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UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

MIKE JONES, derivatively on behalf
of MEDBOX, INC.,

Plaintiff,

vs.

GUY MARSALA, J. MITCHELL
LOWE, NED SIEGEL, JENNIFER
S. LOVE, C. DOUGLAS
MITCHELL, PEJMAN VINCENT
MEHDIZADEH, MATTHEW
FEINSTEIN, BRUCE BEDRICK,
and THOMAS IWANSKI,

Defendants,

- and -

MEDBOX, INC., a Nevada
corporation,

Nominal Defendant.

Case No. 15-cv-4170 BRO (JEMx)
(Consolidated for pretrial purposes with
Case No. 15-cv-0426 BRO (JEMx))

STIPULATION AND AGREEMENT OF
SETTLEMENT

1 Subject to the approval of this Court, this Stipulation and Agreement of
 2 Settlement (the “Stipulation”), is made and entered into by and among the following
 3 Settling Parties (as defined herein), each by and through their respective counsel:
 4 (i) Plaintiff Mike Jones (“Jones”) and Defendants Guy Marsala, J. Mitchell Lowe,
 5 Ned Siegel, Jennifer S. Love, C. Douglas Mitchell, Pejman Vincent Mehdizadeh,
 6 Matthew Feinstein, Bruce Bedrick and Thomas Iwanski in the above-captioned
 7 shareholder derivative action (the “Federal Derivative Action”); plaintiffs Robert J.
 8 Calabrese, Tyler Gray (*In re Medbox, Inc. Deriv. Litig.*, File No. 3:15-cv-00147-
 9 LRH-WGC) and Patricia Des Grosseilliers (*Grosseilliers v. Mehdizadeh, et al.*, Case
 10 No. 3:15-cv-00270-LRH-VPC) in the Nevada federal derivative actions; plaintiff
 11 Michael A. Gliner in the California state court derivative action (*Gliner v.*
 12 *Mehdizadeh, et al.*, Case No. BC573314 (Los Angeles County Superior Court); and
 13 plaintiffs Jennifer Scheffer (*Scheffer v. P. Vincent Mehdizadeh, et al.*, Case No. A-15-
 14 713877-B) and Kimberly Freeman (*Freeman vs. Pejman Mehdizadeh*, Case No. A-
 15 15-721731) in the Nevada State derivative actions (collectively, the “Shareholder
 16 Derivative Litigation” or “Actions”); (ii) Nominal Defendant Medbox, Inc.
 17 (“Medbox” or “Company”); and (iii) Guy Marsala, J. Mitchell Lowe, Ned Siegel,
 18 Jennifer S. Love, C. Douglas Mitchell, Pejman Vincent Mehdizadeh, Matthew
 19 Feinstein, Bruce Bedrick and Thomas Iwanski, all of whom are current members of
 20 the board of directors of Medbox (the “Board”), or former members of the board of
 21 directors of Medbox, and/or senior officers of Medbox (collectively, the “Individual
 22 Defendants”). This Stipulation is intended by the Settling Parties to fully, finally, and
 23 forever compromise, resolve, discharge, and settle the Released Claims (as defined
 24 herein), upon the terms and subject to the conditions set forth herein (the
 25 “Settlement”).

26 I. BACKGROUND

27 A. Factual Background

28 Medbox is a Nevada corporation which provides specialized consulting

1 services to the marijuana industry and sells associated patented products, including its
2 Medbox medical dispensing system and medical vaporization devices. The Company
3 works with clients who seek to enter the medical and cultivation marijuana markets
4 in those states where approved. Medbox’s Form 10-K filed with the SEC on March
5 26, 2015 states that the Company “offers turnkey solutions that assist with licensing
6 and compliance, site selection, design and permitting, safety and security, along with
7 full build-out and operational oversight. Medbox’s consulting solutions and
8 technology create structure and process for clients and their respective businesses in
9 this rapidly emerging sector.”

10 Medbox was founded in 2010 by defendant Pejman Vincent Mehdizadeh
11 (“Mehdizadeh”). From the founding of Medbox until March 2015, defendant
12 Mehdizadeh was the majority shareholder of Medbox. Plaintiffs allege that at all
13 times relevant to the Actions, Mehdizadeh exercised control over the Company.

14 On March 9, 2015, the Company disclosed that it had completed its financial
15 review and stated that it planned to file amended and restated Annual Reports on
16 Form 10-K for the years 2012 and 2013; and Quarterly Reports on Form 10-Q for the
17 first, second, and third quarters of 2014. In the restatement, Medbox disclosed that its
18 prior public filings overstated its revenue by over \$1.3 million during 2012, and \$3
19 million during 2013 because applicable revenue recognition rules required Medbox to
20 recognize new revenue over one or more successive years. In both years, the
21 overstatement was greater than the Company’s total restated revenue during those
22 periods.

23 **B. Procedural Background**

24 On June 3, 2015, Plaintiff Jones filed *Jones v. Marsala, et al*, Case No. 15-cv-
25 4170 BRO (JEMx), a shareholder derivative action, in the United States District
26 Court for the Central District of California, (the “Court”), alleging claims for, *inter*
27 *alia*, breach of fiduciary duty, abuse of control and breach of the duty of honest
28 services. The complaint asserted claims against officers and directors of Medbox.

1 The following related derivative actions have also been filed asserting similar claims:
2 (1) plaintiff Michael A. Gliner filed a complaint in Los Angeles Superior Court on
3 February 20, 2015, Case No. BC573314; (2) plaintiff Robert J. Calabrese filed a
4 complaint in Nevada federal court on March 10, 2015, Case No. 3:15-cv-00147;
5 (3) plaintiff Tyler Gray filed a complaint in Nevada federal court on March 27, 2015,
6 Case No. 3:15-cv-00185; (4) plaintiff Patricia Des Groseilliers filed a complaint in
7 Nevada federal court on May 20, 2015, Case No. 15-cv-00270; (5) plaintiff Jennifer
8 Scheffer filed a complaint in Nevada state court on Feb. 12, 2015, Case No. A-15-
9 713877-B; and (6) plaintiff Kimberly Freeman filed a complaint in Nevada state
10 court on July 20, 2015, Case No. A-15-721731.

11 On July 27, 2015, Judge Mark Denton granted defendants motion to dismiss
12 the *Scheffer* complaint in Nevada state court on grounds, *inter alia*, that plaintiff did
13 not demonstrate demand futility. The Complaint was dismissed without prejudice.

14 **C. Settlement Negotiations**

15 Counsel for the Settling Parties engaged in extensive efforts to resolve this
16 matter. In August 2015, representatives of Plaintiffs, Medbox, and certain of the
17 Individual Defendants first discussed the possibility of reaching an informal
18 resolution of this matter through mediation, and ultimately agreed to participate in a
19 mediation before the Hon. Layn R. Phillips, Ret.

20 Plaintiffs, Medbox, and the Individual Defendants participated in an all-day
21 mediation before Judge Phillips on October 16, 2015. Substantial negotiations took
22 place throughout the day, extensive drafts of settlement offers and counteroffers were
23 exchanged, and the mediation continued well into the evening. Plaintiffs, Medbox,
24 and the Individual Defendants reached agreement on terms for corporate governance
25 reforms and began negotiations on an appropriate fee award. Plaintiffs, Medbox, and
26 the Individual Defendants continued their negotiations well into the night and
27 reached agreement on other material terms concerning the Settlement shortly after
28 11:00 p.m., at which time a Memorandum of Understanding was signed.

1 **II. PLAINTIFFS' CLAIMS AND THE BENEFITS OF SETTLEMENT**

2 Plaintiffs' Counsel conducted an investigation relating to the claims and the
3 underlying events alleged in the respective components to the Shareholder Derivative
4 Litigation to which their clients are parties, including, but not limited to: (1)
5 reviewing and analyzing the Company's public filings with the SEC, press releases,
6 announcements, transcripts of investor conference calls, and news articles; (2)
7 reviewing securities analyst, business and financial media reports about the
8 Company; (3) researching the applicable law with respect to the claims asserted (or
9 which could be asserted) in the Shareholder Derivative Litigation and the potential
10 defenses thereto; (4) researching corporate governance issues; (5) researching,
11 drafting, and filing complaints, motions to stay, and oppositions to motions to
12 dismiss; (6) preparing settlement demands and mediation statements; (7) participating
13 in an all-day mediation; and (8) engaging in settlement discussions with counsel for
14 the Defendants.

15 Plaintiffs believe that Plaintiffs' Counsel have engaged in substantial litigation
16 efforts regarding the claims asserted in the Shareholder Derivative Litigation.
17 Plaintiffs' Counsel have also made numerous court appearances in connection with
18 these prosecution efforts in the Shareholder Derivative Litigation, including hearings
19 on various motions. Plaintiffs' Counsel also negotiated with Defendants' Counsel to
20 procure confirmatory discovery, which entailed the review and analysis of over one
21 thousand pages of documents.

22 Plaintiffs' Counsel believe that the claims asserted in the Shareholder
23 Derivative Litigation have merit and that their investigation supports the claims
24 asserted. Without conceding the merit of any of Defendants' defenses or the lack of
25 merit of any of their own allegations, and in light of the benefits of the Settlement as
26 well as to avoid the potentially protracted time, expense, and uncertainty associated
27 with continued litigation, including potential trial(s) and appeal(s), the Plaintiffs have
28 concluded that it is desirable that the Actions be fully and finally settled in the

1 manner and upon the terms and conditions set forth in this Stipulation. Plaintiffs and
2 Plaintiffs' Counsel recognize the significant risk, expense, and length of continued
3 proceedings necessary to prosecute the Actions against the Individual Defendants
4 through trial(s) and through possible appeal(s). Plaintiffs' Counsel also have taken
5 into account the uncertain outcome and the risk of any litigation, especially complex
6 litigation such as the Actions, as well as the difficulties and delays inherent in such
7 litigation. Based on their evaluation, and in light of what Plaintiffs' Counsel believe
8 to be the significant benefits conferred upon the Company and its shareholders as a
9 result of the Settlement, the Plaintiffs and Plaintiffs' Counsel have determined that
10 the Settlement is in the best interests of the Plaintiffs, Medbox, and current Medbox
11 Shareholders (as defined herein), and have agreed to settle the Actions upon the terms
12 and subject to the conditions set forth herein.

13 **III. DEFENDANTS' DENIALS OF WRONGDOING AND LIABILITY**

14 The Individual Defendants have denied and continue to deny that they have
15 committed or attempted to commit any violations of law, any breach of fiduciary duty
16 owed to Medbox, or any wrongdoing whatsoever. Plaintiffs have not made a
17 litigation demand on Medbox's Board, and Defendants believe the Complaints do not
18 contain allegations demonstrating that such demand would be futile. However,
19 without admitting that Plaintiffs have standing to bring any claims in any of these
20 Actions, the validity of any of the claims the Plaintiffs have asserted in the Actions,
21 or any liability with respect thereto, Defendants have concluded that it is desirable
22 that the claims be settled on the terms and subject to the conditions set forth herein.
23 Defendants are entering into this Settlement because it will eliminate the uncertainty,
24 distraction, disruption, burden, and expense of further litigation. Further, Medbox and
25 the current Board acknowledge that the Settlement is fair, reasonable, adequate and in
26 the best interests of Medbox and Current Medbox Shareholders.

27 Neither this Stipulation, nor any of its terms or provisions, nor entry of the
28 Judgment, nor any document or exhibit referred or attached to this Stipulation, nor

1 any action taken to carry out this Stipulation, is, or may be construed as, or used as,
2 evidence of the validity of any of the Released Claims (defined herein), or as an
3 admission by or against Defendants of any fault, wrongdoing, or concession of
4 liability whatsoever.

