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**U. S. SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

**Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

**For the quarterly period ended September 30, 2013.**

**Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission File Number**  
**333-173215**

**CannaVEST Corp.**

**(Exact name of registrant as specified in its charter)**

**DELAWARE**

**(State or other jurisdiction of incorporation or organization)**

**80-0944970**

**(IRS Employer Identification No.)**

**2688 South Rainbow Avenue, Suite B**  
**Las Vegas, Nevada 89146**

**(Address of principal executive offices)**

**866-290-2157**

**(Registrant's telephone number, including area code)**

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

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

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

Large accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company)

Accelerated filer

Smaller reporting company

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: As of November 14, 2013, the issuer had 11,744,167 shares of issued and outstanding common stock, par value \$.0001.

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**PART I. FINANCIAL INFORMATION**

**Item 1: FINANCIAL STATEMENTS**

**CANNAVEST CORP.  
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)  
AS OF SEPTEMBER 30, 2013 AND FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2013 AND  
2012**

**CANNAVEST CORP.**  
CONDENSED CONSOLIDATED BALANCE SHEETS

	<b>September 30, 2013</b>	<b>December 31, 2012</b>
	<b>(unaudited)</b>	
<b>ASSETS</b>		
Current Assets		
Cash	\$ 165,907	\$ 431
Accounts Receivable	1,661,733	–
Total Current Assets	<u>1,827,640</u>	<u>431</u>
Other Current Assets		
Prepaid Inventory	1,194,346	–
Inventory	2,394,419	–
Total Other Current Assets	<u>3,588,765</u>	<u>–</u>
Total Current Assets	<u>5,416,405</u>	<u>431</u>
Equipment, Net	<u>199,060</u>	<u>–</u>
Other Assets		
Intangible assets (net)	4,466,666	–
Investment in KannaLife	650,000	–
Total Other Assets	<u>5,116,666</u>	<u>–</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 10,732,131</u></b>	<b><u>\$ 431</u></b>
<b>LIABILITIES &amp; STOCKHOLDERS' DEFICIT</b>		
Current Liabilities		
Accounts Payable	\$ 123,583	\$ –
Accrued Interest	87,931	–
Equipment loan payable	30,000	–
Amount due to related party	300	500
Other Current Liabilities		
PhytoSPHERE Agreement	6,499,998	–
Total Current Liabilities	<u>6,741,812</u>	<u>500</u>
Long Term Liabilities		
Due to Roen Ventures, LLC	4,210,195	–
Total Long Term Liabilities	<u>4,210,195</u>	<u>–</u>
<b>TOTAL LIABILITIES</b>	<b><u>10,952,007</u></b>	<b><u>500</u></b>
<b>STOCKHOLDERS' DEFICIT</b>		
Common stock - par value \$0.0001; 190,000,000 shares authorized; 11,741,667 and 7,000,000 shares issued and outstanding as of September 30, 2013 and December 31, 2012, respectively	1,174	700
Additional Paid in Capital	28,330,375	143,447
Accumulated Deficit	<u>(28,551,425)</u>	<u>(144,216)</u>
<b>TOTAL STOCKHOLDERS' DEFICIT</b>	<b><u>(219,876)</u></b>	<b><u>(69)</u></b>
<b>TOTAL LIABILITIES &amp; STOCKHOLDERS' DEFICIT</b>	<b><u>\$ 10,732,131</u></b>	<b><u>\$ 431</u></b>

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

**CANNAVEST CORP.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Unaudited)

	<b>For the three months ended</b>		<b>For the nine months ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Revenue	\$ 163,662	\$ –	\$ 1,353,720	\$ –
Cost of Goods Sold	48,551	–	270,293	–
<b>Gross Profit</b>	<b>115,111</b>	<b>–</b>	<b>1,083,427</b>	<b>–</b>
Operating Expenses:				
Impairment of goodwill	26,998,125	–	26,998,125	–
General & administrative	1,115,098	8,875	2,337,484	36,271
Operating loss	(27,998,112)	(8,875)	(28,252,182)	(36,271)
Interest expense	(134,504)	(964)	(155,027)	(2,816)
Loss before taxes	(28,132,616)	(9,839)	(28,407,209)	(39,087)
Provision for income taxes	–	–	–	–
<b>NET LOSS</b>	<b>\$ (28,132,616)</b>	<b>\$ (9,839)</b>	<b>\$ (28,407,209)</b>	<b>\$ (39,087)</b>
Loss per Share	\$ (2.81)	\$ (0.00)	\$ (3.21)	\$ (0.01)
Weighted Average Number of Shares – Basic & Diluted	10,010,055	7,000,000	8,841,117	7,000,000

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

**CANNAVEST CORP.**  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' DEFICIT**  
For the period from December 31, 2012 to September 30, 2013

	<u>Common Stock</u>		<u>Additional Paid In Capital</u>	<u>Accumulated (Deficit)</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>			
Balance, December 31, 2012 (audited)	7,000,000	\$ 700	\$ 143,447	\$ (144,216)	\$ (69)
Shares issued for first installment of PhytoSPHERE Agreement	900,000	90	4,499,910	-	4,500,000
Shares issued for second installment of PhytoSPHERE Agreement	1,000,000	100	5,999,900	-	6,000,000
Shares issued for third installment of PhytoSPHERE Agreement	1,208,334	121	7,249,883	-	7,250,004
Shares issued for fourth installment of PhytoSPHERE Agreement	1,633,333	163	9,799,835	-	9,799,998
To record the value of the beneficial conversion feature of new debt			637,400		637,400
Net loss	-	-	-	(28,407,209)	(28,407,209)
Balance September 30, 2013 (unaudited)	<u>11,741,667</u>	<u>\$ 1,174</u>	<u>\$ 28,330,375</u>	<u>\$ (28,551,425)</u>	<u>\$ (219,876)</u>

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

**CANNAVEST CORP.**  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	<b>For the nine months ended,</b>	
	<b>September 30, 2013</b>	<b>September 30, 2012</b>
	<b>(unaudited)</b>	
<b>OPERATING ACTIVITIES</b>		
Net loss	\$ (28,407,209)	\$ (39,087)
Adjustments to reconcile net loss to net cash flows used in operating activities:		
Depreciation and amortization	1,484,148	–
Impairment of goodwill	26,998,125	–
Amortization of debt discount	67,095	–
Change in operating assets and liabilities:		
Prepaid expense	–	1,750
Prepaid inventory	66,164	–
Inventory	(2,048,942)	–
Accounts receivable	(1,265,295)	–
Accounts payable and accrued expenses	211,514	6,732
Net cash used in operating activities	<u>(2,894,400)</u>	<u>(30,605)</u>
<b>INVESTING ACTIVITIES</b>		
Cash received on acquisition	50,775	–
Purchase of equipment	(201,199)	–
Cash paid on PhytoSPHERE Agreement	(950,000)	–
Investment in KannaLife Sciences	(650,000)	–
Net cash flows from investing activities	<u>(1,750,424)</u>	<u>–</u>
<b>FINANCING ACTIVITIES</b>		
Proceeds from related party loans	–	29,600
Proceeds from loan from Roen Ventures	4,780,500	–
Proceeds from equipment loan, net of repayment	30,000	–
Repayment of loan from related party	(200)	–
Net cash flows from financing activities	<u>4,810,300</u>	<u>29,600</u>
Net increase (decrease) in cash	165,476	(1,005)
Cash, beginning of period	431	1,168
Cash, end of period	<u>\$ 165,907</u>	<u>\$ 163</u>
<b>NON CASH TRANSACTION</b>		
Accounts receivable assumed from acquisitions	396,438	–
Inventory assumed from acquisitions	345,477	–
Prepaid inventory assumed from acquisition	1,260,510	–
Property and equipment assumed from acquisitions	1,288	–
Intangible assets	5,947,387	–
Goodwill	26,998,125	–
Amount due to PhytoSPHERE Agreement	(6,499,998)	–
Common Shares issued for PhytoSPHERE transaction	(27,550,002)	–

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

**CANNAVEST CORP.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**1. ORGANIZATION AND BUSINESS**

CannaVEST Corp. (formerly Foreclosure Solutions, Inc.) (the “Company”, “we” or “us”) was incorporated on December 9, 2010, in the state of Texas, to provide information on pre-foreclosure and foreclosed residential properties to homebuyers and real estate professionals on its website. However, the Company was not able to secure financing for this business plan and on November 16, 2012 the shareholders owning 6,979,900 of the outstanding shares sold their shares in private transactions to four buyers. Commensurate with this transaction the former officer and director resigned and control of the Company changed. In addition, the Company’s business offices moved from Dallas, Texas to Las Vegas, Nevada. On January 29, 2013, the Company amended its Certificate of Formation to change its name to CannaVEST Corp. and on March 14, 2013, the Company increased the size of its board of directors and elected three independent directors. On July 26, 2013 the Company reincorporated in the state of Delaware.

On December 15, 2012, the Company entered into an Agreement for Purchase and Sale of Assets (the “PhytoSPHERE Agreement”) with PhytoSPHERE Systems, LLC (“PhytoSPHERE”) whereby upon the closing of the transaction the Company acquired certain assets of PhytoSPHERE in exchange for an aggregate payment of \$35,000,000 to be paid in five installments of either cash or shares of the Company’s common stock, as determined in the Company’s sole discretion. The closing occurred on January 29, 2013, at which time the Company took delivery of the acquired assets and made its first installment payment in the amount of \$4,500,000 by issuing 900,000 shares of common stock with a quoted market price on that date of \$5.00. On April 4, 2013, the Company made its second installment payment in the amount of \$6,000,000 by issuing 1,000,000 shares of common stock at a per share price of \$6.00, determined by the maximum price set forth in the PhytoSPHERE Agreement. During the fiscal quarter ended June 30, 2013, the Company paid \$750,000 in cash and on July 23, 2013, issued 1,208,334 shares at a per share price of \$6.00, determined by the maximum price set forth in the PhytoSPHERE Agreement, completing its third installment in the aggregate amount of \$8,000,004. During the fiscal quarter ended September 30, 2013 the Company paid \$200,000 in cash and on September 20, 2013, issued 1,633,333 shares at a per share price of \$6.00, determined by the maximum price set forth in the PhytoSPHERE Agreement, completing its fourth installment in the aggregate amount of \$9,999,998. The final installment is due on or before December 31, 2013 in the amount of \$6,499,998.

