	409,411	185,225
Other accrued expenses	263,334	275,269
Deferred revenue, current	224,006	214,343
Notes payable, net of premium of $13,333 and $16,667, respectively and discounts of $530,000 and $0, respectively	683,337	256,897
Related party notes payable	39,167	—
Convertible notes payable, net of discount of $70,324 and $151,414 , respectively	7,560,645	6,667,523
Convertible notes payable, directors	105,000	—
Derivative Liability	12,579,271	19,246,594
Warrant Liability	426,027	940,000
Customer deposits	931,204	931,204
Total current liabilities	29,358,083	33,452,674
Notes Payable, less current portion	4,269,765	4,288,631
Deferred revenue, less current portion	297,912	337,523
Deferred tax liability	—	—
Total liabilities	33,925,760	38,078,828
Commitments and contingencies (Note 11)		
Stockholders' Deficit		
Preferred stock, $0.001 par value: 10,000,000 authorized; 0 issued and outstanding as of March 31, 2016 and December 31, 2015, respectively	—	—
Common stock, $0.001 par value: 400,000,000 authorized, 397,482,521 and 240,971,727 issued and outstanding as of March 31, 2016 and December 31, 2015, respectively	397,483	240,972
Additional paid-in capital	45,750,179	42,600,089
Treasury stock	(1,209,600)	(1,209,600)
Accumulated deficit	(71,277,091)	(72,524,893)
Accumulated other comprehensive loss	(190,621)	(193,755)
Total stockholders' deficit	(26,529,650)	(31,087,187)
Total liabilities and stockholders' deficit	$ 7,396,110	$ 6,991,641

See notes to condensed consolidated financial statements.

NOTIS GLOBAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CONSOLIDATED INCOME (LOSS)
(UNAUDITED)

	For the three months ended March 31, 2016	2015
Revenue	$ 227,914	$ 41,747
Revenue, related party	24,644	24,644
Less: allowances and refunds	—	—
Net revenue	252,558	66,391
Cost of revenues	176,419	329,296
Gross profit (loss)	76,139	(262,905)
Operating expenses		
Selling and marketing	181,746	179,341
General and administrative	3,750,288	3,870,602
Total operating expenses	3,932,034	4,049,943
Loss from operations	(3,855,895)	(4,312,848)
Other income (expense)		
Interest income (expense), net	(250,225)	(5,802)
Financing Costs	(2,515,843)	(524,882)
Change in fair value of derivative liabilities	8,879,586	2,238,858
Change in fair value of warrant liability	555,973	—
Amortization of debt discount	(1,868,077)	(1,819,662)
Gain on sale of assets of subsidiary	5,498	—
Gain on sale of interest in subsidiary	299,571	—
Other income (expense)	(2,786)	(9,342)
Total other income (expense)	5,103,697	(120,830)
Income (loss) before provision for taxes	1,247,802	(4,433,678)
Provision for taxes	—	—
Net income (loss)	$ 1,247,802	$ (4,433,678)
Loss per share attributable to common stockholders		
Basic	$ 0.00	$ (0.14)
Diluted	$ 0.00	$ (0.14)
Weighted average shares outstanding		
Basic	311,760,253	30,741,939
Diluted	6,058,529,459	30,741,939
Other Comprehensive income (loss)		
Net income (loss)	1,247,802	(4,433,678)
Unrealized gain (loss) from marketable securities	3,134	(57,436)
Comprehensive income (loss)	$ 1,250,936	$ (4,491,114)

See notes to condensed consolidated financial statements.

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NOTIS GLOBAL, INC.
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' DEFICIT
(UNAUDITED)

	Preferred Stock		Common Stock		Treasury Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount	Shares	Amount				
Balances at January 1, 2016	—	$ —	240,971,727	$240,972	(60,000)	$(1,209,600)	$42,600,089	$(72,524,893)	$ (193,755)	$(31,087,187)
Sale of common stock			851,063	851			15,149			16,000
Stock-based compensation			2,835,863	2,836			573,262			576,098
Issuance of shares to settle accounts payable			1,000,000	1,000			11,500			12,500
Conversions of convertible notes payable			151,823,868	151,824			2,548,179			2,700,003
Issuance of warrants in connection with convertible notes payable							42,000			42,000
Reclassification of warrant liability out of equity							(42,000)			(42,000)
Warrants issued in connection with notes payable							2,000			2,000
Unrealized gain from marketable securities									3,134	3,134
Net income								1,247,802		1,247,802
Balances at March 31, 2016	—	$ —	397,482,521	$397,483	(60,000)	$(1,209,600)	$45,750,179	$(71,277,091)	$ (190,621)	$(26,529,650)

See notes to condensed consolidated financial statements.

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NOTIS GLOBAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Three months ended March 31	
	2016	2015
Cash flows from operating activities		
Net income(loss)	$ 1,247,802	$(4,433,678)
Adjustments to reconcile net income (loss) to net cash:		
Depreciation and amortization	7,495	20,662
Provisions and allowances	70,000	—
Gain on sale of assets of subsidiary	(5,498)	—
Gain on sale of interest in subsidiary	(299,571)	—
Change in fair value of derivative liability	(8,879,586)	(2,238,859)
Change in fair value of warrant liability	(555,973)	—
Amortization of debt discount	1,868,077	1,819,662
Financing costs	2,515,843	524,882
Stock based compensation	576,098	2,511,542
Changes in operating assets and liabilities		
Accounts receivable	(105,994)	8,774
Inventory	54,021	(14,537)
Deposits in escrow	—	80,076
Prepaid insurance	(99,055)	—
Prepaid expenses and other current assets	(44,118)	39,310
Deferred costs	31,072	—
Accounts payables	2,096,261	1,299,113
Accrued interest payable	203,265	(25,699)
Other accrued expenses	(11,935)	(440,145)
Accrued expenses directors	(3,554)	—
Accrued settlement and severance expenses	(246,942)	—
Accrued legal contingencies	224,186	—
Customer deposits	—	(7,000)
Deferred revenue	(29,948)	(50,372)
Net cash used in operating activities	(1,388,054)	(906,269)
Cash flows from investing activities		
Issuance of note receivable	(10,000)	—
Proceeds from sale of assets of subsidiary	35,000	—
Proceeds received for sale of interest held in subsidiary	299,571	—
Construction in Progress	(385,055)	—
Net cash used in investing activities	(60,484)	—
Cash flows from financing activities		
Payments on notes payable	(170,176)	(7,423)
Proceeds from issuance of notes payable	367,750	(45,000)
Proceeds from issuance of notes payable, related party	41,667	—
Payments on related party notes payable	(2,500)	—
Proceeds from issuance of common stock	16,000	—
Proceeds from issuance of convertible notes payable, net of fees of $64,737	1,040,000	800,000
Proceeds from issuance of convertible notes payable from directors, net	105,000	150,000
Net cash provided by financing activities	1,397,741	897,577
Net decrease in cash and cash equivalents	(50,797)	(8,692)
Cash and cash equivalents, beginning of period	119,010	101,182
Cash and cash equivalents, end of period	$ 68,213	$ 92,490
Supplemental disclosures of cash flow information:		
Cash paid for interest	$ 38,595	$ 1,103
Cash paid for income tax	$ —	$ —
Non-cash investing and financing activities:		
Common stock issued upon debt conversion	$ 2,700,003	$ 1,964,336
Common stock issued for accounts payable	$ 12,500	$ 413,521

See notes to condensed consolidated financial statements.

NOTIS GLOBAL, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 1 – BUSINESS ORGANIZATION, NATURE OF OPERATIONS

Business Description

Notis Global, Inc, (formerly Medbox, Inc.) which is incorporated in the state of Nevada (the "Company"), provides specialized services to the hemp and marijuana industry, owns independently and through affiliates, real property and licenses that it leases and assigns or sublicenses to partner cultivators and operators in return for a percentage of revenues or profits from sales and operations, distributes hemp product processed by contractual partners and sells associated vaporization devices. Prior to 2016, through its consulting services, Company worked with clients who seek to enter the medical and cultivation marijuana markets in those states where approved. In 2015, the Company expanded into hemp cultivation with the acquisition of a 320 acre farm in Colorado by the Company's wholly owned subsidiary, EWSD 1, LLC. The farm is operated by an independent farming partner. In addition, through its wholly owned subsidiary, Vaporfection International, Inc. ("VII"), the Company sold a line of vaporizer and accessory products online and through distribution partners. On March 28, 2016, the Company sold the assets of VII and exited the vaporizer and accessory business. The Company is headquartered in Los Angeles, California.

Effective January 28, 2016, the Company changed its legal corporate name from Medbox, Inc., to Notis Global, Inc. The name change was effected through a parent/subsidiary short-form merger pursuant to Section 92A.180 of the Nevada Revised Statutes. Notis Global, Inc., the Company's wholly-owned Nevada subsidiary formed solely for the purpose of the name change, was merged with and into the Company, with Notis Global, Inc. as the surviving entity. The merger had the effect of amending the Company's Certificate of Incorporation to reflect the new legal name of the Company. There were no other changes to the Company's Certificate of Incorporation. The Company's Board of Directors approved the merger.

Notis Global, Inc., operates the business directly and through the utilization of 5 primary operating subsidiaries, as follows:

- EWSD I, LLC, an Arizona corporation that owns property in Colorado.
- Prescription Vending Machines, Inc., a California corporation, d/b/a Medicine Dispensing Systems in the State of California ("MDS"), which distributes our Medbox ™ product and provides related consulting services described further below.
- Vaporfection International, Inc., a Florida corporation through which we distributed our medical vaporizing products and accessories. (all the assets of which were sold during the three months ended March 31, 2016, see Note 6)
- Medbox Property Investments, Inc., a California corporation specializing in real property acquisitions and leases for dispensaries and cultivation centers.
- MJ Property Investments, Inc., a Washington corporation specializing in real property acquisitions and leases for dispensaries and cultivation centers in the state of Washington.
- San Diego Sunrise, LLC, a California corporation to hold San Diego, California dispensary operations.

On March 3, 2014, in order to obtain the license for one of the Company's clients, the Company registered an affiliated nonprofit corporation Allied Patient Care, Inc, in the State of Oregon. Additionally, on April 21, 2014, the Company registered an affiliated nonprofit corporation Alternative Health Cooperative, Inc. in the State of California.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Going Concern

The condensed consolidated financial statements were prepared on a going concern basis. The going concern basis assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. During the three months ended March 31, 2016, the Company had net income of approximately $1.2 million, negative cash flow from operations of $1.4 million and negative working capital of $28.7 million. During the year ended December 31, 2015, the Company had a net loss of approximately $50.5 million, negative cash flow from operations of $9.6 million and negative working capital of $32.9 million. The Company will need to raise capital in order to fund its operations. The Company is also in the process of obtaining final approval on a settlement agreement in their Class action and Derivative lawsuits (Note 11) and recently received a Wells Notice from the SEC (Note 11) in connection with misstatements by prior management in the Company's financial statements for 2012, 2013 and the first three quarters of 2014. The Company is unable to predict the outcome of these matters, however, a rejection of the settlement agreements or adverse action of the SEC could have a material adverse effect on the financial condition, results of operations and/or cash flows of the Company and their ability to raise funds in the future. These factors, among others, raise substantial doubt about the Company's ability to continue as a going concern. The ability to continue as a going concern is dependent on the Company's ability to raise additional capital and implement its business plan. The condensed consolidated financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

Management's plans include:

On April 13, 2016, Notis Global, Inc. entered into a note purchase agreement with an accredited investor pursuant to which the Company agreed to sell, and the investor agreed to purchase, a convertible promissory note in the aggregate principal amount of $225,000. The Company also expects that the acquisition of EWSD I, LLC ("EWSD") (Note 3), who owns a 320-acre farm in Pueblo, Colorado, will generate recurring revenues for the Company through farming hemp, extracting CBD oil and controlling the full production cycle to ensure consistent quality. Lastly, management is actively seeking additional financing over the next few months to fund operations.

The Company will continue to execute on its business model by attempting to raise additional capital through the sales of debt or equity securities or other means. However, there is no guarantee that such financing will be available on terms acceptable to the Company, or at all. It is uncertain whether the Company can obtain financing to fund operating deficits until profitability is achieved. This need may be adversely impacted by: unavailability of financing, uncertain market conditions, timing for and possible delays in approval of dispensary and cultivation sites and timing for and possible delays in obtaining licenses from regulatory bodies for the operation of cultivation centers and dispensaries, and adverse operating results. The outcome of these matters cannot be predicted at this time.

Principles of Consolidation

The consolidated financial statements include the accounts of Notis Global, Inc. and its wholly owned subsidiaries, as named in Note 1 above. All intercompany transactions have been eliminated in consolidation.

Use of Estimates

The preparation of condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the condensed consolidated financial statements as well as the reported expenses during the reporting periods. The Company's significant estimates and assumptions include accounts receivable and note receivable collectability, inventory reserves, advances on investments, the valuation of restricted stock and warrants received from customers, the amortization and recoverability of capitalized patent costs and useful lives and recoverability of long-lived assets, the derivative liability, and income tax expense. Some of these judgments can be subjective and complex, and, consequently, actual results may differ from these estimates. Although the Company believes that its estimates and assumptions are reasonable, they are based upon information available at the time the estimates and assumptions were made. Actual results could differ from these estimates.

Reclassification

The Company has reclassified certain prior fiscal year amounts in the accompanying condensed consolidated financial statements to be consistent with the current fiscal year presentation.

Concentrations of Credit Risk

The Company maintains cash balances at several financial institutions in the Los Angeles, California area, Iowa, Illinois and Florida. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to $250,000. The Company has not experienced any losses in such accounts and periodically evaluates the credit worthiness of the financial institutions and has determined the credit exposure to be negligible.

Advertising and Marketing Costs

Advertising and marketing costs are expensed as incurred. The Company incurred advertising and marketing costs of approximately $39,000 and $0 for the three months ended March 31, 2016 and 2015, respectively.

Fair Value of Financial Instruments

Pursuant to ASC No. 825, *Financial Instruments*, the Company is required to estimate the fair value of all financial instruments included on its balance sheets. The carrying value of cash, accounts receivable, other receivables, inventory, accounts payable and accrued expenses, notes payable, related party notes payable, customer deposits, provision for customer refunds and short term loans payable approximate their fair value due to the short period to maturity of these instruments.

Embedded derivative - The Company's convertible notes payable include embedded features that require bifurcation due to a reset provision and are accounted for as a separate embedded derivative (see Note 7).

As of December 31, 2015, and for new issuances of convertible debentures during the fourth quarter of fiscal 2015, the Company estimated the fair value of the conversion feature derivatives embedded in the convertible debentures based on a Monte Carlo Simulation model ("MCS"). The MCS model was used to simulate the stock price of the Company from the valuation date through to the maturity date of the related debenture and to better estimate the fair value of the derivative liability due to the complex nature of the convertible debentures and embedded instruments. Management believes that the use of the MCS model compared to the black Scholes model as previously used would provide a better estimate of the fair value of these instruments. Beginning in the fourth quarter of 2015, using the MCS model, the Company valued these embedded derivatives using a "with-and-without method," where the value of the Convertible Debentures including the embedded derivatives, is defined as the "with", and the value of the Convertible Debentures excluding the embedded derivatives, is defined as the "without." This method estimates the value of the embedded derivatives by observing the difference between the value of the Convertible Debentures with the embedded derivatives and the value of the Convertible Debentures without the embedded derivatives. The Company believes the "with-and-without method" results in a measurement that is more representative of the fair value of the embedded derivatives.

For each simulation path, the Company used the Geometric Brownian Motion ("GBM") model to determine future stock prices at the maturity date. The inputs utilized in the application of the GBM model included a starting stock price, an expected term of each debenture remaining from the valuation date to maturity, an estimated volatility, and a risk-free rate.

For the three months ended March 31, 2016, the Company estimated the fair value of the conversion feature derivatives embedded in the convertible debentures based on an internally calculated adjustment to the MCS valuation determined at December 31, 2015. This adjustment took into consideration the changes in the assumptions, such as market value and expected volatility of the Company's common stock, and the discount rate used in the December 31, 2015 valuation as compared to March 31, 2016.   The Company believes this methodology results in a reasonable fair value of the embedded derivatives for the interim period.

For the three months ended March 31, 2015, the Company estimated the fair value of the conversion feature derivatives embedded in the convertible debentures based on weighted probabilities of assumptions used in the Black Scholes pricing model. The key valuation assumptions used consists, in part, of the price of the Company's common stock, a risk free interest rate based on the average yield of a Treasury note and expected volatility of the Company's common stock all as of the measurement dates, and the various estimated reset exercise prices weighted by probability.

Warrants

The Company reexamined the determination made as of December 31, 2015 that they did not have sufficient authorized shares available for all of their outstanding warrants to be classified in equity at March 31, 2016, and concluded there still were insufficient authorized shares (Note 7). Therefore, the Company recognized a Warrant liability as of March 31, 2016. The Company estimated the fair value of the warrant liability based on a Black Scholes valuation model. The key assumptions used consist of the price of the Company's stock, a risk free interest rate based on the average yield of a two or three year Treasury note (based on remaining term of the related warrants), and expected volatility of the Company's common stock over the remaining life of the warrants.

A three-tier fair value hierarchy is used to prioritize the inputs in measuring fair value as follows:

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable, either directly or indirectly.

Level 3 Significant unobservable inputs that cannot be corroborated by market data.

The assets or liabilities' fair value measurement within the fair value hierarchy is based upon the lowest level of any input that is significant to the fair value measurement. The following table provides a summary of the relevant assets and liabilities that are measured at fair value on a recurring basis.

	Total	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Quoted Prices for Similar Assets or Liabilities in Active Markets (Level 2)	Significant Unobservable Inputs (Level 3)
March 31, 2016				
Marketable securities	$ 12,544	$ 6,712	$	$ 5,832
Warrant liability	426,027			426,027
Derivative liability	12,579,271	—	—	12,579,271
Total	$13,017,842	$ 6,712	$ —	$13,011,130

	Total	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Quoted Prices for Similar Assets or Liabilities in Active Markets (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2015				
Marketable securities	$ 9,410	$ 5,629	$	$ 3,781
Warrant liability	940,000			940,000
Derivative liability	19,246,594	—	—	19,246,594
Total	$20,196,004	$ 5,629	$ —	$20,190,375

The following table sets forth a summary of the changes in the fair value of the Company's Level 3 financial liabilities that are measured at fair value on a recurring basis:

	For the three months ended March 31, 2016 Total
Beginning balance	$ 20,186,594
Initial recognition of conversion feature	3,976,843
Change in fair value of conversion feature	(8,879,586)
Reclassified to equity upon conversion	(1,764,580)
Additions to warrant liability	42,000
Change in fair value of warrant liability	(555,973)
Ending Balance	$ 13,005,298

Revenue Recognition

Prior to 2015, the Company entered into transactions with clients who are interested in being granted the right to have the Company engage exclusively with them in certain territories (which are described as territory rights) to obtain the necessary licenses to operate a dispensary or cultivation center for the location, and to consult in daily operations of the dispensary or cultivation center.

Terms for each transaction are varied and, prior to 2015, sales arrangements typically included the delivery of our dispensing technology and dispensary location build-out and/or consultation on the location, licensing, build out and operation of a cultivation center. Prior to 2015, the Company's standard contracts had a five year term, calling for an upfront, non-refundable consulting fee, and containing options including acquiring a Medbox dispensary machine and having the Company perform the build-outs for the location, at set prices. The up-front fees under these contracts are recognized over the five year term, and are included in Deferred revenue. The Company has determined these optional purchases each constituted a separate purchasing decision, and therefore are considered a separate arrangement for revenue recognition purposes. Revenue on each of these options are evaluated for recognition when and if the customer decides to enter into the arrangement.

In 2015 and 2016, the Company concentrated on revenue generating transactions to develop and set up dispensaries, including obtaining the conditional use permits ("CUP") that grant the dispensary the authorization to operate, as well as cultivation centers. The Company enters into joint ventures and operating agreements, whereby separate unrelated party controls the operations of the dispensary or cultivation center, and the Company receives an agreed upon percentage of the revenue or profits of the operating entity.

Based on these contracts, and other auxiliary agreements, our current revenue model consists of the following income streams:

Consulting fee revenues and build-outs

Prior to 2015, Consulting fee revenues were a consistent component of our revenues and were negotiated at the time the Company entered into a contract. Consulting revenue consisted of providing ongoing consulting services over the life of the contract, to the established business in the areas of regulatory compliance, security, operations and other matters to operate the dispensary. The majority of the consulting fees from prior to 2015 arose from the upfront, non-refundable consulting fee in the Company's standard contract, and were recognized using the straight line method over the life of the contract. Consulting fee revenue is only recognized when the following four criteria are met: 1) persuasive evidence of an arrangement exists, 2) delivery has occurred or services have been rendered, 3) sales price is fixed and determinable and 4) collectability is reasonably assured. Consulting fee revenue continues to be recognized in our income statement over the life of the aforementioned contracts.

Due to the uncertainties inherent in the emerging industry, the Company deferred recognition of revenue for sale of completed dispensaries with licenses until the issuance of a certificate of occupancy by the municipality. The certificate of occupancy is the final approval to open a dispensary in the customer's community, at which time all criteria for revenue recognition, including delivery and acceptance, has been met. Additionally, at the time of the issuance of the certificate of occupancy, under the contract terms, all payments owed by the customer have been received by the Company. Similarly, recognition of revenue for the sale of a completed cultivation center is deferred until all licensing and permitting is completed and approved.

Unbilled costs and associated fees related to the build-outs are recorded in inventory and are subject to valuation testing at each quarter end for net realizable value (lower of cost or market) and collectability. None of these costs were included in Inventory as of March 31, 2016.

Revenues from Operating Agreements

The Company enters into operating agreements with independent parties, giving the operator the rights to control the operations of a dispensary or cultivation center during the term of the agreement. In exchange, the Company earns a fee based on a percentage of the revenue or profit of the dispensary or cultivation center. The Company has determined they are not the principal in the revenue sharing agreements and recognizes revenue under these agreements on a net basis as the fees are earned and it has been concluded that collectability is reasonably assured.

Cost of Revenue

Cost of revenue consists primarily of expenses associated with the delivery and distribution of our products and services. We only begin capitalizing costs when we have obtained a license and a site for operation of a customer dispensary or cultivation center. The previously capitalized costs are charged to cost of revenue in the same period that the associated revenue is earned. In the case where it is determined that previously inventoried costs are in excess of the projected net realizable value of the sale of the licenses, then the excess cost above net realizable value is written off to cost of revenues. Cost of revenues also includes the rent expense on master leases held in the Company's name, which are subleased to the Company's operators. In addition, cost of revenue related to our vaporizer line of products consists of direct procurement cost of the products along with costs associated with order fulfillment, shipping, inventory storage and inventory management costs.

Inventory

Inventory is stated at the lower of cost or market value. Cost is determined on a cost basis that approximates the first-in, first-out (FIFO) method.

Work in process and related capitalized costs includes costs to build out a dispensary in Portland, Oregon that opened in the second quarter of 2015. Costs included tenant improvements to the facility, furniture, fixtures and Medbox dispensary units to be used by the licensed operator. The costs related to the Portland dispensary have been classified in deferred costs and are amortized straight-line over remaining term of the lease.

Basic and Diluted Net Loss Per Share

Basic net income/loss per share is computed by dividing net income (loss) available to common stockholders by the weighted average number of shares of common stock outstanding during the period. Diluted net income per share includes the effects of any outstanding options, warrants and other potentially dilutive securities.

As of March 31, 2015, the Company had 3,000,000 shares of Series A preferred stock outstanding with par value of $0.001 that could have been converted into 15,000,000 shares of the Company's common stock. On August 24, 2015, 2 million shares of Series A preferred stock was cancelled, leaving 1 million shares outstanding, which were converted into common shares on November 16, 2015. There are no Series A preferred stock outstanding at March 31, 2016. Additionally, the Company had approximately 50,119,000 and 338,000 warrants to purchase common stock outstanding as of March 31, 2016 and 2015, respectively, which were not included in the computation of diluted loss per share, as based on their exercise prices they would all have an anti-dilutive effect on net loss per share. The Company also had approximately $7,661,000 and $3,300,000 in convertible debentures outstanding at March 31, 2016 and 2015, respectively, that are convertible at the holders' option at a conversion price of the lower of $0.75 or 51% to 60% of either the lowest trading price or the VWAP over the last 20 to 30 days prior to conversion (subject to reset upon a future dilutive financing), whose underlying shares resulted in an additional 5,746,769,206 dilutive shares being included in the computation of diluted net income per share.

Accounts Receivable and Allowance for Bad Debts

The Company is subject to credit risk as it extends credit to our customers for work performed as specified in individual contracts. The Company extends credit to its customers, mostly on an unsecured basis after performing certain credit analyses. Prior to 2015, our typical terms required the customer to pay a portion of the contract price up front and the rest upon certain agreed milestones. The Company's management periodically reviews the creditworthiness of its customers and provides for probable uncollectible amounts through a charge to operations and a credit to an allowance for doubtful accounts based on our assessment of the current status of individual accounts. Accounts still outstanding after the Company has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts. As of March 31, 2016, the Company's management considered all accounts outstanding fully collectible.

Property and Equipment

Property and equipment are recorded at cost. Expenditures for major additions and improvements are capitalized and minor replacements, maintenance, and repairs are charged to expense as incurred. When property and equipment are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the results of operations for the respective period. Depreciation is provided over the estimated useful lives of the related assets using the straight-line method for financial statement purposes. The Company uses accelerated depreciation methods for tax purposes where appropriate. The estimated useful lives for significant property and equipment categories are as follows:

Vehicles	5 years
Furniture and Fixtures	3 - 5 years
Office equipment	3 years
Machinery	2 years
Buildings	10 - 39 years

Income Taxes

The Company accounts for income taxes under the asset and liability method. The Company recognizes deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the consolidated financial statements or tax returns. Under this method, deferred tax liabilities and assets are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The components of the deferred tax assets and liabilities are classified as current and non-current based on their characteristics. A valuation allowance is provided for certain deferred tax assets if it is more likely than not that the Company will not realize tax assets through future operations.

In addition, the Company's management performs an evaluation of all uncertain 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.

Commitments and Contingencies

Certain conditions may exist as of the date the consolidated financial statements are issued, which may result in a loss to the Company but which will only be resolved when one or more future events occur or fail to occur. The Company's management and its legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Company or unasserted claims that may result in such proceedings, the Company's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Company's consolidated financial statements. If the assessment indicates that a potentially material loss contingency is not probable, but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, would be disclosed.

Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the nature of the guarantee would be disclosed.

The Company accrues all legal costs expected to be incurred per event. For legal matters covered by insurance, the Company accrues all legal costs expected to be incurred per event up to the amount of the deductible.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers," which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2014-09 will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The new standard is effective for annual reporting periods for public business entities beginning after December 15, 2017, including interim periods within that reporting period. The new standard permits the use of either the retrospective or cumulative effect transition method. The Company is currently evaluating the effect that ASU 2014-09 will have on its financial statements and related disclosures. The Company has not yet selected a transition method nor determined the effect of the standard on its ongoing financial reporting.

On July 22, 2015, the Financial Accounting Standards Board ("FASB") issued a new standard that requires entities to measure most inventory "at the lower of cost and net realizable value," thereby simplifying the current guidance under which an entity must measure inventory at the lower of cost or market. The new standard will not apply to inventories that are measured by using either the last-in, first-out (LIFO) method or the retail inventory method. The new standard will be effective for fiscal years beginning after December 15, 2016, and interim periods in fiscal years beginning after December 15, 2016. The Company is in the process of evaluating the impact of adoption on its consolidated financial statements.

In April 2015, the FASB issued a new standard that requires an entity to determine whether a cloud computing arrangement contains a software license. If the arrangement contains a software license, the entity would account for the fees related to the software license element in a manner consistent with how the acquisition of other software licenses is accounted for. If the arrangement does not contain a software license, the customer would account for the arrangement as a service contract. The new standard will be effective for fiscal years beginning after December 15, 2015, and interim periods in fiscal years beginning after December 15, 2016. The Company is in the process of evaluating the impact of adoption on its consolidated financial statements.