5 **IV. TERMS OF STIPULATION AND AGREEMENT OF SETTLEMENT**

6 The Plaintiffs (on behalf of themselves and derivatively on behalf of Medbox),
7 the Individual Defendants, and nominal defendant Medbox, by and through their
8 respective counsel or attorneys of record, hereby stipulate and agree that, subject to
9 approval by the Court, pursuant to Fed. R. Civ. P. 23.1, the Actions and the Released
10 Claims shall be finally and fully compromised, settled, and released, and the Actions
11 shall be dismissed with prejudice, as to all Settling Parties, upon the terms and
12 subject to the conditions set forth herein as follows:

13 DEFINITIONS

14 2.0 As used in this Stipulation, the following capitalized terms have
15 the meanings specified below:

16 (a) "Actions" means the derivative actions filed against Medbox and
17 against certain of its former and current officers and directors, which have previously
18 been defined above as the Shareholder Derivative Litigation.

19 (b) "Carriers" means collectively XL Specialty Insurance Company
20 ("XL") and Catlin Specialty Insurance Company ("Catlin").

21 (c) "Court" means the United States District Court for the Central
22 District of California (Hon. Beverly Reid O'Connell).

23 (d) "Current Medbox Shareholders" means, for purposes of this
24 Stipulation, any Persons (defined below) who owned Medbox common stock as of
25 the date of this Stipulation and who continue to hold their Medbox common stock as
26 of the date of the Settlement Hearing, excluding the Individual Defendants (defined
27 below), the officers and directors of Medbox, members of their immediate families,
28 and their legal representatives, heirs, successors, and assigns, and any entity in which

1 Individual Defendants have or had a controlling interest.

2 (e) “Defendants” means, collectively, the Individual Defendants in
3 the Actions and Nominal Defendant Medbox.

4 (f) “Effective Date” means the date by which the events and
5 conditions specified in paragraph 7.1 of this Stipulation have been met and have
6 occurred.

7 (g) “Fee and Expense Amount” means: (a) three hundred thousand
8 dollars (\$300,000) in cash paid by the Carriers on behalf of the Individual
9 Defendants; and (b) two million shares (2,000,000) of Medbox common stock to be
10 relinquished by and on behalf of Vince Mehdizadeh (“Mehdizadeh Stock”); and three
11 hundred thousand shares (300,000) of Medbox common stock to be relinquished by
12 Bruce Bedrick (“Bedrick Stock,” together with the Mehdizadeh Stock, the “Stock
13 Component”).

14 (h) “Fee and Expense Award” means any sum paid to Plaintiffs’
15 Counsel for their attorneys’ fees and expenses as an award by the Court in
16 recognition of the benefits conferred upon Medbox and Current Medbox
17 Shareholders via the Actions, as well as any service awards to the named plaintiffs in
18 the Actions (“Service Awards”).

19 (i) “Final” means the time when a judgment that has not been
20 reversed, vacated, or modified in any way is no longer subject to appellate review,
21 either because of disposition on appeal and conclusion of the appellate process
22 (including potential writ proceedings) or because of passage, without action, of time
23 for seeking appellate or writ review. More specifically, it is that situation when (1)
24 either no appeal or petition for review by writ has been filed and the time has passed
25 for any notice of appeal or writ petition to be timely filed from the Judgment; or (2) if
26 an appeal has been filed, the court of appeals has either affirmed the judgment or
27 dismissed that appeal and the time for any reconsideration or further appellate review
28 has passed; or (3) a higher court has granted further appellate review and that court

1 has either affirmed the underlying judgment or affirmed the court of appeals’
2 decision affirming the judgment or dismissing the appeal or writ proceeding.

3 (j) “Judgment” means the final order and judgment to be rendered by
4 this Court, substantially in the form attached hereto as **Exhibit C**.

5 (k) “Mediator” means the Hon. Layn Phillips of Phillips ADR.

6 (l) “Notice” means the Notice of Pendency and Proposed Settlement
7 of Shareholder Actions, substantially in the form of **Exhibit B-1** attached hereto.

8 (m) “Person” or “Persons” means an individual, corporation, limited
9 liability corporation, professional corporation, partnership, limited partnership,
10 limited liability partnership, association, joint stock company, estate, legal
11 representative, trust, unincorporated association, government or any political
12 subdivision or agency thereof, and any business or legal entity, and their spouses,
13 heirs, predecessors, successors, representatives, or assignees.

14 (n) “Plaintiffs” means, collectively, Mike Jones, Michael A. Gliner,
15 Robert J. Calabrese, Tyler Gray, Patricia des Groseilliers, Jennifer Scheffer, and
16 Kimberly Freeman.

17 (o) “Plaintiffs’ Counsel” means, collectively: (i) Bottini & Bottini,
18 Inc., 7817 Ivanhoe Avenue, Suite 102, La Jolla, CA 92037; (ii) Harwood Feffer LLP,
19 488 Madison Avenue, New York, NY 10022; (iii) Gainey McKenna & Egleston, 440
20 Park Avenue South, 5th Floor, New York, NY 10016; (iv) Bragar Eigel & Squire
21 P.C., 885 Third Avenue, Suite 3040, New York, NY 10022; (v) Hynes Keller &
22 Hernandez LLC, 1150 First Avenue, Suite 501, King of Prussia, PA 19406; (vi) The
23 Rosen Law Firm, P.A., 275 Madison Avenue, 34th Floor, New York, NY 10016;
24 (vii) The Brown Law Firm, P.C., 127A Cove Road, Oyster Bay Cove, NY 11771;
25 and (viii) Lifshitz & Miller, 821 Franklin Ave., Suite 209, Garden City, NY 11530.

26 (p) “Preliminary Approval Order” means the Order to be entered by
27 this Court, substantially in the form of **Exhibit B** attached hereto, including, *inter*
28 *alia*, preliminarily approving the terms and conditions of the Settlement as set forth in

1 this Stipulation, directing that Notice be provided to Current Medbox Shareholders,
2 and scheduling a Settlement Hearing to consider whether the Stipulation and Fee
3 Award should be finally approved.

4 (q) “Related Persons” means each of a Person’s immediate family
5 members and current, former, or future parents, subsidiaries, associates, affiliates,
6 partners, joint venturers, officers, directors, principals, shareholders, members,
7 agents, representatives, employees, attorneys, financial or investment advisors,
8 consultants, accountants, investment bankers, commercial bankers, trustees,
9 engineers, insurers, co-insurers, reinsurers, heirs, assigns, executors, general or
10 limited partners or partnerships, personal or legal representatives, estates,
11 administrators, predecessors, successors, advisors, and/or any other individual or
12 entity in which a Person has or had a controlling interest or which is or was related to
13 or affiliated with a Person.

14 (r) “Released Claims” means any and all claims and causes of action
15 of every nature and description, whether known or unknown, whether arising under
16 federal, state, common or foreign law, brought or that could be brought derivatively
17 or otherwise by or on behalf of Medbox against any of the Released Persons (defined
18 below), that arise out of or related in any way to (a) the subject matter of the Actions;
19 or (b) the facts alleged or that could have been alleged in any complaint filed in the
20 Actions.

21 (s) “Released Persons” means, in any capacity, Defendants, including
22 without limitation, Medbox and any and all of its past, present, and future partners,
23 directors, principals, officers, employees, subsidiaries, affiliates, divisions,
24 predecessors, successors, assigns, attorneys, stockholders, accountants, auditors,
25 advisors, trustees, administrators, fiduciaries, consultants, representatives, insurers,
26 and agents, in their respective capacities as such; and the Carriers.

27 (t) “Settling Parties” means, collectively, Defendants and Plaintiffs
28 in the Actions.

1 (u) "Policies" means XL Specialty Insurance Company Policy
2 ELU133163-14 and Catlin Specialty Insurance Company Policy No. XSP-683803-
3 0214.

4 (v) "Service Awards" shall have the meaning ascribed to it in Section
5 6.9 below.

6 (w) "Settlement Hearing" means a hearing by the Court to review this
7 Stipulation and determine: (i) whether to enter the Judgment; and (ii) all other matters
8 properly before the Court.

9 (x) "Unknown Claims" means any and all claims that were alleged or
10 could have been alleged in the Actions by the Plaintiffs, Medbox or any Medbox
11 stockholder derivatively on behalf of Medbox, which Plaintiffs, Medbox, or Medbox
12 shareholders derivatively on behalf of Medbox do not know or suspect to exist in his,
13 her or its favor at the time of the release of the Released Persons, including claims
14 which, if known by him, her or it, might have affected his, her or its settlement with
15 and release of the Released Persons, or might have affected his, her or its decision not
16 to object to this Settlement. With respect to any and all Released Claims, the Settling
17 Parties stipulate and agree that, upon the Effective Date, the Plaintiffs and Medbox
18 shall expressly waive the provisions, rights and benefits of California Civil Code
19 §1542, which provides:

20 A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH
21 THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN
22 HIS OR HER FAVOR AT THE TIME OF EXECUTING THE
23 RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE
24 MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE
25 DEBTOR.

26 The Settling Parties acknowledge that they may discover facts in
27 addition to or different from those now known or believed to be true by them with
28 respect to the Released Claims, but it is the intention of the Settling Parties to
completely, fully, finally, and forever compromise, settle, release, discharge, and
extinguish any and all of the Released Claims known or unknown, suspect or

1 unsuspected, contingent or absolute, accrued or unaccrued, apparent or unapparent,
2 which now exist, or heretofore existed, or may hereafter exist, and without regard to
3 the subsequent discovery of additional or different facts.

4 **2.1 Terms of the Settlement**

5 **2.2 Corporate Governance Reforms**

6 Medbox and the Board have agreed to enact the Corporate Governance
7 Reforms (the “Reforms”) set forth at **Exhibit A** hereto, and agree that the initiation,
8 prosecution, pendency, and settlement of the Actions were the cause of the
9 Company’s adoption and/or enactment of the Reforms. Following the Court’s final
10 approval of the Settlement, the Board shall take all necessary steps to adopt and
11 implement the Reforms, to the extent that such Reforms have not already been
12 adopted and implemented. The Reforms shall remain in place for no less than three
13 years.

14 **2.3 Benefit to Medbox and Current Medbox Shareholders**

15 The Settling Parties agree that the Reforms have provided and will provide
16 substantial and material benefits to Medbox and Current Medbox Shareholders. In
17 addition, the Board, exercising its independent business judgment, believes that the
18 Settlement is in the best interests of Medbox and Current Medbox Shareholders.

19 **3.0 Confirmatory Discovery**

20 **3.1** Medbox has provided reasonable documentary confirmatory discovery,
21 the scope of which was agreed upon by Plaintiffs’ Counsel and Medbox’s counsel.

22 **4.0 Procedures for Implementing the Settlement**

23 **4.1** Within fourteen (14) calendar days after the execution of this
24 Stipulation, Plaintiffs’ Counsel shall submit the Stipulation together with its exhibits
25 to the Court and shall apply for entry of the Preliminary Approval Order,
26 substantially in the form of **Exhibit B** attached hereto, requesting, *inter alia*: (i)
27 preliminary approval of the settlement set forth in this Stipulation; (ii) approval of the
28 method of providing the Notice to Current Medbox Shareholders; (iii) approval of the

1 form of Notice attached hereto as **Exhibit B-1**; and (iv) a date for the Settlement
2 Hearing.

3 4.2 Within fifteen (15) business days of the Court's entry of the
4 Preliminary Approval Order, Medbox shall: (i) cause a copy of the Notice to be filed
5 with the SEC via a Current Report on Form 8-K; and (ii) post a link to the Stipulation
6 and the Notice on the Investor Relations portion of Medbox's website, which posting
7 shall be maintained through the date of the Settlement Hearing. The Settling Parties
8 believe the content and manner of such procedure constitutes adequate and
9 reasonable notice to Current Medbox Shareholders pursuant to applicable law.

10 4.3 Plaintiffs' Counsel shall request that the Court hold the Settlement
11 Hearing after the Notice described above is given to Current Medbox Shareholders to
12 approve the Settlement and the Fee and Expense Award.

