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# U. S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

## FORM 10-Q /A

(Amendment No. 1)

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

For the quarterly period ended June 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

Accelerated filer

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

Smaller reporting company

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: As of August 13, 2013, the issuer had 10,108,334 shares of issued and outstanding common stock, par value \$.0001.

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## **EXPLANATORY NOTE**

This Amendment No. 1 to Form 10-Q (“Amendment No. 1) amends the Quarterly Report of CannaVEST Corp. (the “Company”) on Form 10-Q for the quarter ended June 30, 2013 as filed with the Securities and Exchange Commission on August 13, 2013 (the “10-Q”). This Amendment No. 1 is being filed for the purpose of restating our Financial Statements, amending related disclosure in the section titled Management’s Discussion and Analysis of Financial Condition and in the Notes to the Financial Statements and conforming the disclosures in the Notes to the Financial Statements to those contained in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2013.

This restatement is related to the reporting of the purchase price and allocation thereof related to the purchase of certain assets of PhytoSPHERE Systems, LLC. We have determined that the purchase price and allocation of the purchase price originally reported did not represent the fair market value of the transaction in accordance with accounting principals generally accepted in the United States. This Amendment will include corrections of those amounts and resulting changes to the financial statements.

We have not updated the information contained herein for events occurring subsequent to August 13, 2013, the filing date of the Original Filing.

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**PART I – FINANCIAL INFORMATION**

**Item 1. FINANCIAL STATEMENTS**

**CANNAVEST CORP. AND SUBSIDIARIES**  
CONDENSED CONSOLIDATED BALANCE SHEETS

	<u>June 30, 2013</u>	<u>December 31,</u> <u>2012</u>
	<u>Unaudited</u>	
	<u>Restated (Note 3)</u>	
<b>ASSETS</b>		
Current Assets		
Cash	\$ 76,670	\$ 431
Accounts Receivable	1,561,496	–
Total Current Assets	<u>1,638,166</u>	<u>431</u>
Other Current Assets		
Prepaid Inventory	975,471	–
Inventory	2,177,823	–
Total Other Current Assets	<u>3,153,294</u>	<u>–</u>
Total Current Assets	<u>4,791,460</u>	<u>431</u>
Property and Equipment, Net		
	<u>18,315</u>	<u>–</u>
Other Assets		
Goodwill (Note 4)	1,855,512	–
Intangibles, Net (Note 4)	3,767,500	–
Investment in KannaLife (Note 5)	500,000	–
Total Other Assets	<u>6,123,012</u>	<u>–</u>
<b>TOTAL ASSETS</b>	<u>\$ 10,932,787</u>	<u>\$ 431</u>
<b>LIABILITIES &amp; STOCKHOLDERS' EQUITY (DEFICIT)</b>		
Current Liabilities		
Accounts Payable	\$ 27,134	\$ –
Accrued Interest	20,523	–
Amount Due to Related Party	300	500
Other Current Liabilities		
PhytoSPHERE Agreement (Note 4)	4,963,906	–
Total Current Liabilities	<u>5,011,863</u>	<u>500</u>
Long Term Liabilities		
Line of Credit - Roen Ventures, LLC (Note 7)	3,280,500	–
Total Long Term Liabilities	<u>3,280,500</u>	<u>–</u>
<b>TOTAL LIABILITIES</b>	<u>8,292,363</u>	<u>500</u>
Commitments (Note 9)		
<b>STOCKHOLDERS' EQUITY (DEFICIT)</b>		
Preferred Stock, par value \$0.0001; 10,000,000 shares authorized; no shares issued and outstanding	–	–
Common Stock - par value \$0.0001; 190,000,000 shares authorized; 8,900,000 and 7,000,000 shares issued and outstanding as of June 30, 2013 and December 31, 2012, respectively	890	700
Additional Paid in Capital	2,449,351	143,447
Retained Earnings (Accumulated Deficit)	<u>190,183</u>	<u>(144,216)</u>
<b>TOTAL STOCKHOLDERS' EQUITY (DEFICIT)</b>	<u>2,640,424</u>	<u>(69)</u>
<b>TOTAL LIABILITIES &amp; STOCKHOLDERS' EQUITY (DEFICIT)</b>	<u>\$ 10,932,787</u>	<u>\$ 431</u>

