

FRANCHISE DISCLOSURE DOCUMENT



986 Pharmacy

986 Degrees Corporation
A California Corporation
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986 Degrees Corporation offers retail pharmacy franchises under the name of **986 Pharmacy**. The total investment necessary to begin operation of a 986 Pharmacy franchise is approximately **\$279,000 to \$671,000**. This includes \$75,000 that must be paid to the franchisor as the initial fee.

This disclosure document summarizes certain provisions of your Franchise Agreement and other information in plain English. Read this disclosure document and all agreements carefully. You must receive this disclosure document at least 14 calendar days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no government agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient to you. To discuss the availability of disclosures in different forms, contact 986 Pharmacy's franchise group at 2521 Huntington Dr. San Marino, CA 91108, (888) 986-7666, or email: franchiseofficer@986Pharmacy.com.

The terms of your contract will govern your franchise relationship. Do not rely on the disclosure document alone to understand your contract. Read your entire contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "Buying a Franchise, A Consumer Guide," which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, DC 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

There may also be laws on franchising in your state. Ask your state agencies about them.

Issuance Date: May 2, 2023

How to Use This Franchise Disclosure Document

Here are some questions you may be asking about buying a franchise and tips on how to find more information:

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits, or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit D.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor’s direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit E includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only [XYZ] business in my area?	Item 12 and the “territory” provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What’s it like to be a franchisee?	Item 20 or Exhibit D lists current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better

	understand this franchise opportunity. See the table of contents.
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What You Need To Know About Franchising Generally

Continuing responsibility to pay fees. You may have to pay royalties and other fees even if you are losing money.

Business model can change. The franchise agreement may allow the franchisor to change its manuals and business model without your consent. These changes may require you to make additional investments in your franchise business or may harm your franchise business.

Supplier restrictions. You may have to buy or lease items from the franchisor or a limited group of suppliers the franchisor designates. These items may be more expensive than similar items you could buy on your own.

Operating restrictions. The franchise agreement may prohibit you from operating a similar business during the term of the franchise. There are usually other restrictions. Some examples may include controlling your location, your access to customers, what you sell, how you market, and your hours of operation.

Competition from franchisor. Even if the franchise agreement grants you a territory, the franchisor may have the right to compete with you in your territory.

Renewal. Your franchise agreement may not permit you to renew. Even if it does, you may have to sign a new agreement with different terms and conditions in order to continue to operate your franchise business.

When your franchise ends. The franchise agreement may prohibit you from operating a similar business after your franchise ends even if you still have obligations to your landlord or other creditors.

Some States Require Registration

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in Exhibit A.

Your state also may have laws that require special disclosures or amendments be made to your franchise agreement. If so, you should check the State Specific Addenda. See the Table of Contents for the Location of the State Specific Addenda.

Special Risks to Consider About This Franchise

Certain states require that the following risk(s) be highlighted:

1. **Out-of-State Dispute Resolution**. The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in California. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in California than in your own state.

Certain states may require other risks to be highlighted. Check the “State Specific Addenda” (if any) to see whether your state requires other risks to be highlighted.

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Exhibits to Franchise Disclosure Document

Exhibit A- List of State Administrators

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Exhibit C - Operations Manual Table of Contents

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Exhibit E - Financial Statements

Exhibit F - Franchise Agreement (with Exhibits A, B, and C)

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Exhibit I - Franchisee Questionnaire

Exhibit J - Receipts

ITEM 1: THE FRANCHISOR, PARENTS, PREDECESSORS, AND AFFILIATES

To simplify the language, this disclosure document uses “we” or “us” to mean 986 Degrees Corporation, the franchisor. “You” means the individual, corporation, or other entity that buys a 986 Pharmacy Franchise.

Franchisor, Parent, and Affiliates

We conduct business under the name 986 PHARMACY, 986 SPECIALTY PHARMACY, 986 INFUSION PHARMACY®. Our principal business address is 2521 Huntington Dr. San Marino, CA 91108. We are a California corporation that was incorporated on July 17, 2014. We do not do business under any other name. Four of our officers, Khanh-Long Thai, Brian T. Garner, Ammie Hwang, and Henry Chang have been operating retail pharmacy businesses since 2006 and have provided business coaching to several independent pharmacies in Southern California.

We have no parent company or predecessor. Our affiliate companies are listed below:

T & G Healthcare, Inc., has operated two retail pharmacies, under the name El Monte Pharmacy located at 3948 N Peck Rd. Unit A1-A2, El Monte, California 91732 since 2006, and one under the name Cal Med Pharmacy, located at 24031 Marguerite Parkway Suite A. Mission Viejo, CA 92692, since 2016.

Partner Healthcare Inc. located at 2035 S. Myrtle Avenue, Monrovia, California 91016, has provided medicine and other equipment to surrounding retirement and nursing homes, since 2008.

E.K. Pharmacy Solutions, Inc., doing business as Kyoto Pharmacy and located at 420 E. 3rd Street, Los Angeles, CA 90013, has provided retail pharmacy services since 2011.

Royalty Pharmacy Inc doing business as Royalty Pharmacy and located at 1902 Royalty Dr. #110, Pomona, CA 91767, has provided retail pharmacy services since 2016.

In addition, one of our officers, Brian Garner, owns a pharmacy operating under the name Hendricks Pharmacy, located at 137 Harvard Ave, North, Claremont, CA 91711, which has provided retail pharmacy services since 2009.

In addition, the name and trademark “986 PHARMACY” has been licensed to the following retail pharmacy locations:

The locations are: 2143 Foothill Boulevard, La Verne, CA 91750; 9612 Las Tunas Drive, Temple City, California 91780; 8054 Garvey Avenue, Suite 101, Rosemead, California 91770; 1809 Verdugo Boulevard, Suite 110, Glendale, CA 91208; and 701 S. Atlantic Boulevard, #168 Monterey Park, California 91754; 2670 E. Gage Avenue, Unit 10A, Huntington Park, CA 90255; 6521 Van Nuys Boulevard, Van Nuys, CA 91401; 2001 Santa Monica Boulevard, Suite 100-W, Santa Monica, CA 90404; 9209 Colima Road, Suite 1100, Whittier, CA 90605; 2781-2783 W. Olympic Boulevard, Los Angeles, CA 90006; 1203 N. Avalon Boulevard, Suite A, Wilmington, CA 90744; 1 E. Valley Blvd, Alhambra, CA 91801; 103 N Garfield Ave #D, Alhambra, CA 91801; 616 N Garfield Ave #101, Monterey Park, CA 91754; 14332 Ramona Blvd, Baldwin Park, CA 91706; 1120 S. Shamrock Ave,

Unit A, Monrovia, CA 91016; 321 N. Buffalo Dr, Suite 110, Las Vegas, NV 89145; 12370 Hesperia Rd #7, Victorville, CA 92395; 9126 Valley Blvd Suite A, Rosemead, CA 91770; 14501 Magnolia St, Suite 100, Westminster, CA 92683; 580 Forest Shade Rd, Suite 7, Crestline, CA 92325. In addition, there are 5 locations that are in the process of opening in 2024 in Arcadia (1), El Monte (1), Las Vegas (1), Van Nuys (1), Whittier (1), ; these locations are not open and not operating as of the date of this Disclosure Document.

In addition, the name and trademark “986 SPECIALTY PHARMACY” has been licensed to the following specialty pharmacy locations:

The locations are: 1647 N. Hacienda Boulevard, La Puente, CA 91744; 321 N. Buffalo Drive, Suite 120, Las Vegas, NV, 89145;; and 1719 E. Walnut Street, Pasadena, CA 91106.

In addition, the name and trademark “986 INFUSION PHARMACY” has been licensed to the following infusion pharmacy location:

The location is 4420 E. Miraloma Avenue, Suite F, Anaheim, CA 92807.

We have offered franchises since the date of this disclosure document. We have not offered franchises in other lines of business. We do not have any other business activities. None of our affiliates has offered franchises in this or any other line of business.

Agent for Service of Process

Our agents for service of process are listed in Exhibit B to this Disclosure Document.

The Business We Offer

The franchise offered is for you to establish, own and operate a retail pharmacy location under our brand, logos and trademarks, and name, “**986 PHARMACY**”, “986 SPECIALTY PHARMACY”, “986 INFUSION PHARMACY” and any other names or logos we may adopt in the future (“**Marks**”). Your retail pharmacy (“**Pharmacy**”) will sell prescriptions, over the counter medicines, beverages, and candy to the general public. With respect to pharmacies in reference to “Infusion,” such retail pharmacies are not open to the general public and serve homecare facilities, including skilled nursing facilities, long term care facilities, etc. The customers are the community within a fifteen (15) mile radius of the Pharmacy location, with a focus on the elderly community because of the increased amount of medications in that age group. Your competitors include local and national chains of retail pharmacies, independent retail pharmacies, convenience stores, internet pharmacies, drug stores, and other stores that may offer prescription drugs.

Applicable Regulations

You do not have to be a licensed pharmacist to own a 986 Pharmacy; however, if you are not a licensed pharmacist, you may own, but not operate, the pharmacy or dispense medication and you must employ a licensed pharmacist who must be on the premises during regular business hours to directly supervise the operations of the pharmacy. All pharmacists employed at the Pharmacy must be duly licensed pharmacists. Only licensed pharmacists may manufacture, compound, furnish, sell and dispense

dangerous drugs or dangerous devices at the 986 Pharmacy. Only licensed pharmacists may dispense and compound prescriptions of a prescriber at the 986 Pharmacy. You may own a pharmacy as a sole proprietor, a partnership, a limited liability company or a corporation; however, if you are not a licensed pharmacist, the pharmacy must be directly supervised by a duly licensed pharmacist and who is “on-premises” during business hours. If you operate the pharmacy as a pharmacy corporation, each of your shareholders, directors, and officers, except an assistant secretary and assistant treasurer, must be a licensed pharmacist. If you are not a licensed pharmacist, you must pay your duly licensed pharmacist who is on-premises during business hours a salary for his or her services rather than a share of profits derived from the operation of your pharmacy.

Your Pharmacy must comply with federal laws and regulations that regulate the sale of prescription drugs, listed chemicals, and controlled substances, services required of pharmacists by Medicaid; consumer privacy rights; insurance coverage and pricing; specific healthcare services traditionally offered by pharmacies such as testing, wellness, immunizations and other pharmacy services including the potential need for required business licenses for those actions; and other regulation that pharmacies must operate under. You should investigate these laws further. Generally, state regulations can be found with the respective state’s Board of Pharmacy.

In order to qualify for insurance payouts, different insurance companies have different requirements and regulations applicable to certain cities and counties.

Lists of controlled substances and listed chemicals are available from the Drug Enforcement Administration located in Washington D.C., and at their website at: <http://www.deadiversion.usdoj.gov/schedules/>.

You must also comply with federal laws and regulations that require you to undertake responsibilities in the areas of drug advertising, managed healthcare, and patient safety.

Additionally, the federal Omnibus Budget Reconciliation Act of 1990 requires that pharmacists offer to give counseling to Medicaid patients. Some, but not all, states have mandated counseling for all patients for some prescriptions.

You must also abide by laws to control fraud abuse and waste (42 U.S. Code § 1395w-104 - Beneficiary protections for qualified prescription drug coverage).

Every state has their own unique regulations for the operation of pharmacies including many that require a state registered pharmacist to operate the store at all times. You should contact your local or state Board of Pharmacy to get a comprehensive list of state and local regulations by which your pharmacy must abide.

Additionally, state and federal laws protect the privacy of your customers. Two of the most important laws in this area are the Health Insurance Portability and Accountability Act of 1996 (known as “HIPAA”) and the Health Information Technology for Economic and Clinical Health Act (known as “HITECH Act”). To protect your customer’s privacy rights we will sign a HIPPA Customer Privacy Agreement with you when you sign your Franchise Agreement with us which will deal with your customer’s privacy rights under HIPPA.

Additionally, federal, state and local laws and regulations regulate certain healthcare services that you may wish to offer, including testing, wellness and other preventative care programs. The services that may be offered by you mostly depend on the licenses obtained by you for your business and the licenses obtained by your employees. You should contact your state or local Department of Public Health to obtain copies of, and read the regulations that apply to testing, wellness, preventative care, and other pharmacy services that you may wish to offer in your retail pharmacy business.

Whenever a pharmacy provides additional services such as immunizations programs you must adhere to applicable laws and regulations. For immunizations, you will need to comply with Occupational Safety and Health Administration (OSHA) regulations. These regulations may be found at www.cdc.gov/vaccines.

Your Pharmacists will, at all times, be solely responsible for the training, professional direction, supervision and employment or engagement of all Pharmacists at your Pharmacy. We will not interfere with, supervise or assume any responsibility for your Pharmacists' exercise of their professional judgment with respect to the operation of your Pharmacy. The Pharmacists are at all times free to exercise their professional judgment, in their sole discretion, on behalf of all customers of the Pharmacy. Nothing contained in our Franchise Agreement is intended to permit us to affect or influence the professional judgment of any Pharmacist. Any act or service required or permitted by any provision of our Franchise Agreement that may be construed or deemed to do so is void and waived by us. Under no circumstances will our rights of approval interfere with any aspect of the professional services to be delivered at your Pharmacy by Pharmacists authorized to engage in those services by applicable law or your Pharmacists' exercise of their professional judgment with respect to the operation of your Pharmacy. Each Pharmacist must have a level of competence, experience, and skill comparable to that prevailing in the community where that Pharmacist provides professional services.

ITEM 2: BUSINESS EXPERIENCE

Co-Founder, Chief Executive Officer, Director of Training, Director: Khanh-Long Thai

- Owner and CEO of 986 Degrees Corporation, San Marino, CA; April 2019 to Present
- Owner and Marketer of 986 Specialty Pharmacy #2 Inc., Las Vegas, NV; April 2019 to Present
- Owner and Managing Member of LV Rx Investments Inc., Las Vegas, NV; December 2021 to Present
- Owner and Managing Member of Rx Investments Inc., San Marino, CA; June 2023 to Present

Co-Founder, Vice President of Compliance, Officer, Director: Sally Chan

- Owner and Managing Attorney of West Themis Law, PC, San Marino, CA; December 2009 to Present
- Owner and Manager of Made at Home LLC, San Marino, CA; March 2020 to Present
- Owner and Manager of Brain Tofu Palms LLC dba Iron Teapot Dim Sum & Bar, San Marino, CA; September 2020 to Present

Co-Founder, Chief Financial Officer, Director: Brian Garner

- Owner and Pharmacist of Hendricks Pharmacy, Claremont, CA; August 2003 to Present

- Owner and Pharmacist of Royalty Pharmacy, Pomona, CA; July 2016 to Present

Co-Founder, Director: Vijay Amarshi

- Owner and Creative Designer of PCYNE, Chatsworth, CA; January 2015 to Present

Director: Quang Thai

- Owner, Director and VP of Strategic Development of 986 Degrees Corporation, San Marino, CA; March 2024 to Present
- Owner and Pharmacist of 986 Pharmacy, Rosemead, CA; August 2016 to Present
- Owner and Pharmacist of 986 Pharmacy #8014, Monterey Park, CA; April 2023 to Present
- Owner and Pharmacist of 986 Pharmacy #8019, Rosemead, CA; November 2023 to Present

Director: Johnny Lam

- Owner and Director of Operations of 986 Degrees Corporation, San Marino, CA; January 2020 to Present

ITEM 3: LITIGATION

In accordance with our commitment to transparency and compliance, we are obliged to inform you of a previous legal matter involving Quang Khanh Thai, a former director of our franchise, and his recent reinstatement, acknowledging the relevance of this matter to our franchise operations.