13 4.4 Within ten (10) business days of the date that the Judgment becomes
14 Final, the Plaintiffs in the related Actions shall file a dismissal with prejudice of their
15 Actions with respect to Defendants (as defined herein) and shall otherwise use their
16 reasonable best efforts to take, or cause to be taken, all actions, and to do, or cause to
17 be done, all things reasonably necessary, proper and appropriate to secure dismissal
18 with prejudice of those actions with respect to Defendants (as defined herein). In
19 addition, the Settling Parties shall cooperate to secure the dismissal with prejudice of
20 the Actions with respect to Defendants (as defined herein). The Settling Parties shall
21 cooperate to secure or maintain a stay of all proceedings in the related Actions,
22 including, but not limited to, securing a postponement of any hearing or trial date(s)
23 while this Settlement is under consideration by this Court.

24 **5.0 Releases**

25 5.1 Upon the Effective Date, Plaintiffs (acting on their own behalf and
26 derivatively on behalf of Medbox) and Medbox, and by operation of law all Medbox
27 stockholders, shall be deemed to have, and by operation of the Judgment shall have,
28 fully, finally, and forever released, relinquished, settled, and discharged each and all

1 of the Released Persons from and with respect to any and all of the Released Claims
2 (including Unknown Claims), and any and all claims arising out of, relating to, or in
3 connection with, the defense, settlement or resolution of the Actions against the
4 Released Persons. Plaintiffs (acting on their own behalf and derivatively on behalf of
5 Medbox) and Medbox, and by operation of law all Medbox stockholders, shall be
6 deemed to have, and by operation of the Judgment shall have, covenanted not to sue
7 any Released Person with respect to such Released Claims, and shall be permanently
8 and forever barred and enjoined from instituting, commencing or prosecuting any
9 action or proceeding, in any forum, asserting any of the Released Claims against the
10 Released Persons, except to enforce the releases and other terms and conditions
11 contained in this Stipulation and/or Judgment entered pursuant thereto.

12 5.2 Upon the Effective Date, Plaintiffs (acting on their own behalf and
13 derivatively on behalf of Medbox) and Medbox, and by operation of law all Medbox
14 stockholders, shall be permanently barred and enjoined from asserting, commencing,
15 prosecuting, assisting, instigating, continuing or in any way participating in the
16 commencement or prosecution of any action, whether directly, representatively,
17 derivatively or in any other capacity, asserting any of the Released Claims that are
18 released pursuant to this Stipulation.

19 5.3 Upon the Effective Date, each of the Released Persons shall be deemed
20 to have, and by operation of the Judgment shall have, fully, finally, and forever
21 released, relinquished and discharged each and all of Medbox, the Carriers, Plaintiffs
22 and Plaintiffs' Counsel from all claims (including Unknown Claims) arising out of,
23 relating to, or in connection with, the institution, prosecution, assertion, settlement or
24 resolution of the Actions or the Released Claims.

25 5.4 Upon the Effective Date, the Defendants hereby release and forever
26 discharge the Carriers, and each of them individually, to the fullest extent that the law
27 permits their release, of and from any and all claims, suits, actions, causes of action,
28 damages (without limitation, compensatory, punitive, exemplary, rescissory, direct,

1 consequential or special damages, and restitution and disgorgement), demands,
2 rights, debts, penalties, costs, expenses, fees, injunctive relief, attorneys' fees, expert
3 or consulting fees, prejudgment interest, indemnities, duties, liabilities, losses, or
4 obligations of every nature and description whatsoever, known or unknown, whether
5 or not concealed or hidden, fixed or contingent, direct or indirect, anticipated or
6 unanticipated, asserted or that could have been asserted by the Insured, whether legal,
7 contractual, rescissory, statutory, or equitable in nature, whether arising under
8 federal, state, common or foreign law, that are based upon, arise from, or are related
9 to (a) the Policies; (b) the Carriers' claims handling with respect to the Policies; (c)
10 the subject matter of the Actions; or (d) the facts alleged or that could have been
11 alleged in any complaint filed in the Actions.

12 5.5 Nothing herein shall in any way impair or restrict the rights of any
13 Settling Party to enforce the terms of the Stipulation.

14 5.6 Nothing in this Stipulation constitutes or reflects a waiver or release of
15 any rights or claims of the Company pursuant to any contract(s) or agreement(s) with
16 any Individual Defendant or any of its auditors, including but not limited to, any
17 rights or claims pertaining to claw backs.

18 **6.0 Plaintiffs' Counsel's Attorneys' Fees and Expenses**

19 6.1 In recognition of the substantial benefits conferred upon Medbox as a
20 direct result of the prosecution and Settlement of the Actions, the Individual
21 Defendants and the Carriers have agreed to pay the Fee and Expense Amount, subject
22 to Court approval. The Settling Parties had absolutely no discussion of attorneys'
23 fees or expenses prior to reaching agreement on all substantive terms of the
24 Settlement, and the Fee and Expense Amount was only thereafter negotiated by the
25 Settling Parties. The Fee and Expense Amount shall constitute final and complete
26 payment for Plaintiffs' attorneys' fees and expenses that have been incurred or will
27 be incurred in connection with any claims asserted, or which could have been
28 asserted, in the Actions, or any other proceeding or claim. Any application for any

1 fees or expenses by any person or attorney claiming entitlement to such must be
2 brought exclusively in the Court.

3 6.2 The cash portion of the Fee and Expense Amount shall be paid by the
4 Carriers into an Escrow Account (the “Escrow Account”), and held subject to the
5 provisions of an Escrow Agreement within ten (10) business days from entry of an
6 order preliminarily approving the Settlement. In addition, all fully executed releases
7 of the Carriers by Medbox and the Individual Defendants shall be provided to the
8 Carriers by the Individual Defendants and Medbox.

9 6.3 The Stock Component of the Fee and Expense Amount shall be
10 transferred by Defendants Vince Mehdizadeh and Bruce Bedrick to the Escrow
11 Account no later than November 27, 2015, or two (2) business days after the Escrow
12 Account is opened, whichever date is later.

13 6.4 The Escrow Agent shall release the Fee and Expense Amount to
14 Plaintiffs’ Counsel no later than ten (10) calendar days after the entry of the
15 Judgment or, if allocation of the fees is arbitrated pursuant to Section 6.5 below, the
16 Escrow Agent shall release the Fee and Expense Amount within ten (10) calendar
17 days of an order by the arbitrator allocating the fees. Except by order of the Court, the
18 Escrow Agent shall have no authority to release the Fee and Expense Amount other
19 than pursuant to this section 6.4.

20 6.5 The Fee and Expense Amount shall be allocated among Plaintiffs’
21 Counsel as agreed by all Plaintiffs’ Counsel or, if not agreed by all Plaintiffs’
22 Counsel, as determined by the Mediator pursuant to binding arbitration. The
23 arbitration procedures shall be determined by the Mediator. Defendants and
24 Defendants’ Counsel shall have no responsibility for the allocation of the Fee and
25 Expense Award among Plaintiffs’ Counsel.

26 6.6 Defendants agree to approve the payment by the Carriers, and not to
27 contest the application of Plaintiffs’ Counsel to the Court for fees and expenses, costs
28 consistent with this agreement, and agree not to appeal any award of attorneys’ fees

1 and expenses by the Court consistent with this agreement.

2 6.7 Defendants will not object to any requested Service Awards from the
3 Escrow Account.

4 6.8 Except as otherwise provided herein or except as provided pursuant to
5 indemnification or insurance rights, each of the Settling Parties shall bear his, her, or
6 its own costs, expenses, and attorneys' fees.

7 6.9 Plaintiffs' Counsel may apply for Service Awards of no more than one
8 thousand, five hundred dollars (\$1,500) for each named plaintiff in the Actions in
9 recognition of the benefits they have helped to create for all Current Medbox
10 Shareholders (the "Service Awards"). Any Service Awards approved by the Court
11 shall be funded from the portion of the Fee and Expense Award allocated to the
12 Plaintiffs' Counsel who represented such plaintiff(s). Medbox and the Individual
13 Defendants shall take no position on the Service Awards and shall have no obligation
14 to pay them.

15 **7.0 Conditions of Settlement, Effect of Disapproval, Cancellation, or**
16 **Termination**

17 7.1 The Effective Date of the Stipulation shall be conditioned on the
18 occurrence of all the following events:

- 19 (a) the Board has approved the Settlement and each of its terms to be
20 in the best interest of Medbox;
- 21 (b) entry by the Court of the Preliminary Approval Order;
- 22 (c) dissemination of the Notice as set forth above;
- 23 (d) the entry by the Court of the Judgment;
- 24 (e) the payment of the cash portion of the Fee and Expense Award
25 into the Escrow Account in accordance with ¶6.2 hereof and the
26 transfer of the Stock Component of the Fee and Expense Amount
27 into the Escrow Account in accordance with ¶6.3 hereof;
- 28 (f) the Judgment has become Final; and

1 (g) Dismissal with prejudice of the Actions (as defined herein).

2 7.2 If any of the conditions specified in ¶7.1 are not met, then the
3 Stipulation shall be canceled and terminated subject to ¶7.3, the cash portion of the
4 Fee and Expense Award shall be paid by the Escrow Agent to Medbox upon its
5 written request, the Stock Component of the Fee and Expense Amount shall be
6 immediately returned by the Escrow Agent to Defendants Vince Mehdizadeh and
7 Bruce Bedrick, respectively, in the amounts respectively contributed by them, and the
8 Settling Parties shall be restored to their respective positions in the Actions as of the
9 date of this Stipulation, unless Plaintiffs' Counsel and counsel for the Defendants
10 mutually agree in writing to proceed with the Stipulation.

11 7.3 In the event that the Stipulation is not approved by the Court, or the
12 Settlement is terminated for any reason, the Settling Parties shall be restored to their
13 respective positions as of the date of the Memorandum of Understanding, and all
14 negotiations, proceedings, documents prepared and statements made in connection
15 herewith shall be without prejudice to the Settling Parties, shall not be deemed or
16 construed to be an admission by any of the Settling Parties of any act, matter, or
17 proposition, and shall not be used in any manner for any purpose in any subsequent
18 proceeding in the Actions or in any other action or proceeding.

19 **8.0 Miscellaneous Provisions**

20 8.1 The Settling Parties: (i) acknowledge that it is their intent to
21 consummate this Stipulation; and (ii) agree to cooperate to the extent reasonably
22 necessary to effectuate and implement all terms and conditions of the Stipulation and
23 to exercise their best efforts to accomplish the foregoing terms and conditions of the
24 Stipulation.

25 8.2 The Settling Parties agree that the terms of the Settlement were
26 negotiated in good faith by the Settling Parties, and reflect a settlement that was
27 reached voluntarily after consultation with competent legal counsel. The Settling
28 Parties will request that the Judgment will contain a finding that during the course of

1 the Actions, the Settling Parties and their respective counsel at all times complied
2 with the requirements of F.R.C.P. 11, California Code of Civil Procedure §128.7, and
3 all other similar rules of professional conduct. The Settling Parties reserve their right
4 to rebut, in a manner that the Settling Parties determine to be appropriate, any
5 contention made in any public forum that the Actions were brought or defended in
6 bad faith or without a reasonable basis.

7 8.3 Neither the Stipulation (including any exhibits attached hereto) nor the
8 Settlement, nor any act performed or document executed pursuant to or in furtherance
9 of the Stipulation or the Settlement: (a) is or may be deemed to be or may be offered,
10 attempted to be offered or used in any way by the Settling Parties as a presumption, a
11 concession or an admission of, or evidence of, any fault, wrongdoing or liability of
12 the Settling Parties or of the validity of any Released Claims; or (b) is or may be
13 deemed to be or may be used as a presumption, concession, admission or evidence of
14 any liability, fault, or omission of any of the Released Persons in any civil, criminal,
15 or administrative proceeding in any court, administrative agency, or other tribunal.
16 Neither this Stipulation nor the Settlement, nor any act performed or document
17 executed pursuant to or in furtherance of this Stipulation, or the Settlement, shall be
18 admissible in any proceeding for any purpose, except to enforce the terms of the
19 Settlement, and except that the Released Persons may file the Stipulation and/or the
20 Judgment in any action that may be brought against them to support a defense or
21 counterclaim based on principles of *res judicata*, collateral estoppel, full faith and
22 credit, release, standing, good faith settlement, judgment bar or reduction or any other
23 theory of claim preclusion or issue preclusion or similar defense or counterclaim.