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



**CANNAVEST CORP. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**UNAUDITED**  
**(RESTATED NOTE 3)**

	<b>For the three months ended</b>		<b>For the six months ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Product Sales	\$ 107,683	\$ –	\$ 1,190,058	\$ –
Cost of Goods Sold	16,292	–	221,742	–
<b>Gross Profit</b>	<b>91,391</b>	<b>–</b>	<b>968,316</b>	<b>–</b>
Operating Expenses:				
General & Administrative	419,002	11,352	613,394	27,396
Operating income (loss)	(327,611)	(11,352)	354,922	(27,396)
Interest expense	(20,523)	(974)	(20,523)	(1,852)
Income (loss) before taxes	(348,134)	(12,326)	334,399	(29,248)
Provision for income taxes	–	–	–	–
<b>NET INCOME (LOSS)</b>	<b>\$ (348,134)</b>	<b>\$ (12,326)</b>	<b>\$ 334,399</b>	<b>\$ (29,248)</b>
Earnings (loss) per Share	\$ (0.04)	\$ (0.00)	\$ 0.04	\$ (0.00)
Weighted Average Number of Shares – Basic & Diluted	8,867,033	7,000,000	8,246,961	7,000,000

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

**CANNAVEST CORP. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)**

	<u>Common Stock</u>		<u>Additional Paid In Capital</u>	<u>Retained Earnings (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 payment under PhytoSPHERE Agreement Restated (Note 3)	1,900,000	190	2,305,904	–	2,306,094
Net income (loss) Restated (Note 3)	<u>–</u>	<u>–</u>	<u>–</u>	<u>334,399</u>	<u>334,399</u>
Balance June 30, 2013 (unaudited) Restated (Note 3)	<u>8,900,000</u>	<u>\$ 890</u>	<u>\$ 2,449,351</u>	<u>\$ 190,183</u>	<u>\$ 2,640,424</u>

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

**CANNAVEST CORP. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2013 AND 2012**  
**UNAUDITED**  
**RESTATED (Note 3)**

	<b>For the six months ended,</b>	
	<b>June 30, 2013</b>	<b>June 30, 2012</b>
<b>OPERATING ACTIVITIES</b>		
Net income (loss)	\$ 334,399	\$ (29,248)
Adjustments to reconcile net income (loss) to net cash flows used in operating activities:		
Amortization of intangible assets	342,500	–
Change in operating assets and liabilities:		
Prepaid expense	–	1,750
Prepaid inventory	285,039	–
Accounts receivable	(1,165,058)	–
Inventory	(1,832,346)	–
Accounts payable and accrued expenses	47,657	9,143
Net cash flows used in operating activities	<u>(1,987,809)</u>	<u>(18,355)</u>
<b>INVESTING ACTIVITIES</b>		
Cash received on acquisition	50,775	–
Purchase of property and equipment	(17,027)	–
Cash paid on PhytoSPHERE agreement	(750,000)	–
Investment in KannaLife	(500,000)	–
Net cash flows used in investing activities	<u>(1,216,252)</u>	<u>–</u>
<b>FINANCING ACTIVITIES</b>		
Proceeds from loan from Roen Ventures, LLC	3,280,500	–
Proceeds from loan from related party	–	17,300
Repayment of loan from related party	(200)	–
Net cash flows from financing activities	<u>3,280,300</u>	<u>17,300</u>
Net increase (decrease) in cash	76,239	(1,055)
<b>Cash, beginning of period</b>	<u>431</u>	<u>1,168</u>
<b>Cash, end of period</b>	<u>\$ 76,670</u>	<u>\$ 113</u>
<b>NON CASH TRANSACTION</b>		
Accounts receivable assumed from acquisition	\$ 396,438	–
Inventory assumed from acquisition	345,477	–
Prepaid inventory assumed from acquisition	1,260,510	–
Property and equipment assumed from acquisition	1,288	–
Intangible assets	4,110,000	–
Goodwill	1,855,512	–
Amount due from PhytoSPHERE Agreement	(4,963,906)	–
Common Shares issued for PhytoSPHERE Transaction	(2,306,094)	–

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

**CANNAVEST CORP. AND SUBSIDIARIES**  
**RESTATED 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 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 (the “Transaction”). The closing of the Transaction occurred on January 29, 2013, at which time the Company took delivery of the acquired assets and made its first installment payment by issuing 900,000 shares of common stock. On April 4, 2013, the Company made its second installment payment by issuing 1,000,000 shares of common stock. During the fiscal quarter ended June 30, 2013, the Company paid \$750,000 in cash and issued 1,208,334 shares of common stock on July 23, 2013.