The Company’s business is that of developing, producing, marketing and selling end consumer products to the nutraceutical industry containing hemp plant extract, Cannabidoil (CBD) and reselling to third parties raw product acquired by the Company pursuant to its supply relationships in Europe.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Presentation

The accompanying unaudited condensed interim financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”). All references to GAAP are in accordance with the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) and the Hierarchy of Generally Accepted Accounting Principles.

The unaudited condensed interim financial statements have been prepared by the Company pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (the “SEC”). The information furnished herein reflects all adjustments (consisting of normal recurring accruals and adjustments) which are, in the opinion of management, necessary to fairly present the operating results for the respective periods. Certain information and footnote disclosures normally present in annual financial statements prepared in accordance with GAAP have been omitted pursuant to such rules and regulations. These unaudited condensed financial statements should be read in conjunction with the audited financial statements and notes for the year ended December 31, 2012, filed with the SEC on the Company’s Annual Report on Form 10-K filed on April 16, 2013. The results for the three and nine months ended September 30, 2013, are not necessarily indicative of the results to be expected for the full year ending December 31, 2013.



### Use of Estimates

The Company's condensed consolidated financial statements have been prepared in accordance with GAAP. The preparation of these condensed consolidated financial statements requires us to make significant estimates and judgments that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosures of contingent assets and liabilities. We evaluate our estimates, including those related to contingencies, on an ongoing basis. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

### Cash and Cash Equivalents

For purposes of the statements of cash flows, the Company considers amounts held by financial institutions and short-term investments with an original maturity of three months or less when purchased to be cash and cash equivalents. At each of September 30, 2013 and December 31, 2012, the Company had no cash equivalents.

### Concentration of credit risk

As of September 30, 2013, the Federal Deposit Insurance Corporation (FDIC) provided insurance coverage of up to \$250,000 per depositor per bank. The Company has not experienced any losses in such accounts and does not believe that the Company is exposed to significant risks from excess deposits.

### Accounts Receivable

Accounts receivable consists of trade accounts arising in the normal course of business, and accounts receivable purchased by the Company from PhytoSPHERE under the PhytoSPHERE Agreement. No interest is charged on past due accounts. Accounts for which no payments have been received after 30 days are considered delinquent and customary collection efforts are initiated. Accounts receivable are carried at original invoice amount less a reserve made for doubtful receivables based on a review of all outstanding amounts on a monthly basis.

Management determines the allowance for doubtful accounts by regularly evaluating individual customer receivables and considering a customer's financial condition and credit history, and current economic conditions. There was no allowance for doubtful accounts at either September 30, 2013 or December 31, 2012.

### Revenue Recognition

The Company will recognize revenue in accordance with the ASC Topic 605, *Revenue Recognition*, which requires persuasive evidence of an arrangement, delivery of a product or service, a fixed or determinable price and assurance of collection within a reasonable period of time.

### Inventory

Inventory is stated at lower of cost or market, with cost being determined on average cost basis. There was no reserve for inventory as of September 30, 2013 and December 31, 2012.

### Equipment

Equipment is stated at cost less accumulated depreciation. Cost represents the purchase price of the asset and other costs incurred to bring the asset into its existing use. Depreciation is provided on a straight-line basis over the assets' estimated useful lives. Maintenance or repairs are charged to expense as incurred. Upon sale or disposition, the historically-recorded asset cost and accumulated depreciation are removed from the accounts and the net amount less proceeds from disposal is charged or credited to other income / expense.

### Fair Value of Financial Instruments

In accordance with ASC Topic 825, *Financial Instruments*, the Company calculates the fair value of its assets and liabilities which qualify as financial instruments and includes this additional information in the notes to its financial statements when the fair value is different than the carrying value of those financial instruments. The estimated fair value of the Company's current assets and current liabilities approximates their carrying amount due to their readily available nature and short maturity.

### Fair Value Measurements

ASC Topic 820, *Fair Value Measurements and Disclosures*, defines fair value, establishes a framework for measuring fair value, establishes a three-level valuation hierarchy for disclosure of fair value measurement and enhances disclosure requirements for fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1 - Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The Company's adoption of fair value measurements and disclosures did not have a material impact on the financial statements and financial statement disclosures.

### Goodwill and Intangible Assets

The Company evaluates the carrying value of goodwill during the fourth quarter of each year and between annual evaluations if events occur or circumstances change that would more likely than not reduce the fair value of the reporting unit below its carrying amount. Such circumstances could include, but are not limited to (1) a significant adverse change in legal factors or in business climate, (2) unanticipated competition, or (3) an adverse action or assessment by a regulator. When evaluating whether goodwill is impaired, the Company compares the fair value of the reporting unit to which the goodwill is assigned to the reporting unit's carrying amount, including goodwill. The fair value of the reporting unit is estimated using a combination of the income, or discounted cash flows, approach and the market approach, which utilizes comparable companies' data. If the carrying amount of a reporting unit exceeds its fair value, then the amount of the impairment loss must be measured. The impairment loss would be calculated by comparing the implied fair value of reporting unit goodwill to its carrying amount. In calculating the implied fair value of reporting unit goodwill, the fair value of the reporting unit is allocated to all of the other assets and liabilities of that unit based on their fair values. The excess of the fair value of a reporting unit over the amount assigned to its other assets and liabilities is the implied fair value of goodwill. The Company has recorded the impairment loss of goodwill under operating expense of \$26,998,125 for the nine months ended September 30, 2013.

We make critical assumptions and estimates in completing impairment assessments of goodwill and other intangible assets. Our cash flow projections look several years into the future and include assumptions on variables such as future sales and operating margin growth rates, economic conditions, market competition, inflation and discount rates. A 10% decrease in the estimated discounted cash flows for the reporting units tested would result in an impairment that is not material to our results of operations. A 1.0 percentage point increase in the discount rate used would also result in an impairment that is not material to our results of operations.

We amortize the cost of other intangible assets over their estimated useful lives, which range up to ten years, unless such lives are deemed indefinite. Intangible assets with indefinite lives are tested in the third quarter of each fiscal year for impairment, or more often if indicators warrant.

#### Loss per Share

The Company calculates earning or loss per share (EPS) in accordance with ASC Topic 260, *Earnings per Share*, which requires the computation and disclosure of two EPS amounts, basic and diluted. Basic EPS is computed based on the weighted average number of shares of common stock outstanding during the period. Diluted EPS is computed based on the weighted average number of shares of common stock outstanding plus all potentially dilutive shares of common stock outstanding during the period.

#### Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the related temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized when the rate change is enacted. Valuation allowances are recorded to reduce deferred tax assets to the amount that will more likely than not be realized. In accordance with ASC Topic 740, *Income Taxes*, the Company recognizes the effect of uncertain income tax positions only if the positions are more likely than not of being sustained in an audit, based on the technical merits of the position. Recognized uncertain income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which those changes in judgment occur. The Company recognizes both interest and penalties related to uncertain tax positions as part of the income tax provision.

#### Recent Issued and Newly Adopted Accounting Pronouncements

##### Adopted

Effective January 2013, we adopted FASB Accounting Standards Update (“ASU”) No. 2011-11, *Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities* (“ASU 2011-11”). The amendments in ASU 2011-11 require the disclosure of information on offsetting and related arrangements for financial and derivative instruments to enable users of a company’s financial statements to understand the effect of those arrangements on its financial position. Amendments under ASU 2011-11 will be applied retrospectively for fiscal years, and interim periods within those years, beginning after January 1, 2013. The adoption of this update did not have a material impact on the Company’s condensed consolidated financial statements.

Effective January 2013, we adopted FASB ASU No. 2013-02, *Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive* (“ASU 2013-02”). This guidance is the culmination of the FASB’s deliberation on reporting reclassification adjustments from accumulated other comprehensive income (AOCI). The amendments in ASU 2013-02 do not change the current requirements for reporting net income or other comprehensive income. However, the amendments require disclosure of amounts reclassified out of AOCI in its entirety, by component, on the face of the statement of operations or in the notes thereto. Amounts that are not required to be reclassified in their entirety to net income must be cross-referenced to other disclosures that provide additional detail. This standard is effective prospectively for annual and interim reporting periods beginning after December 15, 2012. The adoption of this update did not have a material impact on the Company’s condensed consolidated financial statements. The Company currently records its investment in Kannalife Sciences, Inc. (“KannaLife”) at cost since it cannot exert significant influence or control.

##### Not Adopted

In February 2013, the FASB issued ASU No. 2013-04, *Liabilities (Topic 405): Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation Is Fixed at the Reporting Date* (“ASU No.2013-04”). The amendments in ASU 2013-04 provide guidance for the recognition, measurement, and disclosure of obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of ASU No. 2013-04 is fixed at the reporting date, except for obligations addressed within existing guidance in GAAP. The guidance requires an entity to measure those obligations as the sum of the amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligors and any additional amount the reporting entity expects to pay on behalf of its co-obligors. The guidance in ASU No. 2013-04 also requires an entity to disclose the nature and amount of the obligation as well as other information about those obligations. The amendment in this standard is effective retrospectively for fiscal years, and interim periods within those years, beginning after December 15, 2013. We are evaluating the effect, if any, adoption of ASU No. 2013-04 will have on our condensed consolidated financial statements.

Other recent accounting pronouncements issued by the FASB (including its Emerging Issues Task Force), the American Institute of Certified Public Accountants, and the SEC did not, or are not believed by management to have a material impact on the Company’s present or future financial statements.