Quang Khanh Thai, formerly a director within our franchise organization, underwent disciplinary action by the California State Board of Pharmacy, resulting in the probation of his pharmacist license for a three-year period, starting January 23, 2020, due to infractions outlined in the Accusation No. 6373.

Mr. Thai has successfully completed his probationary period, leading to his reinstatement as a director within our franchise evidenced by a Probation Completion Letter from the California State Board of Pharmacy. His reinstatement is a testament to his commitment to fulfilling all obligations and requirements set forth by the regulatory authorities.

While Mr. Thai's involvement in our leadership team at the time is acknowledged, it is imperative to note that we also recognized the impact of this situation on our franchise and assure you that appropriate measures have been taken to address any concerns.

Subsequent to these events, Mr. Thai has been reinstated as a director and is now actively overseeing the management and operations of our franchise, ensuring continued adherence to the highest standards of integrity, compliance, and professionalism.

Our commitment to upholding the highest standards of integrity, compliance, and professionalism remains steadfast. We continue to ensure that our franchise operations adhere to all legal and ethical standards, providing you with a trustworthy and reliable business environment.

ITEM 4: BANKRUPTCY

No bankruptcy information required to be disclosed in this Item.

ITEM 5: INITIAL FEES

You will pay us a \$75,000 lump sum franchise fee upon signing the Franchise Agreement. This fee is not refundable under any circumstances.

ITEM 6: OTHER FEES

Type of Fee	Amount	Due Date	Remarks
Continuing License Fee	For new Franchisee, the monthly licensing fee will be one thousand five hundred dollars (\$1,500.00) for the first twelve (12) months and subsequently increase to two thousand dollars (\$2,000.00) per month for the remainder of the term.	21 days after the date of the billing invoice	We may increase this fee annually. However, the increase will not exceed 5% annually on July 1 of each year
Ongoing Local advertising	\$500 per month approximately	As Incurred	We do not require a certain amount of local advertising but recommend you spend at least the amount indicated. We reserve the right to require a minimum amount of local advertising in the future.
Ongoing Wholesaler Franchise Fee	\$400-\$700	Monthly	We do not have control over the required wholesaler fee. We reserve the right to change wholesalers without notice.

Type of Fee	Amount	Due Date	Remarks
Accounting and Billing	\$500 approximately per month	Monthly	We require that each franchisee use a qualified accountant and service that audits insurance billing collections and accuracy such as FDS Cardinal Recon services that audits insurance billing.
Network Marketing Fund	None at this time		We reserve the right to institute, with either a monthly fee or a percentage of gross revenues, not to exceed 0.25%.
Ongoing product purchases**	Varies depending on the orders of each store and includes a 1%- 2% administrative fee on generic medicine, 0.25%-0.50% on branded medications, and 1% to 10% administrative fees on non-medicinal supplies when purchased from approved suppliers.	As incurred	You are required to maintain a minimum ongoing supply of medicines and medical supplies.
Penalty for late payment of fees	1% per a month compounded annually	Immediately with notice from us to you	This fee is due only if other fees and amounts owed to us are not paid in a timely fashion.
Attorneys' fees and costs	Your fee will vary under your specific circumstances	Within 14 days after notice	This fee is only due if you must indemnify us for any litigation arising from your business operations against us.

Type of Fee	Amount	Due Date	Remarks
Transfer Fee	\$5,000	On the day a transfer request is made	This fee is due for any transfer request made by you and includes training for new owner.
Renewal Fee	\$2,000	Due upon renewal	Due if you decide to renew your term, subject to our conditions to renew outlined in the Franchise Agreement.

All fees are uniformly imposed by, collected by and paid to us and are non-refundable.

Note** The purchases are bought from approved or designated vendors. Non-medicinal supplies or inventory may require purchase from us or a designated affiliate.

ITEM 7: YOUR ESTIMATED INITIAL INVESTMENT

Type of expenditure	Amount	Method of Payment	When due	To whom payment is to be made
Initial Franchise Fee	\$75,000 (see note 1)	Lump sum	At signing of Franchise Agreement	Franchisor
Furniture Fixtures and Equipment	\$20,000 to \$120,000 (see note 2)	As incurred	Before opening	Vendors
Tenant Improvements	\$15,000 to \$150,000 (see note 2)	As incurred	Before opening	Building contractor
Computer System	\$3,000 to \$12,000 (see note 3)	Lump sum	Before opening	Computer system vendor

Type of expenditure	Amount	Method of Payment	When due	To whom payment is to be made
Rent deposit	\$0 to \$20,000 (see note 4)	Lump sum	Before opening	Landlord
Insurance	\$2,000 to \$8,000 (see note 5)	As incurred	Before opening	Insurance provider
Inventory	\$65,000 to \$110,000 (see note 6)	As Incurred	Before opening	Approved suppliers and Us
Professional License fee	\$1,000 to \$1,500 (see note 7)	As incurred	Before opening	Licensing authorities
Travel, Food and Lodging while attending training	\$1,500 to \$4,500 (see note 8)	As incurred	During training	Vendors
Signage	\$1,200 to \$10,000 (see note 9)	As arranged	Before Opening	Vendor
Pre-opening Advertising	\$1,000 to \$10,000 (see note 10)	As incurred	Before opening	Newspaper, internet services, radio stations.
Professional Services	\$5,000 to \$15,000 (see note 11)	As incurred	Before opening	Attorney, accountant
Additional Funds – First 3 months	\$130,000 to \$160,000 (see note 12)	As incurred	Upon opening	Various parties (see note 5)
Total	\$279,700 to \$671,000 (see note 13)			

FOOTNOTES:

- 1) Initial franchise fee is the same for a new Pharmacy or a conversion of existing pharmacy to a franchised Pharmacy. This fee is non-refundable. The initial fees will be a \$75,000 lump sum franchise fee due upon signing the Franchise Agreement.
- 2) Franchisee shall pay to 986 a continuing license fee:
 - For new Franchisee, the monthly licensing fee will be one thousand five hundred dollars (\$1,500.00) for the first twelve (12) months and subsequently increase to two thousand dollars (\$2,000.00) per month for the remainder of the term.

In addition, 986, at its sole discretion, reserves the right to increase the license fee annually by up to five percent (5%) on July 1 of each calendar year. The Franchisee is required to fulfill this fee increase within twenty-one (21) days of the billing invoice.

Furthermore, 986 holds the discretion to implement a five percent (5%) annual increase in the monthly licensing fee, and this adjustment will bring the fee to two thousand dollars (\$2,000.00) effective from the date of the increase.

- 3) All estimates are based on those costs for a 1,500-2,500 square foot location. Your costs may be significantly less if you already have an existing pharmacy, which you are converting to a Pharmacy.
- 4) You will need a basic computer that can accommodate our specified pharmaceutical software system, Digital Rx, and a “POS” system, See Item 11 for details. If you are an existing pharmacy with this capability your costs will be significantly less.
- 5) This estimate is for a 1,500 to 2,500 square foot location. If you are already in a location and have paid rent deposits, this cost will be zero. This may also depend on your creditworthiness.
- 6) You must have various types of business insurance that include but are not limited to general liability, professional liability, automobile liability, worker compensation. Details for types and minimum coverages are outlined in the Operations Manual and Section 6.19 of the Franchise Agreement. The amounts stated are ranges for 3 months.
- 7) Inventory includes prescription medications, over the counter inventory, beverages, and candy. Inventory also includes uniforms, bags, promotional materials, and trademarked materials. The required opening inventory is determined once the location is determined. There is a 1% administration fee for all ongoing products purchased from Our suppliers. This fee is non-refundable.
- 8) This is the cost of your Professional Pharmacy license if you have not already obtained this license if you will be the on-site Pharmacist. You are required to have a licensed on-site pharmacist during business hours.

9) You are responsible for all travel, hotel arrangements and meals during the training period, including all costs for your Manager or any employees you send to training.

10) You are required to have approved signage inside and outside your Pharmacy; the costs will depend on the particular location and landlord requirements or restrictions.

11) We will provide guidelines on suggested pre-opening advertising.

12) The estimate is for legal, accounting, and other professional fees in setting up your business.

13) This is the estimate of your initial expenses in your first three months of operation, including employee wages and employee payroll taxes, rent, insurance, advertising, utilities, telephone, internet, office expenses, and other ongoing operating expenses. You will need to be prepared to cover operating costs for this period and longer. This is not, however; a break-even timeframe, and the actual amount of additional funds you will need to break even will depend on a variety of factors, such as the number of paid employees you hire and their rate of pay, your own management and operational skill, economic conditions, your advertising efforts, and competition. These estimates do NOT include provisions for owner draw or personal living expenses. Keep in mind new businesses require time to grow a customer base and you must be prepared to pay your personal and business expenses for an extended timeframe. These figures are estimates and we cannot guarantee you will not have additional expenses starting your business.

14) These estimates are based on the experience of Pharmacy's directors, which includes more than a decade of retail pharmacy experience had by multiple directors. See Item 2 for detailed business experience of directors. You may experience higher costs in any of the categories listed above. It is also possible you may experience lower costs due to a variety of individual factors. Some costs are dependent on the size of the location. You should review these figures carefully with a business advisor before making any decision to purchase the franchise. These figures are only approximations, may not be all inclusive, and we cannot guarantee that you will not have additional expenses to start up and operate your 986 Pharmacy. Payments made to us are not refundable.

ITEM 8: RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

To ensure that the highest degree of quality and service is maintained, you must operate your Pharmacy in strict conformity with the methods, standards, and specifications as we may periodically prescribe in the Operations Manual (“**Manual**”) or otherwise in writing; and you must refrain from deviating from these methods, standards, and specifications without our prior written consent. We will provide you with our Manual and various supplemental bulletins and notices that will contain the specifications, standards, and restrictions on your purchase of products and services. We may

revise the contents of the Manual, and you must comply with each new or changed standard or specification. You must at all times ensure that your copies of the Manual are kept current and up to date.

You must purchase and install, at your expense, all fixtures, furnishings, equipment, and signs as we may reasonably direct from time to time; and refrain from installing or permitting to be installed on or about the premises of your 986 Pharmacy, without our prior written consent, any fixtures, furnishings, equipment, signs, or other items not previously approved as meeting our standards and specifications. See Item 11 for required equipment specifications.

You must purchase the opening inventory and ongoing inventory as required from approved suppliers, which may include us and our affiliates. Your purchases from our affiliate will include an administration fee paid to the affiliate at a rate of 0.25% to 0.50% for branded medications, 1% to 2% for generic medications, and 1% to 10% for non-medicinal supplies and inventory. In 2022, the administrative fees that we, as the franchisor, generated was \$478,644.84. You must maintain a specified minimum inventory. Neither we nor persons affiliated with us are currently the only approved suppliers of products or services.

You are required to purchase business liability, hazard, and employment insurance coverage at the minimum amounts listed in the Manual, which includes our specifications for general public and premises liability, general casualty insurance, workers compensation insurance, professional liability insurance and vehicle insurance if the Pharmacy has delivery services. In all cases, you must name 986 Degrees Corporation as an additional insured. The cost of this insurance is dependent upon many factors including the number of people you employ, your location, and the amount of inventory you keep on hand.

If you desire to purchase products or equipment from a party other than an approved supplier, you must submit to us a written request to approve the proposed supplier, together with evidence of conformity with our specifications as we may reasonably require. We reserve the right to charge a fee for processing your requests. We will use our best efforts, within 30 days after our receipt of the completed request and completion of the evaluation and testing (if required by us), to notify you in writing of our approval or disapproval of the proposed supplier. Approval will not be unreasonably withheld. Our specifications and standards for supplier approval are generally available upon written request. Our specifications and standards will be issued to you or approved suppliers and our criteria for supplier approval will be available to our franchisees. If product specifications for the item are not in the Manual, we will furnish the general, but not manufacturing, specifications for the products to you at your request. We may condition our approval on the supplier agreeing in writing not to disclose any confidential information regarding us or our operations, to comply faithfully with our specifications for the items it sells, to sell any materials bearing our marks only to our franchisees, and on the supplier demonstrating to our reasonable satisfaction that it is able to supply commodities meeting our specifications on a continuing basis, and that the supplier is, and will continue to be, of good standing in the business community with regard to its financial soundness and the reliability of its product and

service. You must not sell or offer for sale any products/services of the proposed supplier until our written approval of the proposed supplier is received. We may revoke our approval of particular products or suppliers when we determine, in our sole discretion, that these products or suppliers no longer meet our standards. Upon receipt of written notice of revocation, you must cease to sell any disapproved products and cease to purchase from any disapproved supplier. You must only offer and sell products to retail customers for their use and consumption and not for resale. We grant and revoke approval of suppliers based on their ability to meet our standards and specifications and their ability to support our financial and operational requirements.

Administration Fees When Purchasing from Approved Suppliers

We have approved suppliers with which we have negotiated special pricing terms. These approved suppliers may be changed by us from time to time. We will receive an administrative fee from suppliers for 0.25% to 0.50% for branded medications and 1% to 2% for generic medications, and 1% to 10% for supplies and non-medicinal supplies and inventory.

You must purchase your opening inventory and ongoing medical supplies from a supplier which has previously received our prior written consent.

We estimate that your required purchases will be approximately 15-20% of the costs to establish your Pharmacy, and approximately 50%-70% of the costs to operate your Pharmacy.

Except as disclosed in this Disclosure Document, none of our officers own an interest in any supplier.

We and our affiliates may derive revenue based on certain required purchases or leases made in accordance with our specifications. If we or our other affiliates derive income based on certain required purchases or leases made in accordance with our specifications, that income will generally be a percentage of the gross revenue derived by the supplier from sales to our franchisees.

Other than as stated above, we do not provide any direct material benefit to franchisees for use of approved suppliers, and you will not receive any direct material benefit for using designated or approved sources. We do not have a purchasing or distribution cooperatives related to our franchises.

ITEM 9: FRANCHISEE'S OBLIGATIONS

This table lists your principal obligations under the franchise and other agreements. It will help you find more detailed information about your obligations in these agreements and in other items of this disclosure document.