On May 23, 2013, the Company incorporated two subsidiaries in the State of Nevada, US Hemp Oil, LLC and Phytosphere Systems, LLC. The Company is the sole member of both entities.

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 consolidated interim financial statements include the accounts of the Company and its wholly-owned subsidiaries US Hemp Oil LLC (“USHO”) and Phytosphere Systems LLC. The 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. All intercompany accounts and transactions have been eliminated in consolidation.

The unaudited condensed consolidated 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 consolidated 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 six months ended June 30, 2013 are not necessarily indicative of the results to be expected for the full year ending December 31, 2013.

### Business Acquisition

We have accounted for the PhytoSPHERE Transaction in accordance with the Accounting Standards Codification (“ASC”) Topic 805, *Business Combinations* (“ASC Topic 805”). ASC Topic 805 establishes principles and requirements for recognizing and measuring the total consideration transferred to and the assets acquired, liabilities assumed and any non-controlling interests in the acquired target in an asset purchase. ASC Topic 805 also provides guidance for recognizing and measuring goodwill acquired and other tangible and intangible assets. (Note 4)

### Use of Estimates

The Company’s condensed financial statements have been prepared in accordance with GAAP. The preparation of these condensed 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. Significant estimates include the valuation of intangible assets, the amortization lives of intangible assets and the allowance for doubtful accounts. It is at least reasonably possible that a change in the estimates will occur in the near term.

### 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 June 30, 2013 and December 31, 2012, the Company had no cash equivalents.

### Concentration of Credit Risk

As of June 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 June 30, 2013 and December 31, 2012.

### Revenue Recognition

The Company recognizes revenue in accordance with ASC and SEC guidance 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 at June 30, 2013 and December 31, 2012.

### Property and 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.

### 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.

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.

We amortize the cost of other intangible assets over their estimated useful lives, which range up to five 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.

### Earnings (Loss) per Share

The Company calculates 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. The Company had no dilutive shares outstanding at June 30, 2013 and 2012.

## 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. At June 30, 2013 and 2012, the Company established valuation allowances equal to the full amount of its deferred tax assets due to the uncertainty of the utilization of the net operating losses in future periods. 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.

## 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 Income* (“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.

### 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 No. 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 the Company’s 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. RESTATEMENT

During the audit for year ended December 31, 2013, it was determined that the previously issued financial statements for the three and six months ended June 30, 2013 required corrections for errors described below:

- a) Amortization expense as previously reported for the three and six months ended June 30, 2013, in the amounts of \$573,325 and \$951,492, respectively, was in error. Based on the restated value of assets purchased from PhytoSPHERE, intangible assets totaled \$4,110,000. Restated amortization on those assets for the three and six months ended June 30, 2013 is \$205,500 and \$342,500, respectively. This resulted in an overstatement of amortization expense and operating expenses of \$367,825 and \$608,992 for the three and six months ended June 30, 2013, respectively.
- b) Intangible assets previously reported in the financial statements as of June 30, 2013 were in error. The financial statements previously reported \$5,947,387 of intangible assets acquired in connection with the PhytoSPHERE Transaction. As determined by the valuation of the assets purchased under the PhytoSPHERE Agreement, intangible assets totaled \$4,110,000. This overstatement of \$1,837,387 was partially offset by an overstatement of accumulated amortization of \$608,992 as noted above. The resulting overstatement of intangible assets at June 30, 2013 was \$1,228,395.
- c) Goodwill previously reported in the financial statements at June 30, 2013 was overstated by \$25,142,613. The goodwill reported was \$26,998,125, previously determined based on a transaction amount of \$35,000,000 for the PhytoSPHERE Transaction. The valuation of acquired assets set a value of goodwill of \$1,855,512. The difference of \$25,142,613 represents the difference between these two amounts.
- d) The amount previously reported as due to PhytoSPHERE pursuant to the PhytoSPHERE Agreement at June 30, 2013 was reported as \$23,750,000. This was calculated based on a Transaction amount of \$35,000,000 and a set per share price between \$4.50 and \$6.00 under the PhytoSPHERE Agreement. In reviewing the price that the Company's common stock was trading at during the year, subsequent to June 30, 2013, management determined that using a per share price to value the Transaction may not represent a true measure of the fair market value of the Transaction and that obtaining a valuation of the assets purchased from PhytoSPHERE would be required in order to determine the fair market value of the business acquired. Accordingly, management determined that the valuation of \$8,020,000 represented a more reliable measure of the fair value of the Transaction. As a result of that valuation, the per share price for shares of common stock issued to PhytoSPHERE was adjusted to \$1.21 to reflect the revised value of the Transaction. Accordingly, the amount recorded upon issuance of the shares of common stock to PhytoSPHERE and the total amount due to PhytoSPHERE was adjusted to reflect the value of the Transaction. As a result, the amount due to PhytoSPHERE was revised to \$4,963,906 and the value of common stock reflected for the shares of common stock issued as payment in the Transaction was \$2,306,094. As a result, the amount shown as due to PhytoSPHERE at June 30, 2013 was overstated by \$18,786,094 and the amount recorded for the shares of common stock issued to PhytoSPHERE through June 30, 2013 was overstated by \$8,193,906.
- e) The amounts recorded as changes to inventory and accounts receivable on the statement of cash flows for the six months ended June 30, 2013 were adjusted by \$1 to reflect rounding adjustments.