### 3. ACQUISITION OF ASSETS OF PHYTOSPHERE SYSTEMS, LLC

On December 15, 2012, we entered into the PhytoSPHERE Agreement with PhytoSPHERE whereby the Company acquired certain assets of PhytoSPHERE in exchange for an aggregate payment of \$35,000,000, payable in five (5) installments of either cash or common stock of the Company, in the sole discretion of the Company. The closing of the transactions contemplated by the PhytoSPHERE Agreement occurred on January 29, 2013. At the closing, the Company issued to PhytoSPHERE 900,000 shares of common stock in satisfaction of its first payment obligation due under the PhytoSPHERE Agreement. On April 4, 2013, the Company made its second installment payment in the amount of \$6,000,000 by issuing 1,000,000 shares of common stock to PhytoSPHERE with a per share price of \$6.00, determined by the maximum price set forth in the PhytoSPHERE Agreement. During the fiscal quarter ended June 30, 2013, the Company paid \$750,000 in cash and on July 23, 2013, issued 1,208,334 shares of common stock at a per share price of \$6.00, determined by the maximum price set forth in the PhytoSPHERE Agreement, completing its third installment in the aggregate amount of \$8,000,004. During the fiscal quarter ended September 30, 2013, the Company paid \$200,000 in cash and on September 20, 2013, issued 1,633,333 shares of common stock at a per share price of \$6.00, determined by the maximum price set forth in the PhytoSPHERE Agreement, completing its fourth installment in the aggregate amount of \$9,999,998. The final installment is due on or before December 31, 2013, in the amount of \$6,499,998. The Company has recorded the impairment loss of goodwill under operating expense of \$26,998,125 for the nine months ended September 30, 2013.

### 4. INVESTMENT IN KANNALIFE SCIENCES, INC.

On March 4, 2013, April 11, 2013, August 29, 2013, and October 30, 2013, pursuant to a Stock and Warrant Purchase Agreement (the "Purchase Agreement"), the Company acquired a total of 3,059,439 shares of the Series A Preferred Stock of KannaLife, 15,615,000 shares of KannaLife's common stock and warrants to purchase additional shares of common stock in KannaLife. KannaLife is a Delaware corporation and phyto-medical company specializing in the research and development of pharmacological products derived from plants. These share holdings constituted a 24.98% share of the issued and outstanding Series A Preferred Stock and issued and outstanding common stock of KannaLife as of November 14, 2013. The shares were acquired through two payments of \$250,000 each, one payment of \$150,000 and one payment of \$100,000. These payments included the exercise of a portion of the Company's common stock warrant. The Purchase Agreement also contemplates one additional closing of \$250,000 which was due on October 1, 2013, but is still outstanding pending discussion with KannaLife's management on the progress of their programs. Upon consummating the final closing, the Company would own 32.9% of the issued and outstanding Series A Preferred Stock and issued and outstanding common stock of KannaLife.

### 5. LINE OF CREDIT – ROEN VENTURES

#### Shareholders

On March 1, 2013, the Company issued a Promissory Note (the "Note") to Roen Ventures, LLC, a Nevada limited liability company ("Roen Ventures"), in exchange for loans provided and to be provided in the future in an amount of up to \$2,000,000, which was subsequently increased to \$4,000,000, then further increased to \$6,000,000. As of September 30, 2013, the balance on the Note was \$4,780,500. The Note is an unsecured obligation of the Company accruing interest at 5% that is due and payable in two (2) years, on March 1, 2015. The Company's President and member of the Board of Directors, Michael Mona, Jr., holds a 50% interest in Roen Ventures. As previously disclosed in our Current Report on Form 8-K filed with the SEC on July 31, 2013, the disinterested members of our Board of Directors (the "Board") approved an amendment to the terms of the Note to increase the credit line to \$6,000,000 and provide for the ability of Roen Ventures to convert, in its sole discretion, the outstanding balance of the Note into shares of the common stock of the Company at a conversion price determined following the conclusion of an independent valuation of the Company's common stock. The independent valuation determined pursuant to an Internal Revenue Code Section 409A and Financial Accounting Standards Board Accounting Standards Codification 718 valuation of the Company's common stock, prepared by an independent valuation firm (the "Valuation") determined that the fair market value of our restricted common stock is \$0.68 per share. On November 7, 2013, disinterested members of the Board approved an amendment to the Note to allow for conversion of the Note at a conversion price equal to \$0.60 per share, which represents a discount of approximately 12% off the fair market value of our restricted common stock as determined pursuant to the Valuation. As of the date of this report, the balance of the Note is \$6,000,000. Roen has informed the Board it intends to convert the outstanding balance of the Note into shares of common stock of the Company. Upon conversion of the Note, a total of 10,000,000 shares of the Company's common stock will be issued to Roen Ventures.

The Company has determined that the conversion feature is considered a beneficial conversion feature and determined its value on July 25, 2013, the date of the amendment for increasing the line of credit for \$6,000,000, to be \$637,400. The Company calculated the beneficial conversion feature at its intrinsic value. Accordingly, the beneficial conversion feature has been accounted for as a valuation discount to the Notes and will be amortized via effective interest method as an expense over the remaining life of the Notes. The amortization of debt discounts for the nine months ended September 30, 2013 is \$67,095.

## 6. STOCKHOLDERS' EQUITY (DEFICIT)

### Common Stock

The Company is authorized to issue up to 190,000,000 shares of common stock (par value \$0.0001). As of September 30, 2013 and December 31, 2012, the Company had 11,741,667 and 7,000,000 shares of common stock issued and outstanding, respectively. On January 29, 2013, the Company issued 900,000 shares of common stock to PhytoSPHERE in connection with the Company's acquisition of assets from PhytoSPHERE and in satisfaction of the first payment obligation to PhytoSPHERE (Note 3). On April 4, 2013, the Company issued 1,000,000 shares of common stock to PhytoSPHERE in satisfaction of its second payment obligation (Note 3). During the fiscal quarter ended June 30, 2013, the Company paid \$750,000 in cash and on July 23, 2013, the Company issued 1,208,334 shares of common stock to PhytoSPHERE completing its third installment in the aggregate amount of \$8,000,004 (Note 3). During the fiscal quarter ended September 30, 2013 the Company paid \$200,000 in cash and on September 20, 2013, the Company issued 1,633,333 shares of common stock to PhytoSPHERE to complete its fourth payment obligation in the aggregate amount of \$9,999,998 (Note 3). The final installment is due on or before December 31, 2013, in the amount of \$6,499,998.

### Preferred Stock

The Company is authorized to issue up to 10,000,000 shares of \$.0001 par value preferred stock with designations, rights and preferences to be determined from time to time by the board of directors of the Company (the "Board"). Accordingly, the Board is empowered, without shareholder approval, to issue preferred stock with dividend, liquidation, conversion, voting or other rights which could adversely affect the voting power or other rights of the holders of the Company's common stock. In the event of issuance, the preferred stock could be utilized, under certain circumstances, as a method of discouraging, delaying or preventing a change in control of the Company. If the Company issues preferred stock shares and the Company is subsequently liquidated or dissolved, the preferred shareholders may have preferential rights to receive a liquidating distribution for their shares prior to any distribution to the holders of the Company's common stock.

### Options/Warrants

As of September 30, 2013 and December 31, 2012, there were no outstanding options or warrants for the purchase of the Company's common stock. On July 25, 2013, the shareholders approved the Company's 2013 Equity Incentive Plan (the "Plan") which reserves 1,000,000 shares of the Company's common stock for issuance under the Plan.

## 7. COMMITMENTS

The Company leases its office space pursuant to a month-to-month lease agreement dated April 1, 2013, which provides for a monthly rent of \$1,500. The landlord is a limited liability company of which a former director of the Company is the sole member.

On March 18, 2013, the Company entered into a purchasing contract with a third party supplier of CBD to provide up to a maximum of 1,000 kg of product. In addition the Company entered into a consulting agreement with the third party supplier to provide consulting oversight for the growth and production of the product from the period beginning March 1, 2013 through August 30, 2014.

On August 13, 2013, the Company entered into a lease for approximately 2,400 square feet laboratory space in San Diego, California. The monthly base rent was approximately \$4,200 per month for a term of 12 months.

## 8. SUBSEQUENT EVENTS

On October 31, 2013, Edward Wilson resigned as a director of the Company. The resignation was not a result of any disagreement with management.

On November 7, 2013, the Board by unanimous written consent approved the following:

1. A private placement to allow investment of up to \$10,000,000 at \$1.00 per share to accredited investors; and
2. Amendment to the Roen Ventures line of credit as more particularly described above, under "Line of Credit – Roen Ventures".

## Item 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### Forward-Looking Statements

*The following information specifies certain forward-looking statements of the management of CannaVEST Corp. (the "Company", "we" or "us"). Forward-looking statements are statements that estimate the likelihood of occurrence of future events and are not based on historical fact. Forward-looking statements may be identified by the use of forward-looking terminology, such as "may", "shall", "could", "expect", "estimate", "anticipate", "predict", "probable", "possible", "should", "continue", or similar terms, variations of those terms or the negative of those terms. The forward-looking statements specified in the following information have been compiled by our management on the basis of assumptions made by management and considered by management to be reasonable. Our future operating results, however, are impossible to predict, and no representation, guaranty, or warranty is to be inferred from those forward-looking statements.*

*Forward-looking statements include, but are not limited to, the following:*

- Statements relating to our future business and financial performance;*
- The anticipated launch of our products; and*
- Other material future developments that you may take into consideration.*

*You are cautioned not to place undue reliance on these forward-looking statements. The assumptions used for purposes of the forward-looking statements represent estimates of future events and are subject to uncertainty as to possible changes in economic, legislative, industry, and other circumstances. As a result, the identification and interpretation of data and other information and their use in developing and selecting assumptions from and among reasonable alternatives require the exercise of judgment. To the extent that the assumed events do not occur, the outcome may vary substantially from anticipated or projected results, and, accordingly, no opinion is expressed on the achievability of those forward-looking statements. We cannot guaranty that any of the assumptions relating to the forward-looking statements specified in the following information are accurate, and we assume no obligation to update any such forward-looking statement.*

The following information should be read in conjunction with the information contained in the unaudited Consolidated Financial Statements included within this Quarterly Report on Form 10-Q for the period ended September 30, 2013 (this "Report"), and the Notes thereto, which form an integral part of this Report.

### Executive Summary of Our Business

We are in the business of developing, producing, marketing and selling end consumer products to the nutraceutical industry containing the hemp plant extract, Cannabidoil ("CBD"), and reselling to third parties raw product acquired by us pursuant to our supply relationships in Europe. We seek to take advantage of an emerging worldwide trend to re-energize the production of industrial hemp and to foster its many uses for consumers. CBD is derived from hemp stalk and seed.