Obligation	Section in agreement	Disclosure document item
a. Site Selection and acquisition/lease	Section 3.1 of Franchise Agreement	Items 5, 7 and 11
b. Pre-opening purchases/lease	Sections 6.1, 6.9, 6.17, 6.18, 6.19 of Franchise Agreement	Items 5, 7, 8
c. Site development and other pre-opening requirements	Section 3.1, Article 6 of Franchise Agreement	Items 6, 7, 11
d. Initial and ongoing training	Sections 6.10, 6.11, 9.1, 9.2, 15.6, Exhibit B of Franchise Agreement	Item 11
e. Opening	Sections 3.1, 3.2, 6.1 of Franchise Agreement	Item 11
f. Fees	Sections 6.11, 7.1, 7.2, 7.3, 11.5, 13.1, 15.5, 15.6, 17.5 of Franchise Agreement	Items 5 and 6
g. Compliance with standards and policies/operating manual	Sections 1.2, 3.2, 5.2, 6.7, 6.8, 6.9, 6.12, 6.13, 6.14, 6.16, 6.18, 8.1, 8.2, 8.3, 11.4 of Franchise Agreement	Item 11
h. Trademarks and proprietary information	Sections 1.2, 1.3, 1.4, 1.5, 2.1, 2.2, 5.1, 6.1, 6.6, 6.7, 6.8, 6.14, 11.1, 11.2, 12.3; Exhibit A, Exhibit B of Franchise Agreement	Item 13 and 14
i. Restrictions on products/services offered	Sections 6.7, 6.8, 6.9, Section 8 of Franchise Agreement	Item 16
j. Warranty and customer service requirements	Section 6, Section 8 of Franchise Agreement	Item 11
k. Territorial development and sales quotas	Not applicable	Not applicable

Obligation	Section in agreement	Disclosure document item
l. Ongoing product/service purchases	Sections 6.7, 6.9, 6.14, 6.16, 6.18, 6.19 of Franchise Agreement	Item 7 and 8
m. Maintenance, appearance, and remodeling requirements	Section 6.8 of Franchise Agreement	Item 11
n. Insurance	Section 6.19 of Franchise Agreement	Items 7 and 8
o. Advertising	Sections 6.6, 6.7, 6.8, 6.14 and 9.3 of Franchise Agreement	Items 7 and 11
p. Indemnification	Section 13 of Franchise Agreement	Item 6
q. Owner's participation/management/staffing	Sections 1.7, 6.1, 6.2, 6.3 of Franchise Agreement	Items 11 and 15
r. Records and reports	Section 6.13, 15.2 of Franchise Agreement	Item 7
s. Inspections and audits	Section 6.12, 6.19	Item 17
t. Transfer	Sections 15 and 16 of Franchise Agreement	Item 17
u. Renewal	Section 5 of Franchise Agreement	Item 17
v. Post-termination obligations	Section 11 of Franchise Agreement	Item 17
w. Non-competition covenants	Section 12.2 and Ex 3 to Franchise Agreement	
x. Dispute resolution	Section 17 of Franchise Agreements	Item 17

ITEM 10: SUMMARY OF FINANCING OFFERED

We do not offer direct or indirect financing. We do not guarantee your lease or other obligations to third parties.

ITEM 11: FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING

Except as listed below, we are not required to provide you with any assistance.

Pre-Opening Assistance

1) We will provide you with initial training which consists of business training on how to operate and manage a Pharmacy, in accordance with our standards and specifications. (**Franchise Agreement, Paragraph 9.1**);

2) We provide you with our site-selection guidelines for the location of your Pharmacy. Generally, we do not own the premises and/or lease it to you. (**Franchise Agreement, Paragraph 9.4**);

3) We will work with you to select the location of your Pharmacy. We will approve or disapprove your selected location. (**Franchise Agreement, Paragraphs 3.1 and 9.4**).

4) We will provide you with a website page, which will be linked to a locator link on our main website www.986pharmacy.com. (**Franchise Agreement, Paragraph 6.14**);

5) We will loan you one copy of our Operations Manual or make it available to you, which may be hard copy or electronically. You alone will exercise day-to-day control over all operations, activities, and elements of your 986 Pharmacy, including over your employees. Under no circumstance will we do so or be deemed to do so. The various requirements, restrictions, prohibitions, specifications and procedures of the 986 Pharmacy System with which you must comply under the Franchise Agreement and the Manuals do not directly or indirectly constitute, suggest, infer or imply that we control any aspect or element of the day-to-day operations of your 986 Pharmacy, but only constitute standards to which you must adhere when exercising your control over the day-to-day operations of your 986 Pharmacy consistent with our policies (**Franchise Agreement, Section 8.1**);

6) We will provide you with a list of required opening inventory (**Franchise Agreement, Paragraph 6.9**);

7) We will provide you with a list of required computer equipment and POS system requirements (**Franchise Agreement, Paragraph 6.16**);

8) We will provide you with a list of approved suppliers and vendors for products and services to be offered at the 986 Pharmacy (**Franchise Agreement, Paragraph 8.1**);

9) We will provide you with additional pre-opening assistance as we deem necessary, or as you request, at an additional fee, not to exceed 0-\$250 per day. Additional on-site assistance by 986 Degrees Corporation will require an additional fee that will cover professional fee, travel expenses such

as lodging, meals and transportation. (**Franchise Agreement, Paragraph 9.2**).

Post-Opening Assistance

1) We will provide you new templates for new local print and internet advertising. (**Franchise Agreement, Paragraph 9.3**).

2) We will provide you post-opening on-site assistance for up to **80 hours** over the course of 2 **weeks**. Additional on-site assistance by 986 Degrees Corporation will require an additional fee that will cover professional fee, travel expenses such as lodging, meals and transportation. (**Franchise Agreement, Paragraph 9.1**).

3) We will provide you with designated and approved suppliers from which you must purchase your products for sale at your Pharmacy. (**Franchise Agreement, Paragraph 8.1**).

4) We will provide you with updates to our Operations Manual or modifications to our standards, policies or procedures. (**Franchise Agreement, Paragraph 8.1**).

5) We will maintain the main website with your locator link to your webpage, so long as you are not in default of the Franchise Agreement terms (**Franchise Agreement, Paragraph 6.14**);

6) We will provide you at our discretion, or at your request, additional post-opening assistance or training to you at an additional fee, which may be \$0-up to \$250 per day. Additional on-site assistance by 986 Degrees Corporation will require an additional fee that will cover professional fee, travel expenses such as lodging, meals and transportation. (**Franchise Agreement, Paragraph 9.2**).

7) We may provide regular consultation and advice to you in response to inquiries from you regarding administrative and operating issues that you bring to our attention up to ten hours per month from our staff for no additional fee. The ten (10) hours per month do not accumulate if not used within each calendar month. After ten (10) hours, an additional fee will apply at a maximum of \$150 per hour. We may make recommendations that we deem appropriate to assist your efforts. However, you alone will establish all requirements, consistent with our policies, regarding (i) employment policies, hiring, firing, training, wage and hour requirements, record keeping, supervision, and discipline of employees; (ii) the individuals to whom you will offer and sell your products and services; and (iii) the suppliers from whom you obtain any products or services used in or at your Pharmacy for which we have not established approved suppliers. (**Franchise Agreement, Section 9.5**).

Marketing and Advertising

Although we are not required to conduct advertising for you, we currently provide advertising assistance including a website for your franchise, and access to our templates for local print and internet advertising. (**Franchise Agreement, Paragraph 9.3**).

Local Advertising

We recommend, but do not require you have a regular local advertising budget and engage in continuous advertising and promotional efforts.

All advertising and promotion by you must be in media and of a type and format as we may approve, including television, print media (including yellow pages), radio, and local promotional events, must be conducted in a dignified manner, and must conform to these standards and requirements as we may specify. (**Franchise Agreement, Paragraphs 6.6, 6.7, 6.8**). You must not use any advertising or promotional plans or materials unless and until you have received written approval from us. You must submit to us for our prior approval samples of all advertising and promotional plans and materials for any print, broadcast, cable, electronic, computer or other media (including the Internet) that you wish to use. You must not use these plans or materials until they have been approved in writing by us, even if we have approved them previously. If you do not receive written notice of disapproval from us within 15 days of the date of our receipt of these samples or materials, we will be deemed to have approved them. (**Franchise Agreement, Section 6.8**)

We do not currently have an advertising council but reserve the right to establish one in the future. If we do, we will have franchisees on the council, but all final decisions will be made by us.

Advertising Cooperatives

We currently have no advertising cooperatives, however reserve the right, in our discretion, to designate any geographical area for purposes of establishing a regional advertising and promotional cooperative (“**Cooperative**”), and to determine whether a Cooperative is applicable to your 986 Pharmacy. We may require the Cooperative to be formed, changed, dissolved, or merged, but the members will administrate the Cooperative. Each Cooperative will be organized and governed in accordance with written governing documents, which we must approve, and such documents will control the date of commencement and the operation of the Cooperative. Members may review the governing documents. Each 986 Pharmacy participating in the Cooperative will have one vote on any matter requiring member approval, and each Cooperative will have the right to require its members to make contributions to the Cooperative in an amount determined by the Cooperative, up to a maximum of 0.25% of Gross Sales during any calendar year, unless two-thirds of the members of the Cooperative vote in favor of a greater contribution. The Cooperative will prepare an annual financial statement, which will be available to the members. If a Cooperative has been established in your area prior to opening your 986 Pharmacy, you must become a member of the Cooperative no later than 30 days after opening your Pharmacy. If a Cooperative is established subsequent to your 986 Pharmacy opening, you must become a member of the Cooperative when it is formed. You will not be required to be a member of more than one Cooperative.

Network Marketing Fund

We do not currently have a network marketing fund, (the “**Fund**”) but we reserve the right to establish one in the future. If we do, you will be required to contribute either a flat monthly amount, or a percentage of your gross revenues on a monthly or weekly basis not to exceed 0.25%. We and our designees will have the sole authority to direct all advertising, marketing, and promotional programs of the Fund and will have sole discretion over all aspects of those programs, including the concepts, materials, and media used and the placement and allocation of them. The Fund will be used, in our discretion, to pay for developing and conducting activities that we believe will enhance the goodwill associated with the Proprietary Marks and the image of the 986 PHARMACY brand as a whole and to pay for the administration of the Fund and its programs. Up to 15% of the total Fund annually may be used to cover our costs and overhead for activities reasonably related to the administration of the Fund, including costs and salaries of our personnel who perform services for the Fund. The Fund’s activities and programs may include, among other things, conducting and preparing advertising, marketing, public relations, customer surveys, and/or promotional programs and materials, and any other activities that we believe will enhance the image of the 986 PHARMACY brand, such as preparing and conducting radio, television, print, and Internet-based advertising campaigns; marketing and promoting the 986 Pharmacy locations, and may include utilizing social and business networking media sites and other emerging media or promotional tactics; developing, maintaining, and updating our Website on the Internet; direct mail advertising; marketing surveys; employing advertising and/or public relations agencies; purchasing promotional items; purchasing point-of-purchase materials; providing promotional and other marketing materials and services to the businesses operating under the System. Fund contributions will be used primarily for advertising on the national level as well as for costs associated with promoting the 986 Pharmacy locations in general, and not for any specific geographic territory. We are not obligated, in administering the Fund, to make expenditures for you which are equivalent or proportionate to your contribution, or to ensure that any particular franchisee benefits directly or on a pro rata basis from expenditures or activities of the Fund. We will maintain separate bookkeeping accounts for the Fund and may but will not be required to cause Fund contributions to be deposited into one or more separate bank accounts. The Fund is not a trust, and we are not a fiduciary or trustee of the Fund. It is anticipated that all contributions to the Fund will be expended for their intended purposes during the fiscal year in which contributions are made. To the extent any contributions are not expended by the end of the fiscal year, they will be expended no later than the end of the taxable year following the year of receipt. If created, we maintain the right to terminate the Fund after all monies in the Fund have been expended for advertising and/or promotional purposes or returned to contributors on the basis of their respective contributions. The Fund will not be audited. You will have the right to receive an annual accounting of the Fund’s receipts and expenditures upon your written request. (**Franchise Agreement, Paragraph 6.7**).

Computer Systems

Other than as provided in this section, we do not have required specific computer hardware; however, we require your Pharmacy to use the software Digital Rx. (**Franchise Agreement Paragraph 6.16**)

Although we do not require you to purchase a specific type of computer, we do require you to have a computer in good repair, and internet access so that you may keep lines of communication open with us as well as your customers and the general public. You may also use this computer for a variety of other functions that are beneficial, and necessary for your business including record keeping that complies with state laws and regulations where your business is located. You must also use a uniform point of sale system (i.e. cash register) (“**POS system**”) that meets our specifications. We will provide you with our specifications for the POS systems that meet these specifications. We are not required to provide any maintenance to you for your computer systems and any maintenance must come at your sole expense. (**Franchise Agreement, Paragraph 6.18**).

We estimate the cost of the pharmaceutical dispensing computer system and POS system is approximately \$3,000 to \$10,000. Your annual cost to provide maintenance, repairs, or updates to the computer system and the POS system are estimated to range from \$0 to \$10,000 per year.

You may submit a different pharmaceutical dispensing computer system and a different POS for us to consider whether it meets our standards, and if so, we will approve your selected system for you to use in your 986 Pharmacy.

You will be required to update your system, if necessary, to comply with any updated standards we implement. (**Franchise Agreement, Paragraph 6.16**). There is no contractual limitation on our right to require you to do so or on the frequency or cost if we do so; however, upgrades and changing systems can be costly, so we will try to be reasonable in our requirements and will implement any required upgrades consistently among our franchisees.

We may have access to the information contained in your pharmaceutical dispensing computer system, and POS system. We most likely will also have access to your patients’ personal health information (“PHI”). PHI is protected under federal and state law and as such we will comply with those laws regarding any disclosure and use of the PHI. Further, any of our vendors and suppliers must also comply with federal and state law as it relates to PHI.

Site Selection

You must operate your Pharmacy only at the location approved by us (“Approved Location”). You will select the location using our guidelines. Our approval is in no way any guarantee of success. When we review a proposed site, we will consider such factors as zoning and approval from appropriate agencies, other restrictions, size, layout, lease terms, and proximity to Pharmacies and pharmacies operating under a different brand. We will notify you of our acceptance or rejection of a proposed site within about 30 days from the date you submit the site to us or 15 days after you provide

any supplemental information we request. You must sign a lease for the Approved Location within 120 days after signing the Franchise Agreement. We have the right to approve the terms of any lease or sublease for the Approved Location. (**Franchise Agreement, Section 3.1**). You may request a reasonable extension if delays are caused by factors not in your control. We use the same criteria when approving a request to relocate.

Typically, the time to open a new franchise location takes anywhere from 6-12 months. This time can fluctuate depending upon the time it takes to obtain financing for your business, obtaining a State Board of Pharmacy license, negotiate a lease, acquire building permits and zoning variances, delays in time it takes to constructing and outfitting your building with fixtures and signage. If you are converting an existing business into a 986 Pharmacy franchises, it typically takes 6 months to do a conversion.