In February 2016, the FASB issued "Leases (Topic 842)" (ASU 2016-02). This update amends leasing accounting requirements. The most significant change will result in the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under current guidance. The new guidance will also require significant additional disclosures about the amount, timing and uncertainty of cash flows from leases. ASU 2016-02 is effective for fiscal years and interim periods beginning after December 15, 2018, which for the Company is December 31, 2018, the first day of its 2019 fiscal year. Upon adoption, entities are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. Early adoption is permitted, and a number of optional practical expedients may be elected to simplify the impact of adoption. The Company is currently evaluating the impact of adopting this guidance. The overall impact is that assets and liabilities arising from leases are expected to increase based on the present value of remaining estimated lease payments at the time of adoption.

Management's Evaluation of Subsequent Events

The Company evaluates events that have occurred after the balance sheet date of March 31, 2016, through the date which the consolidated financial statements were issued. Based upon the review, other than described in Note 18 – Subsequent Events, the Company did not identify any recognized or non-recognized subsequent events that would have required adjustment or disclosure in the consolidated financial statements.

NOTE 3 – ASSET ACQUISITION

On July 24, 2015, the Company entered into an Agreement of Purchase and Sale of Membership Interest (the "Acquisition Agreement") with East West Secured Development, LLC (the "Seller") to purchase 100% of the membership interest of EWSD I, LLC ("EWSD") which has entered into an agreement with Southwest Farms, Inc. ("Southwest") to purchase certain real property comprised of 320-acres of agricultural land in Pueblo, Colorado (the "Acquired Property" or "the Farm").

The purchase price to acquire EWSD consisted of (i) $500,000 paid by the Company as a deposit into the escrow for the Acquired Property, and (ii) the Company's future payments to Seller of a royalty of 3% of the adjusted gross revenue, if any, from operation of the Acquired Property (including sale of any portion of or interest in the Acquired Property less any applicable expenses) for the three-year period beginning on January 1, 2016. Such royalty payments shall be payable 50% in cash and 50% in Company common stock (the "Royalty Payment"). The Company determined that the royalty payments could not be estimated at the time of acquisition, and, therefore, the contingent payments have not been recognized as part of the acquisition price. The contingent consideration will be re-measured to fair value each subsequent period until the contingency is resolved, in this case, for the three year period beginning on January 1, 2016, with any changes in fair value recognized in earnings. Per the terms of the agreement, the closing is deemed to have occurred when the Special Warranty Deed is recorded (which occurred on August 7, 2015) and all terms of the purchase agreement for the Farm have been complied with, including the Farm closing, which also took place on August 7, 2015. Therefore, the acquisition date has been determined to be August 7, 2015. There were no assets or liabilities of EWSD on the acquisition date.

In connection with EWSD's purchase of the Acquired Property, EWSD entered into a secured promissory note (the "Note") with Southwest in the principal amount of $3,670,000 (Note 8). Interest on the outstanding principal balance of the Note shall accrue at the rate of five percent per annum. The Note shall be payable by EWSD in thirty-five payments of principal and interest, which shall be calculated based upon an amortization period of thirty years, commencing on September 1, 2015 and continuing thereafter on the first day of each calendar month through and including July 1, 2018; and one final balloon payment of all unpaid principal and accrued but unpaid interest on August 1, 2018. The Note is secured by a deed of trust, security agreement, assignment of rents and financing statement encumbering the Acquired Property.

EWSD also entered into an unsecured promissory note (the "Unsecured Note") in the principal amount of $830,000 with the Seller (Note 8), in respect of payments previously made by Seller to Southwest in connection with acquiring the Farm. Interest on the outstanding principal balance of the Unsecured Note shall accrue at the rate of six percent per annum. The Unsecured Note shall be payable by EWSD in thirty-five payments of principal and interest, which shall be calculated based upon an amortization period of thirty years, commencing on September 1, 2015 and continuing thereafter on the first day of each calendar month through and including July 1, 2018; and one final balloon payment of all unpaid principal and accrued but unpaid interest on August 1, 2018.

Farming Agreement

On December 18, 2015, the Company and its subsidiary EWSD I, LLC ("EWSD"), entered into a Farming Agreement (the "Farming Agreement") with Whole Hemp Company ("Whole Hemp" now known as "Folium Biosciences"), pursuant to which Folium Biosciences would manufacture products from hemp and cannabis crops it would grow on EWSD farmland, and the Company would build greenhouses for such activities up to an aggregate size of 200,000 square feet. Folium Biosciences would pay all preapproved costs of such construction on or before September 30, 2017 as partial consideration for a revocable license to use the greenhouses and a separate 10 acre plot of EWSD farmland (the "10 Acres"). EWSD would retain ownership of the greenhouses. For the first growing season commencing October 1, 2016, the Company would receive a percentage of gross sales of all Folium Biosciences products on a monthly basis, and the Company's share would increase incrementally based on the extent of crops planted on EWSD farmland according to a mutually agreed schedule. In addition, the Company would receive 50% of Folium Biosciences's gross profits from the farming activities on the 10 Acres. The Company planned to recognize all revenue from the Farming Agreement at the net amount received when it has been earned and determined collectable.

Pursuant to the Farming Agreement, the Company also granted Folium Biosciences a warrant to purchase 4,000,000 shares of Company common stock at an exercise price of $0.50 per share, exercisable at any time within 5 years. The warrants were valued at $76,000, using a Black Scholes Merton Model, with key valuation assumptions used that consist of the price of the Company's stock at settlement date, a risk free interest rate based on the average yield of a 5 year Treasury note and expected volatility of the Company's common stock all as of the measurement date. The fair value of the warrants is included in Deferred costs and will be recognized over the life of the Farming Agreement.

On March 11, 2016, the Company and EWSD entered into a First Amended and Restated Farming Agreement with Whole Hemp, amending and restating in certain respects the Farming Agreement. The First Amended and Restated Farming Agreement clarifies that EWSD, rather than the Company, would be responsible for the building of greenhouses to be utilized by Whole Hemp for growing hemp and cannabis crops pursuant to the agreement, and that EWSD would be the recipient of all payments by Whole Hemp (including all revenue sharing arrangements) under the agreement.

Since May 7, 2016, we believe Folium Biosciences has been in default, principally because they abandoned their obligation to provide farming activities under the First Amended and Restated Farming Agreement. On May 13, 2016, EWSD notified Folium Biosciences of its defaults under the First Amended and Restated Farming Agreement and EWSD's election to terminate the First Amended and Restated Farming Agreement.

By its terms, the First Amended and Restated Farming Agreement may be terminated at any time by either party, if the other party was in material breach of any obligation under the First Amended and Restated Farming Agreement, which breach continued uncured for 30 days following written notice thereof.

Growers' Distributor Agreement

On December 18, 2015, the Company also entered into a Growers' Agent Agreement with Folium Biosciences, which was amended on March 11, 2016, to change the name of the agreement to Growers' Distributor Agreement, ("Distributor Agreement") as well clarify some terms. Pursuant to the Distributor Agreement, the Company would provide marketing, sales, and related services on behalf of Folium Biosciences in connection with the sale of its Cannabidiol oil product, from which the Company would receive a percentage of gross revenues (other than the sale of such product generated from the EWSD 10 Acres and the Folium Biosciences 40 acre plot subject to the Farming Agreement). The Growers' Agent Agreement was effective until September 30, 2025. The Company would sell the product on behalf of Folium Biosciences on a commission basis. The Company may not act as agent of any other grower, distributor or manufacturer of the same product unless such other party agrees.

On March 11, 2016, the Company and EWSD entered into a First Amended and Restated Grower's Distributor Agreement with Whole Hemp, amending and restating in certain respects the Grower's Agent Agreement, including by substituting EWSD as a party in-place of the Company.

Because we believe Folium Biosciences is in default, principally because they abandoned their obligation to provide farming activities under the First Amended and Restated Farming Agreement since May 7, 2016, EWSD notified Whole Hemp on May 13, 2016 of its election to terminate the Restated Grower's Distributor Agreement.

By its terms, the Restated Grower's Distributor Agreement could be terminated at any time by either party, if the other party was in material breach of any obligation under the Restated Grower's Distributor Agreement, which breach continued uncured for 30 days following written notice thereof.

As we continue to navigate the nascent world of hemp and CBD growing, cultivation, production and sales, it became clear that controlling all aspects of the business is the best strategy to ensure that we are meeting all of our goals. Again, we are taking action now to protect the investment all the stakeholders have all made in Notis Global.

NOTE 4 – INVENTORY

Inventory is stated at the lower of cost or market value. Cost is determined on a standard cost basis that approximates the first-in, first-out (FIFO) method.

Inventory at March 31, 2016 and December 31, 2015 consists of the following:

	March 31, 2016	December 31, 2015
Vaporizers and accessories	$ —	$ 81,934
CBD Oil	32,300	35,889
Light Bulbs for cultivation centers	—	33,000
Total inventory, net	$ 32,300	$ 150,823

The Company did not write down any slow moving or obsolete inventory during the three months ended March, 31, 2016 and 2015.

NOTE 5 – DISPENSARIES

Portland

The Company holds the license to operate a dispensary in Portland, Oregon, and a master lease on the property in which the dispensary is located. In April 2015, the Company entered into an Operating Agreement ("Original Agreement") with an unrelated party (the "Operator") in which the Operator was to manage and operate the Dispensary. The Original Agreement also included an annual Licensor Fee of 5% of the annual Gross Revenues, which would have begun after the additional fees related to the startup of the new venture had been paid in full.

On December 3, 2015 the Company replaced the original operator of the Portland dispensary with another operator under a new Operator Agreement (the "Agreement"). Per the terms of the Agreement, the Dispensary was "under the exclusive supervision and control of Operator, which shall be responsible for the proper and efficient operation of the Dispensary". The term of the Agreement includes an initial term of five years, and a renewal term for an additional five years. The renewal term is at the discretion of the Operator. There is a License fee, which is based on a flat 10% of Gross Revenues. The Company's management has determined that under this Agreement they do not hold the controlling financial interest in the Dispensary and are not the primary beneficiary, and therefore did not consolidate the Dispensary in their consolidated financial statements.

Sunrise Property Investments, LLC

On December 3, 2015, the Company entered into an Operating Agreement with PSM Investment Group, LLC ("PSM"), for the governance of Sunrise Property Investments, LLC ("Sunrise"). Pursuant to the agreement, each of the two members contributed 50% of the capital of Sunrise. The Company's contribution to the investment was the conditional use permit for the location, which was determined to have a zero cost basis, based on its carrying value in the Company's financial statements. Sunrise acquired the property on which a dispensary will be located in San Diego on December 31, 2015. The Company has determined it should not consolidate the financial position and results of operations in its consolidated financial statements as it does not hold greater than 50% voting interest or is able to exercise influence over the operations and management in Sunrise. Instead, the Company accounts for Sunrise as an equity method investment. No income or loss has been recognized from Sunrise for the year ending December 31, 2015.

Alternative Health Cooperative, Inc. ("Alternative") is a not-for-profit corporation, managed by an employee of Notis Global, which holds the conditional user permit ("CUP") to run the dispensary. On January 1, 2016, Sunrise entered into an Operator Agreement with Alternative for Sunrise to operate the dispensary located on the Sunrise property. The Operator Agreement engages Sunrise to "supervise, direct and control the management of the dispensary". The Agreement also states that the operation of the dispensary shall be under the exclusive supervision and control of Sunrise which shall be responsible for the proper and efficient operation of the dispensary. The Company had determined that under the operating agreement neither it nor Alternative hold the controlling financial interest in the dispensary, but that Sunrise is the controlling entity. Therefore, the Company did not consolidate the dispensary in its consolidated financial statements.

The Company incorporated a new wholly owned subsidiary, San Diego Sunrise, LLC ("San Diego Sunrise"), on February 22, 2016, in order to enter into a partnership agreement with PSM Investments to create an entity which would control the dispensary operations. Thereafter, Sunrise Dispensary LLC ("Dispensary") was incorporated by PSM Investments and San Diego Sunrise on February 24, 2016, with each party holding a 50% ownership interest in the new entity. Immediately after which, Sunrise assigned the Operating Agreement with Alternative to Dispensary. The Company therefore indirectly held a 50% interest in the Sunrise Dispensary, through its subsidiary, San Diego Sunrise.

In February 2016, the Company sold 70% of its ownership interest in San Diego Sunrise for approximately $299,000. As of March 31, 2016, the Company owned 50% of Sunrise and 30% of San Diego Sunrise. These investments are accounted for under the equity method, with the Company's proportionate share of the income or losses of the investments reflected in the Company's financial statements. There has been no activity, aside from the sale of the Company's ownership interests, in these investees as of, and for the three months ended, March 31, 2016.

Sunrise Delivery

On November 24, 2015, the Company entered into a Management Agreement ("the Agreement") with Rise Industries ("the Operator") for a delivery service to be called Sunrise Delivery, operating under the conditional use permit awarded to the Sunrise Dispensary. The delivery service began operations on December 19, 2015 and, due to the short period between commencement of operations and the year end, the results of operations were not material for the year ended December 31, 2015.

Under the Agreement, the Operator is fully and solely responsible to collect all revenue and pay all expenses arising from the delivery service, including acquisition of inventory. The Company's name is not being used in connection with any advertising, marketing, product or delivery services provided by the Operator. The Company determined that under the Agreement they do not hold the controlling financial interest in the delivery service and the Operator is the controlling entity. Therefore, the Company did not consolidate Sunrise Delivery in their financial statements. The Company also evaluated whether the revenue earned from the delivery service should be recognized at the gross or net amount. As the Company meets the three indicators of being an agent, the Company will report the earnings or losses from the delivery service on a net basis, under the equity method of accounting.

On December 9, 2015, the Company provided a $60,000 loan to Sunrise Delivery for working capital, with interest at prime and payable in one year and added an additional advance of $10,000 in the first quarter of 2016. In connection with the decision to sell 70% of their interests in the San Diego dispensary, the Company wrote off the loans totaling $70,000 as uncollectible at the end of the first quarter of 2016.

Washington

In the course of seeking licenses for new locations, the Company has to enter into real estate purchase agreements in order to secure the sites to be developed for clients' dispensaries and cultivation centers. During the second quarter of 2014, one of the Company's subsidiaries entered into a real estate purchase agreement for a property in the State of Washington. The purchase transaction was closed during the third quarter of 2014 for a total purchase price of $399,594, partially financed by a promissory note for $249,000. The note was due January 30, 2015 and bore interest at twelve percent (12%). The Company did not repay the note on its maturity date, and therefore began incurring interest at the default interest rate of eighteen percent (18%) per annum. On September 30, 2015, the Company, through its subsidiary MJ Property Investments, and the seller of the property entered into an amendment to the Note Payable, whereby the maturity date was extended to April 1, 2017, and the interest rate returned to twelve percent (12%) per annum (see Note 8).

NOTE 6 – VAPORFECTION INTERNATIONAL, INC.

The Company acquired certain intangible assets with its purchase of 100% of the outstanding common stock of Vaporfection International Inc. ("VII") on April 1, 2013. The Company accounts for intangible assets acquired in a business combination, if any, under the purchase method of accounting at their estimated fair values at the date of acquisition. Intangibles are either amortized over their estimated lives, if a definite life is determined, or are not amortized if their life is considered indefinite.

On December 31, 2015, the Company re-evaluated the future value of the intangible assets and determined none of the carrying value of the intangible assets were recoverable, and its carrying value exceeded its fair value. Therefore, the Company recognized an impairment loss on Intangibles of $586,000.

On December 31, 2015, the Company also performed the first step of the Goodwill impairment test, and, based on the same conclusions as above, determined there were indications of impairment of the Goodwill and they had to perform the second step of the impairment test, which compares the carrying value of the Goodwill to the implied Goodwill. The Company re-evaluated the fair value of all the associated assets of VII at December 31, 2015 and determined that there was no implied Goodwill. As there is no implied Goodwill, the impairment loss recognized was be the entire carrying value of Goodwill, approximately $1,260,000.

In light of these impairments, as discussed above, the Company wrote down all other assets related to the business, such as fixed assets and costs to develop the website as of December 31, 2015, resulting in a impairment of approximately $80,000. The Company also wrote down the Inventory of VII to its estimated fair value of $82,000.

The Board made a decision the last week of January 2016, to sell the assets of Vaporfection and exit the vaporizer business and sell the remaining inventory and related assets during the first half of 2016. The Company analyzed if Vaporfection should be presented as a Discontinued Operation under the guidance of ASC 205, Presentation of Financial Statements, 20, Discontinued Operations, ("ASC 205-20"), and determined the decision to exit the Vaporfection business was not a strategic shift in the Company's business, as the Board and management did not consider the strategy for the business to be built around the sale of vape machines or peripherals.

On March 28, 2016, the Company sold the assets of the subsidiary for $70,000, which is payable $35,000 at the closing and with a 6% Note Payable, due September 30, 2016. The Company recognized approximately $6,000 as a gain on sale of the assets of their subsidiary for the three months ended March 31, 2016.

NOTE 7 – CONVERTIBLE NOTES PAYABLE AND DERIVATIVE LIABILITY

July and September 2014 Debentures

On July 21, 2014, as amended on September 19, 2014 and October 20, 2014, the Company entered into a Securities Purchase Agreement whereby the Company agreed to issue convertible debentures ("July 2014 Debentures") in the aggregate principal amount of $3,500,000, in five tranches. The July 2014 Debentures bore interest at the rate of 10% per year. The debt was due July 21, 2015.

Also on September 19, 2014, as amended on October 20, 2014, the Company entered into a securities purchase agreement pursuant to which it agreed to issue convertible debentures ("September 2014 Debentures") in the aggregate principal amount of $2,500,000, in two tranches. The September 2014 Debentures bore interest at the rate of 5% per year. The debt was due September 19, 2015.

Both the original July 2014 Purchase Agreement Debentures and September 2014 Debentures, prior to subsequent amendment, share the following significant terms:

All amounts are convertible at any time, in whole or in part, at the option of the holders into shares of the Company's common stock at a conversion price. The Notes were initially convertible into shares of the Company's common stock at the initial Fixed Conversion Price of $11.75 per share. The Fixed Conversion Price is subject to adjustment for stock splits, combinations or similar events. If the Company makes any subsequent equity sales (subject to certain exceptions), under which an effective price per share is lower than the Fixed Conversion Price, then the conversion price will be reduced to equal such price. The Company may make the amortization payments on the debt in cash, prompting a 30% premium or, subject to certain conditions, in shares of common stock valued at 70% of the lowest volume weighted average price of the common stock for the 20 prior trading days.

The conversion feature of the July 2014 Debenture and the September 2014 Debenture meets the definition of a derivative and due to the reset provision to occur upon subsequent sales of securities at a price lower than the fixed conversion price, requires bifurcation and is accounted for as a derivative liability, with a discount created on the Debentures that would be amortized over the life of the Debentures using the effective interest rate method. The fair value of the embedded derivative is measured and recognized at fair value each subsequent reporting period and the changes in fair value are recognized in the Statement of Operations as Change in fair value of derivative liability. See Note 2 Fair value of financial instruments for additional information on the fair value and gains or losses on the embedded derivative.

In connection with each of the purchase agreements, the Company entered into a registration rights agreement with the respective investors, pursuant to which the Company agreed to file a registration statement for the resale of the shares of common stock issuable upon conversion of, or payable as principal and interest on, the respective debentures, within 45 days of the initial closing date under each agreement, and to have such registration statements declared effective within 120 days of the initial closing dates of each purchase agreement. Through subsequent modifications of the July 2014 Debentures and September 2014 Debentures, the required date to file the registration statement and the effective date of the registration statement were modified, and the registration statement filed on April 9, 2015, and became effective on June 11, 2015.

On January 30, 2015, the Company and certain of the Investors entered into an Amendment, Modification and Supplement to the Purchase Agreement (the "Purchase Agreement Amendment" or the "Modification") pursuant to which the Investors agreed to purchase an additional $1,800,000 in seven Modified Closings. The Modification also eliminated the amortization payments discussed above, and provided for accrued and unpaid interest to be payable upon conversion or maturity rather than on specified payment dates. The Company was also required to open a new dispensary in Portland, Oregon through a licensed operator during the first calendar quarter of 2015 (which was later modified to April 30, 2015). The Company also had to file the Registration Statement by March 8, 2015 (later amended), and it had to be declared effective by June 15, 2015 in order to avoid default and acceleration under the Amended and Restated Debenture. As noted above, the Registration Statement was filed on April 9, 2015, and became effective June 11, 2015.

As part of the January 30, 2015 Modification, the parties entered into a Modified Debenture Agreement for the $200,000 that was funded at the Closing and agreed to use the same form of Modified Debenture for each of the other foregoing Modified Closings (collectively, the "Modified Debentures"). The fixed conversion price of the Modified Debenture on January 30, 2015 was the lower of $5.00 or 51% of the lowest volume weighted average price for the 20 consecutive trading days prior to the applicable conversion date. This new fixed conversion price was a dilutive issuance to the outstanding July 2014 and September 2014 Debentures, thereby triggering a reset of the older fixed conversion price. As a result of the reset to the conversion price, at January 30, 2015, the derivative liability was re-measured to a fair value of approximately $2,690,000, using a weighted probability model as estimated by management. A decrease in fair value of the derivative liability of approximately $1,072,000 was recognized as a gain on the Statement of Consolidated Comprehensive Loss, in the three months ended March 31, 2015.

The additional Modified Debentures under the July 2014 Debentures as of closing dates had a fixed conversion price of the lower of $1.83 or 51% of the VWAP for the last 20 days prior to the conversion. This new fixed conversion price was a dilutive issuance to the outstanding July 2014 and September 2014 Debentures, thereby triggering a reset of the previous $5 fixed conversion price. This reset resulted in the derivative liability being revalued at February 27, 2015, using a weighted probability model for a fair value of $2,720,000.

The additional Modified Debentures under the September 2014 Debentures closed on January 29, 2015 in the amount of $100,000 and February 24, 2015 in the amount of $100,000. These Modified Debentures have a fixed conversion price of the lower of $5.00 or 51%

of the VWAP for the last 20 days prior to the conversion. This new fixed conversion price was a dilutive issuance to the outstanding September 2014 Debentures, thereby triggering a reset of the previous $5.00 fixed conversion price. The resulting reset and re-measurement of the fair value of the derivative liability is included in the amounts of the change to fair value discussed above.

The April 17, 2015 closing under the July 2014 Modified Debentures contained a fixed conversion price of the lower of $0.88 or 51% of the VWAP for the last 40 days prior to the conversion. This new fixed conversion price was a dilutive issuance to the outstanding July 2014 and September 2014 Debentures, thereby triggering a reset of the previous $1.83 fixed conversion price. This reset resulted in the derivative liability being revalued at April 17, 2015, using a weighted probability model for a fair value of $3,287,000, for a increase in fair value of approximately $1,764,000, recognized as a loss on the Statement of Consolidated Comprehensive Loss.

There was additional funding of $1,300,000 of the September 2014 Modified Debentures under the closing schedule detailed above. These Modified Debentures all have a fixed conversion price of the lower of $0.88 or 51% of the VWAP for the last 40 days prior to the conversion.

The Directors' convertible debentures required under the March 23, 2015 Modification, issued in the first quarter of 2015, total $150,000, and have a three year term and an interest rate of 8% per annum. They were originally convertible at a fixed conversion price of the lower of $1.83 or 51% of the VWAP for the last 20 days prior to conversion. As with the Modified Debentures, the debentures included a reset provision, which resulted in the conversion feature being bifurcated and accounted for as a derivative liability, with an initial fair value of $132,175. The director's convertible debentures also reset on February 27, 2015 and April 17, 2015, with the changes to fair value included in the amounts disclosed above. The Directors debentures were all converted during the third quarter of 2015.

The Modified Debentures also included a warrant instrument granting the Investor the right to purchase shares of common stock of the Company equal to the principal amount of the applicable Modified Debenture divided by a price equal to 120% of the last reported closing price of the common stock on the applicable closing date of the Modified Debenture, with a three year term.

August 2015 Debentures

On August 14, 2015, the Company entered into a Securities Purchase Agreement whereby they agreed to issue convertible debentures in the aggregate principal amount of up to $3,979,877 to certain Investors. The initial closing in the aggregate principal amount of $650,000 occurred on August 14, 2015. An additional 11 payments were made in the total amount of $2,434,143 through December 31, 2015. The August 2015 Debentures bear interest at the rate of 10% per year. During the first quarter of 2016, an additional approximately $895,000 was funded.

On August 20, 2015, the Company also entered into a Securities Purchase Agreement with another Investor in the aggregate principal amount of up to $1,500,000 (collectively the "August 2015 Debentures"), which was amended on September 19, 2015, to increase the principal by an additional $200,000..

The August 2015 Debentures contain the following significant terms:

The debentures all mature in one year from the date of each individual closing.

All amounts are convertible at any time, in whole or in part, at the option of the holders into shares of the Company's common stock at a fixed conversion price. The conversion price is the lower of (a) $0.75, or (b) a 49% discount to the lowest daily VWAP (as reported by Bloomberg) of the Common Stock during the 30 trading days prior to the conversion date. The Fixed Conversion Price is subject to adjustment for stock splits, combinations or similar events. If the Company makes any subsequent equity sales (subject to certain exceptions), under which an effective price per share is lower than the Fixed Conversion Price, then the conversion price will be reset to equal such price. The Company may prepay the Debentures in cash, prompting a 30% premium or, subject to certain conditions, in shares of common stock valued at 51% of the lowest volume weighted average price of the common stock of the Company for the 30 prior trading days. The premium will be recognized at such time as the Company may choose to prepay the Debentures.

In connection with each of the purchase agreements, the Company entered into a registration rights agreement with the respective Investors pursuant to which the Company agreed to file a registration statement for the resale of the shares of common stock issuable upon conversion of, or payable as principal and interest on, the respective debentures, within 45 days of the initial closing date under each agreement, and to have such registration statements declared effective within 120 days of the initial closing dates of each purchase agreement. The pre-effective registration statement was filed with the SEC on October 16, 2015.

The conversion feature of the August 2015 Debenture meets the definition of a derivative and due to the reset provision to occur upon subsequent sales of securities at a price lower than the fixed conversion price, requires bifurcation and is accounted for as a derivative liability. The derivatives related to all closings on the August 2015 debentures were initially recognized at estimated fair values of approximately $11,205,000 and created a discount on the Debentures that will be amortized over the life of the Debentures using the effective interest rate method. The fair value of the embedded derivative is measured and recognized at fair value each subsequent reporting period and the changes in fair value are recognized in the Statement of Comprehensive Income (Loss) as Change in fair value of derivative liability. For the year ended December 31, 2014, and the interim periods through September 30, 2015, the Company estimated the fair value of the conversion feature derivatives embedded in the convertible debentures based on weighted probabilities of assumptions used in the Black Scholes pricing model. The key valuation assumptions used consists, in part, of the price of the Company's common stock, ranging from $8.81 down to $0.05; a risk free interest rate ranging from 0.41% to 0.12% and expected volatility of the Company's common stock, ranging from 196.78% to 106.38%, and the various estimated reset exercise prices weighted by probability.

As of December 31, 2015, and for new issuances of convertible debentures during the fourth quarter of fiscal 2015, the Company estimated the fair value of the conversion feature derivatives embedded in the convertible debentures based on a Monte Carlo Simulation model ("MCS"). The MCS model was used to simulate the stock price of the Company from the valuation date through to the maturity date of the related debenture and to better estimate the fair value of the derivative liability due to the complex nature of the convertible debentures and embedded instruments. Management believes that the use of the MCS model compared to the black Scholes model as previously used would provide a better estimate of the fair value of these instruments. Beginning in the fourth quarter of 2015, using the MCS model, the Company valued these embedded derivatives using a "with-and-without method," where the value of the Convertible Debentures including the embedded derivatives, is defined as the "with", and the value of the Convertible Debentures excluding the embedded derivatives, is defined as the "without." This method estimates the value of the embedded derivatives by observing the difference between the value of the Convertible Debentures with the embedded derivatives and the value of the Convertible Debentures without the embedded derivatives. The Company believes the "with-and-without method" results in a measurement that is more representative of the fair value of the embedded derivatives.