The effect of these adjustments on the condensed consolidated balance sheet as of June 30, 2013 is summarized below (the letters included in brackets below refer to the lettered paragraphs above):

	<u>As previously reported</u>	<u>Adjustment</u>	<u>As restated</u>
Intangible assets (net) <sup>(a)(b)</sup>	\$ 4,995,895	\$ (1,228,395)	\$ 3,767,500
Goodwill <sup>(c)</sup>	26,998,125	(25,142,613)	1,855,512
Amount due under the PhytoSPHERE Agreement <sup>(d)</sup>	23,750,000	(18,786,094)	4,963,906
Additional paid in capital <sup>(d)</sup>	10,643,257	(8,193,906)	2,449,351
Retained earnings (accumulated deficit) <sup>(a)</sup>	(418,809)	608,992	190,183

The effect of these adjustments on the condensed consolidated statement of operations for the three months ended June 30, 2013 is as follows:

	<u>As previously reported</u>	<u>Adjustment</u>	<u>As restated</u>
General and administrative expenses <sup>(a)</sup>	\$ 1,131,660	\$ (712,658)	\$ 419,002
Net income (loss) <sup>(a)</sup>	(1,060,792)	712,658	(348,134)
Earnings (loss) per share <sup>(a)</sup>	(0.12)	0.08	(0.04)

The effect of these adjustments on the condensed consolidated statement of operations for the six months ended June 30, 2013 is as follows:

	<u>As previously reported</u>	<u>Adjustment</u>	<u>As restated</u>
General and administrative expenses <sup>(a)</sup>	\$ 1,222,386	\$ (608,992)	\$ 613,394
Net income (loss) <sup>(a)</sup>	(274,593)	608,992	334,399
Earnings (loss) per share <sup>(a)</sup>	(0.03)	0.07	0.04

The effect of these adjustments on the condensed consolidated statement of cash flows for the six months ended June 30, 2013 is as follows:

	<u>As previously reported</u>	<u>Adjustment</u>	<u>As restated</u>
Net income (loss) <sup>(a)</sup>	\$ (274,593)	\$ 608,992	\$ 334,399
Amortization expense <sup>(a)</sup>	951,492	(608,992)	342,500
Inventory <sup>(e)</sup>	(1,832,345)	(1)	(1,832,346)
Accounts receivable <sup>(e)</sup>	(1,165,059)	1	(1,165,058)

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

On December 15, 2012, we entered into the PhytoSPHERE Agreement with PhytoSPHERE, whereby on January 29, 2013 we acquired certain assets of PhytoSPHERE. Pursuant to the Purchase Agreement, we acquired from PhytoSPHERE tangible equipment, inventory including 460 kg of raw hemp oil, all URLs and domain names of PhytoSPHERE, all landline telephone numbers and postal addresses affiliated with PhytoSPHERE, an exclusive license to use the names “PhytoSPHERE” and “PhytoSPHERE Systems” in the development and commercialization of hemp-based products including CBD, existing bank accounts with a total balance of \$50,775, vendor lists, permits, licenses and other approvals, and all rights and obligations under existing and pending supply contracts. The Company purchased the assets of PhytoSPHERE as the basis for adoption of the Company’s new business model, which is to manufacture, market and sell products containing hemp oil. As part of the purchase price, the Company acquired intangible assets which could not be specifically identified which has been classified as goodwill on the accompanying condensed consolidated financial statements. Goodwill represents the residual value after all identifiable assets were valued and what not valued independently and is primarily attributable to the assembled workforce, operating and process know-how and potential expansion into local and global markets. We expect goodwill to be amortizable for tax purposes.