If you are beginning a new 986 Pharmacy business and do not open your business within one year of signing your Franchise Agreement, we have the right to terminate the Franchise Agreement. If you are converting an existing business into a Pharmacy franchise and do not open your business within 180 days, we may terminate the Franchise Agreement. In either situation there will be no refunds of the franchise fee. (**Franchise Agreement, Paragraphs 3.2, 10.2 (g)**).

Operating Manual

We will loan you a copy of the 986 Pharmacy Operations Manual which includes our proprietary system of doing business, training methods, and processes, including a system for dispensing and fulfilling prescriptions, inventory methods, buying procedures, designs and color schemes, pharmacy store layouts, signs, equipment, financial bookkeeping and accounting standards, and manuals containing business practice standards to inform your decision of becoming a Franchisee. The copy of the Operations Manual is confidential and remains our property. We may revise the contents of the Manual, and you must comply with each new or changed standards. You must ensure that your copy of the Manual is kept current at all times. (**Franchise Agreement, Paragraph 8.1**).

The Table of Contents of the Manual is attached to this Disclosure Document as Exhibit C. The total number of pages is 41 pages.

Training Program

You and your Manager/Pharmacist-in-Charge must successfully complete to our satisfaction, the Initial Training at least 30 days before the opening of Your Pharmacy and you must open your Pharmacy within one year after you sign your Franchise Agreement, (**Franchise Agreement, Section 9.1**).

The total training course consists of approximately 80 hours of training but may fluctuate from time to time depending on how quickly you complete the sections, successfully. Instructional materials for the initial training program consist of the Manual, print material, and other information to be

distributed and/or available electronically. The number of training programs given per year will be dependent on the number of new franchisees.

The Initial Training will be conducted by, or under the supervision of Khanh-Long Thai, and other individuals or franchisees, as we may designate from time to time for specific subject training. We may require you, your Manager/Pharmacist-in-Charge, and employees to attend additional courses, seminars, and other training programs as we may reasonably require periodically. You may have to pay a fee for these programs. (**Franchise Agreement, Section 9.2**).

The Initial Training program described in this Item 11 will be provided at our affiliate location(s) in Los Angeles, and/or El Monte, California, or other franchisee locations or other company owned or operated locations, as we designate. Training may also be provided via teleconference. We do not charge a training fee, but you are responsible for all travel, lodging, food, and miscellaneous costs while attending the training, including the costs of transportation, lodging, meals, and wages.

If you and your Manager/Pharmacist-in-Charge do not successfully complete the Initial Training, after a second attempt, we may terminate the Franchise Agreement, with no refund to you.

TRAINING PROGRAM

Subject	Hours of Classroom Training & Self-Study	Hours of Training on the Job	Location
<p><u>Basic Training</u></p> <ul style="list-style-type: none"> - Policy and Procedure - Policy and Procedure for delivery, if applicable - Basic Pharmacy Law/Regulation applicable to retail pharmacy - Employee handbook - New hire training - Renewal/annual training <ul style="list-style-type: none"> - Medicare Fraud and Abuse - HIPAA - Infection Control - Bloodborne Pathogens - Standards of Conduct - Sexual Harassment - Benefits, compensation - Customer service training - Computer software training - Processing prescriptions 	25	8	Designated Pharmacies in the Los Angeles area

Subject	Hours of Classroom Training & Self-Study	Hours of Training on the Job	Location
<ul style="list-style-type: none"> - Insurance processing - Maintaining a clean work environment 			
<p><u>Technician</u></p> <ul style="list-style-type: none"> - Clerk/driver training - Proper filling procedures - Inventory control - Automation, if applicable 	20	16	Designated Pharmacies in the Los Angeles area
<p><u>Intern Pharmacist</u></p> <ul style="list-style-type: none"> - Technician training - Copy/transfer prescriptions - Take new prescriptions - Patient counseling 	20	12	Designated Pharmacies in the Los Angeles area
<p><u>Pharmacist/Pharmacist-In-Charge</u></p> <ul style="list-style-type: none"> - Board of Pharmacy - Scheduling, staff management, conflict resolution training - Managing workflow 	30	4	Designated Pharmacies in the Los Angeles area
<p><u>Owner</u></p> <ul style="list-style-type: none"> - Basics of company setup - Business plan – basics and purpose - Financial training <ul style="list-style-type: none"> - Finance and funding operation - Cash flow <ul style="list-style-type: none"> - Accounts receivable/payable - Income statements - Monthly financial reporting - Management training <ul style="list-style-type: none"> - Staff responsibility - Training protocol and 	50	40	

Subject	Hours of Classroom Training & Self-Study	Hours of Training on the Job	Location
<ul style="list-style-type: none"> technique for staff - Basics of liability <ul style="list-style-type: none"> - Insurance, etc. - HR <ul style="list-style-type: none"> - Staff management, hiring, firing, discipline, scheduling, Emergency/OSHA, policy and procedure, HIPAA, discrimination, harassment, benefits - Marketing <ul style="list-style-type: none"> - 986 branding - Basic marketing principles - Different marketing strategies - Advertising <ul style="list-style-type: none"> - Newspaper, websites, social media - In-person marketing techniques <ul style="list-style-type: none"> - Doctor detailing, patient referral programs - Develop marketing budget - Advising/time allocation - Marketing benchmarks/framework for each store 			
Total	125	80	

ITEM 12: TERRITORY

The Franchise Agreement allows you to open a store under our Proprietary Marks at a single location. You are not entitled to move your location or open up another location without our written consent, which is at our sole discretion. You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. Regardless of either proximity to your Pharmacy, or any actual or threatened impact on sales at your Pharmacy, we retain the right, among others, to: (a) use the Proprietary Marks and System in connection with establishing and operating 986 Pharmacies at any location; (b) use the Proprietary Marks or other marks in connection with selling or distributing any goods (including branded products) or services anywhere in the world whether or not you also offer them, through channels of distribution other than a 986 Pharmacy, including, for example, temporary retail locations, kiosks, catalogs, mail order, or the Internet or other electronic means; (c) acquire, establish or operate, without using the Proprietary Marks, any business of any kind at any location anywhere in the world (d) use the Proprietary Marks in connection with soliciting or directing advertising or promotional materials to customers anywhere in the world and (e) acquire, merge with, or affiliate with, and then own and operate, and franchise or license others to own and operate, any business of any kind, or company-owned or franchised system of businesses of any kind, including any business or system that offers products or services the same as or similar to those offered by you under our System and Proprietary Marks, and to convert any such acquired business or system to operation under the our System and the Proprietary Marks, regardless of any other provision of the Franchise Agreement.

You, and other franchisees as well as 986 Pharmacy are not restricted by our Franchise Agreement from soliciting or accepting orders, however, you must comply with all Federal, State, and local rules. You may distribute through alternative channels, such as the Internet, catalog sales, telemarketing, mail order or other direct marketing.

Neither we nor any affiliate of ours currently operates, franchises, or have present plans to operate or franchise a business under a different trademark that sells goods and services similar to those being offered at a franchised Pharmacy. However, we have the right, in our sole discretion, to begin operating or franchising such a business in your area at any time.

ITEM 13: TRADEMARKS

The Franchise Agreement requires you to operate your Pharmacy under our marks or any other names or names, logos, or designs recognized by us (referred to as “**Proprietary Marks**” or “**Marks**”): You may not use our name, Marks, or similar marks in any other business or on any unauthorized product.

The following Marks have been registered on the principal register of the United States Patent and Trademark Office (“**USPTO**”):

Mark	Filing Date	Registration or Serial Number	Registration Date
	July 7, 2015	5096484	December 6, 2016
	July 7, 2015	5115377	January 3, 2017
986 Pharmacy	July 17, 2015	5115390	January 3, 2017
	January 5, 2017	5265202	August 15, 2017
	December 30, 2020	90433848	July 19, 2022
	December 30, 2020	90434187	July 19, 2022

There are no agreements currently in effect that significantly limit our rights to use or license the use of the Proprietary Marks in any manner material to the franchise.

All required affidavits pertaining to these registrations have been filed. There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, or any state trademark administrator or court, nor any pending infringement, opposition, or cancellation proceedings involving the Proprietary Marks. There are no pending material federal or state court litigation regarding our use or ownership rights in any of the Proprietary Marks.

We are not aware of any superior rights or infringing uses that could materially affect your use of ownership rights in the Proprietary Marks or our rights in the Proprietary Marks in any state.

You must promptly notify us of any suspected unauthorized use of the Proprietary Marks, any challenge to the validity of the Proprietary Marks, or any challenge to our ownership of, right to use and to license others to use, or your right to use, the Proprietary Marks. We have the sole right to direct and control any administrative proceeding or litigation involving the Proprietary Marks, including any settlements. We have the right, but not the obligation, to take action against uses by others that may constitute infringement of the Proprietary Marks.

We do not have the obligation to defend you against any third-party claim, suit, or demand arising out of your use of the Proprietary Marks, but reserve the right to do so. Otherwise, you must bear the cost of your defense, including the cost of any judgment or settlement. In the event of any litigation relating to your use of the Proprietary Marks, you must notify us immediately.

We reserve the right, at our sole discretion, to modify, add to, or discontinue use of the Proprietary Marks, or to substitute different proprietary marks for use in identifying the System and the businesses operating under these marks. You must comply with any changes, revisions and/or substitutions at your sole cost and expense.

ITEM 14: PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

Patents and Copyrights

We do not have any pending patent applications that are material to the franchise. We do claim a copyright, and proprietary rights in our Manual and Confidential Information discussed below.

Confidential Operating Manual

In order to protect our reputation and goodwill and to maintain high standards of operation under the System, you must operate your franchised location in accordance with the standards, methods, policies, and procedures specified in the Manual. Upon your completion of our initial training program to our satisfaction, we will loan you one copy of the Manual, or make it available to you either in hard copy or electronically, for the term of your Franchise Agreement.

You must treat the Manual, any other manual created for or approved for use in the operation of your Pharmacy, and the information contained in the Manual, as confidential, and you must use all reasonable efforts to maintain this information as secret and confidential. You must not copy, duplicate, record, or otherwise reproduce these materials, in whole or in part, or otherwise make the same available to any unauthorized person. The Manual will remain our sole property and must be kept in a secure place your Pharmacy.

We may revise the contents of the Manual at any time, and you must comply with each new or changed standard. You must ensure that the Manual is kept current at all times. In the event of any dispute as to the contents of the Manual, the terms of the master copy maintained by us at our home office will be controlling.

Confidential Information

You must not, during the term of the Franchise Agreement or after its term, communicate, divulge, or use for the benefit of any other person, partnership, association, limited liability company or corporation any confidential information, knowledge, or know-how concerning the methods of operation of the business franchised under the Franchise Agreement, including, the Manual, customer information and materials, proprietary products, or other confidential methods and processes of the business which may be communicated to you or of which you may be apprised by virtue of your operation under the terms of the Franchise Agreement. You may divulge confidential information only to those of your employees who must have access to it in order to operate the 986 Pharmacy. Any and all information, knowledge, know-how, techniques, and other data, will be deemed confidential for purposes of the Franchise Agreement. You are required to sign a Confidentiality and Non-Competition Agreement attached as Exhibit G to this Disclosure Document.

ITEM 15: OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

You are not required to be a licensed Pharmacist, but your Pharmacy must employ a licensed pharmacist to be on the premises during regular business hours. You must ensure that any pharmacist holds and maintains a valid license to practice the profession of pharmacy in the state in which Your Pharmacy is located. If you are not a licensed pharmacist, the 986 Pharmacy must be directly supervised “on premises” by a duly licensed pharmacist who is “on-premises” during business hours. All pharmacists employed at a Pharmacy must also be duly licensed pharmacists. Only licensed pharmacists may manufacture, compound, furnish, sell, and dispense dangerous drugs or dangerous devices at the Pharmacy. Only licensed pharmacists may dispense and compound prescriptions of a prescriber at the 986 Pharmacy. If you are a pharmacy corporation, each of your shareholders, directors, and officers, except an assistant secretary and assistant treasurer, must be a licensed person as defined in Section 13401 of the California Corporations Code. You may serve as that on-premises manager if you meet these requirements. Your pharmacists do not have to own any interest in your equity if you are an entity.

You must take those steps as are necessary to ensure that your employees preserve good customer relations; render competent, prompt, courteous and knowledgeable service; and are properly trained. You and your employees must handle all customer complaints, refunds, returns and other adjustments in a manner that will not detract from our name and goodwill. You will be solely responsible for all employment decisions and functions of the franchised location, including those related to hiring, firing, training, wage and hour requirements, record-keeping, supervision, and discipline of employees. If you are not a licensed pharmacist, you must pay your duly licensed pharmacist who is on-premises during business hours a salary for his or her services rather than a share of profits derived from the operation of your pharmacy.

If you operate as a corporation, limited liability company or any other entity that limits liability, we require that the individual owners having at least a 20% interest sign a Guarantee that is attached as Exhibit B to your Franchise Agreement.

All employees you hire or employ at your Pharmacy will be your employees and your employees alone, and will not, for any purpose, be deemed to be our employees or subject to our direct or indirect control, most particularly with respect to any mandated or other insurance coverage, taxes or contributions, or requirements regarding withholdings, levied or fixed by any governmental authority. You will file your own tax, regulatory and payroll reports, and be responsible for all employee benefits and workers' compensation insurance payments for your employees and operations. We will not have the power to hire or fire your employees. Our authority under the Franchise Agreement to train and approve your supervisory or managerial personnel for qualification to perform certain functions at your Pharmacy does not directly or indirectly vest us with the power to hire, fire or control any of your personnel. You and you alone will be solely responsible for all hiring and employment decisions and functions relating to the Pharmacy, including those related to hiring, firing, training, establishing remuneration, compliance with wage and hour requirements, personnel policies, benefits, recordkeeping, supervision, and discipline of employees, regardless of whether you have received advice from us on these subjects or not. Any guidance we may give you regarding employment policies should be considered merely examples. You will be responsible for establishing and implementing your own employment policies and should do so in consultation with local legal counsel experienced in employment law.

ITEM 16: RESTRICTIONS ON WHAT THE FRANCHISE MAY SELL

You must (1) sell or offer for sale only those products and services as we have expressly approved for sale in writing; (2) sell or offer for sale all of the products and services we specify; (3) refrain from any deviation from our standards and specifications without our prior written consent; and (4) discontinue selling and offering for sale any products and services which we may, in our discretion, disapprove in writing at any time. You must sell all products at retail and not sell these products at wholesale or for re-sale. All products sold or offered for sale at your 986 Pharmacy must meet our then-current standards and specifications, as established in the Manual or otherwise in writing. The Franchise Agreement does not limit our right to make changes in the types of authorized products and services. In all events, you can only sell products and services that are legally permitted by the federal, state, and local laws.

ITEM 17: RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

This table lists certain important provisions of the franchise and related agreements. You should read these provisions in the agreements attached to this disclosure document.