For each simulation path, the Company used the Geometric Brownian Motion ("GBM") model to determine future stock prices at the maturity date. The inputs utilized in the application of the GBM model included a starting stock price ranging from $0.03 to $0.10, an expected term of each debenture remaining from the valuation date to maturity ranging from .24 years to 1.04 years, an estimated volatility of ranging from 193% to 219%, and a risk-free rate ranging from .20% to .70%. See Note 2 Fair value of financial instruments for additional information on the fair value and gains or losses on the embedded derivative.

For the three months ended March 31, 2016, the Company estimated the fair value of the conversion feature derivatives embedded in the convertible debentures based on an internally calculated adjustment to the MCS valuation determined at December 31, 2015. This adjustment took into consideration the changes in the assumptions, such as market value and expected volatility of the Company's common stock, and the discount rate used in the December 31, 2015 valuation as compared to March 31, 2016. The Company believes this methodology results in a reasonable fair value of the embedded derivatives for the interim period.

Entry into Security Agreement

In connection with entry into the August 20 Purchase Agreement and August 14 Purchase Agreement, the Investors and the Company entered into a Security Agreement, dated August 21, 2015, securing the amounts underlying the August 14 Debentures and the August 20 Debentures. The Security Agreement grants a security interest in all assets and personal property of the Company, subject to certain excluded real property assets. The security interests under the Security Agreement terminated following the date that the registration statement registering the shares underlying the Convertible Debentures was declared effective, which occurred on December 15, 2015.

July 2015 Debenture

On July 10, 2015, another accredited Investor and affiliate of the July 2014 Investor (the "July 2015 Investor") purchased a separate Convertible Debenture (the "July 2015 Debenture") in the aggregate principal amount of $500,000, that closed in five weekly tranches between July 10 and August 15, 2015. The July 2015 Debenture is in substantially the same form as the August 14 Debentures, and does not include issuance of warrants. As such, the conversion feature was also determined to require bifurcation and derivative accounting. All amounts related to the July 2015 derivative liability are included in amounts disclosed above for the August 2015 debentures.

On October 14, 2015, the August 2015 Investor assigned the right to purchase August 2015 Debentures in the principal amount of $100,000 to the July 2015 Investor and the July 2015 Investor purchased such August 2015 Debentures on the same day.

October 2015 Debentures

On October 14, 2015, the Company issued seven debentures in the aggregate of $2,000,000 to a service provider (the "October 2015 Investor") as consideration for services previously rendered to the Company on the same terms as the August 14 Debentures and August 14 Purchase Agreement (the "October 2015 Debentures" and "October 2015 Purchase Agreement", respectively) except that the October 2015 Purchase Agreement does not provide for registration rights to the October 2015 Investor with regard to the shares underlying the October 2015 Debentures. The service provider has agreed with the Company not to convert the October 2015 Debentures for any amount in excess of fees payable for services previously rendered to the Company at the time of conversion. To the extent that the sale of shares underlying the October 2015 Debentures do not satisfy outstanding amounts payable to the service provider, such amounts will remain payable to the service provider by the Company. In the three months ending March 31, 2016, funding closed on $425,000 of the October 2015 debentures.

December 28, 2015 Amendment and Restriction Agreement

On December 28, 2015, the Company, the August 14 Investor and the August 20 Investor entered into a Debenture Amendment and Restriction Agreement (the "Agreement"), pursuant to which (1) the August 14 Investor agreed to be restricted from converting any of its convertible debentures into common stock until February 21, 2016, subject to certain limitations set forth below (the "Restriction") and (2) the August 14 Investor agreed to assign, as of the effective date of the Agreement approximately $390,000 of its convertible debentures to the August 20 Investor in exchange for the amount of principal outstanding under such debenture plus a premium in cash from the August 20 Investor (the "Assigned Debentures"). The accrued and unpaid interest under the Assigned Debentures remained payable by the Company to the August 14 Investor.

The August 14 Investor also agreed to amend the terms of each of its debentures (other than the debentures that were assigned) such that the debenture is convertible at a 40% discount to the lowest trading price of the Company's common stock during the 30 consecutive prior trading days rather than at a 49% discount to the lowest 'volume weighted-average price' during the 30 consecutive prior trading days. This was not considered to be a modification of the terms of the conversion feature, requiring evaluation of the debenture to determine if it was modified or extinguished, as the conversion feature is separately accounted for as a derivative, and is outside of the scope of the guidance on debt modifications. The change in the conversion price will be reflected in its fair value under derivative accounting.

As consideration for entering into the Agreement, the August 14 Investor was issued a promissory note from the Company in the principal amount of $700,000 (the "Promissory Note"). The Promissory Note has a term of ten months, accrues interest at a rate of 10% per annum, and outstanding principal and accrued interest under the Promissory Note may be pre-paid at any time by the Company without penalty. The Promissory Note is not convertible other than in an event of default, in which case it is convertible on the terms of the other debentures held by the August 14 Investor. This conversion feature was considered to be a contingent conversion feature, and therefore the conversion feature would not be bifurcated and accounted for as a derivative, as are the conversion features of all other debentures, until such time as and if the Company is in an event of default. The Promissory Note is being accounted for as a finance expense of the December 28, 2015 transaction, similar to a debt discount, and will be amortized to financing expense over the ten month life of the note (Note 8).

The August 20 Investor shall also acquire from the August 14 Investor an additional $650,000 of the convertible debentures held by the August 14 Investor (1) upon the declaration of effectiveness of a post-effective amendment (the "POSAM") to the Company's Registration Statement on Form S-1 originally filed by the Company on October 16, 2015 and declared effective by the Securities and Exchange Commission on December 15, 2015 (the "Registration Statement") reflecting the terms of the Agreement, or (2) at the option of the August 20 Investor (the "Option"), at an earlier time. The August 14 Investor exercised the Option on January 25, 2016. The POSAM was declared effective on February 3, 2016.

At March 31, 2016, the Company had not paid the principal due of $9,600 on a convertible debenture which was due on March 27, 2016. The Company was in default and obtained a waiver from the lender on May 11, 2016 waiving all rights relating to the nonpayment and extending the maturity date of the convertible debenture to August 1, 2016. In the same waiver agreement, the terms of five additional convertible debentures with maturity dates in May and June of 2016 totaling $122,084 were also extended to a maturity date of August 1, 2016.

February 10, 2016 Financing

On February 10, 2016, the Company entered into a Note Purchase Agreement (the "Purchase Agreement") with an accredited investor (the "Investor"), pursuant to which the Company agreed to sell, and the Investor agreed to purchase, a promissory note (the "Note") in the aggregate principal amount of $275,000. The closing occurred on February 11, 2016.

The Investor deducted a commitment fee in the amount of $25,000 at the closing. The Note bears interest at the rate of 10% per year and matures on October 31, 2016. The Company may prepay all or any part of the outstanding balance of the Note at any time without penalty. In the event that the Company or any of its subsidiaries becomes subject to bankruptcy, insolvency, liquidation, or similar proceedings or takes certain related corporate actions, all outstanding principal and accrued interest under the Note will immediately and automatically become due and payable. In addition, the Note identifies certain other events of default, the occurrence of which would entitle the Investor to declare the outstanding principal and accrued interest immediately due and payable or to convert the Note, in whole or in part, into shares of the Company's common stock at a conversion price that is the lower of (a) $0.75, or (b) a 51% discount to the lowest daily volume weighted average price of the Company's common stock during the 20 trading days prior to the conversion date.

This conversion feature was considered to be a contingent conversion feature, and therefore the conversion feature would not be bifurcated and accounted for as a derivative, as are the conversion features of all other debentures, until such time as and if the Company is in an event of default. The balance of this note is included with Notes Payable on the accompanying condensed consolidated Balance Sheet (Note 8).

February 18, 2016 Financing

On February 18, 2016, the Company entered into a securities purchase agreement (the "Purchase Agreement") with an accredited investor (the "Investor") pursuant to which the Company agreed to sell, and the Investor agreed to purchase, convertible debentures (the "Debentures") in the aggregate principal amount of $420,000, in two tranches.

The initial closing in the aggregate principal amount of $210,000 occurred on February 18, 2016. The second closing in the amount of $210,000 occurred on March 18, 2016 ($125,000) and March 22, 2016 ($85,000). The Debentures bear interest at the rate of 10% per year and mature after one year and are subject to a financing fee of 5%.

Each of the Debentures are convertible at the option of the holders into shares of the common stock of the Company at a conversion price that is lower of (a) $0.75, or (b) a 40% discount to the lowest traded price of the common stock of the Company during the 30 trading days prior to the conversion date. The Company may prepay the Debentures in cash, prompting a 30% premium.

The conversion feature of the Debentures meets the definition of a derivative and due to the reset provision to occur upon subsequent sales of securities at a price lower than the fixed conversion price, requires bifurcation and is accounted for as a derivative liability.

The derivatives related to both the February 18, 2016 convertible debentures and the additional closings on the August 2015 and October 2015 debentures, were initially recognized at their estimated fair values as described previously, which amounted to approximately $4,082,000 in the three months ended March 31, 2016 and $1,885,000 for the same period of 2015. The resulting debt discount is amortized as over the life of the convertible debenture, or until conversion if earlier, which resulted in amortization expense of $1,868,000 and $1,820,000, for the three months ended March 31, 2016 and 2015, respectively. Additionally, the current year closings to convertible debentures resulted in the calculated fair value of the debt being greater than the face amounts of the debt by approximately $2,302,000, with this excess amount being immediately expensed as Financing costs. Financing costs for the three months ended March 31, 2015, were approximately $525,000. The fair value of the embedded derivative consisting of all related convertible debentures is measured and recognized at fair value each subsequent reporting period and the changes in fair value for all derivatives for three months ended March 31, 2016 and 2015, resulted in a gain of approximately $8,880,000 and $2,239,000, respectively, which are recognized in the condensed consolidated Statement of Comprehensive Income (Loss) as Change in fair value of derivative liability.

March 15 2016 Financing

The Company entered into a Note Purchase Agreement, effective as of March 14, 2016 (the "Effective Date"), with an Investor (the "March 15 Investor") pursuant to which the March 15 Investor purchased and the Company issued and sold a promissory note in the original principal amount of $140,000 (the "First Promissory Note"). Upon satisfaction of certain conditions set forth in the Note Purchase Agreement, the Company will issue and sell a second promissory note in the original principal amount of $137,500 (the "Second Promissory Note"). Each Promissory Note matures six (6) months after the date of its issuance. The First Promissory Note carries an original issue discount of $12,500 (the "First Promissory Note OID"). In addition, Company agreed to pay $5,000 towards the March 15 Investor's legal fees incurred in connection with the purchase and sale of the First Promissory Note and the Second Promissory Note, $2,500 of which was paid to the March 15 Investor prior to the Effective Date and $2,500 of which amount (the "Carried Transaction Expense Amount") is included in the initial principal balance of the First Promissory Note. The purchase price of the First Promissory Note was $125,000, computed as follows: $140,000 initial principal balance, less the First Promissory Note OID, less the Carried Transaction Expense Amount. The Second Promissory Note, if issued, also carries an original issue discount of $12,500 (the "Second Promissory Note OID"). The purchase price of the Second Promissory Note shall be $125,000, computed as follows: $137,500 initial principal balance, less the Second Promissory Note OID (the "Second Promissory Note Purchase Price").

On March 15, 2016, the Company issued and sold the First Promissory Note to the March 15 Investor. Upon satisfaction of the terms (the "Mandatory Second Promissory Note Conditions"), the Company shall issue and sell the Second Promissory Note to the March 15 Investor. The Mandatory Second Promissory Note Conditions means that each of the following conditions has been satisfied on or before the date that is ninety (90) days from the Effective Date: (i) the Share Reserve (as defined in the First Promissory Note) for the First Promissory Note shall have been established; (ii) no Event of Default (as defined in the First Promissory Note) shall have occurred under the First Promissory Note; (iii) the median daily dollar volume of the Common Stock on its principal market for the nineteen (19) Trading Days (as defined in the First Promissory Note) immediately preceding the Share Reserve Date is greater than $75,000 per Trading Day; and (iv) the Company has notified Investor in writing that it has elected to require that Investor pay the Second Promissory Note Purchase Price. If the Mandatory Second Promissory Note Conditions are not satisfied as of the date that is ninety (90) days from the Effective Date, then the March 15 Investor shall not be obligated to pay the Second Promissory Note Purchase Price and the Second Promissory Note shall not be considered a valid, binding, or enforceable obligation of the Company, and, thereafter, the Second Promissory Note shall only be issued and the Second Promissory Note Purchase Price will only be payable upon the mutual written agreement of Company and the March 15 Investor. The First Promissory Note and/or the Second Promissory Note may be prepaid at any time by the Company in the sole discretion of the Company at a 25% premium to the outstanding balance under the applicable Promissory Note.

In the event that the First Promissory Note and/or the Second Promissory Note is not paid in full on or before maturity by the Company, then the March 15 Investor shall have the right at any time thereafter until such time as the First Promissory Note and/or the Second Promissory Note is paid in full, at the March 15 Investor's election, to convert (each instance of conversion being a "Conversion") all or any part of the outstanding balance into shares ("Conversion Shares") of fully paid and non-assessable Common Stock of the Company as per the following conversion formula: the number of Conversion Shares equals the amount being converted divided by 50% multiplied by the lowest daily volume weighted average price of the Common Stock in the twenty (20) Trading Days immediately preceding the applicable Conversion. At any time and from time to time after the March 15 Investor becoming aware of the occurrence of any event of default, the March 15 Investor may accelerate the First Promissory Note and/or the Second Promissory by written notice to the Company, with the outstanding balance of the respective Note becoming immediately due and payable in cash at 125% of the outstanding balance.

This conversion feature was considered to be a contingent conversion feature, and therefore the conversion feature would not be bifurcated and accounted for as a derivative, as are the conversion features of all other debentures, until such time as and if the Company is in an event of default. The balance of the First Promissory Note is included with Notes Payable on the accompanying condensed consolidated Balance Sheet (Note 8).

Related Party Financing

One of the directors on the Company's Board, entered into three separate subordinated convertible promissory notes convertible at $0.01 with the Company on March 4, 2016, March 10, 2016 and March 15, 2016, respectively, each in the principal amount of $25,000, for a total of $75,000. Also on March 15, 2016, another of the Company's directors entered into a subordinated convertible promissory note convertible at $0.01 with the Company in the principal amount of $25,000, and two other of the Company's directors each entered into a subordinated convertible promissory note convertible at $0.01 with the Company in the principal amount of $2,500. All of the foregoing convertible promissory notes have three year terms and an interest rate of 8% per annum. The debentures were evaluated to determine if the conversion feature fell within the guidance for derivative accounting, and as the debentures are convertible at a fixed conversion price, and do not include a the reset provision to occur upon subsequent sales of securities at a price lower than the fixed conversion price, the Company concluded the conversion feature did not qualify as a derivative.

In connection with their funding of the Notes (collectively the "Notes"), the directors each receive a warrant, exercisable for a period of three (3) years from the date of Notes, to purchase an amount of Company Common Stock equal to 50% of the principal sum under each of the director notes, at an exercise price equal to 200% of the applicable Conversion Price. The exercise price of the Warrants is $0.02. The warrants were determined to have a fair value of $42,000, calculated with the Black Sholes Merton model, with key valuation assumptions used that consist of the price of the Company's stock at settlement date, a risk free interest rate based on the average yield of a 3 year Treasury note and expected volatility of the Company's common stock all as of the measurement date.

Conversions

During the three months ended March 31, 2016 and 2015, respectively, $928,000 and $1,400,000 of principal and approximately $8,000 and $25,000, of accrued interest were converted into approximately 151,824,000 and 1,919,000 of the Company's common shares at an average price of $0.01 and $0.74, based on 51% of the calculated VWAP. Upon conversion, the derivative fair value for the amounts converted were re-measured through the date of conversion, with the conversion date fair value reclassified to equity, amounting to approximately $1,765,000 in the three months ended March 31, 2016. As a result of the conversions, the resulting decrease of fair value of approximately $1,512,000 of the related debt discount was recognized on the Statement of Consolidated Comprehensive Income (Loss).

Warrants

The warrants issued under all debentures are summarized below:

Date issued	Number of warrants	Exercise price	December 18, 2015 re-price	Fair Value at issuance
July 2014 Modified Debentures				
January 30, 2015	40,552	4.93	.06	$ 159,601
February 26, 2015	45,537	2.20	.06	79,904
March 13, 2015	21,151	2.36	.06	39,965
March 16, 2015	10,575	2.36	.06	19,981
March 20, 2015	41,946	1.79	.06	59,942
March 27, 2015	75,758	1.98	.06	119,888
April 2, 2015	60,386	1.66	.06	74,025
April 2, 2015	30,193	1.66	.06	37,012
April 10, 2015	107,914	1.39	.06	112,460
April 17, 2015	41,667	1.20	.06	37,680
April 24, 2015	127,119	1.18	.06	112,635
April 24, 2015	21,186	1.18	.06	18,772
May 1, 2015	156,250	.96	.06	113,133
May 7, 2015	134,615	.78	.06	79,234
May 8, 2015	42,000	.75	.06	23,768
May 15, 2015	200,000	.75	.06	113,365
May 22, 2015	250,000	.60	.06	113,366
May 29, 2015	258,621	.58	.06	112,537
June 5, 2015	288,462	.52	.06	120,738
June 12, 2015	930,233	.43	.06	303,246
June 19, 2015	3,448,276	.29	.06	751,159
September 2014 Modified Debentures				
January 28, 2015	18,038	5.54	.06	80,156
February 13, 2015	57,870	1.73	.06	96,689
April 2, 2015	181,159	1.66	.06	222,109
April 24, 2015	90,579	1.10	.06	80,548
May 15, 2015	200,000	.75	.06	113,365

Date issued	Number of warrants	Exercise price	December 18, 2015 re-price	Fair Value at issuance
June 12, 2015	1,744,186	.43	.06	570,248
August 2015 Debentures				
August 24, 2015	6,666,667	.06		321,757
September 18, 2015	588,235	.17		82,804
October 28, 2015	4,166,667	.12		363,306
November 16, 2015	1,785,714	.07		92,798
November 23, 2015	2,083,333	.06		68,988
November 30,2015	2,500,000	.05		81,988
December 7, 2015	6,250,000	.02		163,382
December 17, 2015	10,000,000	.02		76,376
Directors				
January 5, 2015	129,305	.40		39,901
January 30, 2015	129,250	.40		39,916
February 2, 2015	237,778	.22		16,619
March 4, 2016	1,250,000	.02		10,000
March 10, 2016	1,250,000	.02		10,000
March 15, 2016	1,250,000	.02		10,000
March 15, 2016	1,250,000	.02		10,000
March 15, 2016	125,000	.02		1,000
March 15, 2016	125,000	.02		1,000
Total	48,411,222			$ 5,155,361

Effective September 18, 2015, the holder of the September 2014 Debentures and the Company agreed to amend its September 2014 Warrants, to reduce the exercise price of the warrants to purchase an aggregate of 2,291,832 shares of the Company's common stock to six cents per share. Additionally, the holder of the July 2014 Debentures and the Company agreed to amend its July 2014 Warrants, to reduce the exercise price of the warrants to purchase an aggregate of 6,332,441 shares of Common Stock to six cents per share. As a result of the amendment, the fair value of the warrants was remeasured as of September 18, 2015, for an additional fair value of approximately $38,000 recognized as a financing expense. During the year ended December 31, 2015, approximately 2,292,000 warrants were exercised for cash proceeds of $137,510 at an average exercise price of $0.06.

During the three months ended March 31, 2016 and 2015, there were no warrants exercised.

The Company determined at issuance that the warrants were properly classified in equity as there is no cash settlement provision and the warrants have a fixed exercise price and, therefore, result in an obligation to deliver a known number of shares.

The Company adopted a sequencing policy that reclassifies contracts, with the exception of stock options, from equity to assets or liabilities for those with the earliest inception date first. Any future issuance of securities, as well as period-end reevaluations, will be evaluated as to reclassification as a liability under our sequencing policy of earliest inception date first until all of the convertible debentures are either converted or settled.

The Company reevaluated the warrants as of March 31, 2016 and determined that they did not have a sufficient number of authorized and unissued shares to settle all existing commitments, and the fair value of the warrants for which there was insufficient authorized shares, were reclassified out of equity to a liability. Under the sequencing policy, of the approximately 50,120,000 warrants outstanding at March 31, 2016, it was determined there was not sufficient authorized shares for approximately 49,625,000 of the outstanding warrants. The fair value of these warrants was re-measured on March 31, 2016 using the Black Scholes Merton Model, with key valuation assumptions used that consist of the price of the Company's stock on March 31, 2016, a risk free interest rate based on the average yield of a 2 or 3 year Treasury note and expected volatility of the Company's common stock, resulting in the fair value for the Warrant liability of $426,000.

NOTE 8 – NOTES PAYABLE

Notes payable consists of:

	March 31, 2016	December 31, 2015
Southwest Farms (Note 3)	$3,635,704	$ 3,645,163
East West Secured Development (Note 3)	520,065	675,093
Washington Property (Note 6)	199,000	208,605
Investment funds	1,115,000	—
	5,469,769	4,528,861
Less discounts	(530,000)	—
Plus premium	13,333	16,667
	4,953,102	4,545,528
Less current maturities	683,337	256,897
	$4,269,765	$ 4,288,631

Maturities on Notes Payable are as follows:

Years ending:	
December 31, 2016	$1,177,576
December 31, 2017	287,647
December 31, 2018	4,004,546
	$5,469,769

NOTE 9 – SHARE BASED AWARDS, RESTRICTED STOCK AND RESTRICTED STOCK UNITS ("RSUs")

The Board resolved that, beginning with the fourth calendar quarter of 2015, the Company shall pay each member of the Company's Board of Directors, who is not also an employee of the Company, for each calendar quarter during which such member continues to serve on the Board compensation in the amount of $15,000 in cash and 325,000 shares of Company common stock. The 975,000 shares issued to all the directors for the three months ended March 31, 2016 were valued at the market price of the Company's common stock on March 31, 2016, for total compensation expense of $9,750. On March 31, 2016, the Board awarded the Chairman a cash bonus of approximately $89,000 and following the increase in the Company's authorized shares of common stock during the second quarter of 2016 the Board intended to issue to the Chairman determined that, 2,230,000 shares of Company common stock for his service in the three months ended March 31, 2016, which at the time of such determination was at the market price of the Company's common stock on such date.

The Board also voted on November 20, 2015, to increase the shares available for grant under the 2014 Equity Incentive Plan to 32,000,000. The Company intends to file a Form S-8 regarding the increased shares available for grant now that the increase in authorized shares has been approved.

A summary of the activity related to RSUs for the three months ended March 31, 2016 and 2015 is presented below:

Restricted stock units (RSU's)	Total shares	Grant date fair value
RSU's non-vested at January 1, 2016	152,823	$0.51 - $1.88
RSU's granted	—	$—
RSU's vested	(49,020)	$0.51
RSU's forfeited	—	$—
RSU's non-vested March 31, 2016	103,803	$0.51 - $1.88

Restricted stock units (RSU's)	Total shares	Grant date fair value
RSU's non-vested at January 1, 2015	199,584	$10.70
RSU's granted	177,633	$1.88 - $6.70
RSU's vested	(135,135)	$1.88 - $6.70
RSU's forfeited	—	$—
RSU's non-vested March 31, 2015	242,082	$1.88 - $11.00

A summary of the expense related to restricted stock, RSUs and stock option awards for the quarter ended March 31, 2016 is presented below:

	Three months ended March 31, 2016
Restricted Stock	$ 390,000
RSU's	154,048
Stock options	—
Common stock	32,050
Total	$ 576,098

NOTE 10 – RELATED PARTY TRANSACTIONS

During the first quarter of 2015, the Company issued two convertible notes to one of its directors in the aggregate principal amount of $100,000 and one convertible note to another of its director in the aggregate principal amount of $50,000. These notes were all converted to common stock during the third quarter of 2015.

During the first quarter of 2016, the Company issued three convertible notes to one of its directors in the aggregate principal amount of $75,000 and one convertible note to another of its director in the aggregate principal amount of $25,000, plus a convertible note to each of its other two directors, in the amount of $2,500 each. See Note 7 for a description of these notes.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

The Company leases property for its day to day operations and facilities for possible retail dispensary locations and cultivation locations as part of the process of applying for retail dispensary and cultivation licenses.

Office Leases

On August 1, 2011, the Company entered into a lease agreement for office space located in West Hollywood, California through June 30, 2017 at a current monthly rate of $14,828 per month. The Company moved to new offices in Los Angeles, CA in April 2015. The sublease on the new office has a term of 18 months with monthly rent of $7,486.

The landlord for the West Hollywood space has filed a suit against the Company and independent guarantors on the West Hollywood lease. The Company has expensed all lease payments due under the West Hollywood lease. The Company's liability for the West Hollywood lease will be adjusted, if required, upon settlement of the suit with the landlord.

Total rent expense under operating leases for the quarters ended March 31, 2016 and 2015 was approximately $289,000 and $45,000, respectively.

Retail/Cultivation facility leases

The Company's business model of acquiring retail dispensary and cultivation licenses often requires us to acquire real estate either through lease arrangements or through purchase agreements in order to secure a possible license. Deposits in escrow consist of amounts paid to open escrow accounts for the purchase of multiple properties to be used to develop retail dispensary or product cultivation facilities.

The following table is a summary of our material contractual lease commitments as of March 31, 2016:

Year Ending	Office Rent	Retail/Cultivation Facility Lease
2016	$ 44,916	$ 66,600
2017	—	88,800
2018	—	88,800
2019	—	29,600
Total	$ 44,916	$ 273,800

Litigation

On May 22, 2013, Medbox initiated litigation in the United States District Court in the District of Arizona against three shareholders of MedVend Holdings LLC ("Medvend") in connection with a contemplated transaction that Medbox entered into for the purchase of an approximate 50% ownership stake in Medvend for $4.1 million. The lawsuit alleges fraud and related claims arising out of the contemplated transaction during the quarter ended June 30, 2013. The litigation is pending and Medbox has sought cancellation due to a fraudulent sale of the stock because the selling shareholders lacked the power or authority to sell their ownership stake in MedVend, and their actions were a breach of representations made by them in the agreement. On November 19, 2013 the litigation was transferred to United States District Court for the Eastern District of Michigan. MedVend recently joined the suit pursuant to a consolidation order executed by a new judge assigned to the matter. In the litigation, the selling shareholder defendants seek alternatively to have the transaction performed, or to have it unwound and be awarded damages and allege breach of the agreement by Medbox and that $600,000 was wrongfully retained by the Company. Medbox has denied liability with respect to any and all such counterclaims. A new litigation schedule was recently issued setting trial for September 2015. On June 5, 2014, the Company entered into a purchase and sale agreement (the "Medvend PSA") with PVM International, Inc. ("PVMI") concerning this matter. Pursuant to the Medvend PSA, the Company sold to PVMI the Company's rights and claims attributable to or controlled by the Company against those three certain stockholders of Medvend, known as Kaplan, Tartaglia and Kovan (the "Medvend Rights and Claims"), in exchange for the return by PVMI to the Company of 30,000 shares of the Company's common stock. PVMI is owned by Vincent Mehdizadeh, formerly the Company's largest stockholder. On December 17, 2015, the Company entered into a revocation of the Medvend PSA, which provided that from that date forward, Medbox would take over the litigation and be responsible for the costs and attorneys' fees associated with the Medvend Litigation from December 17, 2015 forward. All costs and attorneys' fees through December 16, 2015 will be borne by PVMI. After the filing of a motion for substitution of Medbox n/k/a Notis Global, Inc. for PVMI, Defendants' agreed, via a stipulated order, to permit the substitution. The Court entered the order substituting Notis Global, Inc. for PVMI on February 17, 2016. The case is in the discovery stage, and, at this time, the Company cannot determine whether the likelihood of an unfavorable outcome of the dispute is probable or remote, nor can they reasonably estimate a range of potential loss, should the outcome be unfavorable.