To date, our operations initially consisted of supplying our raw product to third parties, however in the third quarter of 2013 we launched our first consumer products which are available to consumers through our distributor, HempMeds PX. We sell raw CBD which we have branded Real Scientific Hemp Oil (RSHO). In addition we sell tinctures under our Cibadex brand, and beauty products under our Cibaderm brand. We expect to continue to add new products to our portfolio going forward to enhance our line of CBD and hemp-related consumer products.

In order to accomplish our business plan, we will continue to make refinements to our current products and continue the development of additional products. We have implemented a marketing and sales program designed to establish brand awareness and consumer acceptance of our products and will continue to increase our efforts in this area. To date, the primary source of our working capital has been a line of credit of up to \$6,000,000 from Roen Ventures, LLC ("Roen Ventures") with a contribution of \$163,851 in cash collected on sales through September 30, 2013. As previously disclosed in our Current Report on Form 8-K filed with the U.S. Securities and Exchange Commission (the "SEC") on July 31, 2013, on July 25, 2013, the disinterested members of our Board of Directors (the "Board") approved an amendment to the terms of the Note to increase the credit line to \$6,000,000 and provide for the ability of Roen Ventures to convert, in its sole discretion, the outstanding balance of the Note into shares of the common stock of the Company at a conversion price determined following the conclusion of an independent valuation of the Company's common stock. The independent valuation determined pursuant to an Internal Revenue Code Section 409A and Financial Accounting Standards Board Accounting Standards Codification 718 valuation of the Company's common stock, prepared by an independent valuation firm (the "Valuation") determined that the fair market value of our restricted common stock is \$0.68 per share. On November 7, 2013, disinterested members of the Board approved an amendment to the Note to allow for conversion of the Note at a conversion price equal to \$0.60 per share, which represents a discount of approximately 12% off the fair market value of our restricted common stock as determined pursuant to the Valuation. As of the date of this report, the balance of the Note is \$6,000,000. Roen has informed the Board it intends to convert the outstanding balance of the Note into shares of common stock of the Company. Upon conversion of the Note, a total of 10,000,000 shares of the Company's common stock will be issued to Roen Ventures.

In addition, we expect to realize revenue to fund our working capital needs through the sale of raw product to third parties. However, we cannot be assured that our working capital needs to develop, launch, market and sell our products will be met through the sale of raw product to third parties and the Roen Ventures line of credit. If not, we may never be able to achieve profitable operations. In that event, our ability to continue as a going concern would be in jeopardy and investors could lose all of their investment in the Company. On November 7, 2013, the Board by unanimous written consent approved a private placement offering of up to 10,000,000 shares at a share price of \$1.00 per share.

The Company was originally incorporated as Foreclosure Solutions, Inc. on December 9, 2010, in the State of Texas, to provide information on pre-foreclosure and foreclosed residential properties to homebuyers and real estate professionals on its website. However, the Company was not able to secure financing for this business plan and on November 16, 2012, the shareholders owning 6,979,900 of the outstanding shares sold their shares in private transactions to four buyers. Commensurate with this transaction, the former sole officer and director of the Company resigned and control of the Company changed, all as further described in the Amendment to our Current Report on Form 8-K filed with the SEC on February 13, 2013.

## **Plan of Operations**

### ***Our Planned Operating Segments***

We plan to diversify our business primarily into three operating segments:

- Securing and supplying raw hemp product for sale to third parties;
- Developing, producing, marketing and selling consumer products to the nutraceutical industry containing hemp plant extract, CBD; and
- Investing in companies in our industry.

### ***Investment Selection***

We are committed to a value-oriented investment philosophy that seeks to minimize the risk of capital loss without foregoing potential capital appreciation. We are developing criteria that we believe are important in identifying and investing in prospective acquisition or financing targets. These criteria provide general guidelines for our investment and acquisition decisions.

## **Results of Operations**

The following discussion of our results of operations should be read in conjunction with our financial statements included herewith. This discussion should not be construed to imply that the results discussed herein will necessarily continue into the future, or that any conclusion reached herein will necessarily be indicative of actual operating results in the future. Such discussion represents only the best present assessment of our management.

### **Results for the three months ended September 30, 2013 and 2012**

#### **Revenues and Cost of Goods Sold**

For the three-month period ended September 30, 2013, the Company realized revenues of \$163,662 and resulting gross profit of \$115,111 related to the sale of consumer products through our distributor HempMeds PX. The Company realized no revenues for the same period ended September 30, 2012. The increase in revenues is due to the revised business plan of the Company, enacted in 2013 to sell hemp oil and related products. During 2012, the Company had not begun operations under the prior business model as it was unable to secure financing for that business model.

#### **General and Administrative Expenses**

For the three-month period ended September 30, 2013 the Company incurred General and Administrative costs in the amount of \$1,115,098 compared with \$8,875 for the period ended September 30, 2012. This increase is related to the cost of ramping up the operations of the Company and implementation of its revised business strategy related to the development, production, marketing and selling products containing hemp plant extract, CBD and reselling raw product acquired by the Company to third parties. This amount also includes amortization of the right to purchase inventory and non-compete agreements acquired pursuant to the Agreement for Purchase and Sale of Assets (the "PhytoSPHERE Agreement"), dated December 15, 2012, by and between the Company and PhytoSPHERE Systems, LLC ("PhytoSPHERE"). Also, the Company recorded an impairment of goodwill for \$26,998,125 for the three months ended September 30, 2013 (Note 3).

### **Results for the nine months ended September 30, 2013 and 2012**

#### **Revenues and Cost of Goods Sold**

For the nine month period ended September 30, 2013, the Company realized revenues of \$1,353,720 and resulting gross profit of \$1,083,427 related to the sale of raw materials to third parties and sales of consumer products through our distributor HempMeds PX. The Company realized no revenues for the same period ended September 30, 2012. The increase in revenues is due to the revised business plan of the Company, enacted in 2013 to sell hemp oil and related products. During 2012, the Company had not begun operations under the prior business model as it was unable to secure financing for that business model.

#### **General and Administrative Expenses**

For the nine month period ended September 30, 2013, the Company incurred General and Administrative costs in the amount of \$2,337,484 compared with \$36,271 for the same period ended September 30, 2012. This increase is related to the cost of ramping up the operations of the Company and implementation of its revised business strategy related to the development, production, marketing and selling products containing hemp plant extract, CBD and reselling raw product acquired by the Company to third parties. This amount also included the amortization of the right to purchase inventory and value of the non-compete agreement acquired as part of the PhytoSPHERE Agreement. Also, the Company recorded an impairment of goodwill for \$26,998,125 for the nine months ended September 30, 2013 (Note 3).

## **Liquidity and Capital Resources**

As of September 30, 2013, the Company had a cash balance of \$165,907. In addition, as of September 30, 2013, the Company had \$1,219,500 available pursuant to the terms of the Roen Ventures line of credit, which has been our primary source of liquidity. This amount was entirely drawn subsequent to the close of the third quarter. We are in the process of raising additional funds through the sale of our securities through a private placement in order to continue to grow the business under our revised business model.

The Company is a party to contracts for the growth and processing of hemp oil product to be delivered over the period August 1, 2013 through August 31, 2014. The total amount left to be paid under the contract is approximately 2.74 million Euro or approximately \$3.56 million through May 31, 2014. We are currently in the process of negotiating the contracts for the growth and processing of hemp oil for delivery over the period September 1, 2014 through August 31, 2015. We anticipate the cost of those contracts will remain consistent with current year prices.

Our common stock currently trades on the OTCBB under the symbol "CANV."



## **Liquidity and Going Concern**

The accompanying unaudited financial statements have been prepared assuming that the Company will continue as a going concern, which contemplates the realization of assets and satisfaction of liabilities and commitments in the normal course of business. At September 30, 2013, the Company had a working capital deficit of \$(1,325,407) and an accumulated deficit of \$(28,551,425). The working capital deficit is primarily a result of an amount of \$6,499,998 due as a result of the acquisition of a license and certain assets of PhytoSPHERE. Through September 30, 2013, the Company borrowed \$4,780,500 under the Roen Ventures line of credit. These funds were used in ongoing operations, to fund the Company's payment obligations pursuant to the investment in KannaLife Sciences, Inc., to purchase raw product for resale and explore investment opportunities. The Company recognized the need to raise additional capital from external sources in order to sustain operations while executing its business plan and, on November 7, 2013, the Board approved the sale of up to \$10,000,000 in equity through a private placement. The terms of the private placement are more particularly described in our Current Report on Form 8-K filed with the SEC on November 13, 2013. Efforts are currently underway to close that financing. However, the Company cannot provide any assurance that it will be able to raise additional capital. If the Company is unable to secure additional capital, it may be required to reduce its current operating expenses, modify its existing business plan and take additional measures to reduce costs in order to conserve its cash in amounts sufficient to sustain operations and meet its obligations.

We have generated minimal revenues since our inception, although we have sold and shipped raw product to third parties for which we have only received payments totaling approximately \$164,000. Our revenues alone are currently insufficient to pay our operating expenses and our ability to continue as a going concern is dependent upon our ability to obtain the necessary financing to meet our obligations and repay our current and future liabilities when they become due until such time, if ever, that we are able to generate sufficient revenues to attain profitable operations. We have experienced losses and negative cash flows from operations since inception. The report of our independent registered public accounting firm on our financial statements for fiscal year end 2012 contained an explanatory paragraph regarding our ability to continue as a going concern. There can be no assurance that acceptable financing to fund our ongoing operations can be obtained on suitable terms, if at all. If we are unable to obtain the financing necessary to support our operations, we may be unable to continue as a going concern. In that event, we may be forced to cease operations and our shareholders could lose their entire investment in the Company.

## **Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Not applicable to a "smaller reporting company" as defined in Item 10(f)(1) of Regulation S-K.

## **Item 4. CONTROLS AND PROCEDURES**

### **DISCLOSURE CONTROLS AND PROCEDURES**

Our management, which is comprised of one person holding the offices of principal executive officer and principal financial officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report (the "Evaluation Date"). Based on such evaluation, our management concluded that our disclosure controls and procedures were not effective, at a reasonable assurance level, as of the Evaluation Date, to ensure that information required to be disclosed in reports that we file or submit under that Exchange Act is recorded, processed, summarized and reported within the time periods specified in the U.S. Securities and Exchange Commission rules and forms and to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management in a manner that allows timely decisions regarding required disclosures.