THE FRANCHISE RELATIONSHIP

Provision	Section in Franchise Agreement	Summary
a. Length of Franchise Term	Section 4	Term is 10 years from date Franchise Agreement is signed by both parties.
b. Renewal or extension	Section 5	If you satisfy all the requirements of the Franchise Agreement, you may renew for an additional 10-year term, or term currently being offered under current Franchise Agreement then being offered.
c. Requirement for franchise to renew or extend	Section 5	Conditions include update your location interior or exterior, signage, and any equipment consistent with our current operational, image and safety standards at the time of renewal, not be in default (or have been in default); have satisfied all monetary obligations; have right to possess premises; sign then-current Franchise Agreement, which may contain materially different terms and conditions than your initial Franchise Agreement; sign a general release; comply with training requirements; pay a renewal fee; be current on all obligations to us, your landlord, suppliers, and others with whom you do business.
d. Termination by franchisee	None	
e. Termination by franchisor without cause	None	
f. Termination by franchisor with cause	Section 10	We may terminate your agreement immediately if you default; your pharmacy license is revoked, suspended or restricted in anyway;

Provision	Section in Franchise Agreement	Summary
		<p>your state or federal license for the sale of controlled substances is revoked, suspended or restricted in any way; you no longer employ a validly licensed pharmacist in the relevant state; you fail to provide financial books and records or any other information requested by us; you endanger patients or customers; you exhibit behaviors or actions of unfair dealing, fraud or dishonesty; you sell any interest in the franchise without prior written consent from us; fail to open the a 986 pharmacy within a year of entering into the Agreement; you fail to open a Pharmacy at a converted location within 180 days of entering into the Agreement; or you fail to comply with the store hours stated in the Agreement; however, we may not terminate agreements with you involving HIPPA except by returning all information protected by HIPPA to you or destroying it.</p>
<p>g. “Cause” defined – curable defaults</p>	<p>Section 10.2</p>	<p>You have fourteen (14) days to cure if: you fail to provide financial books and records, or any other information or reports requested by Us:</p> <ul style="list-style-type: none"> (a) You sell or attempt to sell any interest in Your pharmacy operated under the Marks without Our prior written consent; (b) You fail to pay any monies due to Us or any of your creditors or suppliers;

Provision	Section in Franchise Agreement	Summary
		<ul style="list-style-type: none"> (c) You fail to utilize approved vendors; (d) You fail to follow the operations manual or operating standards; (e) You fail to follow Our marketing and advertising policies and requirements; (f) You fail to have Pharmacy open for the minimum hours written in Our procedures. (g) You fail to attend required additional training or required training for a new manager/Pharmacist-in-Charge. <p>If You fail to cure the curable default or non-compliance within the fourteen (14) days of notice from Us, We shall have the right to penalize You in an amount of up to \$1,000 per curable default or non-compliance.</p>
h. "Cause" defined non-curable defaults	Section 10.1	<p>Non-curable defaults: your pharmacy business license is revoked, suspended or restricted in any way; any of your state and or federal licenses for the sale of controlled substances, listed chemicals, and monitored items is revoked, suspended or restricted in any way; you no longer employ a pharmacist validly licensed in the state in which your franchise is located; you exhibit any behavior or actions that endangers patients or customers; you exhibit any behaviors or actions exhibiting</p>

Provision	Section in Franchise Agreement	Summary
		unfair dealing, fraud or dishonesty in dealings with us or customers; you sell any interest in your pharmacy operated under our trademarks without prior written consent from us; you fail to open up a franchise store under our trademarks at a new location within one year of entering the Franchise Agreement; you fail to open up a franchise under our trademarks at a converted location within 180 days of entering the Franchise Agreement.
i. Franchisee’s obligations on termination/non-renewal	Section 11	You need to immediately cease using our trademarks in the operation of your business, you also need to remove any signs, logos, names, color schemes, or other marks or associated with us or our trademarks, or any of the previous items mentioned that are confusingly similar. You must also return or delete anything bearing our standards and practices such as manuals or electronic data with a copy of our standards and practices.
j. Assignment of contract by franchisor	Section 16	No restriction on our right to assign.
k. “Transfer” by franchisee defined	Section 15.1	Includes transfer of assets or ownership change.
l. Franchisor approval of transfer by franchisee	Section 15.1	We have the right to approve or disapprove of all transfers, but we will not reasonably withhold approval.

Provision	Section in Franchise Agreement	Summary
m. Conditions for franchisor approval of transfer	Sections 15.1- 15.6	The transferee must be qualified and sign a new agreement with us. You cannot transfer the Franchise Agreement separate from the franchise business. The new franchisee or their designated manager must also successfully complete training with us.
n. Franchisor's right of first refusal to acquire franchisee's business.	Section 15.8	We shall have a right of first refusal to purchase on the same terms and conditions offered with thirty (30) days written notice of Your desire to sell, assign, or transfer.
o. Franchisor's option to buy franchisee's business.	None	
p. Death or disability of franchisee.	Section 15.7	If your heirs are qualified by federal, state, and local law then they may own the business, however if they are not legally allowed to own the business, they must transfer the business within sixty (60) days.
q. Non-competition covenants during the term of the franchise	Section 12.2; Exhibit G	Cannot be engaged in competing business within 10 miles of any Pharmacy (subject to state law).
r. Non-competition covenants after franchise is terminated or expires.	None	
s. Modification of agreement	Section 20.1	No modification generally, however, we may modify the system including our policies and procedures.
t. Integration/merger clause	Sections 20.1, 20.2	The Agreement constitutes the entire business relationship and

Provision	Section in Franchise Agreement	Summary
		<p>agreement between the parties. Nothing in the Franchise Agreement or any other agreement is intended to disclaim our representations in this Disclosure Document. Only the terms in the Franchise Agreement and other related written agreements are binding (subject to state law.) Any representations or promises outside of the Franchise Disclosure Document and other agreements may not be enforceable.</p>
u. Dispute resolution by arbitration or mediation	Section 17.3	<p>Before undertaking any litigation arising from the Franchise Agreement, you need to submit to binding arbitration in Los Angeles of JAMS, located in Los Angeles CA.</p>
v. Choice of forum	Section 17.2	<p>The forum will be the Federal or State courts of California, County of Los Angeles</p>
w. Choice of law	Section 17.1	<p>The Franchise Agreement is governed by the substantive and procedural laws of the state of California.</p>

ITEM 18: PUBLIC FIGURES

We do not use public figures to promote our Franchise.

ITEM 19: FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the disclosure document.

Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

We do not make any representations about a franchisee’s future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to our management by contacting Brian Garner, 2521 Huntington Dr. San Marino, CA 91108 PH (888)986-7666; the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20: OUTLETS AND FRANCHISEE INFORMATION

**System wide Outlet Summary
For years 2018 to 2023
(Table No. 1)**

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Affiliated	2018	7	7	0
	2019	7	7	0
	2020	7	7	0
	2021	7	7	0
	2022	7	6	1
	2023	6	5	-1
Franchised	2018	8	9	+1
	2019	9	11	+2
	2020	11	13	+2
	2021	13	14	+1
	2022	14	17	+3

	2023	17	25	+8
Company	2018	0	0	0
	2019	0	0	0
	2020	0	0	0
	2021	0	0	0
	2022	0	0	0
	2023	0	0	0
Total	2018	15	16	+1
	2019	16	18	+2
	2020	18	20	+2
	2021	20	21	+1
	2022	21	23	+2
	2023	23	30	+7

**Company Outlets are owned and operated by Our Affiliates (See Item 1)
Transfers of Outlets From Franchisees to New Owners (other than the Franchisor)
For years 2018 to 2023**

(Table No. 2) State	Year	Number of Transfers
California	2018	0
	2019	0
	2020	0
	2021	0
	2022	0
	2023	0
	2018	0
	2019	0

Nevada	2020	0
	2021	0
	2022	0
	2023	0
Texas	2018	0
	2019	0
	2020	0
	2021	0
	2022	0
	2023	0

**Status of Franchised Outlets
For Years 2018 to 2023
(Table No. 3)**

State	Year	Outlets at the Start of the Year	Outlets Opened	Terminations	Non-Renewal	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of the Year
CA	2018	7	1	0	0	0	0	8
	2019	8	1	0	0	0	0	9
	2020	9	2	0	0	0	0	11
	2021	11	2	1	0	0	0	12
	2022	12	2	0	0	0	0	14
	2023	14	9	0	0	0	0	23
	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1

NV	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	1	0	0	0	0	2
	2023	2	1	0	0	0	1	2
TX	2018	0	0	0	0	0	0	0
	2019	0	1	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	1	0
Total	2018	8	1	0	0	0	0	9
	2019	9	2	0	0	0	0	11
	2020	11	2	0	0	0	0	13
	2021	13	2	1	0	0	0	14
	2022	14	3	0	0	0	0	17
	2023	17	10	0	0	0	2	25

**Status of Company-Owned Outlets
for years 2018 to 2023
(Table No. 4)**

State	Year	Outlets at the Start of the Year	Outlets Opened	Terminations	Non-Renewal	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of the Year
CA	2018	0	0	0	0	0	0	0
	2019	0	0	0	0	0	0	0

	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
NV	2018	0	0	0	0	0	0	0
	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
TX	2018	0	0	0	0	0	0	0
	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
Total	2018	0	0	0	0	0	0	0
	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0

**Projected Openings
As of December 31, 2023
(Table No. 5)**

State	Franchise Agreements Signed but Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
California	0	8	0
Others	0	2	0
Total	0	10	0

The name, address, and telephone number of our current franchisees, as of the date of this Disclosure Document are listed in Exhibit D to this Disclosure Document.

Exhibit D also lists franchises that were transferred, terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business with us during the most recently completed fiscal year, or have not communicated with us within the 10 weeks preceding the date of this Disclosure Document.

No franchisees have signed confidentiality clauses during the last three fiscal years that restrict their ability to speak with you about their franchised business. We are not aware of any trademark-specific franchisee organizations associated with our franchise system.

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

No trademark specific franchisee organizations have asked to be included in this Disclosure Document.

ITEM 21: FINANCIAL STATEMENTS

Attached to this disclosure document as Exhibit E are our audited, financial statements for the period for the periods ending December 31, 2023, December 31, 2022, December 31, 2021, December 31, 2020, December 31, 2019, and December 31, 2018, prepared by an independent certified public accountant. Our fiscal year end is December 31.

ITEM 22: CONTRACTS

The following agreements and other required exhibits are attached to this disclosure document in the pages immediately following.

Franchise Agreement (with Exhibits 1, 2, and 3), attached as Exhibit F to Disclosure Document

General Release, attached as Exhibit G to Disclosure Document
Multi-State Addenda, attached as Exhibit H to Disclosure Document
Franchisee Disclosure Questionnaire, attached as Exhibit J to Disclosure Document
Guaranty as Exhibit 2 to Franchise Agreement
Confidentiality and Non-Competition Agreement, attached as Exhibit 3 to the Franchise Agreement

ITEM 23: RECEIPTS

There are two identical Receipts attached to this Disclosure Document as Exhibit J. You should sign both copies of the receipt. Keep one copy for your own records and return the other signed copy to us at 986 Degrees Corporation, 2521 Huntington Dr. San Marino, CA 91108.

**EXHIBIT A
TO
FRANCHISE DISCLOSURE DOCUMENT**

LIST OF STATE ADMINISTRATORS

California

Department of Financial Protection and Innovation
320 West 4th Street, Suite 750
Los Angeles, California 90013
1-866-275-2677

Florida

FL Department of Agriculture & Consumer Services
Division of Consumer Affairs
Mayo Building, Second Floor
Tallahassee, Florida 32399-0800

Hawaii

Business Registration Division Securities Compliance Branch
Department of Commerce & Consumer Affairs
335 Merchant Street
Honolulu, Hawaii 96813

Illinois

Office of Attorney General Franchise Division
500 South Second Street
Springfield, Illinois 62706

Indiana

Secretary of State Franchise Section
Indiana Securities Division
302 West Washington, Room E-111
Indianapolis, Indiana 46204

Kentucky

Commonwealth of Kentucky Office of the Attorney General Consumer Protection Division
1024 Capital Center Drive
P.O. Box 2000
Frankfort, Kentucky 40602

Maryland

Office of the Attorney General Division of Securities
200 St. Paul Place
Baltimore, Maryland 21202-2020

Michigan

Consumer Protection Division Antitrust and Franchise Unit
Michigan Department of Attorney General
670 Law Building Lansing,
Michigan 48913

Minnesota

Department of Commerce
85 7th Place East
Suite 500
St. Paul, Minnesota 55101-2198

Nebraska

Department of Banking and Finance
1200 N Street
Suite 311
P.O. Box 95006
Lincoln, Nebraska 68509

New York

Office of the New York
State Attorney General
Investor Protection Bureau
Franchise Section
120 Broadway, 23rd Floor
New York, New York 10271-0332
(212) 416-8236 Phone
(212) 416-6042 Fax

North Dakota

North Dakota Securities Department
600 East Boulevard Ave.
State Capitol, Fifth Floor, Dept.
414 Bismarck, North Dakota 58505-0510
(701) 328-4712

Rhode Island

Division of Securities
Department of Business Regulation
John O. Pastore Center, 69-1
1511 Pontiac Avenue Cranston,
Rhode Island 02920

South Dakota

Division of Securities
c/o 445 East Capitol Avenue Pierre,
South Dakota 57501

Texas

Statutory Document Section
Secretary of State
P.O. Box 12887 Austin,
Texas 78711

Virginia

State Corporation Commission
Division of Securities and Retail Franchising
Ninth Floor
1300 East Main Street Richmond,
Virginia 23219

Washington

Department of Financial Institutions
Securities Division
150 Israel Road SW Tumwater,
Washington 98501

Wisconsin

Franchise Registration Division
Office of the Wisconsin Commissioner of Securities
101 East Wilson Street Madison,
Wisconsin 53702

**EXHIBIT B
TO
FRANCHISE DISCLOSURE DOCUMENT**

LIST OF AGENTS FOR SERVICE OF PROCESS

California

Sally Chan, Managing Partner
West Themis Law, a P.C.
2523 Huntington Dr., San Marino, CA 91108

Hawaii

Commissioner of Securities
Department of Commerce and Consumer Affairs
Business Registration Division
Securities Compliance Branch
335 Merchant Street, Room 203
Honolulu, Hawaii 96813

Illinois

Attorney General of the State of Illinois
500 South Second Street
Springfield, Illinois 62706

Indiana

Secretary of State
201 State House
Indianapolis, Indiana 46204

Kentucky

Commonwealth of Kentucky
Office of the Attorney General
Consumer Protection Division
1024 Capital Center Drive
P.O. Box 2000
Frankfort, Kentucky 40602

Maryland

Maryland Securities Commissioner
200 St. Paul Place
Baltimore, Maryland 21202-2020

Michigan

Department of Consumer and Industry Services Corporation,
Securities, and Land Development Bureau
6546 Mercantile Way
Lansing, Michigan 48910