On February 20, 2015, Michael A. Glinter, derivatively and on behalf of nominal defendants Medbox, Inc. the Board and certain executive officers (Pejman Medizadeh, Matthew Feinstein, Bruce Bedrick, Thomas Iwanskai, Guy Marsala, J. Mitchell Lowe, Ned Siegel, Jennifer Love, and C. Douglas Mitchell) filed a suit in the Superior Court of the State of California for the County of Los

Angeles. The suit alleges breach of fiduciary duties and abuse of control by the defendants. Relief is sought awarding damages resulting from breach of fiduciary duty and to direct the Company and the defendants to take all necessary actions to reform and improve its corporate governance and internal procedures to comply with applicable law. This action has been stayed pending the outcome of the actions filed in the United States District Court for the District of Nevada (Calabrese and Gray). The Company has entered into a Stipulation and Agreement of Settlement on October 16, 2015. See more detailed discussion below under *Class Settlement* and *Derivative Settlements*.

On January 21, 2015, Josh Crystal on behalf of himself and of all others similarly situated filed a class action lawsuit in the U.S. District Court for Central District of California against Medbox, Inc., and certain past and present members of the Board (Pejman Medizadeh, Bruce Bedrick, Thomas Iwanskai, Guy Marsala, and C. Douglas Mitchell). The suit alleges that the Company issued materially false and misleading statements regarding its financial results for the fiscal year ended December 31, 2013 and each of the interim financial periods that year. The plaintiff seeks relief of compensatory damages and reasonable costs and expenses or all damages sustained as a result of the wrongdoing. On April 23, 2015, the Court issued an Order consolidating the three related cases in this matter: Crystal v. Medbox, Inc., Gutierrez v. Medbox, Inc., and Donnino v. Medbox, Inc., and appointing a lead plaintiff. On July 27, 2015 Plaintiffs filed a Consolidated Amended Complaint. The Company must file a responsive pleading on or before December 4, 2015. The Company has entered into a Stipulation and Agreement of Settlement on October 16, 2015. See more detailed discussion below under *Class Settlement* and *Derivative Settlements*.

On January 18, 2015, Ervin Gutierrez filed a class action lawsuit in the U.S. District Court for the Central District of California. The suit alleges violations of federal securities laws through public announcements and filings that were materially false and misleading when made because they misrepresented and failed to disclose that the Company was recognizing revenue in a manner that violated US GAAP. The plaintiff seeks relief for compensatory damages and reasonable costs and expenses or all damages sustained as a result of the wrongdoing. On April 23, 2015, the Court issued an Order consolidating the three related cases in this matter: Crystal v. Medbox, Inc., Gutierrez v. Medbox, Inc., and Donnino v. Medbox, Inc., and appointing a lead plaintiff. On July 27, 2015 Plaintiffs filed a Consolidated Amended Complaint. The Company must file a responsive pleading on or before December 4, 2015. The Company intends to vigorously defend against this suit. The Company has entered into a Stipulation and Agreement of Settlement on October 16, 2015. See more detailed discussion below under *Class Settlement* and *Derivative Settlements*.

On January 29, 2015, Matthew Donnino filed a class action lawsuit in the U.S. District Court for Central District of California. The suit alleges that the Company issued materially false and misleading statements regarding its financial results for the fiscal year ended December 31, 2013 and each of the interim financial periods that year. The plaintiff seeks relief for compensatory damages and reasonable costs and expenses or all damages sustained as a result of the wrongdoing. On April 23, 2015, the Court issued an Order consolidating the three related cases in this matter: Crystal v. Medbox, Inc., Gutierrez v. Medbox, Inc., and Donnino v. Medbox, Inc., and appointing a lead plaintiff. On July 27, 2015 Plaintiffs filed a Consolidated Amended Complaint. The Company must file a responsive pleading on or before December 4, 2015. The Company intends to vigorously defend against this suit. The Company has entered into a Stipulation and Agreement of Settlement on October 16, 2015. See more detailed discussion below under *Class Settlement* and *Derivative Settlements*.

On February 12, 2015, Jennifer Scheffer, derivatively on behalf of Medbox, Guy Marsala, Ned Siegel, Mitchell Lowe and C. Douglas Mitchell filed a lawsuit in the Eighth Judicial District Court of Nevada seeking damages for breaches of fiduciary duty regarding the issuance and dissemination of false and misleading statements and regarding allegedly improper and unfair related party transactions, unjust enrichment and waste of corporate assets. On April 17, 2015, Ned Siegel and Mitchell Lowe filed a Motion to Dismiss. On April 20, 2015, the Company filed a Joinder in the Motion to Dismiss. On July 27, 2015, the Court held a hearing on and granted the Motion to Dismiss without prejudice. The Company has entered into a Stipulation and Agreement of Settlement on October 16, 2015. See more detailed discussion below under *Class Settlement* and *Derivative Settlements*.

On March 10, 2015 Robert J. Calabrese, derivatively and on behalf of nominal defendant Medbox, Inc., filed a suit in the United States District Court for the District of Nevada against certain Company officers and/or directors (Ned L. Siegel, Guy Marsala, J. Mitchell Lowe, Pejman Vincent Mehdizadeh, Bruce Bedrick, and Jennifer S. Love). The suit alleges breach of fiduciary duties and gross mismanagement by issuing materially false and misleading statements regarding the Company's financial results for the fiscal year ended December 31, 2013 and each of the interim financial periods. Specifically the suit alleges that defendants caused the Company to overstate the Company's revenues by recognizing revenue on customer contracts before it had been earned. The plaintiff seeks relief for compensatory damages and reasonable costs and expenses for all damages sustained as a result of the alleged wrongdoing. The Company has entered into a Stipulation and Agreement of Settlement on October 16, 2015. See more detailed discussion below under *Class Settlement* and *Derivative Settlements*.

On March 27, 2015 Tyler Gray, derivatively and on behalf of nominal defendant Medbox, Inc., filed a suit in the United States District Court for the District of Nevada against the Company's Board of Directors and certain executive officers (Pejman Vincent Mehdizadeh, Matthew Feinstein, Bruce Bedrick, Thomas Iwanski, Guy Marsala, J. Mitchell Lowe, Ned Siegel, Jennifer S. Love, and C. Douglas Mitchell). The suit alleges breach of fiduciary duties and abuse of control. The plaintiff seeks relief for compensatory damages and reasonable costs and expenses for all damages sustained as a result of the alleged wrongdoing. Additionally the plaintiff seeks declaratory judgments that plaintiff may maintain the action on behalf of the Company, that the plaintiff is an adequate representative of the Company, and that the defendants have breached and/or aided and abetted the breach of their fiduciary duties to the Company. Lastly the plaintiff seeks that the Company be directed to take all necessary actions to reform and improve its corporate governance and internal procedures to comply with applicable law. The Company has entered into a Stipulation and Agreement of Settlement on October 16, 2015. See more detailed discussion below under *Class Settlement* and *Derivative Settlements*.

On May 20, 2015 Patricia des Groseilliers, derivatively and on behalf of nominal defendant Medbox, Inc., filed a suit in the United States District Court for the District of Nevada against the Company's Board of Directors and certain executive officers (Pejman Vincent Mehdizadeh, Ned Siegel, Guy Marsala, J. Mitchell Lowe, Bruce Bedrick, Jennifer S. Love, Matthew Feinstein, C. Douglas Mitchell, and Thomas Iwanski). The suit alleges breach of fiduciary duties and unjust enrichment. The plaintiff seeks relief for compensatory damages and reasonable costs and expenses for all damages sustained as a result of the alleged wrongdoing. Additionally the plaintiff seeks declaratory judgments that plaintiff may maintain the action on behalf of the Company, that the plaintiff is an adequate representative of the Company, and that the defendants have breached and/or aided and abetted the breach of their fiduciary duties to the Company. Lastly the plaintiff seeks that the Company be directed to take all necessary actions to reform and improve its corporate governance and internal procedures to comply with applicable law. The Company has entered into a Stipulation and Agreement of Settlement on October 16, 2015. On April 22, 2016, the Court issued an Order granting, without a hearing, shareholder Richard Merritts' Motion to Intervene in the lawsuit titled *Mike Jones v. Guy Marsala, et al.*, in order to conduct limited discovery. The Order granting the Motion to Intervene also continued the final fairness hearing, previously scheduled for May 16, 2016, at 1:30 p.m., to August 15, 2016, at 1:30 p.m. See more detailed discussion below under *Class Settlement* and *Derivative Settlements*.

On June 3, 2015 Mike Jones, derivatively and on behalf of nominal defendant Medbox, Inc., filed a suit in the U.S. District Court for Central District of California against the Company's Board of Directors and certain executive officers (Guy Marsala, J. Mitchell Lowe, Ned Siegel, Jennifer S. Love, C. Douglas Mitchell, Pejman Vincent Mehdizadeh, Matthew Feinstein, Bruce Bedrick, and Thomas Iwanski). The suit alleges breach of fiduciary duties, abuse of control, and breach of duty of honest services. The plaintiff seeks relief for compensatory damages and reasonable costs and expenses for all damages sustained as a result of the alleged wrongdoing. Additionally the plaintiff seeks declaratory judgments that plaintiff may maintain the action on behalf of the Company, that the plaintiff is an adequate representative of the Company, and that the defendants have breached and/or aided and abetted the breach of their fiduciary duties to the Company. Lastly the plaintiff seeks that the Company be directed to take all necessary actions to reform and improve its corporate governance and internal procedures to comply with applicable law. On July 20, 2015, the Court issued an Order consolidating this litigation with those previously consolidated in the Central District (Crystal, Gutierrez, and Donnino). The Company has entered into a Stipulation and Agreement of Settlement on October 16, 2015. On March 25, 2016, shareholder Richard Merritts, who filed a derivative lawsuit against the Company's Board of Directors and certain executive officers on October 27, 2015, filed a Motion to Intervene in the case. By his Motion, Merritts seeks limited intervention in the Jones shareholder derivative action in order to seek confirmatory information and discovery regarding the Stipulation and Agreement of Settlement preliminarily approved by the Court on February 3, 2016. On April 4, 2016, Plaintiff Jones and the Company separately filed oppositions to the Motion to Intervene. The hearing on the Motion to Intervene is set for April 25, 2016. See more detailed discussion below under *Class Settlement* and *Derivative Settlements*.

On July 20, 2015 Kimberly Freeman, derivatively and on behalf of nominal defendant Medbox, Inc., filed a suit in the Eighth Judicial District Court of Nevada against the Company's Board of Directors and certain executive officers (Pejman Vincent Mehdizadeh, Guy Marsala, Ned Siegel, J. Mitchell Lowe, Jennifer S. Love, C. Douglas Mitchell, and Bruce Bedrick). The suit alleges breach of fiduciary duties and unjust enrichment. The plaintiff seeks relief for compensatory damages and reasonable costs and expenses for all damages sustained as a result of the alleged wrongdoing. Additionally the plaintiff seeks declaratory judgments that plaintiff may maintain the action on behalf of the Company, that the plaintiff is an adequate representative of the Company, and that the defendants have breached and/or aided and abetted the breach of their fiduciary duties to the Company. Lastly the plaintiff seeks that the Company be directed to take all necessary actions to reform and improve its corporate governance and internal procedures to comply with applicable law. The Company has entered into a Stipulation and Agreement of Settlement on October 16, 2015. See more detailed discussion below under *Class Settlement* and *Derivative Settlements*.

On October 16, 2015, solely to avoid the costs, risks, and uncertainties inherent in litigation, the parties to the class actions and derivative lawsuits named above entered into settlements that collectively effect a global settlement of all claims asserted in the class actions and the derivative actions. The global settlement provides, among other things, for the release and dismissal of all asserted claims. The global settlement is contingent on final court approval, respectively, of the settlements of the class actions and derivative actions. If the global settlement does not receive final court approval, it could have a material adverse effect on the financial condition, results of operations and/or cash flows of the Company and their ability to raise funds in the future.

Class Settlement

On December 1, 2015, Medbox and the class plaintiffs in Josh Crystal v. Medbox, Inc., et al., Case No. 2:15-CV-00426-BRO (JEMx), pending before the United States District Court for the Central District of California (the "Court") notified the Court of the settlement. The Court stayed the action pending the Court's review of the settlement and directed the parties to file a stipulation of settlement. On December 18, 2015, plaintiffs filed the Motion for Preliminary Approval of Class Action Settlement that included the stipulation of settlement. On February 3, 2016, the Court issued an Order granting preliminary approval of the settlement. The settlement provides for notice to be given to the class, a period for opt outs and a final approval hearing. The Court originally scheduled the Final Settlement Approval Hearing to be held on May 16, 2016 at 1:30 p.m., but continued it to August 15, 2016 at 1:30 p.m. to be heard at the same time as the Final Settlement Approval Hearing for the derivative actions, discussed below. The principal terms of the settlement are:

- A cash payment to a settlement escrow account in the amount of $1,850,000 of which $150,000 will be paid by the Company and $1,700,000 will be paid by the Company's insurers;

- A transfer of 2,300,000 shares of Medbox common stock to the settlement escrow account, of which 2,000,000 shares would be contributed by Medbox and 300,000 shares by Bruce Bedrick;
- The net proceeds of the settlement escrow, after deduction of Court-approved administrative costs and any Court-approved attorneys' fees and costs would be distributed to the Class;
- Releases of claims and dismissal of the action.

By entering into the settlement, the settling parties have resolved the class claims to their mutual satisfaction. However, the final determination is subject to approval by the Federal Courts. Defendants have not admitted the validity of any claims or allegations and the settling plaintiffs have not admitted that any claims or allegations lack merit or foundation.

The Company has accrued the amounts per the terms of the settlement that are their responsibility in Accrued settlement and severance expense on the accompanying consolidated balance sheet. This consists of the $150,000 cash payment, and the fair value of 2,000,000 of the Company's stock, based on the fair value as of December 31, 2015 of $0.03, approximately $52,000.

Derivative Settlements

As previously announced on October 22, 2015, on October 16, 2015, the Company, in its capacity as a nominal defendant, entered into a memorandum of understanding of settlement (the "Settlement") in the following shareholder derivative actions: (1) Mike Jones v. Guy Marsala, et al., in the U.S. District Court for Central District of California; (2) Jennifer Scheffer v. P. Vincent Mehdizadeh, et al., in the Eighth Judicial District Court of Nevada; (3) Kimberly Y. Freeman v. Pejman Vincent Mehdizadeh, et al., in the Eighth Judicial District Court of Nevada; (4) Tyler Gray v. Pejman Vincent Mehdizadeh, et al., in the U.S. District Court for the District of Nevada; (5) Robert J. Calabrese v. Ned L. Siegel, et al., in the U.S. District Court for the District of Nevada; (6) Patricia des Groseilliers v. Pejman Vincent Mehdizadeh, et al., in the U.S. District Court for the District of Nevada; (7) Michael A. Glinter v. Pejman Vincent Mehdizadeh, et al., in the Superior Court of the State of California for the County of Los Angeles (the "Shareholder Derivative Lawsuits"). In addition to the Company, Pejman Vincent Mehdizadeh, Matthew Feinstein, Bruce Bedrick, Thomas Iwanski, Guy Marsala, J. Mitchell Lowe, Ned Siegel, and C. Douglas Mitchell were named as defendants in all of the lawsuits, and Jennifer S. Love was named in all of the lawsuits but the Scheffer action (the "Individual Defendants").

On December 3, 2015, the parties in the Jones v. Marsala action advised the Court of the settlements in the Shareholder Derivative Lawsuits and that the parties would be submitting the settlement to the Court in the Jones action for approval. The Court thereafter issued an order vacating all pending dates in the action and ordered Plaintiff to file the Stipulation and Agreement of Settlement for the Court's approval. On December 18, 2015, plaintiffs filed the Motion for Preliminary Approval of Derivative Settlement that included the Stipulation and Agreement of Settlement. On February 3, 2016, the Court issued an Order granting preliminary approval of the settlement.

The Court originally scheduled a final Settlement Hearing to be held on May 16, 2016 at 1:30 p.m., but subsequently continued that hearing to August 15, 2016 at 1:30. By the terms of the settlement, a final Court approval would provide for a release of the claims in the Shareholder Derivative Actions and a bar against continued prosecution of all claims covered by the release. By entering into the Settlement, the settling parties have resolved the derivative claims to their mutual satisfaction. The Individual Defendants have not admitted the validity of any claims or allegations and the settling plaintiffs have not admitted that any claims or allegations lack merit or foundation.

Under the terms of the Settlement, the Company agrees to adopt and adhere to certain corporate governance processes in the future. In addition to these corporate governance measures, the Company's insurers, on behalf of the Individual Defendants, will make a payment of $300,000 into the settlement escrow account and Messrs. Mehdizadeh and Bedrick will deliver 2,000,000 and 300,000 shares, respectively, of their Medbox, Inc. common stock into the settlement escrow account. Subject to Court approval, the funds and common stock in the settlement escrow account will be paid as attorneys' fees and expenses, or as service awards to plaintiffs.

The Settlement remains subject to approval by the Court. The Court must determine whether (1) the terms and conditions of the Settlement are fair, reasonable, and adequate in the best interest of the Company and its stockholders, (2) if the judgment, as provided for in the Settlement, should be entered, and (3) if the request of plaintiff's counsel for an award of attorneys' fees and reimbursement of expenses should be granted.

The Company's responsibilities as to the proposed settlements have been accrued and included in Accrued settlement and severance expenses on the accompanying consolidated balance sheet as of December 31, 2015. If the Class or Derivative settlements do not receive final court approval, it could have a material adverse effect on the financial condition, results of operations and/or cash flows of the Company and their ability to raise funds in the future.

On October 27, 2015, separate from the above lawsuits and settlement, Richard Merritts, derivatively and on behalf of nominal defendant Medbox, Inc., filed a suit in the Superior Court of the State of California for the County of Los Angeles against the Board and certain executive officers (Guy Marsala, J. Mitchell Lowe, Ned Siegel, Jennifer S. Love, C. Douglas Mitchell, Pejman Vincent Mehdizadeh, Matthew Feinstein, Bruce Bedrick, Jeff Goh, and Thomas Iwanski). The suit alleges breach of fiduciary duties by the defendants. Relief is sought awarding damages resulting from breach of fiduciary duty and to direct the Company and the defendants to take all necessary actions to reform and improve its corporate governance and internal procedures to comply with applicable law. On February 16, 2016, the court issued an order staying the litigation pending final court approval of the settlement of the other pending derivative actions involving Medbox, Inc., as nominal defendant, and former and current officers and directors. The settlement of the other derivative actions has been preliminarily approved by the court in Jones v. Marsala, et al., Case No. 15-cv-4170 BRO (JEMx), in the U.S. District Court for the Central District of California. On March 25, 2016, Merritts filed a Motion to Intervene in the case filed by Mike Jones in the U.S. District Court for the Central District of California. By his Motion, Merritts seeks limited intervention in the Jones shareholder derivative action in order to seek confirmatory information and discovery regarding the Stipulation and Agreement of Settlement preliminarily approved by the Court on February 3, 2016. On April 4, 2016, Plaintiff Jones and the Company separately filed oppositions to the Motion to Intervene. On April 22, 2016, the Court issued an Order granting, without a hearing, shareholder Richard Merritts' Motion to Intervene in the lawsuit titled *Mike Jones v. Guy Marsala, et al.*, in order to conduct limited discovery. The Order granting the Motion to Intervene also continued the final fairness hearing, previously scheduled for May 16, 2016, at 1:30 p.m., to August 15, 2016, at 1:30 p.m.

Other litigation

On December 26, 2014, Medicine Dispensing Systems, a wholly-owned subsidiary of Medbox, filed a suit against Kind Meds, Inc. to collect fees of approximately $550,000 arising under a contract to establish a dispensary. Kind Meds, Inc. filed a cross complaint against Medicine Dispensing Systems for breach of contract and breach of implied covenant of good faith and fair dealing, claiming damages of not less than $500,000. On November 14, 2015, the parties entered into a Confidential Settlement and Release Agreement wherein the matter was resolved, and the complaint and cross complaint were subsequently dismissed with no amounts owing by the Company, and the complaint and cross complaint were subsequently dismissed.

The Company commenced arbitration proceedings against a former employee on June 13, 2013 related to employment claims asserted by the employee. Thereafter, the employee filed a suit in Los Angeles County Superior Court. The suit was stayed pending the outcome of the arbitration and thereafter dismissed without prejudice. The Company obtained a favorable arbitration award. The Company then filed an Application to Confirm the Arbitration Award in Arizona Superior Court, Maricopa County. After being unable to serve the employee, the Company performed service by publication and filed proofs of publication for service on the employee on February 27, 2015 and March 2, 2015. On November 13, 2015, the parties entered into a Confidential Settlement and Release Agreement wherein the matter was resolved with no amounts owing by the Company, and the suit was dismissed with prejudice.

The lease for the former office at 8439 West Sunset Blvd. in West Hollywood, CA has been partially subleased. The Company plans to sublease the remainder of the office in West Hollywood, CA and continues to incur rent expense while the space is being marketed. The landlord for the prior lease filed a suit in Los Angeles Superior Court in April 2015 against the Company for damages they allege have been incurred from unpaid rent and otherwise. In January 2016, the landlord filed a first amended complaint adding the independent guarantors under the lease as co-defendents and specifying damages claim of approximately $300,000. A trial date has been set in November 2016. The Company is presently unable to determine whether the likelihood of an unfavorable outcome of the dispute is probable or remote, nor can it reasonably estimate a range of potential loss, should the outcome be unfavorable.

SEC MATTER

In October 2014, the Board of Directors of the Company appointed a special board committee (the "Special Committee") to investigate a federal grand jury subpoena pertaining to the Company's financial reporting which was served upon the Company's predecessor independent registered public accounting firm as well as certain alleged wrongdoing raised by a former employee of the Company. The Company was subsequently served with two SEC subpoenas in early November 2014. The Company is fully cooperating with the grand jury and the SEC. In connection with its investigation of these matters, the Special Committee in conjunction with the Audit Committee initiated an internal review by management and by an outside professional advisor of certain prior period financial reporting of the Company. The outside professional advisor reviewed the Company's revenue recognition methodology for certain contracts for the third and fourth quarters of 2013. As a result of certain errors discovered in connection with the review by management and its professional advisor, the Audit Committee, upon management's recommendation, concluded on December 24, 2014 that the consolidated financial statements for the year ended December 31, 2013 and for the third and fourth quarters therein, as well as for the quarters ended June 30, 2014, June 30, 2014 and September 30, 2014, should no longer be relied upon and would be restated to correct the errors. On March 6, 2015 the audit committee determined that the consolidated financial statements for the year ended December 31, 2012, together with all three, six and nine month financial information contained therein, and the quarterly information for the first two quarters of the 2013 fiscal year should also be restated. On March 11, 2015, the Company filed its restated Form 10 Registration Statement with the SEC with restated financial information for the years ended December 31, 2012 and December 31, 2013, and on March 16, 2015, the Company filed amended and restated quarterly reports on Form 10-Q, with restated financial information for the periods ended March 31, June 30 and September 30, 2014, respectively.

The staff of the Los Angeles Regional Office of the U.S. Securities and Exchange Commission recently advised counsel for the Company in a telephone conversation, followed by a written "Wells" notice, that it is has made a preliminary determination to recommend that the Commission file an enforcement action against the Company in connection with misstatements by prior management in the Company's financial statements for 2012, 2013 and the first three quarters of 2014. A Wells Notice is neither a formal allegation of wrongdoing nor a finding that any violations of law have occurred. Rather, it provides the Company with an opportunity to respond to issues raised by the Staff and offer its perspective prior to any SEC decision to institute proceedings. These proceedings could result in the Company being subject to an injunction and cease and desist order from further violations of the securities laws as well as monetary penalties of disgorgement, pre-judgment interest and a civil penalty. The Company has responded in writing to the "Wells" notice. Under current management, the Company restated the relevant financial statements and took other remedial action, and has been cooperating with the SEC's investigation since November 2014, including the appointment of a Special Committee of the Board to investigate the conduct of prior management and disclose this conduct to the SEC. The Company has also produced documents to the SEC and has made witnesses available, both voluntarily and for sworn testimony pursuant to subpoena. The Company is unable to predict the outcome of the investigation, any potential enforcement actions or any other impact on the Company that may arise as a result of such investigation. The Company has not established a liability for this matter, because it believes that the probability of loss related to this matter and an estimate of the amount of loss, if any, are not determinable at this time. An adverse judgment or action of the SEC could have a material adverse effect on the financial condition, results of operations and/or cash flows of the Company and their ability to raise funds in the future.

NOTE 12 – SUBSEQUENT EVENTS

On April 15, 2016, at a special meeting of the shareholders of the Company, the shareholders of the Company holding a majority of the total shares of outstanding common stock of the Company voted to amend the Company's Articles of Incorporation to increase the number of authorized shares of common stock of the Company from 400,000,000 to 10,000,000,000 (the "Certificate of Amendment"). The Certificate of Amendment was filed with the Nevada Secretary of State and was declared effective on April 18, 2016.

Sale of Equity method investments

On April 6, 2016, the Company sold its remaining 30% interest in San Diego Sunrise, as well as all of its interest in Sunrise Property Investments, LLC, the entity that owns underlying real estate related to the San Diego dispensary, for net proceeds of $331,000.

April 2016 Financing

On April 13, 2016, the Company entered into a note purchase agreement (the "Purchase Agreement") with an accredited investor (the "Investor") pursuant to which the Company agreed to sell, and the Investor agreed to purchase, a convertible promissory note (the "Note") in the aggregate principal amount of $225,000.

The Note bears interest at the rate of 5% per year and matures on July 13, 2016. The Note is convertible at any time, in whole or in part, at the option of the holders into shares of the common stock of the Company at a conversion price that is the lower of (a) $0.75, or (b) a 49% discount to the lowest traded price of the common stock of the Company during the 20 trading days prior to the conversion date. The Company may prepay the Note in cash, prompting a 30% premium.

The Company will, within thirty (30) days, grant a security interest to the Investor and its affiliates over the Company's assets, including its stock ownership in its subsidiary, ESWD I, LLC (but not the assets of ESWD I, LLC). Furthermore, in connection with the next $1.5 million of equity capital raised by the Company, the Company shall use one third of such funds to make principal repayment of amounts owed to the Investor, plus a redemption premium of 30% of such amounts.

March 15, 2016 Financing – Second Promissory Note

On or about April 20, 2016 it was mutually determined by the parties involved that the median daily dollar volumes requirement of the Mandatory Second Promissory Note Conditions was not met and the Second Promissory Note would not be issued.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Forward-Looking Statements

Information in this Quarterly Report on Form 10-Q may contain forward-looking statements. This information may involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different than the future results, performance or achievements expressed or implied by any forward-looking statements. Forward-looking statements, which involve assumptions and describe our future plans, strategies and expectations, are generally identifiable by use of the words "may," "should," "expect," "anticipate," "estimate," "believe," "intend" or "project" or the negative of these words or other variations on these words or comparable terminology.

Examples of forward-looking statements include, but are not limited to, statements regarding our proposed services, market opportunities and acceptance, expectations for revenues, cash flows and financial performance, and intentions for the future. Actual events or results may differ materially from those discussed in forward-looking statements as a result of various factors, including, without limitation, the risks outlined under "Risk Factors" in the Company's Form 10K for the year ended December 31, 2015, filed with the Securities and Exchange Commission (the "SEC") on April 13, 2016. In light of these risks and uncertainties, there can be no assurance that the forward-looking statements contained in this Quarterly Report on Form 10-Q will in fact be accurate. Further, we do not undertake any obligation to publicly update any forward-looking statements, except as may be required under applicable securities laws. As a result, you should not place undue reliance on these forward-looking statements.

Overview

Notis Global enters into joint ventures and operating and management agreements with its partners and acts as a distributor of hemp products processed by our contract partners. Furthermore, we own and manage real estate used by our contract partners for cultivation centers and dispensaries. During January and February 2016 we were selling a line of portable vaporizers and accessories under the brand name Vaporfection. In January 2016, we decided to exit the portable vaporizer business in 2016 so that the Company could more aggressively pursue additional business opportunities in its core business.