An evaluation was performed under the supervision and with the participation of the Company's management of the effectiveness of the design and operation of the Company's procedures and internal control over financial reporting as of September 30, 2013. In making this assessment, the Company used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework. Based on that evaluation, the Company's management concluded that the Company's internal controls over financial reporting were not effective in that there was a material weakness as of September 30, 2013.

A material weakness is a deficiency or combination of deficiencies in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis by the Company's internal controls.

The Company's management has identified a material weakness in the effectiveness of internal control over financial reporting related to a shortage of resources in the accounting department required to assure appropriate segregation of duties with employees having appropriate accounting qualifications related to the Company's unique industry accounting and disclosure rules.

## **CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING**

There was no change in our internal control over financial reporting identified in connection with our evaluation that occurred during our the fiscal quarter ended September 30, 2013, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## **PART II. OTHER INFORMATION**

### **Item 1: LEGAL PROCEEDINGS**

On August 30, 2013, the Company filed a lawsuit in the Superior Court of the State of California, County of San Diego, against Dixie Holdings, LLC, and Left Bank, LLC. After the Complaint was filed, Red Dice Holdings, LLC, was added to the case as a defendant. The lawsuit seeks recovery of not less than \$736,495.98, plus interest, which represents monies owed to the Company by the defendants for shipments of cannabidiol. The shipments were requested by the defendants and delivery of the merchandise was accepted. The case is currently pending and the Company is pursuing it based on claims for breach of contract, goods sold and delivered, open book account and account stated.

### **Item 1A: RISK FACTORS**

Not required for "smaller reporting companies."

### **Item 2: UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

#### *Stock Issuances*

On July 23, 2013, we issued 1,208,334 shares of restricted common stock to PhytoSPHERE pursuant to the terms the PhytoSPHERE Agreement in satisfaction of our third payment obligation due under the PhytoSPHERE Agreement. The shares represent 10.29% of the issued and outstanding shares of our common stock as of November 14, 2013, and were calculated based on a price per share of our common stock of \$6.00 pursuant to the terms of the PhytoSPHERE Agreement for an aggregate total value of \$7,250,004. The remainder of our third payment obligation was paid in \$750,000 in cash.

On September 20, 2013, we issued 1,633,333 shares of restricted common stock to PhytoSPHERE pursuant to the terms the PhytoSPHERE Agreement in satisfaction of our fourth payment obligation due under the PhytoSPHERE Agreement. The shares represent 13.91% of the issued and outstanding shares of our common stock as of November 14, 2013, and were calculated based on a price per share of our common stock of \$6.00 pursuant to the terms of the PhytoSPHERE Agreement for an aggregate total value of \$9,799,998. The remainder of our third payment obligation was paid in \$200,000 in cash.

The shares of common stock referenced herein were issued in reliance upon the exemption from securities registration afforded by the provisions of Section 4(2) of the Securities Act of 1933, as amended, ("Securities Act"), and/or Regulation D, as promulgated by the SEC under the Securities Act, based upon the following: (a) each of the persons to whom the shares of common stock were issued (each such person, an "Investor") confirmed to the Company that it is an "accredited investor," as defined in Rule 501 of Regulation D promulgated under the Securities Act and has such background, education and experience in financial and business matters as to be able to evaluate the merits and risks of an investment in the securities, (b) there was no public offering or general solicitation with respect to the offering of such shares, (c) each investor was provided with certain disclosure materials and all other information requested with respect to the Company, (d) each investor acknowledged that all securities being purchased were being purchased for investment intent and were "restricted securities" for purposes of the Securities Act, and agreed to transfer such securities only in a transaction registered under the Securities Act or exempt from registration under the Securities Act and (e) a legend has been, or will be, placed on the certificates representing each such security stating that it was restricted and could only be transferred if subsequently registered under the Securities Act or transferred in a transaction exempt from registration under the Securities Act.

There were no repurchases of equity securities by the Company during the fiscal quarter ended September 30, 2013.

**Item 3: DEFAULTS UPON SENIOR SECURITIES**

None.

**Item 4: MINE SAFETY DISCLOSURES**

Not applicable.

**Item 5: OTHER INFORMATION**

None.

**Item 6: EXHIBITS:**

<b>Exhibit No.</b>	<b>Description of Exhibit</b>
2.1(1)	Agreement and Plan of Merger, dated as of July 25, 2013, by and between CannaVEST Corp., a Texas corporation, and CannaVEST Corp., a Delaware corporation.
3.1(1)	Certificate of Incorporation of CannaVEST Corp., as filed on January 26, 2013.
3.2(1)	Bylaws of CannaVEST Corp., dated as of January 26, 2013.
4.1(2)	CannaVEST Corp. Specimen Stock Certificate.
10.1(2)	CannaVEST Corp. 2013 Equity Incentive Plan.
10.2***	Non-Exclusive License and Distribution Agreement by and between the Company and HempMedsPX, LLC, dated August 9, 2013 and effective as of July 1, 2013.
31.1*	Certification of the Chief Executive Officer and Chief Financial Officer pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of Chief Executive Officer and the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.1*	Temporary Hardship Exemption Provided by Rule 201
101 INS**	XBRL Instance Document
101 SCH**	XBRL Schema Document
101 CAL**	XBRL Calculation Linkbase Document
101 LAB**	XBRL Labels Linkbase Document
101 PRE**	XBRL Presentation Linkbase Document
101 DEF**	XBRL Definition Linkbase Document

\* Filed herewith.

\*\* To be filed by amendment per Rule 201 of Regulation S-T.

\*\*\*Portions of this exhibit have been omitted pursuant to a request for confidential treatment and the non-public information will be filed separately with the Commission.

- (1) Incorporated by reference from an exhibit to our Current Report on Form 10-Q filed on August 13, 2013.
- (2) Incorporated by reference from an exhibit to our Current Report on Form 8-K filed on July 31, 2013.

**SIGNATURES**

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

CANNAVEST CORP.

November 14, 2013

By: /s/ Michael Mona, Jr.  
Michael Mona, Jr.  
(President and Chief Executive Officer)

**NON-EXCLUSIVE LICENSE  
AND DISTRIBUTION AGREEMENT**

THIS Agreement, together with all Appendices hereto, is entered into this 1st day of July, 2013, by and between CANNAVEST CORP. (hereafter referred to as "Supplier"), a Texas corporation with its principal offices in Las Vegas, Nevada, and HEMPMEDS PX, LLC (hereafter referred to as "Distributor"), a Nevada Limited Liability Co., with its principal offices in San Diego, California. Supplier and Distributor are hereafter collectively referred to as the "Parties."

**RECITALS**

WHEREAS, Supplier has developed and produces, and holds the rights to the formulation, development, production, distribution, marketing and sales of certain proprietary natural hemp based products described more fully hereafter, and also provides certain support and monitoring services therefor; and

WHEREAS, Supplier and Distributor desire to enter into a non-exclusive marketing and distribution agreement pursuant to which Distributor will be granted the non-exclusive rights to market, sell, distribute and service Supplier's Products through its internet based, online tools and websites as described hereafter, subject to the terms and conditions outlined in this Agreement; and

WHEREAS, Distributor is desirous of obtaining the rights to market and distribute the Products through online tools and websites under the terms and conditions set forth in this Agreement;

NOW, THEREFORE, in consideration of the premises and the mutual covenants, agreements, representations and warranties herein contained, the Parties hereto do hereby agree as follows:

1. **Definitions.** In addition to such terms as are defined elsewhere in this Agreement, the capitalized terms in this Agreement shall have the following meanings:

1.1 "Agreement" shall mean this Non-Exclusive License and Distribution Agreement.

1.2 "Commencement Date" shall be the date this Agreement is executed by an authorized representative of each of the Parties.

1.3 "Confidential Information" shall mean all information provided by Supplier to Distributor under this Agreement which is marked or indicated by Supplier to be confidential, including without limitation, all Product formulations and specifications, designs, ideas and concepts; Product documentation; proprietary studies and research; supplier identities and contact information, supplier contracts, pricing and supply terms; proprietary price lists, financial information, and work in progress; and all other information related to the Products or Supplier's business, tangible or intangible, now existing or hereafter created or developed, and in all forms or mediums, whether written, electronic or otherwise which are proprietary to Supplier. The term "Confidential Information" shall not include information that has become generally available to the public by the act of one who has the right to disclose such information without violating any right of Supplier, or which is known to Distributor prior to its disclosure by Supplier.

1.4 “Customers” or “End Users” shall mean any third party to whom Distributor sells Product(s).

1.5 “Documentation” shall mean such manuals, product formulations or specifications, descriptions, and other written documentation as may relate to the Products.

1.6 “Derivatives” shall mean any revisions, adaptations, improvements, or new versions of or to the Products made by or on behalf of Supplier.

1.7 “Supplier Suggested Price” shall mean the price of the Products as set forth in the most current price list published by Supplier in effect on the date an order for a Products is received by Supplier. Supplier may change the Supplier Suggested Price of any Product at any time and from time to time. Said changed prices shall take effect upon ninety (90) days notice to Distributor, or whatever longer time period is required by the laws of the state in which Distributor’s principal office is located.

1.8 “Products” shall mean those products containing natural hemp which are developed, produced, manufactured, offered, or sold by Supplier. The initial Products are set forth in Schedule “A” attached herein.

1.9 “Proprietary Rights” shall mean all rights held by Supplier in the Products, and Confidential Information, including without limitation, patents and patent rights, copyrights, authors’ rights, trademarks and service marks, trade names, logos, know-how and trade secrets, irrespective of whether such rights arise out of or are created by state, federal or international intellectual property, unfair competition or trade secret laws.

1.10 “Support Services” shall mean ongoing Product training and such other support services as may be undertaken by the Supplier or as otherwise permitted or required under the terms of this Agreement.