24 8.4 The exhibits to the Stipulation are material and integral parts hereof
25 and are fully incorporated herein by this reference.

26 8.5 The Stipulation may be amended or modified only by a written
27 instrument signed by or on behalf of all the Settling Parties or their respective
28 successors-in-interest.

1 8.6 The Stipulation and the exhibits attached hereto represent the complete
2 and final resolution of all disputes among the Settling Parties with respect to the
3 Actions, constitute the entire agreement among the Settling Parties, and supersede
4 any and all prior negotiations, discussions, agreements, or undertakings, whether oral
5 or written, with respect to such matters.

6 8.7 The Stipulation and the Settlement shall be binding upon, and inure to
7 the benefit of, the successors and assigns of the Settling Parties and the Released
8 Persons. The Settling Parties agree that this Stipulation will run to their respective
9 successors-in-interest, and they further agree that any planned, proposed or actual
10 sale, merger or change-in-control of Medbox shall not void this Stipulation, and that
11 in the event of a planned, proposed or actual sale, merger, bankruptcy, or change-in-
12 control of Medbox, they will continue to seek final approval of this Stipulation
13 expeditiously, including but not limited to the Settlement terms reflected in this
14 Stipulation and any Fee and Expense Award. Medbox and the Board also agree that
15 the Settlement as reflected in this Stipulation provides for adequate consideration for
16 the payment of any Fee and Expense Award.

17 8.8 The Stipulation and the exhibits attached hereto shall be considered to
18 have been negotiated, executed, and delivered, and to be wholly performed, in the
19 State of California and the rights and obligations of the Settling Parties to the
20 Stipulation shall be construed and enforced in accordance with, and governed by, the
21 internal, substantive laws of the State of California without giving effect to that
22 State's choice of law principles. No representations, warranties, or inducements have
23 been made to any party concerning the Stipulation or its exhibits other than the
24 representations, warranties, and covenants contained and memorialized in such
25 documents.

26 8.9 All agreements made and orders entered during the course of the
27 Actions relating to the confidentiality of information and documents shall survive this
28 Stipulation.

1 8.10 Each counsel or other Person executing the Stipulation or its exhibits
2 on behalf of any of the Settling Parties hereby warrants that such Person has the full
3 authority to do so. The Stipulation shall be binding upon, and inure to the benefit of,
4 the successors and assigns of the Settling Parties and their Released Persons.

5 8.11 The Stipulation may be executed by facsimile and in one or more
6 counterparts. All executed counterparts and each of them shall be deemed to be one
7 and the same instrument. A complete set of original executed counterparts shall be
8 filed with the Court.

9 8.12 The Settling Parties shall respond to any and all questions about the
10 fact or terms of settlement or the outcome of the case, including any media inquiries,
11 by stating that the case has been settled and that they have no further comment. The
12 Settling Parties shall take no steps, either directly or indirectly, to publicize the fact or
13 terms of this settlement or cause others to do so; however, Plaintiffs' Counsel may
14 update their websites to indicate that the case has been settled, to summarize the
15 settlement, and to attach any public documents submitted to the Court to the extent
16 the Court requires Plaintiffs' Counsel to publish such documents on their websites.

17 8.13 Without affecting the finality of the Judgment in any way, this Court
18 shall retain jurisdiction over all matters relating to the administration and
19 consummation of the Settlement and all parties hereto for the purpose of construing,
20 enforcing and administering the Stipulation and related Settlement.

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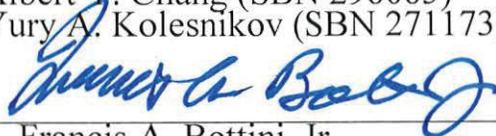
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1 IN WITNESS WHEREOF, the Settling Parties hereto have signed the
2 Stipulation or have caused the Stipulation to be executed by their duly authorized
3 attorneys.

4 Dated: December 17, 2015

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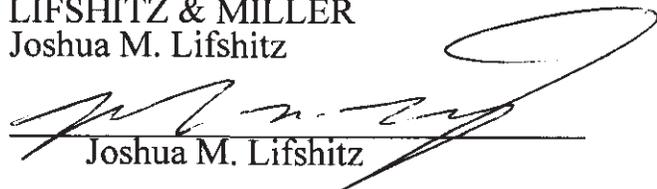
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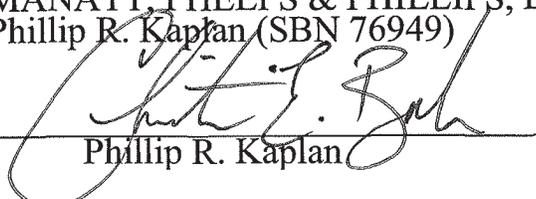
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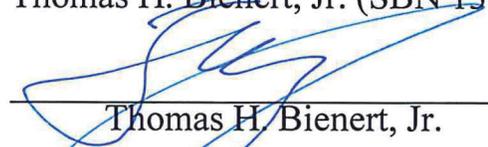
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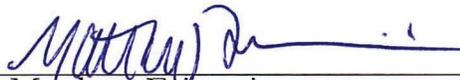
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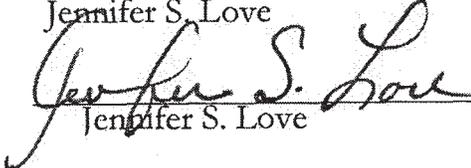
Dated: December ____, 2015

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ATTESTATION

1 In compliance with Local Rule 5-4.3.4(a)(2)(i), I, Francis A. Bottini, Jr., attest
2 that all other signatories listed, and on whose behalf the filing is submitted, concur in
3 the filing's content and have authorized the filing.
4

5 s/ Francis A. Bottini, Jr.
6 Francis A. Bottini, Jr.
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EXHIBIT A

EXHIBIT A

Exhibit 1
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**ADDENDUM B
MEDBOX GOVERNANCE**

II. NEW BOARD SEATS. There are currently 3 Medbox directors. Two are independent and one is not. Medbox will increase the Board to 5 members by adding two additional independent directors. Hereafter, Medbox may increase or decrease the number of directors provided that it shall not decrease the number below 5, but at all times Medbox shall maintain a Majority of independent directors.

After adding two new independent directors, the Board shall have (i) at least three independent directors who can read and understand fundamental financial statements, including a company's balance sheet, income statement and cash flow statement, at least one of whom has past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in the individual's financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities, and (ii) at least one independent director who has experience in implementing appropriate corporate governance measures.

New board members shall be identified by the Corporate Governance and Nominating Committee of the Board consistent with the following qualifications previously adopted by the Medbox Board. This Committee would consider nominations made by shareholders consistent with procedures to be set forth in the bylaws. The Medbox qualifications recognize that there are general qualifications and specific qualifications that comprise a good board member candidate and that each board member candidate will have different qualifications based on their background and experience. With that background Medbox's general and specific qualifications for new board members are as follows:

1. Individual Characteristics

- a. Impeccable background that models the values of honesty, integrity and compliance.
- b. High profile, prominent, nationally recognized and well-respected in their field.
- c. Willing and able to commit the time required (conference calls every other week, in person meetings every other month, available by phone and email as needed, etc.).
- d. Extensive leadership experience in a related vertical industry (big pharma, law enforcement, tobacco, government, etc.).
- e. Certified by the National Association of Corporate Directors (NASD) or American College of Corporate Directors (CDG).

2. Operational Experience

- a. Managed a company as a C-level executive (ideally public, but could be private) from early stage growth to maturity.

- b. Experience as member of a Board of Directors, ideally in a public company with understanding of governance and SEC regulations of public companies.
- c. Built or been involved with a management team from early stage growth to maturity.
- d. Built standards/best practices for governance, operations, financing, and quality control for a company from early stage growth to maturity.

3. Financial Expertise

- a. Ability to read all financial documents - i.e. budgets, balance sheet, cash flow.
- b. Experience in leading the funding of a company (ideally public, but could be private) from early stage growth to maturity.
- c. Experience in raise-up for debt or equity capital.
- d. Experience in mergers and acquisitions.

4. Industry Expertise - The candidate brings industry experience, insight, credibility as follows:

- a. Government -DEA, HHS, FDA, ATF, DoJ, USDA.
- b. Law Enforcement -FBI, Police.
- c. Pharmaceutical.
- d. Tobacco.
- e. Financial -Banking, Transaction Processing.

5. Scientific/Technical Expertise

NSF (National Science Foundation).
NIH (National Institute of Health).
Office of National Drug Control Policy.
Cultivation Background.

6. Security - Leading security company executive. The candidate brings security industry expertise from a physical security, compliance and/or safety perspective.

- a. Honeywell.
- b. Tyco.
- c. Diebold.
- d. ADT.

III. INDEPENDENT CHAIRMAN OF THE BOARD. Medbox shall require that its Chairman be an independent director per the definition of independence set forth at Section VI below. Moreover, it shall require that the roles of Chairman of the Board and Chief Executive Officer be separate. The Chairman shall be evaluated by the Board annually. If his or her performance is inadequate, he or she shall be replaced. The Chairman shall be elected by secret ballot with a maximum 6 year term limit. The Chairman shall have the following additional powers and responsibilities:

A. To determine the appropriate flow of information from management to the Board necessary for the Board to effectively and responsibly perform its functions in consultation with other Board members, and to require management to provide information and materials to the Board at the Chairman's discretion;

B. To coordinate the retention of appropriate consultants to the Board;

C. To assist the Board and Medbox's executive officers in ensuring compliance with all applicable corporate and securities laws, related rules and regulations, and oversee any necessary revisions to Medbox's governance policies in this area;

D. To lead the Board's oversight of the adoption, implementation and compliance with the matters set forth herein; and

E. To lead the Board's evaluation, along with the Compensation Committee and full Board, of the performance of Medbox's CEO, and to participate in the Board's communication of its evaluation and performance expectations.

IV. DIRECTOR TERM LIMITS. No person shall serve as a member of the Board for more than 10 years.

V. MANDATORY ATTENDANCE OF DIRECTORS AT ANNUAL SHAREHOLDERS MEETING. Absent extraordinary circumstances, each member of the Board shall attend each annual shareholder meeting in person.

VI. LIMITED DIRECTOR ENGAGEMENTS OUTSIDE OF MEDBOX. Directors shall seek approval from the Medbox board in advance of acceptance of service on another public company board, but may accept such service in their own discretion. A director serving on Medbox's audit committee shall not serve on the audit committees of more than three other public companies. All Medbox directors shall not serve on more than three additional public company boards.

VII. DIRECTOR INDEPENDENCE. Every director on the Board, other than the CEO and President shall be an 'independent director,' as defined below. To be deemed 'independent' in any calendar year, a director would have to satisfy the following qualifications:

A. has not been employed as an elected officer of Medbox or its subsidiaries or affiliates (defined for purposes of this settlement term sheet as any individual or business entity that owns at least 5% of the securities of the Medbox having ordinary voting power) within the last five calendar years;

B. has no personal services contract(s) with Medbox, the Company's subsidiaries, or any member of Medbox's senior management;

C. is not affiliated with a not-for-profit entity that receives significant contributions from Medbox;

D. has no interest in any investment that overlaps with an investment that Medbox has (equity, debt or hybrid);

E. during the current calendar year or any of the three immediately preceding calendar years, has not had any business relationship with Medbox for which Medbox has been required to make disclosure under Regulation S-K of the SEC. other than for service as a director or for which relationship no more than de minimus remuneration was received in any one such year; provided, however, that the need to disclose any relationship that existed prior to a director joining the Board shall not in and of itself render the director non-independent;

F. is not employed by a public company at which an executive officer of the Medbox serves as a director;

G. has not had any of the relationships described in subsections (a)-(g) above, with any affiliate of Medbox;

H. is not a member of the immediate family of any person described in subsections (a)-(h) above;

I. a director is deemed to have received remuneration (other than remuneration as a director, including remuneration provided to a non-executive Chairman of the Board or Committee Chairman), directly or indirectly, if remuneration, other than de minimis remuneration, was paid by the Medbox, its subsidiaries, or affiliates, to any entity in which the director has a beneficial ownership interest of five (5) percent or more, or to an entity by which the director is employed or self-employed other than as a director. Remuneration is deemed de minimis remuneration if such remuneration is \$40,000 or less in any calendar year, or if such remuneration is paid to an entity, it; (i) did not for the calendar year exceed the lesser of \$1 million, or five percent (5%) of the gross revenues of the entity; and (ii) did not directly result in a material; increase in the compensation received by the director from that entity.