Minnesota

Department of Commerce
85 7th Place East, Suite 500
St. Paul, Minnesota 55101-2198

Nebraska

Department of Banking and Finance
1200 N Street, Suite 311
P.O. Box 95006
Lincoln, Nebraska 68509

New York

Attention: New York Secretary of State
New York Department of State
One Commerce Plaza,
99 Washington Avenue, 6th Floor
Albany, NY 12231-0001

North Dakota

Securities Commissioner
North Dakota Securities Department
600 East Boulevard Ave.
State Capitol, Fifth Floor, Dept. 414
Bismarck, North Dakota 58505-0510

Rhode Island

Division of Securities
Department of Business Regulation
John O. Pastore Center, 69-1
1511 Pontiac Avenue Cranston,
Rhode Island 02920

South Dakota

Division of Securities
c/o 445 East Capitol Avenue Pierre,
South Dakota 57501

Texas

Statutory Document Section
Secretary of State
P.O. Box 12887
Austin, Texas 78711

Virginia

Clerk of the State Corporation Commission 1st Floor
1300 East Main Street Richmond,
Virginia 23219

Washington

Department of Financial Institutions
Securities Division
150 Israel Road SW Tumwater,
Washington 98501

Wisconsin

Department of Financial Institutions
Division of Securities
Box 1768, Madison, Wisconsin 53701

EXHIBIT C
TO
FRANCHISE DISCLOSURE DOCUMENT
OPERATIONS MANUAL TABLE OF CONTENTS
(SEE ATTACHED)

986 Pharmacy Retail Policy & Procedure (P&P) Manual Table of Contents		
Type	P&P#	Title
1-Facility	1.010	Opening Procedures and Key Policy
	1.020	Posting of Licenses and Notices
	1.030	Notification of Temporary Closure
	1.040	Pharmacy Maintenance and Drug Storage
	1.050	Break-in/Theft in the Pharmacy
2-Personnel	2.010	Pharmacist Job Duties
	2.020	Pharmacy Technician Job Duties
	2.030	Temporary Absence of Pharmacist
	2.040	Licensed Employee Theft and Impairment
3 - Pharmacy Practice	3.010	Interpretive and Translation Services
	3.020	Licentiate Refuses on Ethical, Moral or Religious Grounds to Dispense a Prescription
	3.030	Federal Deficit Reduction Act 2005: Employee Education on False Claims Recovery
	3.040	Federal Anti-Kickback Statue
	3.050	Filing of Wholesale Invoices
	3.060	Fraud Waste & Abuse Prevention
4 - Prescription	4.010	Prescription Data Entry/New and Electronic
	4.020	Prescription Verification
	4.030	Prescription Transfer
	4.040	Prescription Label Requirement
	5.010	Prescription Furnishing and Dispensing
	5.020	Filling Prescriptions
	5.021	Filling of Partial and Out-of-Stock Non-Controlled Medication
	5.030	Refill Authorization and Processing
	5.040	Automated Refill Program
	5.050	Non-safety Caps
	5.060	Repackaging by the Pharmacy
	5.070	Prescription Pick Up

5-Drugs Handling/Dispensing/Refills	5.080	Waiting Bin Prescriptions
	5.090	Patient Consultation/Patient Profile/Review of Drug Therapy
	5.100	Patient Returned Medications
	5.110	Expired Products
	5.120	Shipping/Mailing of Medication
	5.130	Delivery Service
	5.140	Handling of Hazardous Drugs - Commercially Available Drugs
	5.150	Receiving Prescription Drug/Device Inventory
	5.160	Storage and Temperature Recording of Cold Chain Products
	5.170	Prescriber's Office Use Order
	5.180	Dispensing of 340B Medications
	5.190	Sale of Syringes
	5.200	Pseudoephedrine Product Sales
	5.210	Sale of Cough and Cold Products to Minors (Dextromethorphan)
	5.220	COVID-19 Testing - CLIA Waived Testing Requirements
	5.230	Self-Administered Hormonal Contraception Protocol
	5.240	Furnishing Naloxone Protocol
	5.250	Furnishing Travel Medications
	5.260	Furnishing HIV Preexposure and Postexposure Prophylaxis
	5.270	Initiation and Administration of Vaccines
5.280	Opiates Urine Drug Test - CLIA Waived Test	
5.290	Sublocade Dispensing Protocol	
6-Controlled Substances	6.010	E-Prescribing of Control Substances
	6.020	Filling and Dispensing Controlled Substance Prescriptions
	6.030	Oral or E-Prescriptions for Schedule II Controlled Substance for Hospice Patients
	6.040	Power of Attorney for DEA Order Form 222/CSOS
	6.050	Receiving CII Narcotics and Storage
	6.060	DEA Controlled Substance Inventory/Reporting Drug Loss
	6.070	Controlled Substance Reconciliation/Drug Loss Reporting

7- Equipment	7.010	Parata Max
	7.020	Eyecon Cleaning and Maintenance
8- Quality Assurance	8.010	Medication Error Prevention
	8.020	Quality Assurance Program and Reporting of Medication Errors
	8.030	Drug Recall
9- Compliance	9.010	Handling Visitors/Regulatory Inspectors
	9.020	Reference Library/Inspection Material
	9.030	HIPAA Compliance/Patient Confidentiality



**Policy and Procedure Manual
Pharmacy Operations**

Last Revised 04-01-2020

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Pre – 2020 Version:



**Policy and Procedure Manual
Pharmacy Operations**

Revised 12-15-2016

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**EXHIBIT D
TO
FRANCHISE DISCLOSURE DOCUMENT**

LIST OF CURRENT AND FORMER FRANCHISEES

2001. Current Franchisees

Street Address	City, State, Zip	Phone
2143 Foothill Blvd.	La Verne, CA 91750	(909) 596-6168
8054 Garvey Ave. Suite 101	Rosemead, CA 91770	(626) 988-0106
9612 Las Tunas Dr.	Temple City, CA 91780	(626) 309-5052
701 S. Atlantic Blvd. Suite 168	Monterey Park, CA 91754	(626) 782-7800
2670 E. Gage Ave. Unit 10A	Huntington Park, CA 90255	(323) 749-6500
6521 Van Nuys Blvd.	Van Nuys, CA 91401	(818) 933-2010
1647 N. Hacienda Blvd.	La Puente, CA 91744	(626) 850-5318
321 N. Buffalo Dr. Suite 120	Las Vegas, NV 89145	(702) 909-4072
1809 Verdugo Blvd. Suite 110	Glendale, CA 91208	(818) 928-1304
1719 E. Walnut St.	Pasadena, CA 91106	(626) 798-6789
2001 Santa Monica Blvd. Suite 100-W	Santa Monica, CA 90404	(310) 496-7555
9209 Colima Rd. Suite 1100	Whittier, CA 90605	(562) 789-5852
4420 E. Miraloma Ave. Suite F	Anaheim, CA 92807	(714) 701-1192
2781-2783 West Olympic Blvd.	Los Angeles, CA 90006	(213) 816-0270
1203 N. Avalon Blvd. Suite A	Wilmington, CA 90744	(310) 549-1000
321 N. Buffalo Dr. Suite 110	Las Vegas, NV 89145	(702) 818-8182
1 E. Valley Blvd.	Alhambra, CA 91801	(626) 281-9913
103 N. Garfield Ave. Suite D	Alhambra, CA 91801	(626) 576-0890
616 N. Garfield Ave. Suite 101	Monterey Park, CA 91754	(626) 288-8515

14332 Ramona Blvd.	Baldwin Park, CA 91706	(626) 337-1510
1120 S. Shamrock Ave. Unit A	Monrovia, CA 91016	(626) 531-7777
12370 Hesperia Rd #7	Victorville, CA 92395	(760) 843-7200
9126 Valley Blvd. Suite A	Rosemead, CA 91770	(626) 307-5501
14501 Magnolia St. Suite 100	Westminster, CA 92683	(714) 890-3174
612 W. Duarte Rd. Suite 102	Arcadia, CA 91007	Pending
580 Forest Shade Rd. Suite 7	Crestline, CA 92325	(909) 338-1875
4750 W. Sahara Ave. Suite 30	Las Vegas, NV 89102	Pending
15211 Vanowen St. Suite 110	Van Nuys, CA 91405	Pending
15725 E. Whittier Blvd. Suite A	Whittier, CA 90603	Pending
3580 Santa Anita Ave. Unit B	El Monte, CA 91731	Pending

II. Former Franchisees

NONE

Street Address	City, State, Zip	Phone
1647 N. Hacienda Blvd.	La Puente, CA 91744	(626) 850-5318
6205 Coit Rd. Suite 356	Plano, TX 75024	(469) 543-0199
321 N. Buffalo Dr. Suite 110	Las Vegas, NV 89145	(702) 818-8182

NOTE: If you buy this franchise, your contact information may be disclosed to other buyers.

**EXHIBIT E
TO
FRANCHISE DISCLOSURE DOCUMENT**

FINANCIAL STATEMENTS

(SEE ATTACHED)

MUTSCHLER ACCOUNTANCY CORPORATION

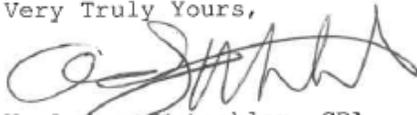
Experience Doesn't Cost, It Saves!

March 1, 2024

To the Board of Directors and Stockholders of:
986 Degrees Corporation

We hereby consent to the use of our Auditor's Report dated March 4, 2024 on the Company, 986 Degrees Corporation's financial statements as of December 31, 2023 and December 31, 2022, to be included in the Company's Franchise Disclosure Document issued March 4, 2024

Very Truly Yours,



W. Andrew Mutschler, CPA,
andy@mutschlertax.com

Small Business Financial Management
TAX-ACCOUNTING-QUICKBOOKS-INCORPORATIONS-NEW BUSINESS ADVISOR
1024 Bonita Ave., La Verne, CA 91750
909-305-2530 Fax 909-305-2502 www.mutschlertax.com

986 DEGREES CORPORATION
AUDITED FINANCIAL STATEMENTS
December 31, 2023 and 2022

Mutschler Accountancy Corporation

1024 Bonita Avenue
La Verne, CA. 91750
(909) 305-2530

MUTSCHLER ACCOUNTANCY CORPORATION

Experience Doesn't Cost, It Saves!

Independent Auditor's Report

To the Board of Directors and Stockholders of
986 Degrees Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of 986 Degrees Corporation (a California S-Corporation), (the "Company") which comprise the balance sheet as of December 31, 2023 and 2022, and the related statements of Operations and retained earnings, and cash flows for the year ended December 31, 2023 and 2022, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

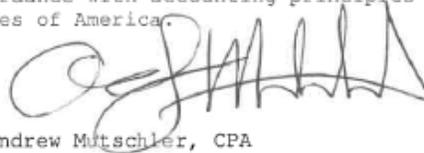
Small Business Financial Management
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909-305-2530 Fax 909-305-2502 www.mutschlertax.com

MUTSCHLER ACCOUNTANCY CORPORATION

Experience Doesn't Cost, It Saves!

Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the year ended December 31, 2023 and 2022 in accordance with accounting principles generally accepted in the United States of America.



W. Andrew Mutschler, CPA
March 4, 2024

Small Business Financial Management
TAX-ACCOUNTING-QUICKBOOKS-INCORPORATIONS-NEW BUSINESS ADVISOR
1024 Bonita Ave., La Verne, CA 91750
909-305-2530 Fax 909-305-2502 www.mutschlertax.com

986 Degrees Corporation
Balance Sheet
As of December 31, 2023

ASSETS

	2023	2022
Current Assets		
Cash in Bank	\$ 484,850	\$ 97,421
Accounts Receivable	206,827	251,684
Deferred Tax Asset		
	\$ 691,677	\$ 349,105
 Fixed Assets		
Equipment	3,517	3,517
Furniture	5,932	5,932
Leasehold Improvements	49,051	49,051
Less Depreciation	(25,244)	(19,936)
	\$ 33,256	\$ 38,564
 Other Assets		
Start-up Costs	86,480	86,480
Organization Costs	20,375	20,375
Less Amortization	(106,855)	(106,855)
Rent & Utility Deposits	19,055	10,296
	\$ 19,055	\$ 10,296
 Total Assets	 \$ 743,988	 \$ 397,965

LIABILITIES AND STOCKHOLDER'S EQUITY

Current Liabilities		
Accounts Payable	\$ 112,985	\$ 38,587
Marketing Deposit	0	20,754
Loan from Shareholder	0	50,000
State Tax Payable	32,820	9
Deferred Tax Liability	286	241
	\$ 146,091	\$ 109,591

See accompanying independent auditor's report and notes to financial statements.

986 Degrees Corporation
Balance Sheet
As of December 31, 2023

Stockholders' Equity

Common Stock of no par value per share:
authorized, issued, and outstanding
100,000 shares

60,500 60,500

Additional Paid in Capital

54,500 54,500

Retained Earnings

482,897 173,374

\$ 597,897 \$ 288,374

Total Liabilities & Stockholders' Equity

\$ 743,988 \$ 397,965

See accompanying independent auditor's report and notes to financial statements.

986 Degrees Corporation
Statements of Operation and Retained Earnings
For the year ended December 31, 2023

	2023	2022
Revenue		
Franchise Revenue Earned	\$ 1,502,803	\$ 985,509
Expenses		
Advertising	\$ 29,625	\$ 12,662
Wages	536,686	287,126
Payroll Taxes	40,758	23,761
Transportation	2,013	2,665
Dues & Subscriptions	2,660	19,200
Insurance	56,726	42,355
Supplies	52,806	23,694
Repairs	9,739	2,307
Meals & Entertainment	32,518	7,171
Licenses & Fees	5,172	369
Promotion, Travel & Meetings	63,604	98,500
Rent	59,768	59,736
Pension	13,545	6,999
Professional Fees	216,034	160,468
Legal and Accounting	20,013	66,137
Telephone and Utilities	9,070	6,896
Miscellaneous	7,105	1,978
Total Expenses	\$ 1,157,842	\$ 822,024
Income from Operations	\$ 344,961	\$ 163,485
Other Income (Expenses)		
Sublet Rental Income	14,956	
Depreciation and Amortization	(5,308)	(5,524)
Current and Deferred Taxes	(38,277)	(1,352)
Donations	(6,809)	(7,010)
Net Income (Loss)	\$ 309,523	\$ 149,599
Beginning Retained Earnings	173,374	203,775
Distribution to Stockholders	-	(180,000)
Ending Retained Earnings	\$ 482,897	\$ 173,374

See accompanying independent auditor's report and notes to financial statements.