At closing the Company issued 900,000 shares of common stock to PhytoSPHERE in satisfaction of its first installment payment. On April 4, 2013 the Company made its second installment payment by issuing 1,000,000 shares of common stock to PhytoSPHERE. 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 to PhytoSPHERE.

The purchase price of the acquisition was determined to be \$8,020,000 based on management's estimate of the fair market value of the business acquired. The fair market value was determined to be the more appropriate basis of valuation as the Company's common stock had little, if any, trading volume and the market price of the stock at that time did not constitute a reliable indicator of its present or future value. Additionally, the Company's operations at the time of the closing of the Transaction consisted of product development, building infrastructure and pursuing strategic alliances and investments and the acquisition of the PhytoSPHERE assets provided the Company with its initial source of revenue. The Company's common stock issued was contemporaneously valued with the purchase price of PhytoSPHERE.

The following is the allocation of the purchase price:

<b>Assets acquired</b>	
Tangible assets	
Cash	\$ 50,775
Accounts receivable	396,438
Inventory	345,477
Prepaid inventory	1,260,510
Fixed assets, net	1,288
Total tangible assets	<u>2,054,488</u>
Identifiable intangible assets	
Vendor relationships	1,170,000
Trade name	230,000
Noncompete agreement – PhytoSPHERE Team	2,710,000
Total identifiable intangible assets	<u>4,110,000</u>
Unidentifiable intangible assets	
Goodwill residual estimate	1,855,512
Total assets acquired from PhytoSPHERE	<u>\$ 8,020,000</u>

Due to the complexity and limited information available from the selling company of PhytoSHERE, supplemental proforma information has not been presented. The operations and management of PhytoSHERE was not indicative of the current operations and strategy, accordingly, the proforma information would not be indicative of future operations or be beneficial to the users of these financial statements.

We have amortized the identifiable intangible assets using the straight-line method over a useful life of five years. We determined that the useful life of those assets are based on the term of the purchased noncompete agreement and estimated useful lives of the relationships acquired. Amortization of intangible assets is expected to be \$753,500 for the year ending December 31, 2013, \$822,000 for the years ending December 31, 2014, 2015 and 2016 and \$342,500 for the year ending December 31, 2017.

Intangible assets consist of the following at June 30, 2013,

Description	Original Fair Market Value	Accumulated Amortization	Net
Vendor relationships	\$ 1,170,000	\$ 97,500	\$ 1,072,500
Trade name	230,000	19,167	210,833
Noncompete agreement	2,710,000	225,833	2,484,167
	\$ 4,110,000	\$ 342,500	\$ 3,767,500

Amortization expense for the three and six months ended June 30, 2013 is \$205,500 and \$342,500, respectively.

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

On March 4 and April 11, 2013, pursuant to a Stock and Warrant Purchase Agreement (the "Purchase Agreement"), the Company acquired a total of 2,039,626 shares of the Series A Preferred Stock of KannaLife, 11,960,000 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 16.65% share of the issued and outstanding Series A Preferred Stock and common stock of KannaLife as of June 30, 2013. The shares were acquired through two payments of \$250,000 each and included the exercise of a portion of the Company's common stock warrant. The Purchase Agreement also contemplates two additional closings of \$250,000 on or before July 1, 2013 and October 1, 2013. The Company paid the first of these installment as of June 30, 2013.

#### 6. RELATED PARTY TRANSACTIONS

On March 1, 2013, the Company entered into a lending arrangement with Roen Ventures, LLC, a Nevada limited liability company ("Roen Ventures"), which is owned 50% by the Company's President and Chief Executive Officer who is also a director, Michael Mona, Jr. The Promissory Note (the "Note") issued to Roen Ventures provides a line of credit up to \$4,000,000, bears interest at 5.0% and is unsecured. As previously disclosed in the Company's Current Report on Form 8-K filed with 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 line of credit 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 to be determined following the conclusion of a valuation of the common stock of the Company. There are no specific repayment terms except that all unpaid principal and accrued interest under the Note is due and payable on July 25, 2015. As of June 30, 2013, the Company had a balance of \$3,280,500 on this Note. Management has not yet determined the value of the conversion feature.