2. **Appointment; Grant of License; Term.**

2.1 **Appointment; Grant of License.** Supplier hereby grants to Distributor and Distributor accepts from Supplier a non-exclusive, world-wide license and right to promote, market, sell, distribute and service Supplier’s Products and an exclusive, worldwide license and right to promote, market, sell, distribute the Products online through Distributor’s internet based, online tools and websites subject to the terms and conditions of this Agreement. The license granted herein shall include, but shall be limited to the right:

2.1.1 To use the Products and Derivatives thereof, provided said use shall be limited only to the extent necessary for Distributor to fulfill Distributor's marketing, sales, distribution and service obligations under this Agreement;

2.1.2 Subject to the limitations set forth below in section 6 of this Agreement, to use, publish, transmit, and reproduce the trademarks and service marks, logos, and trade names of Supplier in connection with Distributor's advertising, promotion, marketing, and sales efforts, but only to the extent necessary to fulfill Distributor's obligations under this Agreement; and

2.1.3 To demonstrate the Products to third parties, provided such demonstration or related disclosure is consistent with the confidentiality and use provisions set forth hereafter in section 6 of this Agreement.

2.2 **Term.** The license and distributorship granted herein shall continue for a period of [\*\*\*] from the commencement Date (the "Initial Term"), and at the conclusion of the Initial Term shall automatically renew for additional [\*\*\*] periods, unless terminated by either Party giving written notice of termination to the non-terminating Party no later than ninety (90) days prior to the expiration of the Initial Term or subsequent [\*\*\*] term, or unless terminated prior to the expiration thereof by the mutual agreement of the Parties or revoked pursuant to section 9 of this Agreement.

3. **Price to Distributor; Delivery; Payment Terms.**

3.1 **Formulation, Manufacturing.** Supplier shall be responsible for delivering Products ordered by Distributor in final form, ready for shipment to End Users/Customers. All Products labeling shall conform to and comply with all applicable federal and state laws and regulations.

3.2 **Product Orders.** Distributor shall purchase the Product hereunder by issuing written Purchase Orders to Supplier prior to Distributor's requested ship date identifying the quantity, price, total Purchase Order price, shipping instructions, requested ship dates and any other special information Distributor may place additional interim Purchase Orders at any time and with no notice requirement as the market demand may from time to time require. Acceptance of Purchase Orders by Supplier shall be conformed to Distributor by first class mail, facsimile, or by email addressed to Distributor's designated contact. Distributor's Purchase Orders shall be governed by the terms and conditions of this Agreement and notwithstanding the content of Distributor's Purchase Order, this Agreement shall take precedence over such Purchase Orders. Any conflicting, inconsistent, or additional terms of Distributor's Purchase Order shall be null and void, and are hereby waived by Distributor. Supplier shall ship the Products in a timely and efficient manner without unreasonable delay. Supplier shall advise Distributor, in writing, of the occurrences of any shipping delays stating the reason and the new estimated delivery date.

3.3 **Price to Distributor; Taxes.** Distributor shall be liable for payment of the purchase price of all Products ordered under this Agreement. Initial Product pricing is set forth in Schedule B attached hereto. Supplier may change its prices from time to time in its discretion, provided all price adjustments shall only apply to Products ordered after the effective date of such change and the effective date shall be set no earlier than thirty (30) days after the date of notice to Distributor. From time to time, Supplier may provide Distributor with a list of Supplier's Suggested Retail Price for Products. While Distributor may determine the method and manner of pricing Products to End Users and Customers, such Product prices to End Users and Customers shall not exceed Supplier's Suggested Retail Price for Products by more than [\*\*\*] without the express written consent of Supplier. Distributor shall collect and pay all sales, revenue and similar taxes, duties, and any other charges or assessments established by any government agency which are applicable to the performance of this Agreement. In addition, Distributor agrees to indemnify and hold Supplier harmless from any encumbrances, fines, penalties, or other expenses which Supplier may incur as a result of Distributor's failure to collect or pay any taxes as required under this Agreement.

The Parties acknowledge and agree that, from time to time, Supplier and Distributor may jointly decide to conduct promotional activities which include temporary reductions to or deviations from existing Product pricing to Distributor. Specifically, the Parties acknowledge and agree that Schedule B contains special Product pricing relating to Distributor's planned launch of its Product marketing and sales efforts during the months of August and September 2013 (the "Initial Launch"). Consequently, for the Initial Launch, the Product price to Distributor for Products sold by Distributor to End Users and/or Customers during the Initial Launch (but not purchases made by Distributor for unsold inventory which is not expressly connected to or arising from a bona fide purchase by a specific End User or Customer). At the expiration of the Launch Period, the normal Product pricing shall apply unless Supplier consents in writing to the extension of the designated promotional pricing or agrees to alternative promotional pricing.

3.4 **Delivery of Products.** All Products purchased by Distributor shall be delivered to Distributor's warehouse or designated facility in San Diego, California. Beneficial ownership of, and risk of loss or damage to, all Products shipped under this Agreement shall remain in Supplier until the Products have been delivered to Distributor's possession at the foregoing location. Ownership of Products shall not be deemed transferred to Distributor at any other place or time, regardless of the time, method, place, medium of payment, the method of shipment, the payment of transportation charges or insurance, the manner of consigning shipments, or any statement contained in, or implication drawn from, the shipping documents or any other documents relating to the sale. Risk of loss with respect to Products shipped to Distributor shall pass from Supplier to Distributor only after Supplier receives payment in full for the Products. Distributor shall inspect all Products promptly upon receipt thereof at the ship-to location and may reject any Product that is defective. Any Product not properly rejected by Distributor shall be deemed accepted. To reject a Product, Distributor shall notify Supplier of its rejection, by facsimile or email to the designated contact of Supplier, within ten (10) business days of receipt of the shipment, and request a Product Return code. If instructed to do so by Supplier, Distributor shall return the rejected Product(s), freight collect, with the Product Return code displayed on the outside of the carton. Supplier may refuse to accept any Product that does not bear a valid Product Return code on the carton. Rejected Product(s) must be shipped to arrive at Supplier no later than thirty (30) days after the issuance of the "Product Return code; the Product Return code will no longer be valid after that time. Alternatively, Supplier shall, in its discretion, be entitled to instruct Distributor to destroy the rejected Product(s). If Supplier directs Distributor to destroy the rejected Product, Distributor shall forthwith comply with Supplier's instructions and shall provide written evidence thereof to Supplier. Under no circumstances shall Distributor discount, sell or otherwise transfer any rejected Product without the express written consent of Supplier.



3.5 **Delivery Dates.** Dates of delivery shall be subject to the mutual agreement of Supplier and Distributor, provided in the event no such mutual agreement can be reached within fourteen (14) days after an order is received by Supplier, then delivery shall be completed no later than ninety (90) days after the date the original order is received by Supplier.

3.6 **Payment Terms.** Supplier shall invoice monthly for Product sold to Distributor in the prior month. Said invoice shall set forth in detail a description of the Products shipped and the total amount due from Distributor thereon. Payments for Products shall be made on or before the fifteenth (15<sup>th</sup>) day following the invoice date. Payment shall be made in United States currency, in certified funds or wire transfer, and all exchange, interest, banking, collection or other charges are to be for Distributor's account. Any balances outstanding, but unpaid, after the date payment is due on a commercial invoice to Distributor, shall accrue interest at a rate of [\*\*\*] per annum to the date payment is received by Supplier.

3.7 **Insurance Coverage.** Supplier shall insure all shipments hereunder under its usual commercial insurance policy until such time as beneficial ownership to the Products passes to Distributor. Thereafter, Distributor shall provide insurance coverage for Products delivered to Distributor hereunder naming Supplier as an additional named insured under said coverage. Distributor shall furnish to Supplier certified or photo static copies of the master insurance policy, and copies of certificates covering individual shipments if applicable. Supplier reserves the right to carry contingent insurance in any case in which the Distributor's insurance is deemed unacceptable to it.

3.8 **Minimum Purchase and Sales Quotas.** Distributor shall purchase a minimum of [\*\*\*] of Products in each of the first two years of this Agreement, beginning with the Commencement Date, as a minimum purchase amount and sales quota. Thereafter, Supplier may adjust said minimum purchase amount and sales quotas annually, provided the minimum purchase amount shall not be increased by more than [\*\*\*] annually and Supplier shall give Distributor written notice thereof at least ninety (90) days prior to the end of each term of this Agreement. Distributor's failure to meet the minimum purchase and sales quota requirements fixed by Supplier shall be an event of default under section 9.1 and shall entitle Supplier to take those remedies and assert those rights set forth therein.

4. **Records; Distributor Warranties.**

4.1 **Records.** Distributor shall keep accurate records and books of accounting; showing the quantities and wholesale price paid by Distributor to Supplier for all Products, and all sales of Products made to End Users/Customers. Distributor shall submit weekly written reports to Supplier stating in each such report the quantities and wholesale prices of the Products purchased by Distributor and sales made during the preceding calendar week. Additionally, in the event Distributor's online product sale system has real-time or similar reporting capabilities, Distributor shall provide Supplier with access to a system tool that will allow Supplier to view the foregoing reports online. The books and records prepared by Distributor shall be retained for a minimum of three (3) years. During the term of this Agreement and for a period of twelve (12) months thereafter, Supplier shall have the right, at its expense and upon reasonable notice, to examine or have examined by its authorized representative Distributor's books and records in order to determine and verify Distributor's performance under this Agreement.

4.2 **Distributor Warranties.** Distributor warrants to Supplier as follows:

4.2.1 Distributor has the right, authority, and capacity to enter into this Agreement, which has been approved by its Board of Directors, and that by carrying out its obligations hereunder, it will not infringe upon the rights of others.

4.2.2 Distributor will cooperate in every way possible to establish and maintain the standards of the Products, and to accurately represent the Products to End Users, Customers and other third parties in a manner consistent with the Documentation and promotional materials created and supplied by Supplier. In this regard, Distributor shall not make any warranty or representation regarding the Products, or make any assurances to any third party, which have not received the prior written approval of Supplier.

4.2.3 Distributor shall purchase and maintain a general liability insurance policy, including coverage for property damage and personal injury, in an amount of not less than [\*\*\*] per occurrence. Said policy shall name Supplier as an additional insured thereunder. Distributor shall provide to Supplier evidence of said insurance within thirty (30) days from the execution of this Agreement, and shall further notify Supplier of any material changes to said policy, including any change of insurance carrier, within ten (10) days of any such change.