Under our new business model, we, either through Notis Global or one of our affiliates, seek to obtain licenses to operate dispensaries, cultivation centers and manufacturing facilities. We then contract with unaffiliated third-party operators to manage the day-to-day operations of cultivation centers, dispensaries and manufacturing facilities we develop and assign them the rights to manage and operate the dispensary in exchange for a percentage of operating income or a fixed fee based on applicable state law. We also provide ongoing consulting services, for which we receive recurring revenues.

Under our original business model, we entered into one-time consulting agreements to help our clients obtain a license to sell or cultivate marijuana and to assist them with the build out of a location for their business, including the sale to the client of a Notis Global dispensing system, pursuant to a consulting agreement that we refer to as our "Turn-Key Business Establishment Agreement." Historically, we generated revenue from various sources on a "one-time basis" for services that we provided to clients in helping them create, license, build out and open dispensaries and cultivation centers. We are now transitioning to a recurring revenue model as described in the previous paragraph and below.

In 2014, we arranged for the submission of 36 license applications in five states on behalf of clients. We obtained five licenses or registrations in the States of Oregon, Illinois, Washington and California for or on behalf of clients or for potential clients.

We are building a consistent, predictable and valuable revenue model as we refocus the Company to create a sustainable business model to grow crops and manufacture products from hemp farmland and to market, sell and distribute CBD oil. State and local laws regarding the operations of dispensaries, retail centers and cultivation centers for marijuana vary.

In the second quarter of 2015, we contracted with an independent operator to operate a dispensary in Portland, Oregon. In December 2015, we terminated the operator due to low sales volume and entered an agreement with a new partner to operate the Portland dispensary. Under the management of our new partner, the dispensary has reached expected sales volume levels in December 2015 through March 2016 and is rated as the top dispensary in Portland, Oregon according to Leafly.com. We plan to sell our interest in the Portland Oregon dispensary in 2016.

In August 2015, we closed on the purchase of a 320 acre farm located outside of Pueblo, CO. In December 2015, we entered into a Farming Agreement with Whole Hemp Company (“Whole Hemp”), pursuant to which Whole Hemp would manufacture products from hemp and cannabis crops that it would grow on our farm, and the Company would build greenhouses for such activities up to an aggregate size of 200,000 square feet. Whole Hemp would pay all preapproved costs of such construction on or before September 2017 as partial consideration for a revocable license to use the greenhouses and a separate 10-acre plot of our farmland. We would retain ownership of the greenhouses. Under the 10 year agreement with Whole Hemp, Notis Global would receive a percentage of gross sales of all Whole Hemp products paid on a monthly basis. The Farming Agreement was amended and restated in March 2016.

Since May 7, 2016, we believe Whole Hemp has been in default, principally because they abandoned their obligation to perform farming activities under the First Amended and Restated Farming Agreement. On May 13, 2016, EWSD notified Whole Hemp of its defaults under the First Amended and Restated Farming Agreement and EWSD’s election to terminate the First Amended and Restated Farming Agreement.

By its terms, the First Amended and Restated Farming Agreement may be terminated at any time by either party, if the other party was in material breach of any obligation under the First Amended and Restated Farming Agreement, which breach continued uncured for 30 days following written notice thereof.

In addition, in December 2015, we entered into a Grower’s Distributor Agreement with Whole Hemp, pursuant to which we would provide marketing, sales, and related services on behalf of Whole Hemp in connection with the sale of its Cannabidoil oil product, and pursuant to which the Company would receive a percentage of gross revenues. The Grower’s Distributor Agreement was effective until September 30, 2025. The Grower’s Distributor Agreement was amended and restated in March 2016.

As noted below, our long term strategy is to maintain tight control of our supply chain. The continuing default by Whole Hemp was conductive to our efforts to eliminate outside vendors in the supply chain and control production from “Seed to Sale.”

Because we believe Whole Hemp has been in default, principally because they abandoned their obligation to perform farming activities under the First Amended and Restated Farming Agreement since May 7, 2016, EWSD notified Whole Hemp on May 13, 2016 of its election to terminate the Restated Grower’s Distributor Agreement.

By its terms, the Restated Grower’s Distributor Agreement could be terminated at any time by either party, if the other party was in material breach of any obligation under the Restated Grower’s Distributor Agreement, which breach continued uncured for 30 days following written notice thereof.

With an eye focused on the future-and ultimately anticipated FDA approval of hemp and CBD Oil production and sales in the United States- we are honing our focus to controlling our supply chain. From “Seed to Sale,” Notis Global will influence its own destiny by controlling our ecosystem. We intend to oversee and execute everything from growing and cultivating the highest quality plants to managing extraction and production of our products. We believe this tight control of our supply chain will eventually be mandated by the Federal Government as a condition of legalizing hemp and CBD Oil production, manufacturing and distribution in the United States. We have elected to take action now, and intend to lead our industry by doing so. Our decision to terminate the Whole Hemp Agreements comports with our long term strategy to maintain tight control of our supply chain.

The decision to close the loop on our processes will result in some necessary changes to our existing business agreements. Specifically, we have decided to end our relationship with Whole Hemp (now known as Folium Biosciences). As we continue to navigate the nascent world of hemp and CBD growing, cultivation, production and sales, it became clear that controlling all aspects of the business is the best strategy to meet our goals. Again, we are taking action now to positively impact our future business trajectory.

On December 31, 2015, our operating partner made a matching investment to close on our escrow for a dispensary site in San Diego, CA. Notis Global, through an affiliated company, holds the approved conditional use permit to operate a dispensary on this site. In two transactions in February and April 2016 we sold our interest in the operating entity for approximately $299,000 and our interest in the underlying real estate for $335,000 to our operating partner and other third parties along with a forgiveness of $65,000 owed by Notis for improvements on the property. After the April 6, 2016 transaction, we have no further interest in the dispensary in San Diego, CA.

In the State of Washington, we hold two licenses to operate dispensaries. These two dispensaries will be operated by an independent operating partner, with whom we have entered into operating contracts as of August 31, 2015. We receive a fixed fee from the operating partner of $1,000 per dispensary, which is paid monthly. We also hold the underlying real estate for one of the two dispensaries, for which we receive monthly rental income of $2,500. We plan to sell our interests in Washington State in 2016.

During January and February 2016 we were selling a line of portable vaporizers and accessories under the brand name Vaporfection. In January 2016, we decided to exit the portable vaporizer business in 2016 so that the Company can more aggressively pursue additional business opportunities in its core business. On March 25, 2016 we sold our assets in Vaporfection for $70,000, which is payable $35,000 upon the sale and $35,000 was loaned to the buyer under a 6% note payable due September 30, 2016.

Comparison of the three months ended March 31, 2016 and 2015

The Company reported a consolidated net income of approximately $1,248,000 for the three months ended March 31, 2016 and loss of approximately $4,434,000 for the three months ended March 31, 2015. The decrease in net loss of approximately $5,681,000 was due to a favorable change in the fair value of derivative liability of approximately $6,641,000, change in fair value of warrant liability of approximately $556,000 and a decrease in loss from operations of approximately $457,000 offset by increase in financing cost of approximately $1,991,000.

Revenue

Total revenue consisted of revenue from CBD oil sales generated from our Grower's Distribution agreement, deferred revenue which was recognized in the current period for consulting agreements, sale of territory rights to a related party, rental income, Company's share of dispensary revenue and revenue from sales of vaporizers. During the first quarter of 2016, the Company launched its CBD oil sales program under the Grower's Distribution agreement.

The change in total revenue is due to an increase of approximately $122,000 from CBD oil sales generated from our Grower's Distribution agreement and an increase of approximately $55,000 from rental income and Company's share of dispensary revenue earned our Oregon and Washington operations. There were no corresponding revenues in the first quarter of 2015.

Cost of revenue

Costs of revenues decreased by approximately $153,000 for the three months ended March 31, 2016 as compared to the same period of 2015. The decrease was primarily due to the decrease in new market development costs offset by increase in cost of CBD oil and cost of rent and tenant improvement amortization from our Oregon operations.

New market development costs decreased by approximately $304,000 during three months ended March 31, 2016 as compared to the same period of 2015. New market development costs consist of costs incurred in new markets prior to securing a location and obtaining a license for new dispensary or cultivation facilities in the state. The Company was not active in developing new market areas in the first quarter of 2016, leading to the aforementioned decrease.

As result of our CBD oil sale program launched in the first quarter of 2016 the Company incurred cost of revenue related to procurement of CBD oils in the amount of approximately $95,000. There were no corresponding costs for the same period of 2015.

Rental expenses on the master lease and tenant improvement amortization related to the Oregon rental income was approximately $52,000 for the three months ended March 31, 2016. There were no corresponding costs for the same period of 2015.

Operating Expenses

Operating expenses consist of all other costs incurred during the period other than cost of revenue. The Company incurred approximately $3,932,000 in operating expenses for three months ended March 31, 2016 compared to approximately $4,050,000 for the three months ended March 31, 2015. The decrease of approximately $118,000 was primarily due to the decrease in general and administrative expenses of $120,000.

Sales and Marketing expenses

Sales and marketing expenses include employee costs, outside services for sales and marketing consultants, travel and entertainment and sales lead generation. The Company incurred approximately $182,000 and $179,000 in sales and marketing expenses for the three months ended March 31, 2016 and 2015, respectively.

General and administrative

General and administrative expenses include salary costs, including stock based compensation, professional costs, including the costs associated with being a public company and consultants, rent and other costs. The expenses incurred during the three months ended March 31, 2016 and 2015 are summarized and described below:

Salary costs

Employee costs and bonuses increased by approximately $205,000 due to the increase in head count in the first quarter of 2016 over the same period of 2015, including the addition of our Chief Operating Officer.

The Company's stock based compensation decreased by approximately $1,935,000 due to lower cost for director's shares in the second year of their term. The director's retention agreements specify higher stock grants in their first year of service (two Directors commenced service in the middle of 2014 and received inducement grants for their first year of service; their related costs were expensed over the year that included the first quarter of 2015). Additionally, the new grants expensed in 2016, were valued at a significantly lower share price.

Professional costs

Legal costs increased by $642,000 during the three months ended March 31, 2016 compared to the same period of 2015 mostly due to costs related to preparation of a Private Placement Memorandum to be offered by the Company's subsidiary and legal expenses related to the sale of our interest in the operating entity and our interest in the underlying real estate in San Diego.

The costs of being public include legal fees for our corporate securities counsel, filing fees, independent directors' fees and bonuses and investor relations costs. During the quarter ended March 31, 2016, these amounts increased by approximately $273,000 as compared to the same period of the previous year caused by preparation of proxy materials for our shareholders meeting held April 15, 2016, preparation of an amendment to our Form S-1, director's compensation bonuses and printing costs.

Independent contractors cost increased by approximately $213,000 in the first quarter of 2016 compared to the same period of 2015 due to consulting expense incurred in connection with preparation of a Private Placement Memorandum to be offered by the Company's subsidiary and costs related to exploration and development of international markets.

Rent

The increase in rent by approximately $245,000 during the first quarter of 2016 over the same period of 2015 is due to recording the lease liability to the end of lease term, reflecting a continuing dispute with the landlord, for the Company's previous headquarters in West Hollywood, California.

Other costs

Due to the Company's development of the farm in Colorado, fund raising activities and exploration and development of international markets travel and related expenses increased by approximately $127,000.

In addition, as a part of the Company's sale of our interest in the operating entity and our interest in the underlying real estate in San Diego, the Company wrote off $70,000 of uncollectable notes receivable from a previously associated partner of San Diego operating entity.

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Other Income (Expense)

Other income (expense) includes the financing costs associated with our financing activities, including the amortization of the debt discount and the change in fair value of the derivative liability. As disclosed in Note 7 of the Company's financial statements, the reset provision for the subsequent sale of any dilutive issuance at a lower sale or exercise price than the then current conversion price results for accounting purposes as a liability being recognized for the fair value of the derivative. This derivative is re-measured each period end, with the change in fair value for the three months ended March 31, 2016 and 2015 of gains of approximately $8,880,000 and $2,239,000, respectively, being recognized in Other income (expense). This derivative feature results in a debt discount for the initial fair value recognized for the derivative. The debt discount also includes the fair value of the warrants issued with the convertible debentures, as well as the discounts offered to the face value of the notes payable. This debt discount is amortized as "other expense" over the life of the convertible debenture, or until conversion, if earlier, which amounted in approximately $1,868,000 for the three months ended March 31, 2016 and $1,820,000 for the same period of 2015. Additionally, the current period closings of the convertible debentures resulted in the calculated fair value of the discount being greater than the face amount of the debt by approximately $2,516,000, with this excess amount being immediately expensed as Financing costs. As the Company determined there is not sufficient authorized shares at quarter-end for conversion of all the convertible debentures and exercise of the warrants, under their sequencing policy (Note 7), the Company has recognized a warrant liability. The warrant liability is remeasured to its fair value at the end of every period, which resulted in the Company recognizing a change in fair value of the warrant liability of approximately $556,000 for three months ended March 31, 2016.

Interest expense for the stated interest on our convertible debentures and notes payable incurred during three months ended March 31, 2016 amounted to approximately $190,000. In addition to the foregoing, the Company incurred approximately $6,000 in interest offset by $3,000 premium amortization on the promissory note issued in relation to the purchase of the property in the State of Washington and approximately $57,000 related to notes for the purchase of the land in Colorado. All of the above resulted in interest expense of approximately $250,000 for the three months ended March 31, 2016.

As result of the Company's sale of its interest in the operating entity and its interest in the underlying real estate in San Diego, the Company recorded a net gain of approximately $300,000. In addition, the sale of assets of one of the Company's subsidiaries resulted in a net gain of approximately $5,000.

Net Loss

As a result of the factors set forth above, our net loss decreased by approximately $5,681,000 for the three months ended March 31, 2016, resulting in net income of approximately $1,248,000 for the three months ended March 31, 2016.

Liquidity and Capital Resources

As of March 31, 2016, the Company had cash on hand of approximately $68,000 compared to approximately $92,000 at March 31, 2015.

Cash Flow

During the three months ended March 31, 2016, cash was primarily used to fund operations of the Company, as well as operations and development of the Farm.

	For the three months ended March 31,	
Cash flow	**2016**	**2015**
Net cash used in operating activities	$(1,388,054)	$(906,269)
Net cash used in investing activities	(60,484)	—
Net cash provided by financing activities	1,397,741	897,577
Net (decrease) in cash	**$ (50,797)**	**$ (8,692)**

Cash Flows – Operating Activities

During the three months ended March 31, 2016, cash flows used in operating activities were approximately $1,388,000, consisting primarily of the net income for the three months ended March 31, 2016 of approximately $1,248,000, increased for non-cash financing costs of approximately $2,516,000, amortization of the debt discount of approximately $1,868,000, stock based compensation of approximately $576,098 and reduced for non-cash adjustments for the change in fair value of the derivative liability of approximately $8,880,000 and change in fair value of the warrant liability of approximately $556,000. Additional significant components of cash used in operating activities included the accrued settlement expenses for rental expense under the lease for the previous office in West Hollywood of approximately $224,000, offset by an increase of approximately $2,096,000 due to the timing and deferral of the payment of trade payables, and an increase in accrued interest of approximately $202,000.

Cash Flows – Investing Activities

During the three months ended March 31, 2016, cash flows used in investing activities was approximately $60,000, consisting primarily of the $385,000 in costs related to construction in progress for the build out of greenhouses on the Farm, offset by approximately $300,000 in proceeds from the sale of seventy percent of the Company's interest in San Diego Sunset, as well as the proceeds from the sale of the assets of Varporfection.

Cash Flows – Financing Activities

During the three months ended March 31, 2016, cash flows provided by financing activities were approximately $1,398,000, consisting mainly of approximately $1,040,000 of net proceeds from the issuance of convertible notes payable, approximately $368,000 from the issuance of notes payable and $105,000 in the issuance of convertible debentures to two of the Company's Directors. This was offset mainly by approximately $170,000 in payments on the notes payable related to the Company's land acquisition.

Future Liquidity and Cash Flows

Management believes that the Company's cash balances on hand, cash flows expected to be generated from operations, proceeds from current and future expected debt issuances and proceeds from future share capital issuances, if any, may not be sufficient to fund the Company's net cash requirements through May 2017. As noted in the footnotes to the accompanying consolidated financial statements, the Company is also in the process of obtaining final approval on a settlement agreement in their Class action and Derivative lawsuits (Note 11) and recently received a Wells Notice from the SEC (Note 11) in connection with misstatements by prior management in the Company's financial statements for 2012, 2013 and the first three quarters of 2014. The Company is unable to predict the outcome of these matters, nevertheless, a rejection of the settlement agreements or adverse action of the SEC could have a material adverse effect on the financial condition, results of operations and/or cash flows of the Company and their ability to raise funds in the future. In order to execute the Company's long-term growth strategy, which may include selected acquisitions of businesses or facilities that may bolster the expansion of the Company's management services business, and purchases of real estate which would be used as a basis for acquiring cultivation facilities in regulated markets, the Company will need to raise additional funds through public or private equity offerings, debt financings, or other means.

Our financial statements were prepared on a going concern basis. The going concern basis assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. During the three months ended March 31, 2016, the Company had net income of approximately $1.2 million, negative cash flow from operations of $1.4 million and negative working capital of $28.7 million. The Company will need to raise capital in order to fund its operations. These factors, among others, raise substantial doubt about the Company's ability to continue as a going concern. The ability to continue as a going concern is dependent on the Company's ability to raise additional capital and implement a business plan. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

On July 24, 2015, the Company entered into an Agreement of Purchase and Sale of Membership Interest with East West Secured Development, LLC to purchase 100% of the membership interest of EWSD I, LLC which has entered into an agreement with Southwest Farms, Inc. to purchase certain real property comprised of 320-acres of agricultural land in Pueblo, Colorado (the "Farm"). The Farm is expected to yield revenue and profits for the Company in future years.

With an eye focused on the future — and ultimately anticipated FDA approval of hemp and CBD Oil production and sales in the United States — we are honing our focus to controlling our supply chain initially through our production on the Farm in Pueblo, Colorado. From "Seed to Sale" — Notis Global will influence its own destiny by controlling our ecosystem. We intend to oversee and execute everything from growing and cultivating the highest quality plants to managing extraction and production of our products. We believe this tight control of our supply chain will eventually be mandated by the Federal Government as a condition of legalizing hemp and CBD Oil production, manufacturing and distribution in the United States. We have elected to take action now — and intend to lead our industry by doing so. Our decision to terminate the Whole Hemp Agreement comports with our long term strategy to maintain tight control of our supply chain.

Financing Plans:

During the first quarter of 2016, we received approximately $1.4 million in net funding from our lenders.

April 2016 Financing

On April 13, 2016, we entered into a note purchase agreement (the “Purchase Agreement”) with an accredited investor (the “Investor”) pursuant to which the Company agreed to sell, and the Investor agreed to purchase, a convertible promissory note (the “Note”) in the aggregate principal amount of $225,000.

The Note bears interest at the rate of 5% per year and matures on July 13, 2016. The Note is convertible at any time, in whole or in part, at the option of the holders into shares of the common stock of the Company at a conversion price that is the lower of (a) $0.75, or (b) a 49% discount to the lowest traded price of the common stock of the Company during the 20 trading days prior to the conversion date. The Company may prepay the Note in cash, prompting a 30% premium.

The Company will, within thirty (30) days, grant a security interest to the Investor and its affiliates over the Company’s assets, including its stock ownership in its subsidiary, ESWD I, LLC (but not the assets of ESWD I, LLC). Furthermore, in connection with the next $1.5 million of equity capital raised by the Company, the Company shall use one third of such funds to make principal repayment of amounts owed to the Investor, plus a redemption premium of 30% of such amounts.

Special Meeting of the Stockholders to Increase Authorized Common Stock

On April 15, 2016, at a special meeting of the shareholders of the Company, the shareholders of the Company holding a majority of the total shares of outstanding common stock of the Company voted to amend the Company's Articles of Incorporation to increase the number of authorized shares of common stock of the Company from 400,000,000 to 10,000,000,000 (the "Certificate of Amendment"). The Certificate of Amendment was filed with the Nevada Secretary of State and was declared effective on April 18, 2016.

Additionally, management is actively seeking additional financing and expects to complete additional financing arrangements in the next few months. The Company expects that these plans will provide it the necessary liquidity to continue operations for the next 12 months.

The Company will continue to execute on its business model by attempting to raise additional capital through the sales of debt or equity securities or other means. However, there is no guarantee that such financing will be available on terms acceptable to the Company, or at all. If the Company is unable to obtain adequate debt or equity financing, it may be forced to slow or reduce the scope of operations and expansion, and its business would be materially affected.

It is uncertain whether the Company can obtain financing to fund operating deficits until profitability is achieved. This need may be adversely impacted by: unavailability of financing, uncertain market conditions, timing for and possible delays in approval of dispensary and cultivation sites and timing for and possible delays in obtaining licenses from regulatory bodies for the operation of cultivation centers and dispensaries, and adverse operating results.

Related Party Financing

Mr. Ned L. Siegel, the Chairman of the Company's Board, entered into three separate subordinated convertible promissory notes convertible at $0.01 with the Company on March 4, 2016, March 10, 2016 and March 15, 2016, respectively, each in the principal amount of $25,000 and having a three year term and an interest rate of 8% per annum (the "Siegel Notes").

In addition, Mr. J. Mitchell Lowe, a member of the Board, entered into one subordinated convertible promissory note convertible at $0.01 with the Company on March 15, 2016 in the principal amount of $25,000 and having a three year term and an interest rate of 8% per annum (the "Lowe Note").

Mr. Manuel Flores and Mr. Jeffrey Goh, both members of the Board, each entered into one subordinated convertible promissory note convertible at $0.01 with the Company on March 15, 2016 in the principal amount of $2,500 and having a three year term and an interest rate of 8% per annum (the "Flores Note" and the "Goh Note," respectively).

In connection with their funding of the Notes, Mr. Siegel, Mr. Lowe, Mr. Flores and Mr. Goh each receive a warrant, exercisable for a period of three (3) years from the date of Note, to purchase an amount of Company Common Stock equal to 50% of the principal sum under each of the Siegel Notes, the Lowe Note, the Flores Note and the Goh Note, respectively, at an exercise price equal to 200% of the applicable Conversion Price (the "Warrants"). The Exercise Price of the Warrants is $0.02.

Off Balance Sheet Transactions

We do not have any off-balance sheet credit exposure related to our customers.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Not Applicable

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Based on our management's evaluation as of March 31, 2016, the end of the period covered by this Report, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) were not effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

This conclusion was reached based on the material weakness in our internal control over financial reporting described below under the heading "Management's Annual Report on Internal Control Over Financial Reporting." We have undertaken remediation initiatives as discussed below.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting and for the assessment of the effectiveness of internal control over financial reporting. Our internal control over financial reporting is a process designed, as defined in Rule 13a-15(f) under the Exchange Act, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In connection with the preparation of our annual consolidated financial statements, our management assessed the effectiveness of our internal control over financial reporting as of March 31, 2016. Management based this assessment on the criteria established in *Internal Control over Financial Reporting — Guidance for Smaller Public Companies* issued by the Committee of Sponsoring Organizations of the Treadway Commission (which is sometimes referred to as the 1992 COSO Framework). Management believes that it is in the process of taking steps to remediate the material weakness which lead to the restatements of the Company's financials for the first three quarters of 2014, however, management, with the help of our CEO, concluded that our internal controls over financial reporting as of March 31, 2016 remain ineffective, because remediation efforts will continue during 2016.

Changes in Internal Controls; Plan of Remediation

Based on our management's evaluation as of December 31, 2014, they determined that there was a deficiency in our internal control over financial reporting that constituted a material weakness at December 31, 2014. The Company took steps to remediate these issues during the year ending December 31, 2015. Management believes there have been improvements during the year ending December 31, 2015, but sufficient time has not lapsed to ensure the remediation and controls set in place are effective as of March 31, 2016. Management anticipates that the continuing efforts will effectively remediate the material weakness which existed as of December 31, 2014, during 2016.

There was no change in our internal control over financial reporting that occurred during the quarter ended March 31, 2016 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting, except as noted above.

The design of any system of controls and procedures is based in part upon certain assumptions about the likelihood of future events. There can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

On May 22, 2013, Medbox initiated litigation in the United States District Court in the District of Arizona against three shareholders of MedVend Holdings LLC (“Medvend”) in connection with a contemplated transaction that Medbox entered into for the purchase of an approximate 50% ownership stake in Medvend for $4.1 million. The lawsuit alleges fraud and related claims arising out of the contemplated transaction during the quarter ended June 30, 2013. The litigation is pending and Medbox has sought cancellation due to a fraudulent sale of the stock because the selling shareholders lacked the power or authority to sell their ownership stake in MedVend, and their actions were a breach of representations made by them in the agreement. On November 19, 2013 the litigation was transferred to United States District Court for the Eastern District of Michigan. MedVend recently joined the suit pursuant to a consolidation order executed by a new judge assigned to the matter. In the litigation, the selling shareholder defendants seek alternatively to have the transaction performed, or to have it unwound and be awarded damages and allege breach of the agreement by Medbox and that $600,000 was wrongfully retained by the Company. Medbox has denied liability with respect to any and all such counterclaims. A new litigation schedule was recently issued setting trial for September 2015. On June 5, 2014, the Company entered into a purchase and sale agreement (the “Medvend PSA”) with PVM International, Inc. (“PVMI”) concerning this matter. Pursuant to the Medvend PSA, the Company sold to PVMI the Company’s rights and claims attributable to or controlled by the Company against those three certain stockholders of Medvend, known as Kaplan, Tartaglia and Kovan (the “Medvend Rights and Claims”), in exchange for the return by PVMI to the Company of 30,000 shares of the Company’s common stock. PVMI is owned by Vincent Mehdizadeh, formerly the Company’s largest stockholder. On December 17, 2015, the Company entered into a revocation of the Medvend PSA, which provided that from that date forward, Medbox would take over the litigation and be responsible for the costs and attorneys’ fees associated with the Medvend Litigation from December 17, 2015 forward. All costs and attorneys’ fees through December 16, 2015 will be borne by PVMI. After the filing of a motion for substitution of Medbox n/k/a Notis Global, Inc. for PVMI, Defendants’ agreed, via a stipulated order, to permit the substitution. The Court entered the order substituting Notis Global, Inc. for PVMI on February 17, 2016. The case is in the discovery stage, and, at this time, the Company cannot determine whether the likelihood of an unfavorable outcome of the dispute is probable or remote, nor can they reasonably estimate a range of potential loss, should the outcome be unfavorable.

On February 20, 2015, Michael A. Glinter, derivatively and on behalf of nominal defendants Medbox, Inc. the Board and certain executive officers (Pejman Medizadeh, Matthew Feinstein, Bruce Bedrick, Thomas Iwanskai, Guy Marsala, J. Mitchell Lowe, Ned Siegel, Jennifer Love, and C. Douglas Mitchell) filed a suit in the Superior Court of the State of California for the County of Los Angeles. The suit alleges breach of fiduciary duties and abuse of control by the defendants. Relief is sought awarding damages resulting from breach of fiduciary duty and to direct the Company and the defendants to take all necessary actions to reform and improve its corporate governance and internal procedures to comply with applicable law. The Company has entered into a Stipulation and Agreement of Settlement on October 16, 2015. See more detailed discussion below under *Settlement*.