Each independent director shall annually certify in writing that he or she is independent and shall immediately inform the Board in writing of any change in his or her status. Independent Directors shall not serve on more than three (3) boards of public companies in addition to Medbox.

VIII. MEETINGS IN EXECUTIVE SESSION. The independent directors shall meet in executive session at each regularly scheduled Board meeting with a minimum requirement to meet at least four times annually in executive session.

IX. DIRECTOR AND OFFICER EDUCATION. Each director and officer shall attend at least 8 hours of continuing education for directors of public companies annually with regard to, among other things, GAAP compliance, SOX compliance, corporate governance, assessment of risk, compliance auditing, and reporting requirements for public companies.

X. COMMITTEE CHAIRS. No board member shall be the chairman of more than one standing board committees except during any time at which there are fewer than three independent directors.

XI. CREATION OF RISK COMPLIANCE OFFICER. Medbox shall appoint a Compliance Officer who will be the CFO. The duties of the Compliance Officer shall be:

1. Overseeing the evaluation and definition of the goals of the Company's ethics and compliance program in light of trends and developments which may affect the Company's regulatory compliance;

2. In conjunction with the Governance Committee, overseeing the Company's compliance policies and procedures and, as appropriate, develop proposals for enhancing such policies and procedures;

3. Managing the Company's ethics and compliance program, implementing procedures for monitoring and evaluating the program's performance; and

4. In conjunction with the Company's regulatory operations functions, overseeing employee training in ethics and compliance.

XII. AUDIT COMMITTEE.

The Audit Committee shall have three members. Each must meet the Independence Standards described above, and one shall qualify as a 'financial expert' under SOX, and shall be selected by majority vote of the other Independent Directors.

A. The Audit Committee shall solicit the input of department representatives as necessary to review the accuracy of disclosures related to issues within their expertise, including, without limitation, communications with and activities relating to the relevant regulatory authorities, such as the SEC, and if applicable, the NASDAQ.

XIII. GOVERNANCE COMMITTEE

Medbox's Board shall adopt a resolution and draft a charter formally amending the Corporate Governance and Nominating Committee (effective as of August 6, 2014, the 'Governance Committee') that requires the following, at a minimum:

A. The Governance Committee shall consist of at least three (3) independent board members who shall meet the NASDAQ Independence requirements, as well as the independence standards defined herein;

B. The Governance Committee shall meet with each prospective new Board member prior to his or her nomination to the Board and then recommend whether such individual shall be nominated for membership to the Board. Any prospective new Board nominee, whether

recommended by a shareholder or found by the Governance Committee, shall be considered by the Governance Committee which review shall require a background check of any candidate to be nominated by the Board.

C. Final approval of a director candidate shall be determined by the full Board. Potential disqualifying conflicts of interests to be considered shall include interlocking directorships and substantial business, civic, and/or social relationships with other members of the Board that could impair the prospective Board member's ability to act independently from the other Board members;

D. The Governance Committee shall periodically engage an independent corporate governance expert (which may be the Company's outside securities counsel) for purposes of reviewing and auditing Medbox's director nomination processes;

E. The Governance Committee shall hire an independent corporate governance expert (which may be the Company's outside securities counsel) at least once every three years to review and evaluate Medbox's director nomination processes, compare these processes with best practices, and assist the Governance Committee in developing recommendations to the Board regarding any actions to take based on its evaluation, including the implementation of new processes and procedures as necessary;

F. The Governance Committee shall continue to have the authority to retain separate and independent advisors or counsel to aid in fulfilling its responsibilities under its charter, which shall be at Medbox's expense.

G. The Governance Committee, within six (6) months of final approval of the settlement, shall meet to create Medbox's Corporate Governance Guidelines and recommend these guidelines to the entire Board for approval, based on the Governance Committee's assessment of appropriate matters including in its discretion the following: (i) The Board's access to, and review of, information from management; (ii) the Board's responsiveness to stockholder concerns; (iii) delineation of Board and management powers; (iv) interaction between and among directors; and (v) education and development of directors.

H. The Governance Committee shall review any transaction between the Company and any 'Related Person' as set forth in the Company's Related Person Transaction Policy, and shall specifically review any transaction between the Company and Defendant Mehdizadeh. The approval of the Governance Committee shall be required for any transaction between the Company and any Related Person, and the Committee shall not grant any such approval without first fully considering all material aspects of the proposed transaction and determining that the transaction is in the best interest of the Company. In performing its review, the Governance Committee shall be allowed to retain, at the Company's expense, outside counsel with no prior relationship with the Company or any Related Person.

I. Medbox shall post the Governance Committee Charter and Corporate Governance Guidelines on its website.

XIV. FULL TIME EMPLOYMENT BY EXECUTIVE OFFICERS

Medbox shall require that all named executive officers work for the Company on a full-time basis and amend all employment contracts with named executive officers to provide for employment on full-time basis.

XV. FORFEITURE OF BONUSES AND PROFITS FOR RESTATEMENTS

If the Medbox is required under generally accepted accounting principles to prepare an accounting restatement to correct an accounting error on an interim or annual financial statement included in a report on Form 10-Q or 10-K, due to material noncompliance with any financial reporting requirement under the federal securities laws, the Board shall determine whether the restatement was caused by the knowing, intentional misconduct of the CEO or CFO:

A. If the Board determines that knowing intentional misconduct by the CEO or CFO has occurred and caused such restatement, it shall take the steps necessary to secure reimbursement from the responsible CEO or CFO of:

1. any bonus or other incentive-based or equity-based compensation received by the responsible officer from Medbox during the 12-month period following the first public issuance or filing with the Commission (whichever first occurs) of the financial document embodying such error; and

2. any net profits realized by the responsible officer from the sale of Medbox securities during that 12-month period; and

B. If the Board determines that the restatement was due to something other than knowing, intentional misconduct, then the Board must recoup any excess incentive- or performance-based compensation paid to executive officers based on overstated Medbox performance in order to ensure proper alignment of compensation with actual performance and long-term value creation. The Board's determination and bases therefor must be recorded in the Board resolutions or minutes;

C. The Board shall disclose in Medbox's Proxy Statement the results of its investigation into the reasons for the restatement and the amount of incentive compensation recouped, if any, on the basis of its investigation;

D. Any monies recovered under this provision may be held in constructive trust for the benefit of the Medbox, if the Board, in its discretion, determines that it is appropriate to do so;

E. This provision does not purport to limit Section 304 of the Sarbanes-Oxley Act in any way, but any monies recovered under this provision shall be deemed by the Medbox to have been recovered under Section 304 of SOX; and

F. All current employment agreements and contracts relating to compensation of the

Medbox's officers and directors shall be modified to reflect this policy.

XVI. MANAGEMENT'S ASSESSMENT OF INTERNAL CONTROLS

In addition to all requirements set forth in SOX, Medbox's management shall annually assess the adequacy of Medbox's internal controls. and shall report in Medbox's Annual Report on Form 10-K any identified material weaknesses.

XVII. INTERNAL CONTROLS AND COMPLIANCE FUNCTIONS

If recommended by the Audit Committee, the Medbox Board shall retain an independent consulting service to conduct an annual analysis regarding appropriate steps Medbox could take to test and then strengthen the internal audit and control function with respect to compliance with laws and regulations by taking the following actions:

- A. Identify necessary resources needed to effectively manage internal knowledge of existing laws and regulations;
- B. Assess risks of non-compliance with laws and regulations, incorporating such risk assessments into internal audit procedures;
- C. Implement technology to improve auditing techniques, data mining and predictive modeling with respect to compliance issues;
- D. Carry out such other steps as may be recommended by the Audit Committee; and
- E. Medbox's CFO shall not have been employed by one of the Medbox's outside auditor firms during the prior two years or, if involved in the auditor firm's audit of Medbox, during the prior five years.

XVIII. STOCK OWNERSHIP GUIDELINES FOR DIRECTORS AND OFFICERS

Medbox shall implement a new policy requiring its non-employee directors to maintain ownership of Medbox stock in the amount of five times the base annual retainer. These stock ownership targets must be attained within two (2) years from the settlement date or three (3) years from the date a director or officer joins Medbox.

- A. In developing these criteria, factors, and policies and procedures, the Compensation Committee and consultant shall specifically assess at least the following:
 - 1. The extent to which executive compensation (including base salary and performance-based compensation) should be based on industry benchmarking;
 - 2. The form of equity-based compensation awarded to executives, including whether executives should receive more than one form of equity based compensation :

3. The terms and conditions of stock-based compensation awarded to the CEO and CFO, including vesting and exercise periods, and whether they ensure proper alignment with long-term shareholder value;

4. The appropriateness of the current levels of compensation provided to the CEO, CFO, and members of the Board;

5. The appropriateness of current employment agreements, including any termination/severance packages provided to the CEO, CFO, and members of the Board; and

6. The terms of any change of control agreements;

B. Medbox's compensation plan shall include the following criteria, factors, and policies and procedures:

1. cash incentive plans for senior executives shall be assessed based on an analysis of performance, including their effectiveness in promoting Medbox's compliance with applicable rules and regulations and addressing and resolving any related compliance issues;

2. Executive's recent compensation history, including special or unusual compensation payments, shall be taken into consideration in approving compensation; and

3. Compensation arrangements shall maintain an appropriate balance between base salary and long-term and annual incentive compensation.

XIX. BOARD OVERSIGHT OF STOCK REPURCHASES

A. Before authorizing any program to repurchase Medbox stock, the Board shall evaluate management's recommendation and determine independently whether such a repurchase program is in the best interests of the Medbox. The Board's decision must include determinations as to whether:

1. The proposed repurchases would be the best use of Medbox cash and serve the best interests of Medbox and its shareholders;

2. The proposed repurchases constitute appropriate management of Medbox's capital and shareholder equity;

3. The proposed repurchases are not intended for improper purposes, such as short-term manipulation of Medbox's stock price;

4. The repurchases will not, standing alone or when combined with material loss contingencies, have a material negative impact on Medbox's liquidity or capital structure; and

5. Medbox's financial statements and other public disclosures do not

misstate or omit material facts.

B. The Board shall in its discretion consider the opinions of independent financial analysts, auditors, and legal counsel to the extent necessary to make a reasonably informed decision with respect to stock repurchases; and

C. Following authorization of a stock repurchase program, the Board shall review and evaluate the program quarterly to confirm its assessment that the repurchase of shares is an appropriate use of Medbox cash and appropriately manages Medbox capital. The Board shall consider whether significant developments, such as in Medbox's actual or expected operational performance, business strategy, relevant markets, risk profile, liquidity, capital structure, stock price, or material undisclosed information require a re-evaluation or termination of the stock repurchase program.

XX. INSIDER TRADING POLICY

Medbox shall publish its insider trading policy on its website. The policy shall be amended as necessary to include the following provisions:

A. Medbox will maintain a policy prohibiting the Board, senior executive officers, and other employees designated in writing by a member of senior management from holding, directly or indirectly, any security tied to the performance of Medbox other than Medbox common stock and stock options delivered directly to employees by Medbox under Medbox's option and incentive plans or convertible notes;

B. Medbox will require pre-approval by the Compliance Officer (or his or her designees) of all proposed transactions in Medbox securities by section 16 of the Exchange Act directors and officers that are not executed pursuant to a valid SEC Rule 10b5-1 trading plan;

C. Medbox will prohibit trading of Medbox securities by section 16 of the Exchange Act officers for the period of time beginning no later than the fifteenth day of the last month of each quarter and ending no earlier than forty-eight hours after the release of earnings each quarter; and

D. Failure to comply with Medbox's insider trading policy will result in an assessment by the Compliance Officer to be provided to the Board which may determine appropriate disciplinary action, if any, including but not limited to cancellation of outstanding stock options, disqualification from performance-based compensation, and termination.