At June 30, 2013, 100% of the Company's revenue of \$107,683 and \$1,190,058 for the three and six months ended June 30, 2013, respectively, and accounts receivable totaling \$1,561,496 at June 30, 2013, were from affiliates of Medical Marijuana, Inc., a stockholder of the Company.

#### 7. LINE OF CREDIT – ROEN VENTURES, LLC

As discussed in Note 6 above, on March 1, 2013, the Company entered into a lending arrangement with Roen Ventures, which is owned 50% by the Company's President and Chief Executive Officer who is also a director, Michael Mona, Jr. The Note issued to Roen Ventures provides a line of credit up to \$4,000,000, bears interest at 5.0% and is unsecured. As previously disclosed in our Current Report on Form 8-K filed with the SEC on July 31, 2013, on July 25, 2013, the disinterested members of the Company's Board of Directors approved an amendment to the terms of the Note to increase the line of credit 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 to be determined following the conclusion of a valuation of the common stock of the Company. There are no specific repayment terms except that all unpaid principal and accrued interest under the Note is due and payable on July 25, 2015. As of June 30, 2013, the Company had a balance of \$3,280,500 on this Note. Management has not yet determined the value of the conversion feature.

## 8. 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 June 30, 2013 and December 31, 2012, the Company had 8,900,000 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 4). On April 4, 2013, the Company issued 1,000,000 shares of common stock to PhytoSPHERE in satisfaction of its second payment obligation to PhytoSPHERE (Note 4). On July 23, 2013, the Company issued 1,208,334 shares of common stock to PhytoSPHERE in partial satisfaction of its third payment obligation to PhytoSPHERE (Note 4). The Company satisfied its remaining obligation to PhytoSPHERE on the third payment by payment of cash.

### 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. Each such series or class shall have voting powers, if any, and such preferences and/or other special rights, with such qualifications, limitations or restrictions of such preferences and/or rights as shall be stated in the resolution or resolutions providing for the issuance of such series or class of shares of preferred stock.

### Options/Warrants

As of June 30, 2013 and December 31, 2012, there were no outstanding options or warrants for the purchase of the Company's common stock.

## 9. 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 director of the Company is the sole member.

The Company has supply agreements in place with third party suppliers to provide for growth and supply of raw materials. These agreements provide for supplies in excess of 1,000 kg of product over the next three years. As of June 30, 2013, the Company owed approximately \$4.5 million to those suppliers under these agreements.

## 10. SUBSEQUENT EVENTS

On July 23, 2013, the Company issued PhytoSPHERE 1,208,334 shares of its common stock in partial satisfaction of its third payment obligation due under the PhytoSPHERE Agreement. The Company satisfied its remaining obligation to PhytoSPHERE on the third payment by payment of cash.

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. There are currently no option shares outstanding under the Plan.

## 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 Condensed Consolidated Financial Statements included within this Quarterly Report on Form 10-Q for the period ended June 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 have consisted of supplying our raw product to third parties. We anticipate launching our first product to large commercial buyers in the third quarter of 2013, and having products on the market available to consumers shortly thereafter. Our line of products is expected to grow throughout the year – by year-end 2013 we anticipate a full line of CBD and hemp-related consumer products.

In order to accomplish our business plan, we will need to finalize the development of our products and implement a marketing and sales program designed to establish brand awareness and consumer acceptance of our products. To date, the sole source of our working capital has been a line of credit of up to \$4,000,000 from Roen Ventures, LLC ("Roen Ventures"). As previously disclosed in our Current Report on Form 8-K filed with the Securities and Exchange Commission on July 31, 2013, on July 25, 2013, the disinterested members of our Board of Directors approved an amendment to the terms of the credit line with Roen Ventures 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 credit line into shares of the common stock of the Company at a conversion price to be determined following the conclusion of a valuation of the common stock of the Company. 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.

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 Securities and Exchange Commission 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 June 30, 2013 and 2012**

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

For the three months ended June 30, 2013, the Company realized revenues of \$107,683 and resulting gross profit of \$91,391 related to the sale of raw materials to third parties. The Company realized no revenues for the three months ended June 30, 2012. The increase in revenues is due to the revised business plan of the Company, enacted for fiscal year 2013 to sell hemp oil and related products. During fiscal year 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 months ended June 30, 2013 the Company incurred General and Administrative costs in the amount of \$419,002 compared with \$11,352 for the three months ended June 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 developing, producing, marketing and selling products containing hemp plant extract, CBD, and reselling raw product acquired by the Company to third parties. This amount also includes \$205,500 of amortization of vendor relationships and non-compete agreements acquired through the Agreement for Purchase and Sale of Assets (the "PhytoSPHERE Agreement") entered into by and between the Company and PhytoSPHERE Systems, LLC ("PhytoSPHERE") on December 15, 2012.