5. **Marketing Support and Documentation.**

5.1 **Marketing and Promotion.** Distributor shall be responsible for developing and conducting ongoing, commercially reasonable marketing and promotional activities for Products, and shall bear all costs therefore or related thereto. Supplier shall supply to Distributor those marketing and promotional materials and brochures developed and used by Supplier in its own marketing and promotion activities, or as may be developed and distributed by Supplier in the future. Supplier shall supply said materials and brochures in such quantities as Supplier, in its sole discretion, shall deem sufficient for Distributor's marketing and promotional activities, provided Distributor shall be responsible for freight and shipping charges thereon.

5.2 **Reproduction of Marketing and Promotional Materials.** Distributor shall be entitled to reproduce, at its own expense, the marketing and promotional materials supplied by Supplier, provided, any material changes thereto shall first require the written approval of Supplier. Furthermore, Distributor shall be entitled to develop, create and publish its own marketing and promotional materials and brochures, using Supplier's copyrights, trademarks and service marks, provided any such materials and brochures shall first be submitted to and approved by Supplier at least fifteen (15) days prior to their use, distribution or dissemination by Distributor. Supplier shall have the absolute right, in its own discretion, to reject or otherwise deny approval of any such materials and brochures. Distributor's failure to secure Supplier's approval of marketing and promotional materials and brochures, as set forth in this paragraph, prior to their use, distribution or dissemination by Distributor shall be deemed a material breach of this Agreement.

5.3 **Promotions and “Marketing Online or Through Electronic Communications.** During the term of this Agreement, Distributor shall actively promote and feature the Products on all websites, and in the case of mobile devices viewing page displayed thereon, owned or otherwise controlled by Distributor (collectively the “Online Sites”). As used herein, the term “actively promote and feature” shall mean the continuous display of Product information, brands and marks on the home page of each website or mobile viewing display site on the Online Sites, together with such live electronic links or other access points required to enable End Users and Customers to purchase of Products on such Online Site. As a result, Distributor shall ensure that the Products are integrated at all times into Distributor’s shopping cart or other product purchase processes and flows. Distributor shall at its own expense develop, create and maintain all content displayed on Online Sites. However, any Online Sites containing or displaying Supplier’s copyrighted materials, trademarks or service marks shall first be submitted to and approved by Supplier at least fifteen (15) days prior to their use or activation by Distributor. Supplier shall have the absolute right, in its own discretion, to require changes thereto, or reject or otherwise deny approval of any content relating to the Products displayed on such Online Sites. Distributor’s failure to secure Supplier’s approval of Product content displayed Online Sites as set forth in this paragraph prior to its use or activation by Distributor shall be deemed a material breach of his Agreement. The foregoing approval process and requirements shall also apply to any subsequent modifications or revisions to approved Product content displayed on the Online Sites.

5.4 **Co-Marketing and Joint Programs.** The Parties agree to cooperate in good faith to develop and implement appropriate co-marketing programs for the Products, including participation at trade shows, trade exhibits, industry and professional conferences that may be advantageous to the Product promotion, distribution and marketing efforts. Such co-marketing programs, including the structure thereof and apportionment of costs and marketing funds, shall be reviewed and determined on a case by case basis.

6. **Intellectual Property Rights; Confidentiality; Competing Products.**

6.1 **Representations on Supplier’s Rights.** Supplier represents to Distributor that (a) it owns or has rights to the Products, Proprietary Rights and Confidential Information, (b) to the best of Supplier’s knowledge said Products, Proprietary Rights and Confidential Information do not infringe upon any patent, copyright or other proprietary right of any third party, and (c) Supplier has full authority to enter into this Agreement.

6.2 **Acknowledgement of Ownership of Rights.** Distributor hereby acknowledges that Supplier is the owner of all rights in and to the Technology, Proprietary Rights and Confidential Information, including without limitation, all patents or patent rights, copyright, trademark, service marks, logos, tradenames and other Proprietary Rights, now existing or arising hereafter pursuant to state and federal laws and international conventions, and similar laws of the countries where Distributor now or hereafter conducts operations, and that Distributor shall not, in any way, acquire ownership rights of any nature of kind, in said Products, Proprietary Rights, and Confidential Information.

6.3 **Unauthorized Applications.** Distributor shall not, directly or indirectly through any third party, attempt to register any of Supplier's patents or patent rights, copyrights, trademarks and service marks, brands, trade secrets or trade names without Supplier's prior written permission.

6.4 **Confidentiality.** Distributor, on behalf of itself, its employees, representatives, affiliates, and agents, shall take all reasonable steps to safeguard Supplier's Proprietary Rights and Confidential Information from any unauthorized use, copying, sublicensing or distribution. Except as provided otherwise in section 2 of this Agreement, Distributor, its employees, representatives, affiliates, and agents, shall retain all Confidential Information furnished by Supplier in strictest confidence and shall not publish or disclose to third parties such Confidential Information at any time during the term of this Agreement or after its termination except as necessary to fulfill its obligations under this Agreement.

6.5 **Competing Products.** For the term of this Agreement, and for a period of [\*\*\*] after the expiration or termination hereof, Distributor shall not under any circumstances, directly or indirectly through affiliates or other third parties, formulate, produce, market or sell its own, or cause to be formulated, produced, marketed or sold by any third party, any natural hemp based cannabinoid products which directly compete with or are similar to the Products without the written consent of Supplier. The foregoing shall apply only to those Products described in Schedule A, and such additional Products as may be developed or offered by Supplier which are subsequently accepted by Distributor for inclusion in its distribution and sales operations. The Parties acknowledge and agree that Distributor or its affiliated companies have developed and offer hemp based products as set forth in Schedule C attached hereto.

6.6 **Survival After Termination or Expiration.** The Parties expressly agree that the provisions of this section 6 shall survive the termination or expiration of this Agreement. Distributor acknowledges and agrees that an unauthorized disclosure of any Confidential Information, or the unauthorized use, copying, sublicensing, or distribution of the Proprietary Rights or Technology, in contravention of any of the terms of this Agreement would cause irreparable injury to Supplier, for which monetary damages would not be adequate compensation; unless required to disclose by law and or governmental request or inquiry. Accordingly, Distributor agrees that in the event of such disclosure, misuse, copying sublicensing or distribution in violation of any of the provisions set forth in this section 6, Supplier shall be entitled to injunctive relief against Distributor and any violating entity or individual, in addition to all other legal and equitable remedies available to Supplier. Furthermore, Supplier shall be entitled to an award of its costs (including but not limited to court costs and reasonable attorney's fees) in any such action to enforce this Agreement. In this regard, the Parties agree that the hourly fees normally charged by Supplier's attorneys shall be deemed reasonable.

## 7. **Supplier's Warranties.**

7.1 Supplier warrants that the Products will be free from defects in materials and workmanship under normal use to the date of expiration or "use by" date, or similar product longevity disclosure designated by Supplier, if any. Supplier expressly disclaims any warranties and makes no representations regarding the effectiveness of the Products in addressing, curing, treating, healing or correcting any type of physical, mental, or other ailment, injury, disease, or condition. Distributor shall not make any such representation regarding the Products which have not been expressly approved by Supplier in writing. In the event of the existence of one or more material defects in any Product received by Distributor, End User or Customer, which defect(s) relates to the improper formulation of the Products or Product or other defect associated therewith including erroneous or defective packaging, Distributor shall immediately notify Supplier of the nature of the defect(s). Upon receiving such notice from Distributor, Supplier shall, at its sole option and cost, either (a) take such measures as are required to cure the defect(s) designated in the notice, or (b) replace such defective Products or Product. In either case, Supplier shall have to option to either require the return of the Products or Product claimed to be defective, or to instruct Distributor to dispose of said defective Products or Product. If Supplier elects to require the return of a defective Products or Product, Supplier shall pay all costs associated with the return of said defective Products or Product, including but not limited to freight and handling. Notwithstanding the foregoing, the Parties acknowledge and agree that Supplier shall not in any way be responsible or liable for any defects which (a) were caused or arose after delivery to Distributor (b) were caused by or resulted from the negligence or other wrongful conduct on the part of Distributor or any third party, or (c) other causes external to the Products or Product.

7.2 **LIMITATION ON DAMAGES.** THE WARRANTIES CONTAINED IN SUBSECTION 7.1 ARE IN LIEU OF ALL OTHER WARRANTIES OR CONDITIONS, EXPRESS OR IMPLIED, INCLUDING WITHOUT LIMITATION, THOSE OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE. IN NO EVENT SHALL SUPPLIER BE LIABLE FOR DAMAGES, DIRECT OR INDIRECT, INCLUDING LOST PROFITS, INCIDENTAL OR CONSEQUENTIAL DAMAGES SUFFERED BY DISTRIBUTOR OR ANY CUSTOMER, END USER OR OTHER THIRD PARTY ARISING FROM ANY BREACH OF WARRANTY OR BREACH OF CONTRACT, NEGLIGENCE OR ANY OTHER LEGAL GROUND OF ACTION, IN EXCESS OF THE PURCHASE PRICE PAID BY DISTRIBUTOR FOR THE DEFECTIVE PRODUCTS.

7.3 **Indemnification by Distributor.** Distributor shall indemnify, defend and hold Supplier harmless from and against all claims, expenses (including court costs and reasonable attorneys' fees), loss or damages arising out of or in connection with Distributor's marketing, distribution, marketing, sale, installation, monitoring, and maintenance of the Products.

7.4 **Indemnification by Supplier.** Supplier shall indemnify, defend and hold Distributor harmless from and against all claims, expenses (including court costs and reasonable attorneys' fees), loss or damages arising out of or in connection with Supplier's willful misconduct, negligence, breach of warranties or other representations herein.

8. **Compliance with Laws.**

8.1 **Distributor Compliance.** Distributor shall assure compliance with all applicable federal laws and regulations, as well as all states or countries in which Distributor is located or otherwise conducts business.