On January 21, 2015, Josh Crystal on behalf of himself and of all others similarly situated filed a class action lawsuit in the U.S. District Court for Central District of California against Medbox, Inc., and certain past and present members of the Board (Pejman Medizadeh, Bruce Bedrick, Thomas Iwanskai, Guy Marsala, and C. Douglas Mitchell). The suit alleges that the Company issued materially false and misleading statements regarding its financial results for the fiscal year ended December 31, 2013 and each of the interim financial periods that year. The plaintiff seeks relief of compensatory damages and reasonable costs and expenses or all damages sustained as a result of the wrongdoing. On April 23, 2015, the Court issued an Order consolidating the three related cases in this matter: Crystal v. Medbox, Inc., Gutierrez v. Medbox, Inc., and Donnino v. Medbox, Inc., and appointing a lead plaintiff. On July 27, 2015, Plaintiffs filed a Consolidated Amended Complaint. The Company has entered into a Stipulation and Agreement of Settlement on October 16, 2015. See more detailed discussion below under *Class Settlement and Derivatives Settlement*.

On January 18, 2015, Ervin Gutierrez filed a class action lawsuit in the U.S. District Court for the Central District of California. The suit alleges violations of federal securities laws through public announcements and filings that were materially false and misleading when made because they misrepresented and failed to disclose that the Company was recognizing revenue in a manner that violated US GAAP. The plaintiff seeks relief for compensatory damages and reasonable costs and expenses or all damages sustained as a result of the wrongdoing. On April 23, 2015, the Court issued an Order consolidating the three related cases in this matter: Crystal v. Medbox, Inc., Gutierrez v. Medbox, Inc., and Donnino v. Medbox, Inc., and appointing a lead plaintiff. On July 27, 2015, Plaintiffs filed a Consolidated Amended Complaint. The Company has entered into a Stipulation and Agreement of Settlement on October 16, 2015. See more detailed discussion below under *Class Settlement and Derivatives Settlement*.

On January 29, 2015, Matthew Donnino filed a class action lawsuit in the U.S. District Court for Central District of California. The suit alleges that the Company issued materially false and misleading statements regarding its financial results for the fiscal year ended December 31, 2013 and each of the interim financial periods that year. The plaintiff seeks relief for compensatory damages and reasonable costs and expenses or all damages sustained as a result of the wrongdoing. On April 23, 2015, the Court issued an Order consolidating the three related cases in this matter: Crystal v. Medbox, Inc., Gutierrez v. Medbox, Inc., and Donnino v. Medbox, Inc., and appointing a lead plaintiff. On July 27, 2015 Plaintiffs filed a Consolidated Amended Complaint. The Company has entered into a Stipulation and Agreement of Settlement on October 16, 2015. See more detailed discussion below under *Class Settlement and Derivatives Settlement*.

On February 12, 2015, Jennifer Scheffer, derivatively on behalf of Medbox, Guy Marsala, Ned Siegel, Mitchell Lowe and C. Douglas Mitchell filed a lawsuit in the Eighth Judicial District Court of Nevada seeking damages for breaches of fiduciary duty regarding the issuance and dissemination of false and misleading statements and regarding allegedly improper and unfair related party transactions, unjust enrichment and waste of corporate assets. On April 17, 2015, Ned Siegel and Mitchell Lowe filed a Motion to Dismiss. On April 20, 2015, the Company filed a Joinder in the Motion to Dismiss. On July 27, 2015, the Court held a hearing on and granted the Motion to Dismiss without prejudice. The Company has entered into a Stipulation and Agreement of Settlement on October 16, 2015. See more detailed discussion below under *Class Settlement and Derivatives Settlement*.

On March 10, 2015, Robert J. Calabrese, derivatively and on behalf of nominal defendant Medbox, Inc., filed a suit in the United States District Court for the District of Nevada against certain Company officers and/or directors (Ned L. Siegel, Guy Marsala, J. Mitchell Lowe, Pejman Vincent Mehdizadeh, Bruce Bedrick, and Jennifer S. Love). The suit alleges breach of fiduciary duties and gross mismanagement by issuing materially false and misleading statements regarding the Company's financial results for the fiscal year ended December 31, 2013 and each of the interim financial periods. Specifically the suit alleges that defendants caused the Company to overstate the Company's revenues by recognizing revenue on customer contracts before it had been earned. The plaintiff seeks relief for compensatory damages and reasonable costs and expenses for all damages sustained as a result of the alleged wrongdoing. The Company has entered into a Stipulation and Agreement of Settlement on October 16, 2015. See more detailed discussion below under *Class Settlement and Derivatives Settlement*.

On March 27, 2015, Tyler Gray, derivatively and on behalf of nominal defendant Medbox, Inc., filed a suit in the United States District Court for the District of Nevada against the Company's Board of Directors and certain executive officers (Pejman Vincent Mehdizadeh, Matthew Feinstein, Bruce Bedrick, Thomas Iwanski, Guy Marsala, J. Mitchell Lowe, Ned Siegel, Jennifer S. Love, and C. Douglas Mitchell). The suit alleges breach of fiduciary duties and abuse of control. The plaintiff seeks relief for compensatory damages and reasonable costs and expenses for all damages sustained as a result of the alleged wrongdoing. Additionally the plaintiff seeks declaratory judgments that plaintiff may maintain the action on behalf of the Company, that the plaintiff is an adequate representative of the Company, and that the defendants have breached and/or aided and abetted the breach of their fiduciary duties to the Company. Lastly the plaintiff seeks that the Company be directed to take all necessary actions to reform and improve its corporate governance and internal procedures to comply with applicable law. The Company has entered into a Stipulation and Agreement of Settlement on October 16, 2015. See more detailed discussion below under *Class Settlement and Derivatives Settlement*.

On May 20, 2015, Patricia des Groseilliers, derivatively and on behalf of nominal defendant Medbox, Inc., filed a suit in the United States District Court for the District of Nevada against the Company's Board of Directors and certain executive officers (Pejman Vincent Mehdizadeh, Ned Siegel, Guy Marsala, J. Mitchell Lowe, Bruce Bedrick, Jennifer S. Love, Matthew Feinstein, C. Douglas Mitchell, and Thomas Iwanski). The suit alleges breach of fiduciary duties and unjust enrichment. The plaintiff seeks relief for compensatory damages and reasonable costs and expenses for all damages sustained as a result of the alleged wrongdoing. Additionally the plaintiff seeks declaratory judgments that plaintiff may maintain the action on behalf of the Company, that the plaintiff is an adequate representative of the Company, and that the defendants have breached and/or aided and abetted the breach of their fiduciary duties to the Company. Lastly the plaintiff seeks that the Company be directed to take all necessary actions to reform and improve its corporate governance and internal procedures to comply with applicable law. The Company has entered into a Stipulation and Agreement of Settlement on October 16, 2015. On March 25, 2016, shareholder Richard Merritts, who filed a derivative lawsuit against the Company's Board of Directors and certain executive officers on October 27, 2015, filed a Motion to Intervene in the case. By his Motion, Merritts seeks limited intervention in the Jones shareholder derivative action in order to seek confirmatory information and discovery regarding the Stipulation and Agreement of Settlement preliminarily approved by the Court on February 3, 2016. On April 4, 2016, Plaintiff Jones and the Company separately filed oppositions to the Motion to Intervene. The hearing on the Motion to Intervene is set for April 25, 2016. On April 22, 2016, the Court issued an Order granting, without a hearing, shareholder Richard Merritts' Motion to Intervene in the lawsuit titled *Mike Jones v. Guy Marsala, et al.*, in order to conduct limited discovery. The Order granting the Motion to Intervene also continued the final fairness hearing, previously scheduled for May 16, 2016, at 1:30 p.m., to August 15, 2016, at 1:30 p.m. See more detailed discussion below under *Class Settlement and Derivatives Settlement*.

On June 3, 2015, Mike Jones, derivatively and on behalf of nominal defendant Medbox, Inc., filed a suit in the U.S. District Court for Central District of California against the Company's Board of Directors and certain executive officers (Guy Marsala, J. Mitchell Lowe, Ned Siegel, Jennifer S. Love, C. Douglas Mitchell, Pejman Vincent Mehdizadeh, Matthew Feinstein, Bruce Bedrick, and Thomas Iwanski). The suit alleges breach of fiduciary duties, abuse of control, and breach of duty of honest services. The plaintiff seeks relief for compensatory damages and reasonable costs and expenses for all damages sustained as a result of the alleged wrongdoing. Additionally the plaintiff seeks declaratory judgments that plaintiff may maintain the action on behalf of the Company, that the plaintiff is an adequate representative of the Company, and that the defendants have breached and/or aided and abetted the breach of their fiduciary duties to the Company. Lastly the plaintiff seeks that the Company be directed to take all necessary actions to reform and improve its corporate governance and internal procedures to comply with applicable law. On July 20, 2015, the Court issued an Order consolidating this litigation with those previously consolidated in the Central District (Crystal, Gutierrez, and Donnino). On October 7, 2015, the Court issued an Order modifying the July 20, 2015 Order consolidating the litigation so that the matters remain consolidated for the purposes of pretrial only. The Company has entered into a Stipulation and Agreement of Settlement on October 16, 2015. See more detailed discussion below under *Class Settlement and Derivatives Settlement*.

On July 20, 2015, Kimberly Freeman, derivatively and on behalf of nominal defendant Medbox, Inc., filed a suit in the Eighth Judicial District Court of Nevada against the Company's Board of Directors and certain executive officers (Pejman Vincent Mehdizadeh, Guy Marsala, Ned Siegel, J. Mitchell Lowe, Jennifer S. Love, C. Douglas Mitchell, and Bruce Bedrick). The suit alleges breach of fiduciary duties and unjust enrichment. The plaintiff seeks relief for compensatory damages and reasonable costs and expenses for all damages sustained as a result of the alleged wrongdoing. Additionally the plaintiff seeks declaratory judgments that plaintiff may maintain the action on behalf of the Company, that the plaintiff is an adequate representative of the Company, and that the defendants have breached and/or aided and abetted the breach of their fiduciary duties to the Company. Lastly the plaintiff seeks that the Company be directed to take all necessary actions to reform and improve its corporate governance and internal procedures to comply with applicable law. The Company has entered into a Stipulation and Agreement of Settlement on October 16, 2015. See more detailed discussion below under *Class Settlement and Derivatives Settlement*.

On October 16, 2015, solely to avoid the costs, risks, and uncertainties inherent in litigation, the parties to the class actions and derivative lawsuits named above entered into settlements that collectively effect a global settlement of all claims asserted in the class actions and the derivative actions. The global settlement provides, among other things, for the release and dismissal of all asserted claims. The global settlement is contingent on final court approval, respectively, of the settlements of the class actions and derivative actions. If the global settlement does not receive final court approval, it could have a material adverse effect on the financial condition, results of operations and/or cash flows of the Company and their ability to raise funds in the future.

Class Settlement

On December 1, 2015, Medbox and the class plaintiffs in Josh Crystal v. Medbox, Inc., et al., Case No. 2:15-CV-00426-BRO (JEMx), pending before the United States District Court for the Central District of California (the "Court") notified the Court of the settlement. The Court stayed the action pending the Court's review of the settlement and directed the parties to file a stipulation of settlement. On December 18, 2015, plaintiffs filed the Motion for Preliminary Approval of Class Action Settlement that included the stipulation of settlement. On February 3, 2016, the Court issued an Order granting preliminary approval of the settlement. The settlement provides for notice to be given to the class, a period for opt outs and a final approval hearing. The Court originally scheduled the Final Settlement Approval Hearing to be held on May 16, 2016 at 1:30 p.m., but continued it to August 15, 2016 at 1:30 p.m. to be heard at the same time as the Final Settlement Approval Hearing for the derivative actions, discussed below. The principal terms of the settlement are:

- a cash payment to a settlement escrow account in the amount of $1,850,000 of which $150,000 will be paid by the Company and $1,700,000 will be paid by the Company's insurers;
- a transfer of 2,300,000 shares of Medbox common stock to the settlement escrow account, of which 2,000,000 shares would be contributed by Medbox and 300,000 shares by Bruce Bedrick;
- the net proceeds of the settlement escrow, after deduction of Court-approved administrative costs and any Court-approved attorneys' fees and costs would be distributed to the Class; and
- releases of claims and dismissal of the action.

By entering into the settlement, the settling parties have resolved the class claims to their mutual satisfaction. However, the final determination is subject to approval by the Federal Courts. Defendants have not admitted the validity of any claims or allegations and the settling plaintiffs have not admitted that any claims or allegations lack merit or foundation. If the global settlement does not receive final court approval, it could have a material adverse effect on the financial condition, results of operations and/or cash flows of the Company and their ability to raise funds in the future.

Derivative Settlements

As previously announced on October 22, 2015, on October 16, 2015, the Company, in its capacity as a nominal defendant, entered into a memorandum of understanding of settlement (the "Settlement") in the following shareholder derivative actions: (1) Mike Jones v. Guy Marsala, et al., in the U.S. District Court for Central District of California; (2) Jennifer Scheffer v. P. Vincent Mehdizadeh, et al., in the Eighth Judicial District Court of Nevada; (3) Kimberly Y. Freeman v. Pejman Vincent Mehdizadeh, et al., in the Eighth Judicial District Court of Nevada; (4) Tyler Gray v. Pejman Vincent Mehdizadeh, et al., in the U.S. District Court for the District of Nevada; (5) Robert J. Calabrese v. Ned L. Siegel, et al., in the U.S. District Court for the District of Nevada; (6) Patricia des Groseilliers v. Pejman Vincent Mehdizadeh, et al., in the U.S. District Court for the District of Nevada; (7) Michael A. Glinter v. Pejman Vincent Mehdizadeh, et al., in the Superior Court of the State of California for the County of Los Angeles (the "Shareholder Derivative Lawsuits"). In addition to the Company, Pejman Vincent Mehdizadeh, Matthew Feinstein, Bruce Bedrick, Thomas Iwanski, Guy Marsala, J. Mitchell Lowe, Ned Siegel, and C. Douglas Mitchell were named as defendants in all of the lawsuits, and Jennifer S. Love was named in all of the lawsuits but the Scheffer action (the "Individual Defendants").

On December 3, 2015, the parties in the Jones v. Marsala action advised the Court of the settlements in the Shareholder Derivative Lawsuits and that the parties would be submitting the settlement to the Court in the Jones action for approval. The Court thereafter issued an order vacating all pending dates in the action and ordered Plaintiff to file the Stipulation and Agreement of Settlement for the Court's approval. On December 18, 2015, plaintiffs filed the Motion for Preliminary Approval of Derivative Settlement that included the Stipulation and Agreement of Settlement. On February 3, 2016, the Court issued an Order granting preliminary approval of the settlement.

The Court originally scheduled a final Settlement Hearing to be held on May 16, 2016 at 1:30 p.m., but subsequently continued that hearing to August 15, 2016 at 1:30. By the terms of the settlement, a final Court approval would provide for a release of the claims in the Shareholder Derivative Actions and a bar against continued prosecution of all claims covered by the release. By entering into the Settlement, the settling parties have resolved the derivative claims to their mutual satisfaction. The Individual Defendants have not admitted the validity of any claims or allegations and the settling plaintiffs have not admitted that any claims or allegations lack merit or foundation.

Under the terms of the Settlement, the Company agrees to adopt and adhere to certain corporate governance processes in the future. In addition to these corporate governance measures, the Company's insurers, on behalf of the Individual Defendants, will make a payment of $300,000 into the settlement escrow account and Messrs. Mehdizadeh and Bedrick will deliver 2,000,000 and 300,000 shares, respectively, of their Medbox, Inc. common stock into the settlement escrow account. Subject to Court approval, the funds and common stock in the settlement escrow account will be paid as attorneys' fees and expenses, or as service awards to plaintiffs.

The Settlement remains subject to approval by the Court. The Court must determine whether (1) the terms and conditions of the Settlement are fair, reasonable, and adequate in the best interest of the Company and its stockholders, (2) if the judgment, as provided for in the Settlement, should be entered, and (3) if the request of plaintiff's counsel for an award of attorneys' fees and reimbursement of expenses should be granted.

The Company's responsibilities as to the proposed settlements have been accrued and included in Accrued settlement and severance expenses on the accompanying consolidated balance sheet as of December 31, 2015. If the Class or Derivative settlements do not receive final court approval, it could have a material adverse effect on the financial condition, results of operations and/or cash flows of the Company and their ability to raise funds in the future.

On October 27, 2015, separate from the above lawsuits and settlement, Richard Merritts, derivatively and on behalf of nominal defendant Medbox, Inc., filed a suit in the Superior Court of the State of California for the County of Los Angeles against the Board and certain executive officers (Guy Marsala, J. Mitchell Lowe, Ned Siegel, Jennifer S. Love, C. Douglas Mitchell, Pejman Vincent Mehdizadeh, Matthew Feinstein, Bruce Bedrick, Jeff Goh, and Thomas Iwanski). The suit alleges breach of fiduciary duties by the defendants. Relief is sought awarding damages resulting from breach of fiduciary duty and to direct the Company and the defendants to take all necessary actions to reform and improve its corporate governance and internal procedures to comply with applicable law. On February 16, 2016, the court issued an order staying the litigation pending final court approval of the settlement of the other pending derivative actions involving Medbox, Inc., as nominal defendant, and former and current officers and directors. The settlement of the other derivative actions has been preliminarily approved by the court in Jones v. Marsala, et al., Case No. 15-cv-4170 BRO (JEMx), in the U.S. District Court for the Central District of California. On March 25, 2016, Merritts filed a Motion to Intervene in the case filed by Mike Jones in the U.S. District Court for the Central District of California. By his Motion, Merritts seeks limited intervention in the Jones shareholder derivative action in order to seek confirmatory information and discovery regarding the Stipulation and Agreement of Settlement preliminarily approved by the Court on February 3, 2016. On April 4, 2016, Plaintiff Jones and the Company separately filed oppositions to the Motion to Intervene. On April 22, 2016, the Court issued an Order granting, without a hearing, shareholder Richard Merritts' Motion to Intervene in the lawsuit titled *Mike Jones v. Guy Marsala, et al.*, in order to conduct limited discovery. The Order granting the Motion to Intervene also continued the final fairness hearing, previously scheduled for May 16, 2016, at 1:30 p.m., to August 15, 2016, at 1:30 p.m.

On December 26, 2014, Medicine Dispensing Systems, a wholly-owned subsidiary of Medbox, filed a suit against Kind Meds, Inc. to collect fees of approximately $550,000 arising under a contract to establish a dispensary. Kind Meds, Inc. filed a cross complaint against Medicine Dispensing Systems for breach of contract and breach of implied covenant of good faith and fair dealing, claiming damages of not less than $500,000. On November 14, 2015, the parties entered into a Confidential Settlement and Release Agreement wherein the matter was resolved with no amounts owing by the Company, and the complaint and cross complaint were subsequently dismissed.

Employee Arbitration

The Company commenced arbitration proceedings against a former employee on June 13, 2013 related to employment claims asserted by the employee. Thereafter, the employee filed a suit in Los Angeles County Superior Court. The suit was stayed pending the outcome of the arbitration and thereafter dismissed without prejudice. The Company obtained a favorable arbitration award. The Company then filed an Application to Confirm the Arbitration Award in Arizona Superior Court, Maricopa County. After being unable to serve the employee, the Company performed service by publication and filed proofs of publication for service on the employee on February 27, 2015 and March 2, 2015. On November 13, 2015, the parties entered into a Confidential Settlement and Release Agreement wherein the matter was resolved with no amounts owing by the Company, and the suit was dismissed with prejudice.

SEC Investigation

In October 2014, the Board of Directors of the Company appointed a special board committee (the "Special Committee") to investigate issues arising from a federal grand jury subpoena pertaining to the Company's financial reporting which was served upon the Company's predecessor independent registered public accounting firm as well as certain alleged wrongdoing raised by a former employee of the Company. The Company was subsequently served with two SEC subpoenas in early November 2014. The Company is fully cooperating with the grand jury and SEC investigations. In connection with its investigation of these matters, the Special Committee in conjunction with the Audit Committee initiated an internal review by management and by an outside professional advisor of certain prior period financial reporting of the Company. The outside professional advisor reviewed the Company's revenue recognition methodology for certain contracts for the third and fourth quarters of 2013. As a result of certain errors discovered in connection with the review by management and its professional advisor, the Audit Committee, upon management's recommendation, concluded on December 24, 2014 that the consolidated financial statements for the year ended December 31, 2013 and for the third and fourth quarters therein, as well as for the quarters ended March 31, 2014, June 30, 2014 and September 30, 2014, should no longer be relied upon and would be restated to correct the errors. On March 6, 2015 the audit committee determined that the consolidated financial statements for the year ended December 31, 2012, together with all three, six and nine month financial information contained therein, and the quarterly information for the first two quarters of the 2013 fiscal year should also be restated. On March 11, 2015, the Company filed its restated Form 10 Registration Statement with the SEC with restated financial information for the years ended December 31, 2012 and December 31, 2013, and on March 16, 2015, the Company filed amended and restated quarterly reports on Form 10-Q, with restated financial information for the periods ended March 31, June 30 and September 30, 2014, respectively.

The staff of the Los Angeles Regional Office of the U.S. Securities and Exchange Commission recently advised counsel for the Company in a telephone conversation, followed by a written "Wells" notice, that it is has made a preliminary determination to recommend that the Commission file an enforcement action against the Company in connection with misstatements by prior management in the Company's financial statements for 2012, 2013 and the first three quarters of 2014. A Wells Notice is neither a formal allegation of wrongdoing nor a finding that any violations of law have occurred. Rather, it provides the Company with an opportunity to respond to issues raised by the Staff and offer its perspective prior to any SEC decision to institute proceedings. These proceedings could result in the Company being subject to an injunction and cease and desist order from further violations of the securities laws as well as monetary penalties of disgorgement, pre-judgment interest and a civil penalty. The Company has responded in writing to the "Wells" notice. Under current management, the Company restated the relevant financial statements and took other remedial action, and has been cooperating with the SEC's investigation since November 2014, including the appointment of a Special Committee of the Board to investigate the conduct of prior management and disclose this conduct to the SEC. The Company has also produced documents to the SEC and has made witnesses available, both voluntarily and for sworn testimony pursuant to subpoena. The Company is unable to predict the outcome of the investigation, any potential enforcement actions or any other impact on the Company that may arise as a result of such investigation. The Company has not established a liability for this matter, because it believes that the probability of loss related to this matter and an estimate of the amount of loss, if any, are not determinable at this time. An adverse judgment or action of the SEC could have a material adverse effect on the financial condition, results of operations and/or cash flows of the Company and their ability to raise funds in the future.

West Hollywood Lease

The lease for the former office at 8439 West Sunset Blvd. in West Hollywood, CA has been partially subleased. The Company plans to sublease the remainder of the office in West Hollywood, CA and continues to incur rent expense while the space is being marketed. The landlord for the prior lease filed a suit in Los Angeles

Superior Court in April 2015 against the Company for damages they allege have been incurred from unpaid rent and otherwise. In January 2016, the landlord filed a first amended complaint adding the independent guarantors under the lease as co-defendants and specifying damages claim of approximately $300,000. A trial date has been set in November 2016. The Company is presently unable to determine whether the likelihood of an unfavorable outcome of the dispute is probable or remote, nor can it reasonably estimate a range of potential loss, should the outcome be unfavorable.

Item 1A. Risk Factors.

In addition to the other information set forth in this report, you should carefully consider the factors discussed under “Risk Factors” as filed in the Company’s Form 10-K filed with the Securities and Exchange Commission on April 13, 2016, as amended on Form 10-K/A on April 29, 2016.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

At March 31, 2016, the Company had not paid the principal due of $9,600 on a convertible debenture which was due on March 27, 2016. The Company was in default and obtained a waiver from the lender on May 11, 2016 waiving all rights relating to the nonpayment and extending the maturity date of the convertible debenture to August 1, 2016. In the same waiver agreement, the terms of five additional convertible debentures with maturity dates in May and June of 2016 totaling $122,084 were also extended to a maturity date of August 1, 2016.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Table of Contents

Item 6. Exhibits.

Exhibit No.	Description
3.15	Articles of Merger, as filed with the Secretary of State of the State of Nevada on January 21, 2016(1)
10.01	Executive Employment Agreement, dated January 1, 2016 between the Company and Clint Pyatt (2)+
10.02	February 10 2016 Note Purchase Agreement, dated February 10, 2016 between the Company and the February 10 2016 Investor(3)
10.03	February 10 2016 Form of Promissory Note(3)
10.04	February 18 2016 Investor Securities Purchase Agreement, dated February 18, 2016 between the Company and the February 18 2016 Investor(4)
10.05	February 18 2016 Investor Form of Warrant(4)
10.06	March 2016 Related Party Financing Form of Convertible Note(5)
10.07	March 2016 Related Party Financing Form of Warrant(5)
10.08	March 15 2016 Investor Note Purchase Agreement, dated March 15, 2016 between the Company and the March 15 2016 Investor(6)
10.09	March 15 2016 Investor First Promissory Note(6)
10.10	March 15 2016 Investor Form of Second Promissory Note(6)
10.11	First Dispensary Unit Purchase Agreement dated February 25, 2016(7)
10.12	Property Unit Purchase Agreement dated April 6, 2016(7)
10.13	Second Dispensary Unit Purchase Agreement dated April 6, 2016(7)
10.14	Withdrawal Agreement dated April 6, 2016(7)
10.15	Note Purchase Agreement, dated April 13, 2016 between the Company and the April 13, 2016 Investor(8)
10.16	Form of Convertible Promissory Note under Note Purchase Agreement with April 13, 2016 Investor(8)
10.17	Form of Lock-Up Agreement(9)
10.18	First Amended and Restated Grower's Distributor Agreement, dated March 11, between EWSD I, LLC and Whole Hemp Company, LLC*^
10.19	First Amended and Restated Farming Agreement dated March 14, between the Company, EWSD I, LLC and Whole Hemp Company, LLC*^
10.20	Administrative Services Agreement, dated March 14, between the Company and EWSD I, LLC*
31.1	Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
31.2	Certification of the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
32.1	Certification of the Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
32.2	Certification of the Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
101.INS	XBRL Instance Document.*
101.SCH	XBRL Taxonomy Schema.*
101.CAL	XBRL Taxonomy Extension Calculation Linkbase.*
101.DEF	XBRL Taxonomy Extension Definition Linkbase.*
101.LAB	XBRL Taxonomy Extension Label Linkbase.*
101.PRE	XBRL Taxonomy Extension Presentation Linkbase.*

(1) Incorporated by reference to the Registrant's Current Report on Form 8-K (File No. 000-54928), filed with the Commission on January 28, 2016.
(2) Incorporated by reference from the Registrant's Amendment to Current Report on Form 8-K/A (File No. 000-54928) filed with the Commission on January 20, 2016.
(3) Incorporated by reference to the Registrant's Current Report on Form 8-K (File No. 000-54928) filed with the Commission on February 11, 2016.
(4) Incorporated by reference to the Registrant's Current Report on Form 8-K (File No. 000-54928) filed with the Commission on February 23, 2016.
(5) Incorporated by reference to the Registrant's Current Report on Form 8-K (File No. 000-54928) filed with the Commission on March 18, 2016.
(6) Incorporated by reference to the Registrant's Current Report on Form 8-K (File No. 000-54928) filed with the Commission on March 22, 2016.
(7) Incorporated by reference to the Registrant's Current Report on Form 8-K (File No. 000-54928) filed with the Commission on April 11,

2016.

(8) Incorporated by reference to the Registrant's Current Report on Form 8-K (File No. 000-54928) filed with the Commission on April 19, 2016.

(9) Incorporated by reference to the Registrant's Current Report on Form 8-K (File No. 000-54928) filed with the Commission on May 3, 2016.

* Filed herewith.

^ Confidential treatment requested

\+ Management Compensatory Agreement

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	Notis Global, Inc.
Date: May 19, 2016	By: /s/ Jeffrey Goh Jeffrey Goh President and Chief Executive Officer (Principal Executive Officer)
Date: May 19, 2016	By: /s/ C. Douglas Mitchell C. Douglas Mitchell Chief Financial Officer (Principal Financial Officer)

CONFIDENTIAL TREATMENT REQUESTED

FIRST AMENDED AND RESTATED

GROWER'S DISTRIBUTOR AGREEMENT

THIS FIRST AMENDED AND RESTATED GROWER'S DISTRIBUTOR AGREEMENT (the "Agreement") is made and entered into as of the ____ day of March, 2016 by and between EWSD I, LLC, a Delaware limited liability company ("EWSD") and Whole Hemp Company, LLC, a Colorado limited liability company ("Whole Hemp") (EWSD and Whole Hemp are referred to herein collectively as the "Parties" and individually as a "Party"), with reference to the following facts:

RECITALS

A. Whole Hemp, directly or through affiliates, grows hemp and cannabis crops for processing into cannabidiol oil ("CBD Oil").