XXI. ROTATION OF INDEPENDENT AUDITOR

At least once every five (5) years, or more often as necessary, the Board shall request a new relationship partner from its auditor.

XXII. EMPLOYEE TRAINING IN RISK ASSESSMENT AND COMPLIANCE

Medbox shall institute annual employee training concerning risk assessment and compliance at the Medbox:

- A. The Compliance Officer shall oversee such education pursuant to this provision;
- B. Training shall be mandatory for all directors, officers, employees, independent contractors and agents of Medbox. Training shall be annual for all such persons, and in the event a person is appointed or hired after the annual training for a particular year, a special training session shall be held for such individual within fourteen business days of his or her appointment or hiring;
- C. Training shall include coverage of risk assessment and compliance, Medbox's Code of Ethics, insider trading policies, whistleblower provisions, and any and all manuals or policies established by Medbox concerning legal or ethical standards of conduct to be observed in connection with work performed for Medbox ('Medbox's Policies'); and
- D. Training shall be in person where practicable. In the limited circumstances where training in person is not possible, training should be interactive, Internet-based training.

Upon completion of training, the person receiving the training shall provide a written certification as to his or her receipt and understanding of the obligations under Medbox's Policies. Each written certifications shall be maintained by Medbox's for a period of ten (10) years from the date it was executed.

XXIII. WHISTLEBLOWER PROGRAM

In addition to the establishment of an ethics hotline described in Section IX, Medbox shall enact the following additional whistleblower mechanisms:

- A. The provisions of the Code of Ethics shall make clear that the whistleblowing provisions are designed to report any potential or suspected violation of any federal or state law (in any form including accounting violations, insider trading, etc.), and not simply to report violations of internal Medbox policies;
- B. In addition to the mechanisms for reporting a complaint through the ethics hotline, the reporting person (i.e. the 'whistleblower') shall be directed to report the matter to an independent party (the 'Third Party') retained by Medbox to receive such complaints by mail or e-mail. Such complaints may be anonymous, but the Code of Ethics shall encourage the whistleblower to reveal their identity to permit a more efficient and timely resolution of the matter. The current representations in the Code of Ethics concerning protection from retaliation shall be repeated in the modified policy;
- C. All complaints received by the Third Party shall be forwarded in writing to the Compliance Officer who shall promptly investigate each complaint. In addition, each complaint

shall be provided to the Board;

D. A log of such complaints, as well as the results of all investigations of complaints, shall be memorialized in writing and maintained by Medbox for a period of not less than ten (10) year;

E. Where the whistleblower has identified him/herself in the complaint, the Compliance Officer shall notify the whistleblower when the investigation or evaluation of the complaint is complete and the results thereof. The whistleblower shall further be notified that if he or she does not believe his or her report was properly explained or resolved, he or she may contact the full Board, its outside counsel and its external auditor concerning the complaint; and

F. All contact information and directions for the Whistleblower Hotline shall be conspicuously and wide posted by Medbox on its website and elsewhere, as to be available not only to employees but also to customers, vendors and other third parties.

XXIV. TERM OF AGREEMENT. 3 years.

XXV. MODIFICATIONS. Any provision of this agreement may be modified or discontinued with majority Board and majority shareholder action.

XXVI. CREDIT FOR PRIOR ACTIONS TAKEN BY MEDBOX

Since the filing of the Derivative Actions, Medbox, implemented changes and modifications to its corporate governance and business ethics practices.

On August 24, 2015, defendant Mehdizadeh voluntarily cancelled and retired all his preferred shares and two million of his remaining common shares; additionally, Defendant Mehdizadeh gifted to two charities one million common shares. As a result, the shareholders received a concomitant benefit. Defendant Mehdizadeh effectively relinquished his majority voting position. Furthermore, in March 2015 Medbox commenced steps to identify required 'key controls, the necessary steps required for procedures to ensure the appropriate communication and review' of financial information. *See* Medbox 2014 Form 10-K at 33. The Defendants and the Company agree that the Derivative Actions materially assisted the above described changes.

EXHIBIT B

EXHIBIT B

Exhibit 1
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UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

MIKE JONES, derivatively on behalf
of MEDBOX, INC.,

Plaintiff,

VS.

GUY MARSALA, J. MITCHELL
LOWE, NED SIEGEL, JENNIFER
S. LOVE, C. DOUGLAS
MITCHELL, PEJMAN VINCENT
MEHDIZADEH, MATTHEW
FEINSTEIN, BRUCE BEDRICK,
AND THOMAS IWANSKI,

Defendants,

- AND -

MEDBOX, INC., A NEVADA
CORPORATION,

Nominal Defendant.

) Case No. 15-cv-4170 BRO (JEMx)
) (Consolidated for pretrial purposes with
) Case No. 15-cv-0426 BRO (JEMx)

) **[PROPOSED] PRELIMINARY**
) **APPROVAL AND SCHEDULING**
) **ORDER**

1 Plaintiffs in the above-captioned shareholder derivative action (the
2 “Action”) and related derivative actions (collectively the “Actions”) are applying
3 pursuant to F.R.C.P. 23.1 for an Order for preliminary approval of the proposed
4 Settlement of the Actions in accordance with the Stipulation and Agreement of
5 Settlement entered into by the Settling Parties, dated December 17, 2015 (the
6 “Stipulation”). The Court has read and considered the Stipulation and
7 accompanying documents, and all Settling Parties have consented to the entry of
8 this Preliminary Approval Order.

9 THE COURT ORDERS AS FOLLOWS:

10 1. Except for terms defined herein, the Court adopts and incorporates the
11 definitions in the Stipulation for purposes of this Preliminary Approval Order.

12 2. The Court preliminarily finds that the Settlement is fair, reasonable,
13 adequate, and in the best interests of the Company and its shareholders.

14 3. The Court has scheduled a Settlement Hearing, which will be held on
15 _____, __, 2016 at _____ a.m./p.m., before the Honorable Beverly Reid
16 O’Connell, Courtroom 14, Spring Street Federal Building, 312 North Spring
17 Street, Los Angeles, California, 90012-4701, in order to:

18 (a) consider whether the proposed Settlement, as set forth in the
19 stipulation, should be approved by the Court as fair, reasonable, adequate, and in
20 the best interests of the Company and its shareholders;

21 (b) consider whether the Judgment should be entered dismissing the
22 Action with prejudice, directing Plaintiffs to file dismissals with prejudice of the
23 related derivative actions as against the Defendants pursuant to the Stipulation, and
24 releasing the Released Persons from the Released Claims;

25 (c) consider whether Plaintiff’s application for the Fee and Expense
26 Award and Service Awards should be approved; and

27 (d) hear other such matters as the Court may deem necessary and
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1 appropriate.

2 4. The Court reserves the right to adjourn the Settlement Hearing or
3 modify any of the dates set forth herein.

4 5. The Court reserves the right to approve the Settlement at or after the
5 Settlement Hearing with such modifications as may be consented to by the Settling
6 Parties to the Action.

7 6. The Court approves, as to form and content, the Notice and finds that
8 the Notice proposed by the Settling Parties in the Stipulation is reasonable,
9 constitutes the most practicable notice under the circumstances, constitutes
10 sufficient notice to Medbox shareholders, and complies with the requirements of
11 federal law and due process.

12 7. Within ten (10) calendar days after the entry of this Preliminary
13 Approval Order, Medbox shall cause a copy of the Notice, substantially in the form
14 attached as Exhibit B-1 to the Stipulation of Settlement, to be filed with the SEC
15 via a Current Report on Form 8-K. Medbox shall also post the Notice and
16 Stipulation on the Investor Relations page of the Medbox website and maintain
17 such posting until the date of the Settlement Hearing.

18 8. Any Medbox shareholder who wishes to object to the Settlement
19 and/or show cause why it should not be approved, why the Judgment should or
20 should not be entered thereon, or why Plaintiffs' Counsel's Fee and Expense Award
21 or the Service Awards should not be awarded shall file a written objection, which
22 objection shall: (a) state the case name and number, *Jones v. Marsala, et al.*, C.A.
23 No. 2:15-cv-04170-BRO (JEMx), and state all reasons for the objection; (b) give
24 proof of current ownership of Medbox stock as well as documentary evidence of
25 when such stock ownership was acquired; (c) clearly identify any and all evidence
26 that would be presented at the Settlement Hearing in connection with such
27 objection; and (d) identify any case, by name, court, and docket number, in which
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1 the objector or his attorney, if any, has objected to a settlement in the last three
2 years.

3 9. Such objection shall, at least fourteen (14) calendar days prior to the
4 Settlement Hearing, be filed with the Clerk of the Court, United States District
5 Court for the Central District of California, and also shall be served by first class
6 U.S. Mail at the same time on the following counsel:

7	Counsel for Plaintiffs:	Counsel for Defendants
8	BOTTINI & BOTTINI, INC.	MANATT, PHELPS & PHILLIPS LLP
9	Francis A. Bottini, Jr.	Philip R. Kaplan
10	7817 Ivanhoe Ave., Suite 102	695 Town Center Drive, 14th Floor
11	La Jolla, California 92037	Costa Mesa, California 92626
12	Telephone: (858) 914-2001	Telephone: (714) 371-2500
	Facsimile: (858) 914-2002	Facsimile: (714) 371-2550

13 10. Any Medbox shareholder wishing to be heard at the Settlement
14 Hearing is required to include a notice of intention to appear at the Settlement
15 Hearing together with his, her, or its written objection.

16 11. Any Medbox shareholder who does not make his, her, or its objection
17 in the manner provided in the preceding paragraph of this Preliminary Approval
18 Order shall be deemed to have waived such objection and shall forever be
19 foreclosed from: (a) making any objections to the fairness, adequacy, or
20 reasonableness of the Settlement; or (b) making any objections to the fairness and
21 reasonableness of the Fee and Expense Amount or Service Awards.

22 12. All papers in support of the Settlement and the Settling Parties'
23 responses to objections by Medbox shareholders, if any, shall be filed with the
24 Court and served at least seven calendar days prior to the Settlement Hearing.

25 13. All proceedings in the Action, other than such proceedings as may be
26 necessary to carry out the terms and conditions of the Stipulation and the
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1 Settlement, are hereby stayed and suspended until further order of this Court.
2 Pending final determination of whether the Stipulation should be approved,
3 Plaintiffs, the Company, and all of the Company's shareholders, and any of them,
4 are barred and enjoined from commencing, prosecuting, instigating, or in any way
5 participating in the commencement or prosecution of any action asserting any
6 Released Claims against any Released Persons.

7 14. If the Stipulation is not approved by the Court, is terminated, or shall
8 not become effective for any reason, the Action shall proceed, completely without
9 prejudice to any party as to any matter of law or fact, as if the Stipulation had not
10 been made and had not been submitted to the Court, and neither the Stipulation,
11 any provision contained in the Stipulation, any action undertaken pursuant thereto,
12 nor the negotiation thereof by any Settling Party shall be deemed an admission or
13 offered or received in evidence at any proceeding in the Action, the related
14 derivative actions, or any other action or proceeding. In the event the Stipulation is
15 not approved by the Court, is terminated, or shall not become effective for any
16 reason, the parties shall return to their respective positions as of _____,
17 __, 20____.