986 Degrees Corporation
Statement of Cash Flows
For the Year Ended December 31, 2023

	2023	2022
Cash flows applied to operating activities		
Net Income (Loss)	\$ 309,523	\$ 149,599
Adjustments to reconcile net income to net cash applied to operating activities:		
Depreciation & Amortization	5,308	5,524
Changes in Assets and Liabilities Increases and Decreases in cash flows -		
Deferred Tax Asset/Liability	45	0
Accounts Receivable	44,857	(188,262)
Credit Card Payable	0	0
Accounts Payable	107,209	15,634
Marketing Deposit	(20,754)	20,754
	\$ 446,188	\$ 3,249
Net cash provided(used) by operating activities		
Cash flows applied to investing Activities		
Deposits	(8,759)	0
Equipment Purchase	-	-
	\$ (8,759)	\$ -
Net cash used in Investing Activities		
Cash flows applied to financing activities		
Stock Purchase	-	-
Loans from shareholders	(50,000)	50,000
Distributions to Shareholders		(180,000)
Additional paid in Capital		
Principle payments on long-term debt	-	-
	\$ (50,000)	\$ (130,000)
Net cash provided by financing activities		
Net increase in cash	\$ 387,429	\$ (126,751)
Cash at beginning of year	97,421	224,172
Cash at end of year	\$ 484,850	\$ 97,421

See accompanying independent auditor's report and notes to financial statements.

986 Degrees Corporation
Notes to the Financial Statements
For the Year Ended December 31, 2023

Nature of Operations

986 Degrees Corporation (the "Company") incorporated in California on July 17, 2014 and elected to be treated as an S-Corporation on that same date. The Company sells retail pharmacy franchises under the name of "986 Pharmacy". Under the terms of the franchise agreements, the Company assists its franchisees in setting up the retail location. Once operations commence, the Company provides a list of suppliers with pre-negotiated highly competitive rates as well as provide marketing services. Continuing license and marketing fees will be collected by the Company in accordance with the franchise agreement. The franchise includes brands, logos, trademarks, and the name.

Note 1: Summary of Significant Accounting Policies

Use of Estimates

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for bad debt from the accounts receivable, and the valuation of deferred tax assets.

Significant Group Concentrations of Credit Risk

The Company has no restriction on who can purchase a franchise. We see no group or credit concentration risk.

Cash and Cash Equivalents

For purposes of the cash flow statement, cash and cash equivalents include cash and balances due from banks,

See Accompanying Accountant's Audit Report

986 Degrees Corporation
Notes to the Financial Statements
For the Year Ended December 31, 2023

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See Accompanying Accountant's Audit Report

986 Degrees Corporation
Notes to the Financial Statements
For the Year Ended December 31, 2023

Revenue Recognition
Standards of ASC 606

Under the Revenue Recognition Standards of ASC 606, revenue should be recognized on the sale of Franchises when the money is earned. The Franchise location sales can be broken into 2 parts, goods and or services and the license arrangement.

The Company sells the franchise location for less than the Pre-Opening services rendered. The Site Selection, Training, design, pre-opening marketing, etc, has a higher retail value than the \$50,000.00 Franchise Fee. The Company is willing to sell the franchise location at a loss because it will receive 10 years of royalties and Drug company rebates.

Therefore, the company will recognize the Franchise Fee when earned. The fourteen (14) Franchises sold in 2023 opened for operations in 2023. We are recognizing the \$700,000.00 as income for 2023.

The Company will receive revenue from the sale of franchise locations at a rate of \$50,000.00 per location. The Company will also receive royalty revenue for 10 years from the franchisee once the location begins operations. The revenue will be recognized based on the terms of the franchise agreements. Finally, the Company will receive Rebate Income from the Drug suppliers for all the Pharmacies using the Company's ordering system.

Income Taxes

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the basis' of start-up and organizational costs for financial and income tax reporting. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be a taxable or deductible when the assets and liabilities are recovered or settled.

See Accompanying Accountant's Audit Report

986 Degrees Corporation
Notes to the Financial Statements
For the Year Ended December 31, 2023

The Company made the election to be taxed under the provisions of Sub-Chapter S of the Internal Revenue Code Section 1362 on July 17, 2014. Under Section 1362, the company does not pay federal corporate income taxes on its taxable income. However, the Company does incur a liability for California income taxes at a rate of 1.5% on its California taxable income.

Long Term Debt

The Corporation has no long term debt, it is using the raised capital to fund operations.

Legal Contingencies

Various legal claims also arise from time to time in the normal course of business which, in the opinion of management, will have no material effect on the Corporation's financial statements presented.

Note 2: Operating Lease Commitments

The Company leases its building facility under a month to month lease agreement. Total rent expense under all operating leases for the year ending December 31, 2022 was \$59,736. Minimum rents due assuming the Company does not move are as follows:

Year ending December 31:	
2024	\$ 61,528
2025	61,528
2026	61,528
2027	61,528
2028	<u>61,528</u>
	\$ 307,640
	=====

Note 3: Franchise Agreement

The Company as of December 31, 2023, has thirty (30) franchise agreements.

Note 4: Common Stock

See Accompanying Accountant's Audit Report

986 Degrees Corporation
Notes to the Financial Statements
For the Year Ended December 31, 2023

The Company issued 100,000 shares of common stock to the shareholders. The Company has authorized a total of 100,000 shares of common stock, no stated par value of which 100,000 shares were issued and outstanding as of December 31, 2023.

Note 5: Subsequent Events

The Company has evaluated subsequent events through March 4, 2024 the date which the financial statements were issued. No events need to be disclosed.

See Accompanying Accountant's Audit Report

MUTSCHLER ACCOUNTANCY CORPORATION

Experience Doesn't Cost, It Saves!

April 27, 2023

To the Board of Directors and Stockholders of:
986 Degrees Corporation

We hereby consent to the use of our Auditor's Report dated April 27, 2023 on the Company, 986 Degrees Corporation's financial statements as of December 31, 2022 and December 31, 2021, to be included in the Company's Franchise Disclosure Document issued April 27, 2023

Very Truly Yours,



W. Andrew Mutschler, CPA,
andy@mutschlertax.com

Small Business Financial Management
TAX-ACCOUNTING-QUICKBOOKS-INCORPORATIONS-NEW BUSINESS ADVISOR
1024 Bonita Ave., La Verne, CA 91750
909-305-2530 Fax 909-305-2502 www.mutschlertax.com

986 DEGREES CORPORATION
AUDITED FINANCIAL STATEMENTS
December 31, 2022 and 2021

Mutschler Accountancy Corporation
1024 Bonita Avenue
La Verne, CA. 91750
(909) 305-2530

MUTSCHLER ACCOUNTANCY CORPORATION

Experience Doesn't Cost, It Saves!

Independent Auditor's Report

To the Board of Directors and Stockholders of
986 Degrees Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of 986 Degrees Corporation (a California S-Corporation), (the "Company") which comprise the balance sheet as of December 31, 2022 and 2021, and the related statements of Operations and retained earnings, and cash flows for the year ended December 31, 2022 and 2021, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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MUTSCHLER ACCOUNTANCY CORPORATION

Experience Doesn't Cost, It Saves!

Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the year ended December 31, 2022 and 2021 in accordance with accounting principles generally accepted in the United States of America.



W. Andrew Mutschler, CPA
April 27, 2023

Small Business Financial Management
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986 Degrees Corporation
Balance Sheet
As of December 31, 2022

ASSETS

	2022	2021
Current Assets		
Cash in Bank	\$ 97,421	\$ 224,172
Accounts Receivable	251,684	63,422
Deferred Tax Asset		
	\$ 349,105	\$ 287,594
 Fixed Assets		
Equipment	3,517	3,517
Furniture	5,932	5,932
Leasehold Improvements	49,051	49,051
Less Depreciation	(19,936)	(14,412)
	\$ 38,564	\$ 44,088
 Other Assets		
Start-up Costs	86,480	86,480
Organization Costs	20,375	20,375
Less Amortization	(106,855)	(106,855)
Rent & Utility Deposits	10,296	10,296
	\$ 10,296	\$ 10,296
 Total Assets	 \$ 397,965	 \$ 341,978

LIABILITIES AND STOCKHOLDER'S EQUITY

Current Liabilities		
Accounts Payable	\$ 38,587	\$ 22,962
Marketing Deposit	20,754	0
Loan from Shareholder	50,000	
State Tax Payable	9	
Deferred Tax Liability	241	241
	\$ 109,591	\$ 23,203

See accompanying independent auditor's report and notes to financial statements.

986 Degrees Corporation
Balance Sheet
As of December 31, 2022

Stockholders' Equity

Common Stock of no par value per share:

authorized, issued, and outstanding

100,000 shares

60,500

60,500

Additional Paid in Capital

54,500

54,500

Retained Earnings

173,374

203,775

\$ 288,374

\$ 318,775

Total Liabilities & Stockholders' Equity

\$ 397,965

\$ 341,978

See accompanying independent auditor's report and notes to financial statements.

986 Degrees Corporation
Statements of Operation and Retained Earnings
For the year ended December 31, 2022

	2022	2021
Revenue		
Franchise Revenue Earned	\$ 985,509	\$ 713,857
Expenses		
Advertising	\$ 12,662	\$ 39,176
Wages	287,126	281,659
Payroll Taxes	23,761	21,528
Transportation	2,665	585
Dues & Subscriptions	19,200	20,352
Insurance	42,355	33,996
Supplies	23,694	14,914
Repairs	2,307	3,226
Meals & Entertainment	7,171	-
Licenses & Fees	369	626
Promotion, Travel & Meetings	98,500	388
Rent	59,736	59,736
Pension	6,999	9,933
Professional Fees	160,468	90,116
Legal and Accounting	66,137	7,215
Telephone and Utilities	6,896	5,338
Miscellaneous	1,978	1,728
Total Expenses	\$ 822,024	\$ 590,516
Income from Operations	\$ 163,485	\$ 123,341
Other Income (Expenses)		
Depreciation and Amortization	(5,524)	(5,523)
Current and Deferred Taxes	(1,352)	(1,853)
Donations	(7,010)	-
Net Income (Loss)	\$ 149,599	\$ 115,965
Beginning Retained Earnings	203,775	87,810
Distribution to Stockholders	(180,000)	
Ending Retained Earnings	\$ 173,374	\$ 203,775

See accompanying independent auditor's report and notes to financial statements.

986 Degrees Corporation
Statement of Cash Flows
For the Year Ended December 31, 2022

	2022	2021
Cash flows applied to operating activities		
Net Income (Loss)	\$ 149,599	\$ 115,965
Adjustments to reconcile net income to net cash applied to operating activities:		
Depreciation & Amortization	5,524	5,523
Changes in Assets and Liabilities Increases and Decreases in cash flows -		
Deferred Tax Asset/Liability	0	0
Accounts Receivable	(188,262)	(44,995)
Credit Card Payable	0	(6,166)
Accounts Payable	15,634	15,838
Marketing Deposit	20,754	0
	\$ 3,249	\$ 86,165
Net cash provided(used) by operating activities		
Cash flows applied to investing Activities		
Deposits	0	0
Equipment Purchase	-	-
	\$ -	\$ -
Net cash used in Investing Activities		
Cash flows applied to financing activities		
Stock Purchase	-	-
Loans from shareholders	50,000	-
Distributions to Shareholders	(180,000)	-
Additional paid in Capital	-	-
Principle payments on long-term debt	-	-
	\$ (130,000)	\$ -
Net cash provided by financing activities		
Net increase in cash	\$ (126,751)	\$ 86,165
Cash at beginning of year	224,172	138,007
Cash at end of year	\$ 97,421	\$ 224,172

See accompanying independent auditor's report and notes to financial statements.

986 Degrees Corporation
Notes to the Financial Statements
For the Year Ended December 31, 2022

Nature of Operations

986 Degrees Corporation (the "Company") incorporated in California on July 17, 2014 and elected to be treated as an S-Corporation on that same date. The Company sells retail pharmacy franchises under the name of "986 Pharmacy". Under the terms of the franchise agreements, the Company assists its franchisees in setting up the retail location. Once operations commence, the Company provides a list of suppliers with pre-negotiated highly competitive rates as well as provide marketing services. Continuing license and marketing fees will be collected by the Company in accordance with the franchise agreement. The franchise includes brands, logos, trademarks, and the name.

Note 1: Summary of Significant Accounting Policies

Use of Estimates

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for bad debt from the accounts receivable, and the valuation of deferred tax assets.

Significant Group Concentrations of Credit Risk

The Company has no restriction on who can purchase a franchise. We see no group or credit concentration risk.

Cash and Cash Equivalents

For purposes of the cash flow statement, cash and cash equivalents include cash and balances due from banks,

See Accompanying Accountant's Audit Report

986 Degrees Corporation
Notes to the Financial Statements
For the Year Ended December 31, 2022

federal funds sold and securities purchased under agreements to resell, all of which mature within ninety days.

Interest-Bearing Deposits in banks

Interest-bearing deposits in banks mature within one year and are carried at cost.

Advertising

The Company expenses advertising production costs as the advertising occurs, except for direct-response advertising. Which is capitalized and amortized over its expected period of future benefits.

Fixed Assets

Equipment and furniture are carried at cost, less accumulated depreciation computed on the straight-line method over the estimated useful lives of the assets, general as follows:

Furniture	5-7 years
Fixtures	5-7 years
Office Equipment	5-9 years
Transportation Equipment	5-7 years
Leasehold Improvements	Lease Term or 15 years

Depreciation expense for 2022 is \$5,524.00.

Start-Up Costs

The Company incurred development costs during the first year of operation of \$77,080.00. These costs represent the research and development of; franchise development, trademarks, logos, branding, and the retail site plan and requirements. During 2015 the final work was done on the above mentioned costs, the additional start-up cost incurred in 2015 was \$9,400.00. The useful life of the start-up costs have been estimated to be 5 years. Amortization expense for 2021 is \$0.00. 2019 was the final year of amortization.

See Accompanying Accountant's Audit Report

986 Degrees Corporation
Notes to the Financial Statements
For the Year Ended December 31, 2022

Revenue Recognition
Standards of ASC 606

Under the Revenue Recognition Standards of ASC 606, revenue should be recognized on the sale of Franchises when the money is earned. The Franchise location sales can be broken into 2 parts, goods and or services and the license arrangement.

The Company sells the franchise location for less than the Pre-Opening services rendered. The Site Selection, Training, design, pre-opening marketing, etc, has a higher retail value than the \$50,000.00 Franchise Fee. The Company is willing to sell the franchise location at a loss because it will receive 10 years of royalties and Drug company rebates.

Therefore, the company will recognize the Franchise Fee when earned. The two Franchises sold in 2022 opened for operations in 2022. We are recognizing the \$70,000.00 as income for 2022.

The Company will receive revenue from the sale of franchise locations at a rate of \$50,000.00 per location. The Company will also receive royalty revenue for 10 years from the franchisee once the location begins operations. The revenue will be recognized based on the terms of the franchise agreements. Finally, the Company will receive Rebate Income from the Drug suppliers for all the Pharmacies using the Company's ordering system.

Income Taxes

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the basis' of start-up and organizational costs for financial and income tax reporting. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be a taxable or deductible when the assets and liabilities are recovered or settled.