B. Pursuant to this Agreement, the parties desire to amend and restate that certain Grower's Agent Agreement dated December 18, 2015 to (i) substitute EWSD as a party in the place of Notis Global, Inc. (formerly known as Medbox, Inc.), (ii) change the nature of the relationship of EWSD to Whole Hemp from that of an agent to that of a distributor, and (iii) to make certain other changes as set forth herein.

C. Whole Hemp is also entering into a First Amended and Restated Farming Agreement ("Farming Agreement") with an affiliate of EWSD for purposes of growing certain hemp crops.

D. CBD Oil is a complex product that is part of a rapidly emerging industry. Customers require considerable expertise and consulting in the purchasing decision. Whole Hemp is contracting with EWSD to not only secure new wholesale customers ("Customers") but also to provide technical expertise to the wholesale customers as they prepare orders and product specifications. Accordingly, Whole Hemp desires and EWSD agrees to act on behalf of Whole Hemp in the marketing, negotiation and sale of CBD Oil (the "Product"), and such services that are further described below in this Agreement.

NOW, THEREFORE, the Parties agree as follows:

1. AUTHORITY GRANTED. On the terms and conditions contained in this Agreement, Whole Hemp hereby authorizes EWSD to act as Whole Hemp's distributor for the purpose of marketing, arranging for sale and selling the Product, in accordance with the terms of this Agreement.

1.1 **[Omitted]**.

1.2 **Authorization as Distributor for the Term**.

(a) EWSD is authorized, for the Term, to act as Whole hemp's distributor to sell Product at a minimum price of [*] per milligram of Product ("Minimum Price"), subject to the provisions of Section 1.4 and on the terms and conditions set forth herein.

[*] CERTAIN INFORMATION HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

(b) The Parties mutually agree on a sales target of one hundred (100) kilograms of Product per month, but that EWSD shall have the right to sell more or less than the targeted quantity. If Whole Hemp's costs of goods sold declines by at least twenty percent (20%) during any Crop Season, then the Minimum Price shall be reduced, effective for the immediately following Crop Season, by a percentage equal to the average percentage decline in costs of goods sold for the prior Crop Season. The Parties will meet and confer within forty five (45) days following each Crop Season to confirm the amount of the adjustment, if any. Prior to the meeting, Whole Hemp shall provide to EWSD financial statements, or other financial information reasonably acceptable to EWSD, for purpose of determining the adjustment to the Minimum Price, if any

(c) For the absence of doubt, if a transaction is proposed at less than the Minimum Price, the "meet or release" provisions of Section 1.4 will permit the Parties to either decline the sale or accept a sale at less than the Minimum Price.

1.3 **Limited Exclusivity**. EWSD' authority to act as a distributor under this Agreement shall be on a non-exclusive basis; provided, however, EWSD shall have during the Term the exclusive right to market and sell to Customers or potential Customers listed on **Exhibit A** hereto, including as that Exhibit may be amended by the mutual agreement of the Parties from time to time.

1.4 **Meet or Release**. Except as set forth in this Section 1.4, EWSD may not sell Product of or for any grower, distributor or manufacturer of Product other than Whole Hemp. If EWSD identifies a potential purchaser of Product that is willing to purchase Product at less than the Minimum Price, EWSD must inform Whole Hemp of said potential purchaser, the proposed sale price, and the volume of Product the potential purchaser desires to purchase and, within three business days of such notice, if Whole Hemp has not authorized EWSD to sell Product to the potential purchaser at the proposed price, then EWSD shall have the right to procure Product from someone other than Whole Hemp to sell to the potential purchaser the requested amount of Product at the proposed price. Authorization by Whole Hemp to sell a certain volume of Product of another grower, distributor or manufacturer to a particular potential purchaser at a particular price will not be deemed authorization to sell any additional Product of another grower, distributor or manufacturer to the same or any other potential purchaser. Notwithstanding the foregoing, if Notis or any of its subsidiaries desires to utilize any farming facilities either now or hereafter owned or controlled by Notis or any subsidiary to grow crops to produce the Product (including, without limitation, growing crops to produce the Product on EWSD's property subject to the Farming Agreement) and/ or sell any Product, or otherwise has an opportunity to sell Product on behalf of one or more third parties, Notis shall first give written notice to Whole Hemp of its intent to engage in a proposed transaction or activity otherwise limited by this Agreement. Notis and Whole Hemp shall then negotiate in good faith for purposes of allowing Whole Hemp to participate in the proposed transaction or activity on mutually acceptable terms. If the Parties are unable to reach a mutually acceptable written agreement with respect to the proposed transaction or activity, Notis or its affiliates may pursue the proposed transaction or activity free from any restriction under this Agreement.

2. TERM. This Agreement shall be effective on the date hereof, and shall continue for a term of 10 crop seasons (the "Initial Term", where each crop season is denoted as the

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period beginning on October 1 of each year, and ending on September 30 of the following year (each, a “Crop Season”). The first Crop Season commences on October 1, 2015. Either Party may extend the Initial Term for another 5 Crop Seasons by written agreement to the other Party at least 180 days prior to the end of the Initial Term (“First Extended Term”), and either Party may extend the First Extended Term for another 5 Crop Seasons by written agreement to the other Party at least 180 days prior to the end of the First Extend Term. The Initial Term, and any period that this Agreement shall continue following the Initial Term, shall be collectively referred to as the “Term.” This Agreement may be terminated at any time: (i) by either Party, if the other Party is in material breach of any obligation under this Agreement, which breach is continuing uncured for thirty (30) days following written notice thereof; (ii) by EWSD upon written notice to Whole Hemp, if the Farming Agreement terminates for any reason, or (iii) by either party, upon written notice to the other, if the activities under this Agreement shall be enjoined or be subject to materially adverse regulatory action.

3. WHOLE HEMP’S AGREEMENTS.

(a) Whole Hemp, at its sole cost, shall maintain in full force an insurance policy or policies with a company A-rated or better for protection against liability to the public as an incident to product grown by Whole Hemp. The limits of product liability under this insurance shall not be less $2,000,000.00. Whole Hemp agrees to name EWSD as additional insured.

(b) If requested by EWSD, Whole Hemp shall provide its packaging specified by EWSD or special Customer packaging. Pricing for custom packaging will be negotiated by the parties as appropriate. In all other cases, the Product will be packed in containers designated and chosen by Whole Hemp, using Whole Hemp’s or a third party’s label, using packaging supplies from packaging manufacturers of its choice, at Whole Hemp’s cost.

4. EWSD’S AGREEMENTS.

(a) EWSD will assist Customers in (i) determining the exact specifications for their Product and (ii) defining testing procedures to validate that the Product is in accordance with specifications. EWSD will order the Product from Whole Hemp consulting with the Whole Hemp staff to ascertain that the Product will meet the Customer’s specifications. EWSD will assist the Customer with product testing and product acceptance to ensure that the specific lot conforms to the required specifications.

(b) EWSD agrees to receive and market all of the Product, on a best efforts basis to obtain the highest possible price for the Product, provided that EWSD is not prevented from doing so by strikes, epidemic, lockouts, shortage of transportation facilities, governmental action or other acts beyond the control of EWSD.

(c) EWSD will purchase inventory of Product from Whole Hemp to fulfill Customer orders, at intervals mutually agreed to by the Parties after an initial inventory purchase. EWSD may require Whole Hemp to maintain the EWSD inventory in a segregated section of the Whole Hemp warehouse. EWSD will be invoiced and will pay for inventory on the earlier of 30 business days following EWSD’s receipt of the invoice, or 5 business days following EWSD’s

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receipt of payment of good funds from Customers. Alternatively, EWSD may maintain its own separate inventory in its own warehouse facility. Accordingly, EWSD will bear all market risk with respect to the Product and the full risk of loss or damage to the Product. Product will be shipped to EWSD or EWSD's Customers FOB the Whole Hemp warehouse.

(d) EWSD shall have full control of the times when, the place where, the parties to whom, and the prices for which the Product shall be sold (subject to the Minimum Price), and means of transportation. As distributor of Whole Hemp, EWSD is hereby authorized by Whole Hemp to (i) make price adjustments, (ii) to grant allowances, and (iii) to take such other actions as may be reasonably necessary in order to consummate sales of Product.

(e) EWSD may employ the services of a broker, jobber, or other subcontractor and may consign or otherwise sell the Product or any part thereof, when in EWSD' judgment the best interest of Whole Hemp will thereby be served.

(f) EWSD, at its sole cost, shall maintain in full force an insurance policy or policies with a company A-rated or better for protection against liability to the public as an incident to work performed by EWSD. The limits of product liability under this insurance shall not be less $2,000,000.00. EWSD agrees to name Whole Hemp as an additional insured.

5. SALE PROCEEDS. EWSD shall be accountable to Whole Hemp for the proceeds arising from the sale of the Product covered by this Agreement. EWSD is responsible for collecting payment for the Product and is liable to Whole Hemp for any failure to collect said sale proceeds. From the gross proceeds, EWSD shall have the right to deduct all compensation and expenses due EWSD as provided in this Agreement.

6. TRANSPORTATION AND SALES EXPENSES. The Product will be shipped to purchasers FOB Whole Hemp's facilities. EWSD will be responsible for collecting shipping costs directly from purchasers.

7. REPORTING. EWSD shall provide Whole Hemp with a monthly report of its sales activities with respect to the Product, including, but not limited to, the price and quantity of the Product sold during the prior month, and an accounting of the costs incurred chargeable to Whole Hemp under this Agreement.

8. COMPENSATION. From the sale proceeds for any sales of Products by EWSD, EWSD will charge and collect a fee equal to [*] of the gross sales proceeds for Product sold under this Agreement. For example, if Product is sold at [*] per milligram, the compensation to EWSD will be [*] per milligram of Product (or [*] of the sales price). The computation of compensation to EWSD will not be [*] per milligram minus the [*] per milligram Minimum Price.

9. MISCELLANEOUS.

9.1 Entire Agreement. There are no oral agreements or representations between the parties not contained herein. This Agreement replaces all prior agreements addressing the subject matter hereof, including any amendments thereof. This Agreement may only be altered or changed by agreement in writing signed by the parties.

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9.2 Assignment. This agreement shall be binding on and inure to the benefit of the heirs, executors, administrators, successors and assigns of the signatories hereto. Notwithstanding the foregoing, neither Party shall have the right to assign this Agreement without the prior written consent of the other Party.

9.3 Dispute Resolution. If the parties are unable to resolve any dispute(s), brought to enforce the terms of this agreement, both parties agree to submit to binding arbitration in Denver, Colorado before the Judicial Arbitration and Mediation Service (JAMS). In any legal action or arbitration affecting or based upon the enforcement or interpretation of this Agreement or any of the rights derived under this Agreement, the successful party shall be entitled to receive, in addition to all other sums, reasonable attorneys' fees and court costs. This Agreement shall be governed by the internal laws of the State of Colorado.

9.4 Notice. Any noticed required by this Agreement shall be deemed given forty- eight (48) hours after the posting thereof in the United States mail, first class, certified, postage prepaid, return receipt requested, properly addressed to the party to be served at the address of such party as follows or at the time of the personal service of such notice. Either party may change its address for notices by notice to the other party

Whole Hemp:	EWSD:
828 Wooten Road Colorado Springs, CO 80915 Attn: President	600 Wilshire Blvd Suite 1500 Los Angeles, CA 90017 Attn: President

9.5 No Partnership. It is understood, agreed and intended by the parties to this Agreement that in performing this Agreement the parties are each separately and independently carrying out their respective businesses, that this Agreement does not and shall not create or constitute a partnership or joint venture between them, and that each Party is and shall be an independent contractor.

9.6 Counterparts. This instruments may be executed in two or more counterparts, each of which shall be deemed original, but all of which taken together shall constitute one and the same instrument.

10. INDEMNIFICATION.

10.1 By EWSD. EWSD will be entirely and solely responsible for its actions and the actions of its agents, employees and subcontractors, if any, while providing services under this Agreement. EWSD shall indemnify and hold harmless Whole Hemp and its Customers against all claims, losses, liabilities, demands, suits, awards, and judgments, made or recovered by any person or agencies due to (i) the actions of EWSD or its employees, agents or subcontractors during the rendering of services under this Agreement or (ii) any breach of the terms of this Agreement by EWSD or its employees, agents or subcontractors.

10.2 By Whole Hemp. Whole Hemp shall indemnify and hold harmless EWSD and its Customers against all claims, losses, liabilities, demands, suits, awards, and

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judgments, made or recovered by any person or agencies due to (i) the actions of Whole Hemp or its employees, agents or subcontractors during performance of its obligations under this Agreement or (ii) any breach of the terms of this Agreement by Whole Hemp or its employees, agents or subcontractors.

In Witness Whereof, the parties have executed this Agreement on the date first herein above stated.

Whole Hemp Company, LLC:

By: /s/ Kashif Shan

EWSD I, LLC:

By: /s/ Jeffrey Goh

The undersigned accepts the substitution of EWSD in its place as a Party to this Agreement.

Notis Global, Inc.:

By: /s/ Jeffrey Goh

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EXHIBIT

EXCLUSIVE CUSTOMERS

None

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Exhibit 10.19

CONFIDENTIAL TREATMENT REQUESTED

FIRST AMENDED AND RESTATED FARMING AGREEMENT

This **FIRST AMENDED AND RESTATED FARMING AGREEMENT** (this "**Agreement**") is made and effective as of March __, 2016, by and between **Notis Global, Inc., a Nevada corporation, formerly known as Medbox , Inc.**, a Nevada corporation ("**Notis**"), **EWSD I, LLC**, a Delaware limited liability company, formerly an Arizona limited liability company ("**EWSD**") and **Whole Hemp Company**, a Colorado limited liability company ("**Whole Hemp**"), collectively referred to as the "**Parties**."

RECITALS

A. Whole Hemp, directly or through affiliates, grows hemp and cannabis crops for the production of Products (defined below).

B. Whole Hemp is also entering into a First Amended and Restated Grower's Distributor Agreement ("**Distributor Agreement**") with Notis and EWSD in order to authorize Notis to act on behalf of Whole Hemp in the marketing, negotiation and sale of certain Product, as such services are further described therein.

C. EWDS is a subsidiary of Notis and owns the EWSD Farmland.

D. The Parties desire to enter into this Agreement for the purpose of amending and restating that certain Farming Agreement dated December 18, 2015 among the parties hereto and to facilitate EWSD building certain greenhouses on the EWSD Farmland for Whole Hemp to use grow hemp and cannabis crops.

NOW, THEREFORE, the Parties agree as follows:

1. Farmlands.

(a) The "**EWSD Farmlands**" means those certain lands located at 214 East 39th Lane, Highway 96, Pueblo, Colorado, 81006, and the "**Whole Hemp Farmlands**" means those certain lands located in La Junta CO . The EWSD Farmlands and the Whole Hemp Farmlands collectively are referred to as the "**Farmlands**".

(b) Whole Hemp owns the Whole Hemp Farmlands. It cultivates, plants, grows and harvests Products (as defined below) on the Whole Hemp Farmlands and manufactures Products (including, without limitation, oil produced by way of extraction) from hemp and cannabis crops (collectively, the "**Farming Activities**").

(c) The Parties desire for Whole Hemp to conduct Farming Activities on a portion of the EWSD Farmlands, to be identified by Notis and upon which EWSD will build one or more turn-key greenhouses up to an aggregate size of 200,000 square feet, suitable to cultivate, plant, grow and harvest (but not manufacture) hemp crops (the "**Greenhouse(s)**"), as further described below.

(d) As used herein, the term "**Products**" means all parts of hemp or marijuana plant, whether growing or not; the seeds thereof; the resin, oil or other components extracted from any part of such plant; including, without limitation, the mature stalks of such plant, fiber produced from any part of such plant, the seeds thereof and any extracts therefrom, oil, cake, powder and every other compound, manufacture, salt, derivative, mixture, or preparation of any of the foregoing.

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2. Greenhouse(s); 10 Acres and Grant of License.

(a) EWSD will construct Greenhouses on the EWSD Farmlands as designed and agreed by the Parties. As part of the consideration for the License (defined below), Whole Hemp will pay to EWSD an amount equal to 100% of all preapproved costs (soft and hard) incurred by EWSD in building the Greenhouse(s) and making other capital expenditures with respect to the EWSD Farmland for purposes of performing this Agreement (the "Base License Fee"). Whole Hemp may pay the Base License Fee in one or more installments, but must pay the total Base License Fee to EWSD no later than September 30, 2017. Additionally, EWSD will use [*], up to a total of [*], from the proceeds of any equity offerings completed by EWSD for construction of the capital expenditures to be determined and approved by both Parties. If Whole Hemp fails to fully pay the Base License Fee by September 30, 2017, then any outstanding amount of the Base License Fee shall bear interest from October 1, 2017 through the date fully paid at a rate equal to 3% in excess of the annual prime interest rate being charged at the time by JP Morgan Chase, or any successor thereto. Whole Hemp shall put up as collateral an equal amount of CBD oil that at the present market price us equal to the outstanding amount owed to EWSD for the preapproved costs incurred by EWSD in building the Greenhouses.

(b) As and when the Greenhouse(s) are built out in 10,000 square feet increments, Whole Hemp will begin to conduct Farming Activities thereon. Whole Hemp will also conduct Farming Activities within those certain 10 acres depicted on Exhibit A attached hereto, and located on the EWSD Farmlands ("**10 Acres**"). Whole Hemp shall devote sufficient manpower, supplies and resources, all at its sole cost, to perform such Farming Activities so as to maximize crop production, Products and sales in each Crop Season (as defined below). As part of the consideration for the License to the 10 Acres, EWSD will receive 50% of gross profits (revenues minus direct costs) received from the sales of Products from the 10 Acres, which Whole Hemp will pay to EWSD within 5 days of receipt of any such sales amounts.

(c) EWSD hereby grants to Whole Hemp and its agents and employees, (collectively, its '**Representatives**"), during the Term a revocable license ("**License**") to the 10 Acres and the Greenhouses, together with reasonable ingress and egress access thereto ("**License Areas**") for sole purpose of performing the Farming Activities thereon, on and subject to the terms and conditions herein. EWSD will own all existing and future improvements and fixtures made or installed upon the License Areas, whether constructed or installed by EWSD, Whole Hemp or a related third party, and Whole Hemp waives any ownership rights or claims thereto.

(d) In connection with the Farming Activities on the License Areas, Whole Hemp shall (and shall cause its Representatives to) use the highest standard of care to keep all work areas within the License Areas safe and to properly construct and secure all work areas created or used by Whole Hemp or its Representatives to prevent harm to Notis, EWSD, and their employees, agents, invitees and property. Whole Hemp shall (and shall cause its Representatives to) use the highest standard of care to keep any equipment used or brought onto the EWSD Farmlands by Whole Hemp or its Representatives under its absolute and complete control at all times, and said equipment shall be used only in the License Areas and, in all circumstances, at the sole risk of Whole Hemp. Whole Hemp shall (and shall cause its Representatives to) perform all Farming Activities with the highest due care, diligence and in cooperation with Notis, EWSD and their customers, employees, agents and invitees to avoid accident, damage or harm to persons or property and unreasonable delay to or interference with the operations or business of such parties. Whole Hemp shall (and shall cause its Representatives to) conduct the Farming Activities in a manner and at times that are intended to minimize any impairment of access or traffic by the aforementioned parties, or other inconvenience or disturbance to the operations or businesses of such parties.

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(e) Whole Hemp shall (and shall cause its Representatives to) strictly comply with: (i) all applicable federal, state and local laws (including, without limitation, environmental laws), in the conduct of all activities and while on the Property (provided that it is understood that there may be a conflict with the Farming Activities and the Controlled Substances Act), and (ii) generally accepted professional and industry standards. Whole Hemp, at its sole cost and expense, shall be responsible for obtaining and maintaining any and all permits and approvals from any governmental authority that may be necessary for it to conduct the Farming Activities. Whole Hemp shall be solely responsible for and ensure that all government-required inspections or reports, if any, regarding the Farming Activities are properly and timely conducted or submitted.

(f) Whole Hemp shall be solely responsible for, and be considered the generator of, all wastes associated with Farming Activities. No Hazardous Materials (defined below) should result from any of the Farming Activities. As used herein, "**Hazardous Materials**" means all hazardous or toxic substances, wastes, materials (whether solids, liquids or gases) or chemicals, petroleum (including crude oil or any fraction thereof) and petroleum products, asbestos and asbestos-containing materials, pollutants, contaminants and by-products regulated pursuant to or forming the basis of liability under any Environmental Law. "**Environmental Law**" means any applicable laws or orders relating to the protection of the environment or natural resources or human health and safety as it relates to environmental protection, and relating to the presence, use, production, generation, handling, transportation, treatment, storage, disposal, distribution, labeling, testing, processing, discharge, release, threatened release, control or cleanup of any Hazardous Materials in the environment and including but not limited to the Comprehensive Environmental Response, Compensation and Liability Act (42 U.S.C. § 9601 et seq.), the Hazardous Materials Transportation Act (49 U.S.C. App. § 1801 et seq.), the Resource Conservation and Recovery Act (42 U.S.C. § 6901 et seq.), the Clean Water Act (33 U.S.C. § 1251 et seq.), the Clean Air Act (42 U.S.C. § 7401 et seq.) the Toxic Substances Control Act (15 U.S.C. § 2601 et seq.), and the Federal Insecticide, Fungicide, and Rodenticide Act (7 U.S.C. § 136 et seq.) and their state and local counterparts, to the extent each is applicable and as each has been amended and the regulations promulgated pursuant thereto.

(g) Whole Hemp will pay EWSD an equitable percentage for Whole Hemp's use of all utilities supplied to the EWSD Farmlands by any utility company, whether public or private, including but not limited to, fuel, water, gas, sewage, common security, electricity and other charges incurred by EWSD in providing utilities to the EWSD Farmlands, as reasonably determined by EWSD. Such sums shall be paid by Whole Hemp within 15 days of invoice therefor. Such utilities shall exclude telephone, wi-fi, and internet service which shall be separately installed and provided for by each Party with their own respective service providers.

(h) Whole Hemp will not permit any mechanics', materialmen's or other similar liens or claims to stand against the EWSD Farmlands for labor or material furnished in connection with any Farming Activities performed by Whole Hemp or its Representatives. Upon written notice of any such lien or claim delivered to Whole Hemp by Notis or EWSD, Whole Hemp shall either immediately (i) pay and discharge such lien or claim, or (ii) bond and contest the validity and the amount of such lien, provided Whole Hemp (a) immediately pays any judgment rendered; (b) immediately pays all proper costs and charges; and (c) has the lien or claim released at its sole expense. This Section shall survive the expiration or termination of this Agreement.

(i) Whole Hemp hereby agrees to indemnify, defend (with counsel reasonably acceptable to Notis and EWSD), and hold harmless Notis, EWSD and their employees, officers, directors, shareholders, partners, members, agents, representatives, affiliates, lenders, successors and assigns (each, an "**Indemnified Party**"; collectively, the "**Indemnified Parties**") from and against any and all liabilities, claims, suits, actions, judgments, demands, costs, damages, fines, penalties, losses and

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expenses (including but not limited to reasonable attorneys' fees) (collectively, "**Losses**"), including but not limited to Losses related to environmental contamination, environmental laws, the handling of Hazardous Materials, natural resource damage or remediation, incurred or suffered by, or claimed against any Indemnified Party (which shall include claims against Notis and/or EWSD by another Indemnified Party, and shall exclude consequential or special or punitive damages), which may arise, directly or indirectly, in whole or in part, from, out of, by reason of or in connection with the performance of the Farming Activities by Whole Hemp or its Representatives (whether or not due to negligence or misconduct) or out of Whole Hemp's failure to perform any of its obligations under this Agreement; provided, however, that such obligation to indemnify, defend and hold Notis, EWSD and the Indemnified Parties harmless shall not be applicable to any Losses arising from the willful or grossly negligent acts of the applicable Indemnified Party. Notis agrees to give notice to Whole Hemp of any claims or alleged liabilities received or incurred by Notis or EWSD that are subject to this indemnification. Notis or EWSD, as applicable, shall reasonably cooperate with Whole Hemp in defending or resisting such claims. Notwithstanding any other provision of this Agreement, each of Notis and EWSD reserves its rights to assert, and does not release Whole Hemp from, any statutory or common law claims that Notis or EWSD may have against Whole Hemp for any Losses arising out of or in any way related to the Farming Activities (excluding consequential or special damages and/or punitive damages). Whole Hemp's obligations to the parties under this Section shall not be impaired by Notis' or EWSD's assignment of its rights and/or delegation of its duties, and such obligations to Notis and EWSD shall continue in full force and effect notwithstanding any such assignment or delegation. This Section shall survive the expiration or termination of this Agreement.

3. <u>Revenue Share</u>. As part of the consideration for the License, Whole Hemp will pay EWSD the following shared revenues ("**Shared Revenues**"):

(a) Before Commencement of First Crop Season – For all Products from crops derived from March 15, 2016 until September 30, 2016, EWSD shall receive the following percentage of Whole Hemp Gross Sales as defined below:

(i) If EWSD provides at least [*] in financing to be used for capital expenditures on the EWSD Farmlands, to be reviewed and approved by both parties no later than June 15, 2016, EWSD shall receive for the period March 15, 2016 to September 30, 2016 the greater of (x) [*] of Whole Hemp Gross Sales or (y) [*]. The targeted funding dates and amounts of the financing proceeds shall be [*] on April 15, 2016, [*] on May 15, 2016 and [*] on June 15, 2016, with a 15 day grace period allowed for the first installment on April 15, 2016;

(ii) If EWSD provides at least [*], but less than [*], in financing to be used for capital expenditures on the EWSD Farmlands, to be reviewed and approved by both parties no later than June, 15, 2016, EWSD shall receive for the period March 15, 2016 to September 30, 2016 the greater of (x) [*] of Whole Hemp Gross Sales or (y) [*];

(iii) If EWSD provides at least [*], but less than [*], in financing to be used for capital expenditures on the EWSD Farmlands, to be reviewed and approved by both parties no later than June 15, 2016, EWSD shall receive for the period March 15, 2016 to September 30, 2016 the greater of (x) [*] of Whole Hemp Gross Sales or (y) [*];

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(iv) If EWSD provides at least [*], but less than [*] in financing to be used for capital expenditures on the EWSD Farmlands, to be reviewed and approved by both parties no later than June 15, 2016, EWSD shall receive [*] of Whole Hemp Gross Sales for the period March 15, 2016 to September 30, 2016.

The parties agree to conduct two contract reviews to compute and adjust payments of the percentage of Whole Hemp Gross Sales due ("True Ups"). The first True Up will be completed as of June 15, 2016 after the capital expenditure investment is finalized. Prior to the June 15, 2016 True Up, Whole Hemp will remit payments to EWSD for March, April and May 2016 at 10% of Gross Revenue, which will be adjusted, if required, in the first True Up. The second True Up will be completed as of September 30, 2016. Any amounts due to EWSD as a result of a True Up shall be paid by Whole Hemp to EWSD within five days of completion of the True Up, and any amounts due from EWSD to Whole Hemp shall be credited to future payments due from Whole Hemp.

(b) First Crop Season. For the first Crop Season (October 1, 2016 until September 30, 2017) EWSD shall receive [*] of Whole Hemp's Gross Sales.

(c) Second Crop Season – For all Products from crops derived from the second Crop Season (other than Products sold by EWSD under the Distributor Agreement for which EWSD is compensated under that agreement), EWSD shall receive [*] of Gross Sales, provided that EWSD shall have used commercially reasonable efforts to establish international sales channels for the sale of the Products and to provide Whole Hemp with services at a reasonable, mutually agreed to cost, access to research applicable to the Products available to EWSD (and not otherwise available to Whole Hemp), introductions to industry contacts, and support in developing a seed program, which EWSD will lead.