18 DATED: _____, __, 2016
19
20

21 _____
22 THE HON. BEVERLY REID O'CONNELL
23 UNITED STATES DISTRICT COURT JUDGE
24
25
26
27
28

EXHIBIT B-1

EXHIBIT B-1

Exhibit 1
072

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6 Facsimile: (858) 914-2002

7 *Attorneys for Derivative Plaintiff Mike Jones*

8 UNITED STATES DISTRICT COURT
9 CENTRAL DISTRICT OF CALIFORNIA

10 MIKE JONES, derivatively on behalf) Case No. 15-cv-4170 BRO (JEMx)
11 of MEDBOX, INC.,) (Consolidated for pretrial purposes with
12 Plaintiff,) Case No. 15-cv-0426 BRO (JEMx))

13 vs.)

14 GUY MARSALA, J. MITCHELL) **NOTICE OF PENDENCY AND**
15 LOWE, NED SIEGEL, JENNIFER) **PROPOSED SETTLEMENT OF**
S. LOVE, C. DOUGLAS) **SHAREHOLDER DERIVATIVE**
16 MITCHELL, PEJMAN VINCENT) **ACTIONS**

17 MEHDIZADEH, MATTHEW)
18 FEINSTEIN, BRUCE BEDRICK,)
and THOMAS IWANSKI,)
Defendants,)

19 - and -)

20 MEDBOX, INC., a Nevada)
21 corporation,)
Nominal Defendant.)

TO: ALL RECORD OR BENEFICIAL OWNERS OF COMMON STOCK OF MEDBOX, INC. (“MEDBOX”) AS OF _____, 2015:

PLEASE READ THIS NOTICE CAREFULLY AND IN ITS ENTIRETY. IT CONTAINS IMPORTANT INFORMATION ABOUT YOUR LEGAL RIGHTS.

THIS NOTICE RELATES TO A PROPOSED SETTLEMENT OF SHAREHOLDER DERIVATIVE AND OTHER ACTIONS (THE “ACTIONS”) AND CLAIMS ASSERTED ON BEHALF OF MEDBOX, INC. (“MEDBOX” OR THE “COMPANY”).

IF THE COURT APPROVES THE SETTLEMENT AND DISMISSAL OF THE ACTIONS, SHAREHOLDERS OF MEDBOX WILL BE FOREVER BARRED FROM CONTESTING THE APPROVAL OF THE PROPOSED SETTLEMENT AND FROM PURSUING THE RELEASED CLAIMS.

THESE ACTIONS ARE NOT “CLASS ACTIONS.” THUS, THERE IS NO COMMON FUND UPON WHICH YOU CAN MAKE A CLAIM FOR A MONETARY PAYMENT.

PURPOSE OF THIS NOTICE

This Notice of Pendency and Proposed Settlement of Shareholder Derivative Actions (the “Notice”) is provided to Medbox stockholders pursuant to an order of the United States District Court for the Central District of California (the “Court”). This is not a solicitation from a lawyer.

The purpose of this Notice is to advise you that, pursuant to the Court’s Preliminary Approval and Scheduling Order,¹ a hearing will be held on _____, 2016 at _____ a./p.m., before the Honorable Beverly Reid O’Connell, Courtroom 14, Spring Street Federal Building, 312 North Spring Street, Los Angeles, California, 90012-4701, (or at such a date and time as the Court may direct without further notice) (the “Settlement Hearing”) to determine whether: (i) the terms of a proposed settlement (the “Settlement”) of the Actions as described below are fair,

¹ The capitalized terms used in this Notice and not otherwise defined are defined in the Stipulation of Settlement (the “Stipulation”) dated December 17, 2015, which is available on the website of Medbox at <http://www.medbox.com> at the investor relations page.

1 reasonable, and adequate, and in the best interests of Medbox; (ii) the amount of
2 Plaintiffs' Counsel's application for attorneys' fees and expenses, as described below,
3 is fair and reasonable; and (iii) the service awards to Plaintiffs, as described below,
should be approved.

4 The terms and conditions of the proposed Settlement are summarized in this
5 Notice and set forth in full in the Stipulation. You have an opportunity to be heard at
6 this hearing.

7 The Court has not determined the merits of Plaintiffs' claims or Defendants'
8 defenses. By this Notice, the Court does not express any opinion as to the merits of
any claim or defense asserted by any party in the Actions.

9 **BACKGROUND OF THE ACTIONS**

10 Factual Background

11 Medbox is a Nevada corporation which provides specialized consulting
12 services to the marijuana industry and sells associated patented products. The
13 Company works with clients who seek to enter the medical and cultivation marijuana
14 markets in those states where approved. Medbox offers turnkey solutions that assist
15 with licensing and compliance, site selection, design and permitting, safety and
16 security, along with full build-out and operational oversight. Medbox's consulting
solutions and technology create structure and process for clients and their respective
businesses in this rapidly emerging sector.

17 Medbox was founded in 2010 by defendant Pejman Vincent Mehdizadeh
18 ("Mehdizadeh"). From the founding of Medbox until March 2015, defendant
19 Mehdizadeh was the Company's majority shareholder. He controlled the business
activities of Medbox until August of 2014.

20 On October 31, 2014, Medbox disclosed that: (a) a federal grand jury was
21 investigating matters pertaining to Medbox and had issued a subpoena to the
22 Company's public accountant; and (b) a whistleblower had contacted the SEC
23 alleging that defendant Mehdizadeh had engaged in insider trading and securities
fraud. On November 12, 2014, the Company filed a Form 10-Q with the SEC which,
among other things, confirmed that the SEC "is conducting an investigation
pertaining to the Company and issued a subpoena."

24 On March 9, 2015, the Company disclosed that it had completed its financial
25 review and stated that it planned to file amended and restated Annual Reports on
26 Form 10-K for the years 2012 and 2013; and Quarterly Reports on Form 10-Q for the
27 first, second, and third quarters of 2014. As a result of such accounting, Medbox
overstated its revenue by over \$1.3 million during 2012, and \$3 million during 2013.

1 In both years, the overstatement was greater than the Company's total restated
2 revenue during those periods.

3 Procedural Background

4 On June 3, 2015, Plaintiff Jones filed *Jones v. Marsala, et al*, Case No. 15-cv-
5 4170 BRO (JEMx), a shareholder derivative action, in the United States District
6 Court for the Central District of California, (the "Federal Court"), alleging claims for,
7 *inter alia*, breach of fiduciary duty; abuse of control and breach the duties of honest
8 services. The complaint asserted claims against officers and directors of Medbox. The
9 following related derivative actions have also been filed asserting similar claims: (1)
10 plaintiff Michael A. Gliner filed a complaint in Los Angeles Superior Court on
11 February 20, 2015, Case No. BC573314; (2) plaintiff Robert J. Calabrese filed a
12 complaint in Nevada federal court on March 10, 2015, Case No. 3:15-cv-00147;
13 (3) plaintiff Tyler Gray filed a complaint in Nevada federal court on March 27, 2015,
14 Case No. 3:15-cv-00185; (4) plaintiff Patricia Des Groseilliers filed a complaint in
15 Nevada federal court on May 20, 2015, Case No. 15-cv-00270; (5) plaintiff Jennifer
16 Scheffer filed a complaint in Nevada state court on Feb. 12, 2015, Case No. A-15-
17 713877-B; and (6) plaintiff Kimberly Freeman filed a complaint in Nevada state court
18 on July 20, 2015, Case No. A-15-721731.

19 **THE SETTLEMENT DISCUSSIONS**

20 Counsel for the Plaintiffs engaged in extensive efforts to resolve this matter. In
21 August 2015, Plaintiffs, Medbox, and the Individual Defendants first discussed the
22 possibility of reaching an informal resolution of this matter through mediation, and
23 ultimately agreed to participate in a mediation before the Hon. Layn R. Phillips, Ret.

24 Plaintiffs, Medbox and the Individual Defendants participated in an all-day
25 mediation before Judge Phillips on October 16, 2015. Substantial negotiations took
26 place throughout the day, extensive drafts of settlement offers and counteroffers were
27 exchanged, and the mediation continued well into the evening. Plaintiffs, Medbox,
28 and the Individual Defendants reached agreement on terms for corporate governance
reforms and began negotiations on an appropriate fee award. Plaintiffs, Medbox, and
the Individual Defendants continued their negotiations well into the night and reached
agreement on other material terms concerning the settlement shortly after 11:00 p.m.,
at which time a Memorandum of Understanding was signed.

SUMMARY OF SETTLEMENT TERMS

The Plaintiffs (on behalf of themselves and derivatively on behalf of Medbox),
the Individual Defendants, and nominal defendant Medbox, by and through their
respective counsel or attorneys of record, hereby stipulate and agree that, subject to
approval by the Court, pursuant to Fed. R. Civ. P. 23.1, the Actions and the Released

1 Claims shall be finally and fully compromised, settled, and released, and the Actions
2 shall be dismissed with prejudice, as to all Settling Parties, upon the terms and subject
to the conditions set forth herein.

3 Medbox and the Board have agreed to enact the Corporate Governance
4 Reforms (the “Reforms”) set forth at Exhibit A to the Stipulation of Settlement, and
5 agree that the initiation, prosecution, pendency, and settlement of the Actions are the
6 cause of the Reforms. Following the Court’s final approval of the Settlement, the
7 Board shall take all necessary steps to adopt and implement the Reforms, to the
extent that such Reforms have not already been adopted and implemented. The
Reforms shall remain in place for no less than three years.

8 The Settling Parties agree that the Reforms have provided and will provide
9 significant and material benefits to Medbox and Current Medbox Shareholders. In
10 addition, the Board, exercising its independent business judgment, believes that the
Settlement is in the best interests of Medbox and Current Medbox Shareholders.

11 The Settlement calls for Plaintiffs (on behalf of themselves, all Current
12 Medbox shareholders and, derivatively, on behalf of Medbox) to release all Released
13 Claims against the Released Persons, as defined in the Stipulation. The term
14 “Released Claims” collectively means any and all claims and causes of action of
15 every nature and description, whether known or unknown, whether arising under
16 federal, state, common or foreign law, brought or that could be brought derivatively
17 or otherwise by or on behalf of Medbox against any of the Released Persons (as
defined in the Stipulation), that arise out of or related in any way to (a) the subject
matter of the Actions; or (b) the facts alleged or that could have been alleged in any
complaint filed in the Actions.

18 **PLAINTIFFS’ COUNSEL’S POSITION CONCERNING SETTLEMENT**

19 Plaintiffs’ Counsel believe that the Actions have substantial merit, and
20 Plaintiffs’ entry into the Stipulation is not intended to be and shall not be construed as
21 an admission or concession concerning the relative strength or merit of the claims
22 alleged in the Actions. However, Plaintiffs and their counsel recognize and
23 acknowledge the significant risk, expense, and length of continued proceedings
24 necessary to prosecute the Actions against the Individual Defendants through trial
25 and through possible appeals. Plaintiffs’ Counsel also have taken into account the
26 uncertain outcome and the risk of any litigation, especially in complex cases such as
the Actions, as well as the difficulties and delays inherent in such litigation.
Plaintiffs’ Counsel also have taken into account Medbox’s precarious financial
condition and the Company’s representation that, absent a settlement of the derivative
and class action litigation, Medbox would likely have had to declare bankruptcy.

27 Plaintiffs’ Counsel have conducted an extensive investigation including

1 reviewing and analyzing numerous corporate filings by the Company with the SEC,
2 other related publicly available information, and non-public confirmatory discovery
3 documents from Defendants. Plaintiffs' Counsel also analyzed the Company's
4 corporate governance. Based on their thorough review and analysis of the relevant
5 facts, allegations, defenses, and controlling legal principles, Plaintiffs' Counsel
6 believe that the Settlement set forth in the Stipulation is fair, reasonable, and
7 adequate, and confers substantial benefits upon Medbox and its shareholders. Based
8 upon Plaintiffs' evaluation, Plaintiffs have determined that the Settlement is in the
9 best interests of Medbox and its shareholders and have agreed to settle the Actions
10 upon the terms and subject to the conditions set forth in the Stipulation.