## **Results for the six months ended June 30, 2013 and 2012**

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

For the six months ended June 30, 2013, the Company realized revenues of \$1,190,058 and resulting gross profit of \$968,316 related to the sale of raw materials to third parties. The Company realized no revenues for the six months ended June 30, 2012. The increase in revenues is due to the revised business plan of the Company, enacted for fiscal year 2013 to sell hemp oil and related products. During fiscal year 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 six months ended June 30, 2013, the Company incurred General and Administrative costs in the amount of \$613,394 compared with \$27,396 for the six months ended June 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 \$342,500 of amortization of vendor relationships and non-compete agreements acquired through the PhytoSPHERE Agreement.

### **Liquidity and Capital Resources**

As of June 30, 2013, the Company had a cash balance of \$76,670. In addition, as of June 30, 2013, the Company had \$719,500 available pursuant to the terms of the Roen Ventures line of credit, which has been our primary source of liquidity. We will need to raise additional funds through the issuance of debt or sale of our equity securities in order to continue funding our ongoing operations through fiscal year 2013.

The Company is a party to contracts for the growth and processing of hemp oil product to be delivered over the period beginning August 1, 2013 and ending August 31, 2014. The total amount remaining to be paid under such contracts is approximately 2.74 million Euros or approximately \$3.56 million through May 31, 2014.

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

### **Liquidity and Going Concern**

The accompanying unaudited condensed consolidated 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 June 30, 2013, the Company had a working capital deficit of \$(3,500,903) and retained earnings of \$190,183. The working capital deficit is primarily a result of an amount of \$4,963,906, due as a result of the acquisition of a license and certain assets of PhytoSPHERE and the line of credit from Roen Ventures. Through June 30, 2013, the Company borrowed \$3,280,500 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 needs to raise additional capital from external sources in order to sustain operations while executing its business plan. 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 \$30,000. 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 2013 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.

## **Off Balance Sheet Arrangements**

The Company has supply agreements in place with third party suppliers to provide for growth and supply of raw materials. These agreements provide for supplies in excess of 1,000 kg of product over the next three years. As of June 30, 2013, the Company owed approximately \$4.5 million to those suppliers under these agreements.

We have no other off-balance sheet agreements that have or are reasonably likely to have a current or future effect on the business, financial condition, changes in financial condition, revenue or expenses, result of operations, liquidity, capital expenditures and/or capital resources of 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 June 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 June 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.

In addition, management is aware of a material weakness related to improper determination of the purchase price and purchase price allocation for the assets acquired related to PhytoSPHERE. This constitutes a deficiency in internal control over financial reporting. Specifically, management determined that the purchase price used and the allocation of the purchase price as previously disclosed in the Company’s Quarterly Report on Form 10-Q as filed with the Securities and Exchange Commission on August 13, 2013, were not in accordance with accounting principles generally accepted in the United States of America.

### **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 June 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

None.

### Item 1A. RISK FACTORS

Not required for “smaller reporting companies.”

### Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

#### *Stock Issuances*

On April 4, 2013, we issued 1,000,000 shares of restricted common stock to PhytoSPHERE pursuant to the terms the PhytoSPHERE Agreement in satisfaction of our second payment obligation due under the PhytoSPHERE Agreement. The 1,000,000 shares were valued at \$1,213,734 based on the valuation of the business acquired, as discussed in Notes 3 and 4 to the Financial Statements filed with this Quarterly Report on Form 10-Q/A.

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 U.S. Securities and Exchange Commission 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 June 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*	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*	Certificate of Incorporation of CannaVEST Corp., as filed on January 26, 2013
3.2*	Bylaws of CannaVEST Corp., dated as of January 26, 2013
4.1(1)	CannaVEST Corp. Specimen Stock Certificate.
10.1(1)	CannaVEST Corp. 2013 Equity Incentive Plan
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.
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.

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

(1) 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.

April 24, 2014

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

**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/A 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;
  - 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: April 24, 2014

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

**EXHIBIT 32.1**

**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/A for the period ended June 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: April 24, 2014

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