(d) Third and Subsequent Crop Seasons – For all Products from crops derived from the third and subsequent Crop Seasons (other than Products sold by EWSD under the Distributor Agreement for which EWSD is compensated under that agreement), EWSD shall receive [*] of Gross Sales, provided that EWSD shall have used commercially reasonable efforts to establish international sales channels for the sale of the Products and to provide Whole Hemp with services at a reasonable, mutually agreed to cost, access to research applicable to the Products available to EWSD (and not otherwise available to Whole Hemp), introductions to industry contacts, and support in developing a seed program, which EWSD will lead.

(e) Whole Hemp shall pay the Shared Revenues to EWSD, without offset or deduction, by wire transfer of immediately available funds to an account designated by EWSD, in arrears, by the tenth day of the calendar month succeeding the calendar month to which such Shared Revenues have been collected in good funds. For example, no later than April 10, 2016, Whole Hemp shall pay to EWSD the Shared Revenues collected in good funds for the calendar month of March, 2016. Concurrent with each such payment of Shared Revenues, Whole Hemp shall provide EWSD an itemized and detailed written description and breakdown of all Gross Sales attributable to such Shared Revenues payment and such other information as EWSD may reasonably request. Whole Hemp will deliver to EWSD by January 31 of each year of the Term an annual statement certified by a Certified Public Accountant or by a financial officer, owner or partner of Whole Hemp, of the Gross Sales made during the preceding year. If the Term expires

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or is terminated on a date other than December 31, then a like statement for the partial calendar year in which expiration or termination occurs shall be delivered within 30 days after expiration or termination.

(f) As used herein, "**Gross Sales**" means the entire amount of the sale price of all Products sold and the charges for all services and all other receipts in connection with Products sold by Whole Hemp, its subsidiaries, other affiliates and/or joint venture partners, whether or not related to Products derived from the Whole Hemp Farmlands, the License Areas or elsewhere (excluding, however, Products derived from the 10 Acres or the 40 Acres (defined below)), and irrespective of whether the agent for the sale is Whole Hemp, its subsidiary, affiliate, joint venture partner or EWSD, whether (wholly or partially) for cash or credit, and shall include charges for equipment leased and reimbursements actually received from third parties in respect of the foregoing.

(g) Records and Audit Rights. Whole Hemp agrees to accurately record all sales in accordance with generally accepted accounting practices, and to maintain sufficient original records which accurately summarize all transactions relating to the Gross Sales (including the sales of subsidiaries, other affiliates and joint venture partners). Original records shall include but not be limited to: sales documents, invoices, cash receipts, payroll journals, accounts receivable, disbursement journals, bank statements, deposit slips, inventory records, purchase orders, receiving records, sales journals or daily sales reports, orders accepted by means of electronic, telephonic, video, computer or another electronic or other technology based system, state sales and use tax returns (and all documentation used to prepare the returns), and a complete general ledger. Records shall be preserved (properly totaled) by Whole Hemp either (a) at the Whole Hemp Farmlands or (b) at the home or regional offices of Whole Hemp (provided EWSD shall be notified in writing of the address at which the records are maintained) and made available to EWSD at such location upon demand, for a period of at least 3 years after the year in which the sales occurred (however, if any audit is begun by EWSD or if there is a dispute regarding Gross Sales, Whole Hemp's records shall be retained by Whole Hemp until a final resolution of the audit or dispute). The receipt by EWSD of a statement of Gross Sales shall not constitute an admission of its correctness. EWSD shall be entitled, at EWSD's expense, to have at any time and from time to time an audit of the Gross Sales made during any period covered by the annual statement and account and to recalculate the rental payable for that period. If there is a deficiency in the payment of Shared Revenues, the deficiency shall be immediately due and payable with interest at a rate equal to 3% in excess of the annual prime interest rate being charged at the time by JP Morgan Chase, or any successor thereto, accruing from the date when the payments should have been made until paid. If there is an overpayment by Whole Hemp, it shall be credited against future Shared Revenue payments due. If Gross Sales have been understated by more than 2% or Whole Hemp fails to record, maintain or make available the required sales supporting documentation, Whole Hemp shall be in default, and shall pay the cost of the audit and all other related costs and expenses. If Whole Hemp is late furnishing EWSD any monthly Gross Sales statement, EWSD shall have the right, without notice, to conduct an audit at Whole Hemp's sole cost. If Whole Hemp does not furnish the Gross Sales documentation referred to above or otherwise impedes EWSD's audit of Gross Sales, EWSD shall be entitled, in addition to EWSD's other rights and remedies, to estimate Whole Hemp's annual Gross Sales as 125% of the Gross Sales for the preceding year, and bill Whole Hemp for any Shared Revenues which may be due based upon the estimated Gross Sales.

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4. Set-Off Related to Base License Fee. Commencing with the second Crop Season, to the extent the Base License Fee is not paid in full, Whole Hemp agrees to pay 100% of its gross profits (Gross Sales, net only of Whole Hemp's actual out-of-pocket hard costs directly attributable to such Products, which hard costs shall equal $0.02 per milligram of Product sold) derived from sales by EWSD under the Distributor Agreement from Products produced from crops planted within the License Areas, which may include sales to EWSD or any of its affiliates, to pay the Base License Fee, which EWSD will deduct from such sales amounts before remitting the remaining sales amounts to Whole Hemp.

5. Products from Whole Hemp Farmlands. On the terms set forth herein, Whole Hemp hereby authorizes EWSD to act as Whole Hemp's sole and exclusive distributor ("**Exclusive Distributorship**") for the purpose of marketing, arranging for sale and selling any and all Products produced from crops planted within those certain 40 acres depicted on Exhibit B attached hereto, and located on the Whole Hemp Farmlands ("**40 Acres**"). Whole Hemp will be responsible to directly or indirectly cause the Products from the 40 Acres to be prepared and will notify provide EWSD with monthly production schedules for the Products from the 40 Acres, which schedule will identify and provide sufficient details of each Product type and quantity, sufficient for EWSD to perform its Exclusive Distributorship. In consideration of EWSD's performance of the Exclusive Distributorship, EWSD will receive 50% of gross profits (revenue minus direct costs) received from the sales of Products from the 40 Acres, which Whole Hemp will pay to EWSD within 5 days of receipt of any such sales amounts. EWSD and its representatives shall have free access to the 40 Acres solely for the purpose monitoring Whole Hemp's performance.

6. Term.

(a) This Agreement shall be effective on the date hereof, and shall continue for a term of 10 crop seasons (the "**Initial Term**", where each crop season is denoted as the period beginning on October 1 of each year, and ending on September 30 of the following year (each, a "**Crop Season**"). The first Crop Season commences on October 1, 2016. Either Party may extend the Initial Term for another 5 Crop Seasons by written agreement to the other Party at least 180 days prior to the end of the Initial Term ("**First Extended Term**"), and either Party may extend the First Extended Term for another 5 Crop Seasons by written agreement to the other Party at least 180 days prior to the end of the First Extend Term. The Initial Term, and any period that this Agreement shall continue following the Initial Term, shall be collectively referred to as the "**Term**." This Agreement may be terminated at any time: (i) by either Party, if the other Party is in material breach of any obligation under this Agreement, which breach is continuing uncured for 30 days following written notice thereof; or (ii) by either Party, upon written notice to the other, if the activities under this Agreement shall be enjoined or be subject to materially adverse regulatory action.

(b) Upon end of the Term, Whole Hemp agrees to vacate and surrender the License Areas, including, without limitation, the Greenhouses and all fixtures and improvements thereon, to Notis, in good operating condition and repair, reasonable wear and tear excepted. As part of vacating the License Areas, Whole Hemp shall remove all its equipment and personal property, and restore any damage resulting from the removal thereof. Whole Hemp acknowledges that Whole Hemp's failure to so vacate the License Areas and so remove its equipment and personal property on or prior to the end of the Term in such condition may subject Notis and/or EWSD to significant costs and expenses arising from such failure. Accordingly, Whole Hemp agrees that it shall be wholly responsible for all costs and expenses incurred by Notis and/or EWSD arising from Whole Hemp's failure to do so. This Section shall survive the expiration or termination of this Agreement.

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7. Insurance Requirements.

(a) *Policy Requirements*. Upon Whole Hemp's execution of this Agreement, and prior to Whole Hemp or its Representatives conducting any Farming Activities, Whole Hemp shall furnish to Notis, at Whole Hemp's expense, satisfactory certificates of insurance listing Notis as an additional insured on the policies listed below (with the exception of the Worker's Compensation/Employer's Liability policy), evidencing that Whole Hemp (or its applicable Representatives, in the case the Farming Activities will all be conducted by Whole Hemp's Representatives) have the following insurance in full force and effect meeting the requirements set forth below:

Type	Limits
Worker's Compensation/Employer's Liability	$500,000/Statutory
General Liability	$1,000,000/occurrence $2,000,000/aggregate
Umbrella Liability	$9,000,000/occurrence $9,000,000/aggregate

(b) *Maintenance of Coverage; Policy Types*. Whole Hemp will ensure that all applicable Representatives maintain the aforesaid coverages during the Term. Any insurance required hereby may be maintained under a blanket policy or an umbrella policy insuring other parties and other locations so long as such policy satisfies the foregoing requirements. Any coverage written on a "claims-made" basis shall be kept in force, either by renewal or the purchase of an extended reporting period, for a minimum period of three (3) years following the termination or expiration of this Agreement. Nothing in this Section shall in any way limit Whole Hemp's liability under this Agreement or otherwise.

(c) This Section 7 shall survive the expiration or termination of this Agreement.

8. Growing, Harvesting, Packing and Handling the Crops.

(a) Performance. Whole Hemp agrees to perform, as an independent contractor, all the necessary services and efforts to plant the crops and manufacture the Products and to bring the crops and Products to a position where they are ready for harvesting, packing, and selling. Whole Hemp agrees to grow the crops and manufacture the Products in accordance with all laws and regulations governing agricultural processes and the best agricultural practices prevailing in the area of the Farmlands, and shall take all actions consistent with prudent farming and manufacture methods to accomplish the proper care, growth and production of the same. Whole Hemp shall take all precautions necessary to ensure that all operations undertaken by Whole Hemp are sanitary for the purpose of preventing the crops or Products from being subject to contamination that could harm the crops or Products or interfere with the marketability of all or any portion of the crops or Products. Whole Hemp warrants that the crops and Products will not be adulterated within the meaning of the Federal Food, Drug and Cosmetic Act, nor subject to, nor contaminated with any chemicals, pesticides, fungicides and herbicides prohibited by federal or state statutes or regulations. Whole Hemp agrees to maintain a listing of all chemicals, pesticides, fungicides and herbicides applied to the crops and/or Products. Whole Hemp shall exercise due diligence in the planting, growing, harvesting, manufacturing and packing of the crops and Products.

(b) Growing Expenses. Whole Hemp shall be responsible for the direct payment for all services, material, land, equipment, seed, nursery plants, herbicides, pesticides, other chemical products, labor, water, water sources, irrigation system, drip irrigation pipe, mulch, supplies, and other

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items related to the planting, cultivating, irrigating, weeding, thinning, hoeing, dusting, spraying, fertilizing, and otherwise growing the crops to completion, and to the harvesting, manufacture packing, hauling, and distributing of the Products (individually and collectively, and as supplemented below, the "**Growing Expense(s)**"). Growing Expenses include all rent and other payments owing by Whole Hemp, its subsidiaries, other affiliates and joint venture partners in production of the Products.

(c) Chemical and Pesticide Residues. In connection with growing the crops, Whole Hemp shall take all commercially reasonable actions possible to ensure full compliance with all federal, state and local regulations and procedures concerning chemical usage and any other matters related to its business. Whole Hemp acknowledges that it will comply with the good agricultural and manufacturing practices for growing, harvesting, manufacturing and food safety requirements. If Whole Hemp becomes aware of any factor(s) which may negatively affect the crops, the Products, their quality, and/or their marketability, Whole Hemp shall promptly provide written notice to Notis of the same. Whole Hemp agrees not to introduce any substance (including, without limitation, chemicals, pesticides or growth regulators) on the crops, Products or on the Farmlands, which will be in violation of established toxic tolerance levels, or any other federal, state or local law, rule, regulation or ordinance, which would cause the crop or Products to be adulterated or misbranded in accordance with applicable laws, or which are not authorized by Notis or EWSD for the crops being grown or Products being manufactured. Whole Hemp further warrants that it will do nothing to cause or permit the crops or Products to contain any chemical residues prohibited by, or in excess of the tolerances established by, all applicable laws. Upon request, Whole Hemp will provide Notis with reports of both current and past chemical use and crop history for the Farmlands and lands on which the crops that are used in connection with the Products are to be grown. Such reports shall include all chemicals used, crops planted, and information on crops surrounding the current planted crops. Whole Hemp agrees that if any chemical residues on the crops or Products exceed tolerances permitted by applicable law, the parties shall meet and discuss the cause, solution and best course of action to deal with the situation.

(d) Labor. All persons working in Whole Hemp's business operations are employees or independent contractors of Whole Hemp and are under Whole Hemp's sole direction and control. Whole Hemp shall have exclusive responsibility for ensuring that its employees and independent contractors handle and use herbicides, pesticides, and other chemical products in accordance with federal, state, and local laws and regulations, and label requirements. Whole Hemp shall have exclusive responsibility for ensuring that its employees and independent contractors comply with any and all federal, state, and local immigration laws and regulations. Whole Hemp shall have exclusive control over its employees' and independent contractors' hours and manner of work, compensation, and housing and over any labor negotiations. Neither Notis nor EWSD shall have no right whatsoever to direct or control any of Whole Hemp's employees and independent contractors. Whole Hemp shall comply with any and all federal, state, and local income and payroll tax withholding requirements and shall carry all necessary liability insurance and Worker's Compensation insurance for its employees. By this paragraph, Whole Hemp is not assuming any liability for actions of its independent contractors it would not otherwise have, but it shall be responsible to Notis and EWSD for all of its obligations hereunder, whether performed by Whole Hemp or its independent contractors, and shall hold Notis and EWSD harmless from any liability that Whole Hemp, Notis or EWSD might otherwise bear related to nonperformance of an obligation by an independent contractor of Whole Hemp.

9. Risk of Loss. Whole Hemp shall have and retain title to and bear all market risks and risks of loss to the crops and Products from initial planting until title passes to the customer.

10. Warrants and Option. Notis previously granted to Whole Hemp 4,000,000 a warrant to purchase unrestricted shares of Notis' stock, which may be assigned by Whole Hemp at its discretion, at an exercise price of $0.50 per share, which Whole Hemp may exercise upon written notice to Notis at any time within 5 years from the date hereof. The warrants shall terminate if Whole Hemp fails to exercise and pay for such warrants within 5 years from the date hereof.

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11. Unable to Perform. Neither Party hereunder shall be required to perform or be liable for loss or damage suffered by the other Party if caused by unavailability of labor, strikes, or lockouts; shortages of equipment, materials, supplies, transportation or water; the elements; adverse weather conditions; unavoidable casualties; war; hostilities; governmental action or order; delays caused by governmental authorities or the inability to obtain required governmental approvals; mechanical breakdown, power failures; civil disorder; acts of God; or other events beyond the Party's reasonable control, and the date of completion for such obligation shall be extended (but not excused) by the period of time taken by any such delay. However, in the event that either Party shall be unable to perform any part of its obligations and duties hereunder, it shall promptly advise the other party of the extent of its inability to perform. Both Parties agree that the course of action will be mutually agreed upon and will further determine if the aforementioned event is temporary or permanent. Notwithstanding the foregoing, the Parties shall remain obligated to pay any sums of money owed by either of them to the other pursuant to this Agreement.

12. Good Faith Judgment. The Parties shall not be liable to each other for errors in judgment in exercising their rights or discharging their obligations under this Agreement. Nothing in this Agreement limits or abrogates each Party's covenant to act in good faith and to deal fairly with the other Party.

13. Parties' Review of Performance. The Parties and their representatives shall regularly meet and/or discuss all operations under this Agreement. Such meeting or discussion topics shall include, but not be limited to, Farming Activities, market and quality conditions, movement of Products, shipping schedules, distribution of crops, adjustments and any circumstances affecting operations hereunder. Any agreements made on required courses of action shall be documented in writing.

14. Indemnification.

(a) By EWSD. EWSD will be entirely and solely responsible for its actions and the actions of its agents, employees and subcontractors, if any, while providing services under this Agreement. EWSD shall indemnify and hold harmless Whole Hemp and its customers against all claims, losses, liabilities, demands, suits, awards, and judgments, made or recovered by any person or agencies due to (i) the actions of EWSD or its employees, agents or subcontractors during the rendering of services under this Agreement or (ii) any breach of the terms of this Agreement by EWSD or its employees, agents or subcontractors.

(b) By Whole Hemp. Whole Hemp shall indemnify and hold harmless EWSD and its customers against all claims, losses, liabilities, demands, suits, awards, and judgments, made or recovered by any person or agencies due to (i) the actions of Whole Hemp or its employees, agents or subcontractors during performance of its obligations under this Agreement or (ii) any breach of the terms of this Agreement by Whole Hemp or its employees, agents or subcontractors.

15. Defaults. A Party shall be in default of this Agreement if it shall fail to observe or perform any of the material covenants, conditions or provisions of this Agreement to be observed or performed by such Party, and such failure shall continue for a period of fifteen (15) days after written notice thereof from the other Party; provided, however, that if the nature of the Party's default is such that more than fifteen (15) days are reasonably required for its cure, then such Party shall not be deemed to be in default if it commenced such cure within said fifteen (15) day period and thereafter diligently prosecutes such cure to completion. Upon a default, the non-defaulting Party shall be entitled to: (a)

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terminate this Agreement upon written notice to the defaulting Party, (b) obtain equitable remedies that include, but are not limited to, specific performance, (c) obtain damages, excluding consequential, extraordinary or punitive damages, all of which are hereby waived, and (d) cure such breach (for which purpose Notis is granted a license to enter onto the Farmlands) and charge defaulting party for the costs of such cure.

16. Confidentiality. The Parties agree to maintain in confidence all information with regard to all matters, and/or activities, covered by, relating or undertaken pursuant to this Agreement. This provision shall survive and shall remain in full force and effect and be binding upon the Parties for three (3) years after the termination of this Agreement.

17. Miscellaneous.

(a) *Entire Agreement*. There are no oral agreements or representations between the Parties not contained herein. This Agreement may only be altered or changed by agreement in writing signed by the Parties.

(b) *Assignment.* This agreement shall be binding on and inure to the benefit of the heirs, executors, administrators, successors and assigns of the signatories hereto. Notwithstanding the foregoing, neither Party shall have the right to assign this Agreement without the prior written consent of the other Party.

(c) *Dispute Resolution.* If the parties are unable to resolve any dispute(s), brought to enforce the terms of this agreement, both parties agree to submit to binding arbitration in Denver, Colorado before the Judicial Arbitration and Mediation Service (JAMS). In any legal action or arbitration affecting or based upon the enforcement or interpretation of this Agreement or any of the rights derived under this Agreement, the successful party shall be entitled to receive, in addition to all other sums, reasonable attorneys' fees and court costs. This Agreement shall be governed by the internal laws of the State of Colorado.

(d) *Notice.* Any notices required by this Agreement shall be deemed given forty- eight (48) hours after the posting thereof in the United States mail, first class, certified, postage prepaid, return receipt requested, properly addressed to the party to be served at the address of such party as follows or at the time of the personal service of such notice. Either party may change its address for notices by notice to the other party

Whole Hemp:	Notis or EWSD:
828 Wooten Road Colorado Springs, CO 80915 Attn: President	600 Wilshire Blvd Suite 1500 Los Angeles, CA 90017 Attn: President

(e) *No Partnership*. Notis and Whole Hemp shall each operate as independent businesses, each acting for its own individual account and profit and not for any joint business of the Parties. The Parties do not intend to create and are not creating a partnership, joint venture, syndicate, group, pool, or other unincorporated organization for the purpose of carrying on any joint business or financial operation. Neither Party shall by this Agreement obtain any rights to the operational control or other proprietary interests of the other Party's business, and each Party intends to enter and is entering into this Agreement as a separate business and as an independent contractor. Neither Party shall be

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responsible for the actions or agreements of the other Party, nor shall either Party have any authority to create any obligation of the other. Neither Party shall be responsible for any expenses or losses had by the other Party except as may be specifically set forth herein.

(f) *Counterparts*. This Agreement may be executed in two or more counterparts, each of which shall be deemed original, but all of which taken together shall constitute one and the same instrument.

(g) *Attorney's Fees*. In the event of any claim, dispute or controversy arising out of or relating to this Agreement, including an arbitration or an action for declaratory relief, the prevailing party, after all appeal rights have been exhausted, shall be entitled to recover its court costs and reasonable out-of-pocket expenses, including, but not limited to, phone calls, photocopies, expert witnesses, travel, etc., and reasonable attorneys' fees to be fixed by the arbitrator or court. Such recovery shall include court costs, out-of-pocket expenses and attorneys' fees on appeal, if any. The arbitrator or court shall determine who is the "prevailing party," but only if the dispute or controversy represents a final judgment.

(h) *Enforceability*. If any provision of this Agreement, or its application to any circumstance, is held by a court of competent jurisdiction to be invalid or unenforceable, then all other provisions of this Agreement will continue in full force and effect and a suitable and equitable provision will be substituted for the invalid or unenforceable provision in order to carry out, so far as may be practical and permitted under applicable law, the purpose of this Agreement.

(i) *Integrated Document*. This Agreement and the Distributor Agreement embody the entire understanding of the Parties and shall supersede all previous amendments, communications, representations or undertakings, either verbal or written, between the Parties relating to the subject matter hereof. This Agreement may only be amended by a written instrument signed by both Parties hereto.

(j) *Interpretation*. Headings in this Agreement are for the convenience of the Parties and do not affect the meaning of this Agreement. Exhibits referred to in this Agreement are incorporated herein, whether or not attached. This Agreement has been negotiated by the Parties and shall be interpreted in a fair and reasonable manner, and not for or against either Party based on which drafted this Agreement or any provision hereof. The word "including" means "including without limitation".

[Remainder of page left blank]

In witness whereof, the Parties have executed this Agreement as of the date first above written.

NOTIS:

Notis Global, Inc.

By: /s/ Jeffrey Goh

Name: Jeffrey Goh

Its: President and Chief Executive Officer

EWSD:

EWSD I, LLC,

By: /s/ Jeffrey Goh

Name: Jeffrey Goh

Its: President

WHOLE HEMP:

Whole Hemp Company, LLC:

By: /s/ Kashif Shan

Name: Kashif Shan

Its: Chief Executive Officer

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EXHIBIT "A"

10 ACRES OF EWSD FARMLANDS

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EXHIBIT "B"

40 ACRES OF WHOLE HEMP FARMLANDS

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Exhibit 10.20

ADMINISTRATIVE SERVICES AGREEMENT

THIS ADMINISTRATIVE SERVICES AGENT AGREEMENT (the "**Agreement**") is made and entered into as of the 14th day of March, 2016 by and between Notis Global, Inc., a Nevada corporation ("**Notis**") and EWSD I, LLC, a Delaware limited liability company ("**EWSD**") (Notis and EWSD are referred to herein collectively as the "Parties" and individually as a "Party"), with reference to the following facts:

RECITALS

A. Pursuant to that certain First Amended and Restated Grower's Distribution Agreement dated March 11, 2016 (as hereafter amended or supplemented, "**Grower's Distribution Agreement**"), between EWSD and Whole Hemp Company, a Colorado limited liability company ("**Whole Hemp**"), EWSD agreed to act on behalf of Whole Hemp in the marketing, negotiation and sale of CBD Oil on the terms and conditions set forth therein.

B. Pursuant to that certain First Amended and Restated Agreement dated December March 11, 2016 (as hereafter amended or supplemented, the "**Farming Agreement**") among Notis, EWSD and Whole Hemp, EWSD has certain obligations to build out and manage farming operations for the benefit of Whole Hemp, and has certain rights to sell CBD oil produced by Whole Hemp.

C. EWSD now desires to engage Notis as its exclusive administrative agent for purposes of (i) performing EWSD's obligations under the Grower's Distribution Agreement, (ii) performing EWSD's obligations under the Farming Agreement and (iii) providing various other administrative services for EWSD.

NOW, THEREFORE, the Parties agree as follows:

1. AUTHORITY GRANTED. On the terms and conditions contained in this Agreement, EWSD I hereby authorizes Notis to act as EWSD's administrative services for performing the following services:

1.1 **General Administrative**. Notis shall provide back office administrative services as mutually agreed between Notis and EWSD, including accounting, billing and accounts payable, payroll and other administrative matters.

1.2 **Grower's Distribution Agreement and Farming Agreement.** Notis shall perform EWSD's obligations under the Grower's Distribution Agreement and the Farming Agreement, including providing adequate staffing so that EWSD satisfies its obligations thereunder.

2. TERM. This Agreement shall be effective on the date hereof, and shall continue for the greater of (i) of ten (10) years from the date hereof and (ii) the later of the expiration or termination of the Grower's Distribution Agreement and Farming Agreement. This Agreement may be terminated (i) by Notis if the Grower's Distribution Agreement and Farming Agreement are terminated or expire, (ii) by Notis upon sixty days prior written notice or (Iii) by either Party (x) if the other Party is in material breach of any obligation under this Agreement, which breach is continuing uncured for thirty (30) days following written notice thereof, upon written notice to the other, or (y) if the activities under this Agreement shall be enjoined or be subject to materially adverse regulatory action.

3. COMPENSATION. In consideration of the services under this Agreement, EWSD shall pay to Notis ten percent (10%) of the gross revenues collected by EWSD in connection with (i) the Growers Distribution Agreement and (ii) Section 5 of the Farming Agreement, payable on the 15th day of each month for revenues collected in the prior month.

4. MISCELLANEOUS.

4.1 Entire Agreement. There are no oral agreements or representations between the parties not contained herein. This Agreement may only be altered or changed by agreement in writing signed by the parties.

4.2 Assignment. This agreement shall be binding on and inure to the benefit of the heirs, executors, administrators, successors and assigns of the signatories hereto. Notwithstanding the foregoing, neither Party shall have the right to assign this Agreement without the prior written consent of the other Party.

4.3 Dispute Resolution. If the parties are unable to resolve any dispute(s), brought to enforce the terms of this agreement, both parties agree to submit to binding arbitration in Denver, Colorado before the Judicial Arbitration and Mediation Service (JAMS). In any legal action or arbitration affecting or based upon the enforcement or interpretation of this Agreement or any of the rights derived under this Agreement, the successful party shall be entitled to receive, in addition to all other sums, reasonable attorneys' fees and court costs. This Agreement shall be governed by the internal laws of the State of Colorado.

4.4 No Partnership. It is understood, agreed and intended by the parties to this Agreement that in performing this Agreement the parties are each separately and independently carrying out their respective businesses, that this Agreement does not and shall not create or constitute a partnership or joint venture between them, and that each Party is and shall be an independent contractor.

4.5 Counterparts. This instruments may be executed in two or more counterparts, each of which shall be deemed original, but all of which taken together shall constitute one and the same instrument.

In Witness Whereof, the parties have executed this Agreement on the date first herein above stated.

EWSD I, LLC	Notis Global, Inc.
By: ______________________________	By: ______________________________

Exhibit 31.1

CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Jeffrey Goh, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Notis Global, Inc.;
2. Based on my knowledge, this report 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared; and
   (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 19, 2016

/s/ Jeffrey Goh
Jeffrey Goh
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, C. Douglas Mitchell, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Notis Global, Inc.;
2. Based on my knowledge, this report 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 19, 2016

/s/ C. Douglas Mitchell
C. Douglas Mitchell
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Notis Global, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jeffrey Goh, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 19, 2016

/s/ Jeffrey Goh

Jeffrey Goh
Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Notis Global, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, C. Douglas Mitchell, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 19, 2016

/s/ C. Douglas Mitchell

C. Douglas Mitchell
Chief Financial Officer
(Principal Financial Officer)