11 **DEFENDANTS' POSITION CONCERNING SETTLEMENT**

12 The Individual Defendants have denied and continue to deny that they have
13 committed, threatened, or attempted to commit, any violations of law, or breached
14 any duty owed to Plaintiffs, Medbox, or its shareholders. Without admitting the
15 validity of any allegations or assertions made in any of the Actions, or any liability
16 with respect thereto, however, the Individual Defendants have concluded that it is
17 desirable that the claims against them be settled on the terms reflected in the
18 Stipulation. Further, the Individual Defendants and Medbox are entering into this
19 Settlement because it will eliminate the uncertainty, distraction, disruption, burden,
20 risk, and expense of further litigation. In addition, Medbox acknowledges that the
21 Settlement confers substantial benefits on Medbox.

22 **PLAINTIFFS' ATTORNEYS' FEES AND 23 EXPENSES AND SERVICE AWARDS FOR PLAINTIFFS**

24 Plaintiffs' Counsel have not received any payment for work in connection with
25 the Actions, nor been reimbursed for out-of-pocket expenses. Plaintiffs' Counsel
26 have asked the Court to award them attorneys' fees and expenses that have been
27 incurred or will be incurred in connection with the Actions in the amount of \$300,000
28 together with the transfer of 2,300,000 shares of Medbox stock (with an estimated
value of \$230,000, based on a Medbox share price of \$0.10 per share at the time that
the settlement was reached) from certain of the Individual Defendants (the "Fee and
Expense Amount"), which Plaintiffs' Counsel believes is fair and appropriate
consideration for the substantial benefits conferred upon Medbox as a result of the
prosecution and settlement of the Actions, to be paid by the Individual Defendants
and their insurance carriers.

In addition, Plaintiffs' Counsel may apply to the Court for a service award of
up to \$1,500 for each of the named Plaintiffs, only to be paid upon Court approval, in
recognition of those Plaintiffs' participation and effort in the prosecution of the
various derivative actions (the "Service Awards"). The Service Awards, if approved

1 by the Court, shall be paid to the Plaintiffs from the Fee and Expense Amount.

2 **NOTICE OF HEARING ON PROPOSED SETTLEMENT**

3 A Settlement Hearing will be held on _____, 2016 at __:__ a./p.m., before
4 the Honorable Beverly Reid O’Connell, Courtroom 14, Spring Street Federal
5 Building, 312 North Spring Street, Los Angeles, California, 90012-4701, (or at such a
6 date and time as the Court may direct without further notice), for the purpose of
7 determining: (a) whether the proposed Settlement, as set forth in the Stipulation,
8 should be approved by the Court as fair, reasonable, and adequate to Medbox and its
9 shareholders, including Plaintiffs; (b) whether the Judgment should be entered
10 dismissing the Federal Derivative Actions with prejudice and releasing the Released
11 Persons from the Released Claims; (c) whether the payment of the Fee and Expense
12 Award and Service Awards should be approved; and (d) any other matters that come
13 before the Court.

14 The Court may adjourn the Settlement Hearing by oral or other announcement
15 at such hearing or any adjournment without further notice of any kind. The Court
16 may approve the Settlement with or without modification, enter the Judgment, and
17 order the payment of the Fee and Expense Amount without further notice of any kind.

18 **THE RIGHT TO BE HEARD AT THE SETTLEMENT HEARING**

19 Any Medbox shareholder may appear and show cause, if he, she, or it has any
20 reason why the Settlement of the Actions embodied in the Stipulation should not be
21 approved as fair, reasonable, and adequate, or why the Judgment should or should not
22 be entered hereon, or why the Fee and Expense Amount or Service Awards should
23 not be awarded. To object, the shareholder must: (a) file a written objection, stating
24 the case name and number, *Jones v. Marsala, et al.*, Case No. 2:15-cv-04170-BRO
25 (JEMx), and stating all reasons for the objection; (b) give proof of current ownership
26 of Medbox stock as well as documentary evidence of when such stock ownership was
27 acquired; (c) clearly identify any and all evidence that would be presented at the
28 Settlement Hearing in connection with such objections; and (d) identify any case, by
name, court, and docket number, in which the objector or his, her, or its attorney, if
any, has objected to a settlement in the last three years. Any written objections shall
be filed with Clerk of the Court ***at least fourteen (14) days prior to the Settlement
Hearing***, at the below address:

29 **CLERK OF THE COURT**

30 Spring Street Federal Building
31 312 North Spring Street
32 Los Angeles, CA, 90012-4701

1 and copies of such objections shall be served at the same time upon the following by
2 first-class mail:

3 **Counsel for Plaintiffs:**

4 BOTTINI & BOTTINI, INC.
5 Francis A. Bottini, Jr.
6 7817 Ivanhoe Ave., Suite 102
7 La Jolla, California 92037
8 Telephone: (858) 914-2001
9 Facsimile: (858) 914-2002

Counsel for Defendants:

MANATT, PHELPS & PHILLIPS, LLP
Phillip R. Kaplan
695 Town Center Drive, 14th Floor
Costa Mesa, California
Telephone: (714) 371-2500
Facsimile: (714) 371-2550

10 Any Medbox shareholder wishing to be heard at the Settlement Hearing is
11 required to include a notice of intention to appear at the Settlement Hearing together
12 with his, her, or its written objection.

13 Any Medbox shareholder who does not make his, her, or its objection in the
14 manner provided in the preceding paragraph of this Notice shall be deemed to have
15 waived such objection and shall forever be foreclosed from: (a) making any
16 objections to the fairness, adequacy, or reasonableness of the Settlement; or (b)
17 making any objections to the fairness and reasonableness of the Fee and Expense
18 Amount or Service Awards.

19 **FURTHER INFORMATION**

20 Further information regarding the Actions and this Notice may be obtained by
21 writing Plaintiffs' Counsel at the following address: Francis A. Bottini, Jr., BOTTINI
22 & BOTTINI, INC., 7817 Ivanhoe Ave., Suite 102, La Jolla, California 92037.

23 The pleadings and other records of the Actions as well as the Stipulation filed with
24 the Court may be examined and copied at any time during regular office hours at the
25 Office of the Clerk, Spring Street Federal Building, 312 North Spring Street, Los
26 Angeles, California, 90012-4701. Additionally, the Stipulation, this Notice and
27 certain other settlement related documents may be examined at www.medbox.com.

28 **PLEASE DO NOT TELEPHONE THE COURT OR THE CLERK'S OFFICE
REGARDING THIS NOTICE.**

EXHIBIT C

EXHIBIT C

Exhibit 1
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UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

MIKE JONES, derivatively on behalf)	Case No. 15-cv-4170 BRO (JEMx)
of MEDBOX, INC.,)	(Consolidated for pretrial purposes with
Plaintiff,)	Case No. 15-cv-0426 BRO (JEMx))
vs.)	
GUY MARSALA, J. MITCHELL)	[PROPOSED] ORDER AND FINAL
LOWE, NED SIEGEL, JENNIFER)	JUDGMENT
S. LOVE, C. DOUGLAS)	
MITCHELL, PEJMAN VINCENT)	
MEHDIZADEH, MATTHEW)	Date: _____, 2016
FEINSTEIN, BRUCE BEDRICK,)	Time:
and THOMAS IWANSKI,)	Judge: Hon. Beverly Reid O’Connell
Defendants,)	
- and -)	
MEDBOX, INC., a Nevada)	
corporation,)	
Nominal Defendant.)	

1 This matter came before the Court for hearing on _____, __, 2016, to
2 consider approval of the proposed settlement (“Settlement”) set forth in the
3 Stipulation and Agreement of Settlement dated November __, 2015, and the exhibits
4 thereto (the “Stipulation”). The Court has reviewed and considered all documents,
5 evidence, objections (if any), and arguments presented in support of or against the
6 Settlement. Good cause appearing therefore, the Court enters this Judgment.

7 IT IS HEREBY ORDERED, ADJUDGED, AND DECREED that:

8 Unless otherwise stated herein, all capitalized terms contained in this
9 Judgment shall have the same meaning and effect as stated in the Stipulation.

10 This Court has jurisdiction over the subject matter of the Action and over the
11 Settling Parties to the Action.

12 This Court hereby approves the Settlement set forth in the Stipulation and
13 finds that the Settlement is, in all respects, fair, reasonable, and adequate to each of
14 the Settling Parties, Medbox Inc. (“Medbox”), and Medbox shareholders, and hereby
15 directs the Settling Parties to perform the terms of the Settlement as set forth in the
16 Stipulation.

17 This Court hereby dismisses the Action with prejudice and without costs to
18 any of the Settling Parties, except as otherwise provided below.

19 Upon the Effective Date, the Releasing Parties shall be deemed to have fully,
20 finally, and forever released, relinquished, and discharged the Released Claims
21 (including Unknown Claims) against the Released Persons and any and all claims
22 arising out of, relating to, or in connection with the defense, settlement, or resolution
23 of the Actions against the Released Persons. Nothing herein shall in any way impair
24 or restrict the rights of any Settling Party to enforce the terms of the Stipulation.

25 Upon the Effective Date hereof, the Releasing Parties are barred and enjoined
26 from commencing, prosecuting, instigating, or in any way participating in the
27 commencement or prosecution of any action asserting any Released Claims against
28 any of the Released Persons as set forth in and in accordance with the terms of the

1 Stipulation. Nothing herein shall in any way impair or restrict the rights of any
2 Settling Party to enforce the terms of the Stipulation.

3 The Notice of Pendency and Settlement of Shareholder Derivative Action
4 (“Notice”) has been given to shareholders of the Company pursuant to and in the
5 manner directed by the Order dated _____, 2015, proof of Notice was
6 filed with the Court, and full opportunity to be heard has been offered to all Settling
7 Parties and Medbox shareholders.

8 The Court hereby approves the Fee and Expense Amount consisting of
9 \$300,000 in cash and the transfer of 2,000,000 shares of Medbox common stock
10 from defendant Mehdizadeh to Plaintiffs’ counsel and 300,000 shares of common
11 stock from defendant Bedrick to Plaintiffs’ Counsel and directs payment of the Fee
12 and Expense Amount in accordance with the terms of the Stipulation.

13 The Court hereby approves the Service Award of \$1,500 for each of the
14 Plaintiffs, to be paid from Plaintiffs’ Counsels’ Fee and Expense Amount in
15 recognition of Plaintiffs’ participation and effort in the prosecution of the Actions.

16 During the course of the litigation of the Actions, all Settling Parties and their
17 counsel acted in good faith and complied with F.R.C.P. 11 and any similar rule or
18 statute.

19 Neither the Stipulation nor the Settlement contained therein, nor any act
20 performed or document executed pursuant to or in furtherance of the Stipulation or
21 the Settlement, is or may be deemed to be or may be used as: (a) an admission of, or
22 evidence of, the validity of any Released Claim or any wrongdoing or liability of the
23 Defendants, or the Court’s jurisdiction over the Released Persons for purpose of the
24 Released Claims or for any other purpose; (b) an admission or concession by
25 Plaintiffs or any Medbox shareholder of any infirmity in the claims asserted in the
26 Complaint; or (c) an admission of, or evidence of, any fault or omission of any of the
27 Released Persons in any civil, criminal, or administrative proceeding in any court,
28 administrative agency, or other tribunal. The Released Persons may file the

1 Stipulation and/or this Judgment in any action that may be brought against them in
2 order to support a defense or counterclaim based on principles of *res judicata*,
3 collateral estoppel, equitable estoppel, judicial estoppel, release, good-faith
4 settlement, judgment bar or reduction, or any theory of claim preclusion or issue
5 preclusion or similar defense or counterclaim.

6 Without affecting the finality of this Judgment in any way, this Court hereby
7 retains continuing jurisdiction over: (a) implementation of this Settlement; and
8 (b) all Settling Parties and the Settling Parties' counsel hereto for the sole purpose of
9 construing, enforcing, and administering the Stipulation and this Order.

10 There is no reason for delay in the entry of this Judgment and immediate entry
11 by the Clerk of the Court is expressly directed by the Court.

12 Dated: _____, 2016
13

14 _____
15 THE HON. BEVERLY REID O'CONNELL
16 UNITED STATES DISTRICT COURT JUDGE
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