8.2 **Supplier Compliance.** Distributor shall cooperate promptly with Supplier to enable Supplier to comply with all applicable state and federal laws, including but not limited to, all laws and regulations relating to the control of exports if applicable, and product labeling and disclosures. Distributor hereby acknowledges that this Agreement and the performance hereof is subject to compliance with applicable state and federal laws, including regulations or orders relating to the export or re-export of products, product labeling and disclosures, and laws relating to boycotts of and discrimination against customers or users based upon race, color, creed, sexual orientation or national origin.

8.3 **Export Restrictions.** Distributor hereby agrees that Distributor shall not export re-export, or transfer directly or indirectly from the United States any Products, Proprietary Rights or Confidential Information to any country for which the U.S. government requires exporters to obtain an export license or other governmental approval at the time of export, re-export or transfer, unless prior written authorization is obtained from the appropriate governmental agencies and from Supplier.

9. **Events of Default and termination of Agreement.**

9.1 **Default by Distributor.** As to Distributor's obligations under this Agreement, the following events shall be deemed events of default, for which Supplier, in addition to such other remedies as may be provided by law, may terminate this Agreement at any time prior to the expiration of its stated term:

9.1.1 Distributor fails to make any payment or to perform any material obligation, duty or responsibility or is in default with respect to any other material term or condition under this Agreement, and such failure or default continues unremedied for a period of fourteen (14) days after written notice thereof to Distributor; or

9.1.2 Distributor undertakes a merger, consolidation or other corporate combination in which Distributor is not the surviving entity, or Distributor sells all or substantially all of its assets unless this provision is otherwise waived by Supplier; or

9.1.3 Distributor fails to meet the established purchase and sales quotas, if any, set forth in section 3.8 in a twelve (12) month term of this Agreement.

9.1.4 Distributor, or any material part of its operations voluntarily or involuntarily files for protection under the U.S. Bankruptcy Code, or is placed in the hands of or under the control of a receiver, or is otherwise dissolved by operation of law, court order, or vote of Distributor's ownership.

9.2 **Default by Supplier.** As to Supplier's obligations under this Agreement, the following events shall be deemed events of default, for which Distributor, in addition to such other remedies as may be provided in this Agreement or by law, may terminate this Agreement at any time prior to the expiration of its stated term:

9.2.1 Supplier fails to perform its obligations, duty or responsibility or is in default with respect to any material term or condition under this Agreement, and such failure or default continues unremedied for a period of fourteen (14) days after written notice thereof to Supplier; or

9.2.2 Supplier or any material part of its operations, voluntarily or involuntarily files for protection under the U.S. Bankruptcy Code or is placed in the hands of or under the control of a receiver, or is otherwise dissolved by operation of law, court order, or vote of Supplier's ownership.

9.3 **Effect of Termination.** Except as otherwise provided elsewhere in this Agreement, upon termination of this Agreement:

9.3.1 The license and appointment granted hereunder shall terminate immediately without refund of any compensation paid to Supplier. In this regard, Supplier shall have the absolute right and authority to notify all End Users of the termination of this Agreement, to direct all future payments to Supplier, and to market and sell Products directly to End Users and Customers.

9.3.2 Except as otherwise expressly limited in section 7 above, the defaulting party shall be liable for damages and/or other costs directly or indirectly incurred by the non-defaulting party as a result of any breach of this Agreement.

9.3.3 Distributor shall promptly return all Documentation, manuals, reference materials, and other information associated with the Products, Proprietary Rights or Confidential Information supplied to or in Distributor's possession on the date of termination and shall remove all Product content or references from the Online Sites.

## 10. **General.**

10.1 **Non-Assignable.** This Agreement is not assignable, in whole or in part, by Distributor without the prior written consent of Supplier. Any such attempt to assign any of the rights, duties or obligations of this Agreement without such consent shall be null and void.

10.2 **Binding Effect.** This Agreement shall be binding upon the Parties, and their respective employees, agents, representatives, affiliates and successors or assigns.

10.3 **Independent Contractors.** Nothing in this Agreement shall be construed as creating a partnership, joint venture, or association between the Parties or making Distributor an agent or employee of Supplier. In all of its operations hereunder, Distributor shall be deemed an independent contractor, shall conduct its business at its own cost and expense and shall have no authority to make any representation or warranty on behalf of Supplier, except as specified in section 7 of this Agreement. At no time shall Distributor represent that distributor represents or is authorize to obligate or act on behalf of Supplier unless expressly authorized by this Agreement or with the prior written consent of Supplier.

10.4 **Entire Agreement; Waiver.** This Agreement, including Schedules attached hereto, as amended from time to time, reflects the entire understanding of the Parties. The provisions of this Agreement may not be waived or changed by Distributor except by a writing signed by and evidencing the consent of Supplier thereto. Supplier may, in its sole discretion, amend this Agreement from time to time on thirty (30) days prior written notice to Distributor. No Waiver of breach shall constitute a subsequent waiver of any subsequent breach, and if any provision of this Agreement is determined by a court of competent jurisdiction to be invalid, the remaining provisions shall remain enforceable.

10.5 **Notices.** All notices or other written communications required in this Agreement shall be deemed to have been duly given if delivered personally, by certified mail return receipt requested, or by facsimile to the address or facsimile number of the receiving Party set forth below in this Agreement (or such different address or facsimile number as either Party shall have specified in writing to the other). Notices personally delivered or sent by facsimile shall be deemed effective upon their receipt; notices sent by mail shall be deemed effective three (3) days after mailing.

10.6 **Force Majeure.** In the event circumstances develop that are beyond the control of the Supplier or Distributor, such as natural catastrophes, war or acts of God that prevent or materially limit a Party's ability to perform the obligations required by this Agreement, it shall not be cause for termination of this Agreement. The Parties further agree that in the event a force majeure does occur, they will work cooperatively to develop solutions which are mutually beneficial to both Parties.

10.7 **Disputes; Arbitration; Attorney's Fees.** All disputes controversies or differences that may arise between the Parties hereto arising out of or relating to or in connection with the terms and conditions of this Agreement or for any alleged breach thereof, shall be settled by arbitration to be conducted in Clark County, Nevada under the Rules of Arbitration of the American Arbitration Association. The Parties hereby agree that any award rendered by the arbitrator shall be final and binding upon the Parties and shall be enforceable in the courts of the states where each Parties maintains its principal office. In the event either party is required to initiate arbitration or legal action to enforce this Agreement, the prevailing party shall be entitled to recover its reasonable attorney's fees and other expenses. In this regard, the normal hourly rate charged by the prevailing party's attorney shall be deemed reasonable by the parties.

10.8 **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of Nevada.

10.9 **Severability.** In the vent that any provision of this Agreement shall be held by a proper court of law to be invalid, such invalidity shall not affect the enforceability of the remaining provisions of this Agreement.

10.10 **Remedies.** Except as expressly provided in this Agreement, no remedy conferred by any of its provisions is intended to be exclusive of any other remedy now or hereafter provided by law, and the election of any one or more such available remedies by either of the Parties shall not constitute a waiver of the right of such party to other available remedies.

10.11 **Plurals; Gender.** This Agreement shall be construed so that the singular includes the plural, and vice versa the masculine includes the feminine and neuter genders. There shall be no presumption that ambiguities shall be construed or interpreted against the drafter.

10.12 **Headings; Captions.** The headings, subheadings, and other captions in this Agreement are for convenience and reference only and shall not be used in interpreting, construing, or enforcing any of the provisions of this Agreement.

IN WITNESS WHEREOF, the undersigned acknowledges that the undersigned has read this Agreement, understands it, agrees to be bound by its terms and conditions, and has caused this Agreement to be executed by its duly authorized representative as of the date and year first above written.

“SUPPLIER”

“DISTRIBUTOR”

By: /s/ Mike Mona, Jr.  
Its: President and CEO  
Address: 2688 S. Rainbow Blvd, Suite B  
Las Vegas, NV 89146  
Telephone: (866) 290-2157

By: /s/ Michelle Sides  
Its: Michelle Sides  
Address: 4901 Morena Blvd, Suite 702  
San Diego, CA 92117  
Telephone:



**Schedule A**

**Products**

1. Cibaderm
2. Cibdex
3. RSHO (Real Scientific Hemp Oil)

This Schedule may be amended from time to time, and products added to the above-list upon the mutual agreement of Supplier and Distributor.

**Schedule B**

**Cibaderm**

<b>Product</b>	<b>Hempmeds PX Wholesale Price</b>	<b>Promotional Pricing</b>
3oz Hand Cream	[***]	[***]
6 oz Lotion	[***]	[***]
6 oz Body Wash	[***]	[***]
8 oz Shampoo	[***]	[***]
8 oz Conditioner	[***]	[***]
1.7 oz Salve	[***]	[***]

**Cibdex**

<b>Product</b>	<b>Hempmeds PX Wholesale Price</b>	<b>Promotional Pricing</b>
100 mg Natural	[***]	[***]
100 mg Peppermint	[***]	[***]
500 mg Natural	[***]	[***]
8500 mg Peppermint	[***]	[***]

**RSHO**

<b>Product</b>	<b>Hempmeds PX Wholesale Price</b>	<b>Promotional Pricing</b>
6 Pack	[***]	[***]
Single Tube	[***]	[***]

**EXHIBIT 31.1**

**CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Michael Mona, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of CannaVEST Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 14, 2013

By: /s/ Michael Mona, Jr.  
Name Michael Mona, Jr.  
President and Chief Executive Officer

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER  
AND CHIEF FINANCIAL OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350  
(SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002)**

In connection with the Quarterly Report of CannaVEST Corp. (the "Company") on Form 10-Q for the period ended September 30, 2013, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael Mona, Jr., President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the period covered by the Report.

Dated: November 14, 2013

By: /s/ Michael Mona, Jr.  
Name: Michael Mona, Jr.  
President and Chief Executive Officer

**EXHIBIT 99.1**

**Temporary Hardship Exemption**

IN ACCORDANCE WITH THE TEMPORARY HARDSHIP EXEMPTION PROVIDED BY RULE 201 OF REGULATION S-T, THE DATE BY WHICH THE INTERACTIVE DATA FILE IS REQUIRED TO BE SUBMITTED HAS BEEN EXTENDED BY SIX BUSINESS DAYS.