See Accompanying Accountant's Audit Report

986 Degrees Corporation
Notes to the Financial Statements
For the Year Ended December 31, 2022

The Company made the election to be taxed under the provisions of Sub-Chapter S of the Internal Revenue Code Section 1362 on July 17, 2014. Under Section 1362, the company does not pay federal corporate income taxes on its taxable income. However, the Company does incur a liability for California income taxes at a rate of 1.5% on its California taxable income.

Long Term Debt

The Corporation has no long term debt, it is using the raised capital to fund operations.

Legal Contingencies

Various legal claims also arise from time to time in the normal course of business which, in the opinion of management, will have no material effect on the Corporation's financial statements presented.

Note 2: Operating Lease Commitments

The Company leases its building facility under a month to month lease agreement. Total rent expense under all operating leases for the year ending December 31, 2022 was \$59,736. Minimum rents due assuming the Company does not move are as follows:

Year ending December 31:	
2023	\$ 59,736
2024	59,736
2025	59,736
2026	59,736
2027	<u>59,736</u>
	\$ 298,680
	=====

Note 3: Franchise Agreement

The Company as of December 31, 2022, has sixteen (16) franchise agreements.

Note 4: Common Stock

See Accompanying Accountant's Audit Report

986 Degrees Corporation
Notes to the Financial Statements
For the Year Ended December 31, 2022

The Company issued 100,000 shares of common stock to the shareholders. The Company has authorized a total of 100,000 shares of common stock, no stated par value of which 100,000 shares were issued and outstanding as of December 31, 2022.

Note 5: Subsequent Events

The Company has evaluated subsequent events through April 27, 2023 the date which the financial statements were issued. No events need to be disclosed.

See Accompanying Accountant's Audit Report

MUTSCHLER ACCOUNTANCY CORPORATION

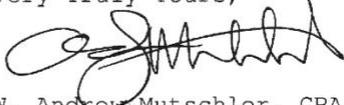
Experience Doesn't Cost, It Saves!

April 4, 2022

To the Board of Directors and Stockholders of:
986 Degrees Corporation

We hereby consent to the use of our Auditor's Report dated March 31, 2022, on the Company, 986 Degrees Corporation's financial statements as of December 31, 2021 and December 31, 2020, to be included in the Company's Franchise Disclosure Document issued March 31, 2022

Very Truly Yours,



W. Andrew Mutschler, CPA,
andy@mutschlertax.com

Small Business Financial Management
TAX-ACCOUNTING-QUICKBOOKS-INCORPORATIONS-NEW BUSINESS ADVISOR
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**986 DEGREES CORPORATION
AUDITED FINANCIAL STATEMENTS
December 31, 2021 and 2020**

Mutschler Accountancy Corporation

1024 Bonita Avenue
La Verne, CA. 91750
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MUTSCHLER ACCOUNTANCY CORPORATION

Experience Doesn't Cost, It Saves!

Independent Auditor's Report

To the Board of Directors and Stockholders of
986 Degrees Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of 986 Degrees Corporation (a California S-Corporation), (the "Company") which comprise the balance sheet as of December 31, 2021 and 2020, and the related statements of Operations and retained earnings, and cash flows for the year ended December 31, 2021 and 2020, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

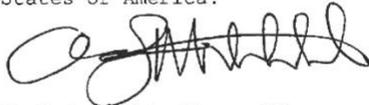
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MUTSCHLER ACCOUNTANCY CORPORATION

Experience Doesn't Cost, It Saves!

Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the year ended December 31, 2021 and 2020 in accordance with accounting principles generally accepted in the United States of America.



W. Andrew Mutschler, CPA
March 31, 2022

Small Business Financial Management
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986 Degrees Corporation
Balance Sheet
As of December 31, 2021

ASSETS

	2021	2020
Current Assets		
Cash in Bank	\$ 224,172	\$ 138,007
Accounts Receivable	63,422	18,427
Deferred Tax Asset		
	\$ 287,594	\$ 156,434
 Fixed Assets		
Equipment	3,517	3,517
Furniture	5,932	5,932
Leasehold Improvements	49,051	49,051
Less Depreciation	(14,412)	(8,889)
	\$ 44,088	\$ 49,611
 Other Assets		
Start-up Costs	86,480	86,480
Organization Costs	20,375	20,375
Less Amortization	(106,855)	(106,855)
Rent & Utility Deposits	10,296	10,296
	\$ 10,296	\$ 10,296
 Total Assets	 \$ 341,978	 \$ 216,341

LIABILITIES AND STOCKHOLDER'S EQUITY

Current Liabilities		
Accounts Payable	\$ 22,962	\$ 7,124
Credit Card Payable	0	6,166
Deferred Tax Liability	241	241
Payroll Tax Payable	0	0
	\$ 23,203	\$ 13,531

See accompanying independent auditor's report and notes to financial statements.

986 Degrees Corporation
Balance Sheet
As of December 31, 2021

Stockholders' Equity

Common Stock of no par value per share:

authorized, issued, and outstanding

100,000 shares	60,500	60,500
Additional Paid in Capital	54,500	54,500
Retained Earnings	203,775	87,810
	<u>\$ 318,775</u>	<u>\$ 202,810</u>

Total Liabilities & Stockholders' Equity \$ 341,978 \$ 216,341

See accompanying independent auditor's report and notes to financial statements.

986 Degrees Corporation
Statements of Operation and Retained Earnings
For the year ended December 31, 2021

	2021	2020
Revenue		
Franchise Revenue Earned	\$ 713,857	\$ 511,788
Expenses		
Advertising	\$ 39,176	\$ 10,902
Wages	281,659	284,973
Payroll Taxes	21,528	22,760
Transportation	585	904
Dues & Subscriptions	20,352	20,245
Insurance	33,996	29,548
Supplies	14,914	27,004
Repairs	3,226	3,740
Meals & Entertainment	-	
Licenses & Fees	626	556
Networking & Meetings	388	(90)
Rent	59,736	59,156
Pension	9,933	9,187
Professional Fees	90,116	64,156
Accounting	7,215	6,295
Telephone and Utilities	5,338	6,853
Miscellaneous	1,728	979
Total Expenses	\$ 590,516	\$ 547,168
Income from Operations	\$ 123,341	\$ (35,380)
Other Income (Expenses)		
PPP Loan forgiven	0	35,500
Depreciation and Amortization	(5,523)	(5,523)
Current and Deferred Taxes	(1,853)	(2,213)
Donations	-	(4,520)
Net Income (Loss)	\$ 115,965	\$ (12,136)
Beginning Retained Earnings	87,810	99,946
Distribution to Stockholders		
Ending Retained Earnings	\$ 203,775	\$ 87,810

See accompanying independent auditor's report and notes to financial statements.

986 Degrees Corporation
Statement of Cash Flows
For the Year Ended December 31, 2021

	2021	2020
Cash flows applied to operating activities		
Net Income (Loss)	\$ 115,965	\$ (12,136)
Adjustments to reconcile net income to net cash applied to operating activities:		
Depreciation & Amortization	5,523	5,523
Changes in Assets and Liabilities Increases and Decreases in cash flows -		
Deferred Tax Asset/Liability	0	(800)
Accounts Receivable	(44,995)	66,729
Credit Card Payable	(6,166)	3,349
Accounts Payable	15,838	(23,955)
Payroll Tax Payable	0	0
Net cash provided(used) by operating activities	\$ 86,165	\$ 38,710
Cash flows applied to investing Activities		
Deposits	0	0
Equipment Purchase	-	-
Net cash used in Investing Activities	\$ -	\$ -
Cash flows applied to financing activities		
Stock Purchase	-	-
Distributions to Shareholders	-	-
Additional paid in Capital	-	-
Principle payments on long-term debt	-	-
Net cash provided by financing activities	\$ -	\$ -
Net increase in cash	\$ 86,165	\$ 38,710
Cash at beginning of year	138,007	99,297
Cash at end of year	\$ 224,172	\$ 138,007

See accompanying independent auditor's report and notes to financial statements.

986 Degrees Corporation
Notes to the Financial Statements
For the Year Ended December 31, 2021

Nature of Operations

986 Degrees Corporation (the "Company") incorporated in California on July 17, 2014 and elected to be treated as an S-Corporation on that same date. The Company sells retail pharmacy franchises under the name of "986 Pharmacy". Under the terms of the franchise agreements, the Company assists its franchisees in setting up the retail location. Once operations commence, the Company provides a list of suppliers with pre-negotiated highly competitive rates as well as provide marketing services. Continuing license and marketing fees will be collected by the Company in accordance with the franchise agreement. The franchise includes brands, logos, trademarks, and the name.

Note 1: Summary of Significant Accounting Policies

Use of Estimates

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for bad debt from the accounts receivable, and the valuation of deferred tax assets.

Significant Group Concentrations of Credit Risk

The Company has no restriction on who can purchase a franchise. We see no group or credit concentration risk.

Cash and Cash Equivalents

For purposes of the cash flow statement, cash and cash equivalents include cash and balances due from banks,

See Accompanying Accountant's Audit Report

986 Degrees Corporation
Notes to the Financial Statements
For the Year Ended December 31, 2021

federal funds sold and securities purchased under agreements to resell, all of which mature within ninety days.

Interest-Bearing Deposits in banks

Interest-bearing deposits in banks mature within one year and are carried at cost.

Advertising

The Company expenses advertising production costs as the advertising occurs, except for direct-response advertising. Which is capitalized and amortized over its expected period of future benefits.

Fixed Assets

Equipment and furniture are carried at cost, less accumulated depreciation computed on the straight-line method over the estimated useful lives of the assets, general as follows:

Furniture	5-7 years
Fixtures	5-7 years
Office Equipment	5-9 years
Transportation Equipment	5-7 years
Leasehold Improvements	Lease Term or 15 years

Depreciation expense for 2021 is \$5,523.00.

Start-Up Costs

The Company incurred development costs during the first year of operation of \$77,080.00. These costs represent the research and development of; franchise development, trademarks, logos, branding, and the retail site plan and requirements. During 2015 the final work was done on the above mentioned costs, the additional start-up cost incurred in 2015 was \$9,400.00. The useful life of the start-up costs have been estimated to be 5 years. Amortization expense for 2021 is \$0.00. 2019 was the final year of amortization.

See Accompanying Accountant's Audit Report

986 Degrees Corporation
Notes to the Financial Statements
For the Year Ended December 31, 2021

Revenue Recognition
Standards of ASC 606

Under the Revenue Recognition Standards of ASC 606, revenue should be recognized on the sale of Franchises when the money is earned. The Franchise location sales can be broken into 2 parts, goods and or services and the license arrangement.

The Company sells the franchise location for less than the Pre-Opening services rendered. The Site Selection, Training, design, pre-opening marketing, etc, has a higher retail value than the \$50,000.00 Franchise Fee. The Company is willing to sell the franchise location at a loss because it will receive 10 years of royalties and Drug company rebates.

Therefore, the company will recognize the Franchise Fee when earned. The two Franchises sold in 2021 opened for operations in 2021. We are recognizing the \$70,000.00 as income for 2021.

The Company will receive revenue from the sale of franchise locations at a rate of \$50,000.00 per location. The Company will also receive royalty revenue for 10 years from the franchisee once the location begins operations. The revenue will be recognized based on the terms of the franchise agreements. Finally, the Company will receive Rebate Income from the Drug suppliers for all the Pharmacies using the Company's ordering system.

Income Taxes

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the basis' of start-up and organizational costs for financial and income tax reporting. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be a taxable or deductible when the assets and liabilities are recovered or settled.

See Accompanying Accountant's Audit Report

986 Degrees Corporation
Notes to the Financial Statements
For the Year Ended December 31, 2021

The Company made the election to be taxed under the provisions of Sub-Chapter S of the Internal Revenue Code Section 1362 on July 17, 2014. Under Section 1362, the company does not pay federal corporate income taxes on its taxable income. However, the Company does incur a liability for California income taxes at a rate of 1.5% on its California taxable income.

Long Term Debt

The Corporation has no long term debt, it is using the raised capital to fund operations.

Legal Contingencies

Various legal claims also arise from time to time in the normal course of business which, in the opinion of management, will have no material effect on the Corporation's financial statements presented.

Note 2: Commitments and Contingencies

The Company uses facilities owned by the shareholders and therefore pays no rent for its premises.

Note 3: Franchise Agreement

The Company as of December 31, 2021, has seven franchise agreements. However, the Company does have Income from 3 additional Pharmacies paying the monthly license fee.

Note 4: Common Stock

The Company issued 100,000 shares of common stock to the shareholders. The Company has authorized a total of 100,000 shares of common stock, no stated par value of which 100,000 shares were issued and outstanding as of December 31, 2021.

Note 5: Subsequent Events

See Accompanying Accountant's Audit Report

986 Degrees Corporation
Notes to the Financial Statements
For the Year Ended December 31, 2021

The Company has evaluated subsequent events through March 31, 2022, the date which the financial statements were issued. No events need to be disclosed.

See Accompanying Accountant's Audit Report

MUTSCHLER ACCOUNTANCY CORPORATION

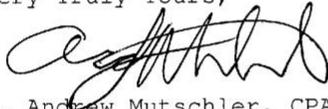
Experience Doesn't Cost, It Saves!

March 12, 2021

To the Board of Directors and Stockholders of:
986 Degrees Corporation

We hereby consent to the use of our Auditor's Report dated March 12, 2021, on the Company, 986 Degrees Corporation's financial statements as of December 31, 2020 and December 31, 2019, to be included in the Company's Franchise Disclosure Document issued March 12, 2021

Very Truly Yours,



W. Andrew Mutschler, CPA,
andy@mutschlertax.com

Small Business Financial Management
TAX-ACCOUNTING-QUICKBOOKS-INCORPORATIONS-NEW BUSINESS ADVISOR
1024 Bonita Ave., La Verne, CA 91750
909-305-2530 Fax 909-305-2502 www.mutschlertax.com

986 DEGREES CORPORATION
AUDITED FINANCIAL STATEMENTS
December 31, 2020 and 2020

Mutschler Accountancy Corporation

1024 Bonita Avenue
La Verne, CA. 91750
(909) 305-2530

MUTSCHLER ACCOUNTANCY CORPORATION

Experience Doesn't Cost, It Saves!

Independent Auditor's Report

To The Board of Directors and Stockholders of
986 Degrees Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of 986 Degrees Corporation (a California S-Corporation), (the "Company") which comprise the balance sheet as of December 31, 2020 and 2019, and the related statements of Operations and retained earnings, and cash flows for the year ended December 31, 2019 and 2018, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

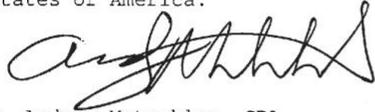
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MUTSCHLER ACCOUNTANCY CORPORATION

Experience Doesn't Cost, It Saves!

Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the year ended December 31, 2020 and 2020 in accordance with accounting principles generally accepted in the United States of America.



W. Andrew Mutschler, CPA
March 12, 2021

Small Business Financial Management
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986 Degrees Corporation
Balance Sheet
As of December 31, 2020

ASSETS

	2020	2019
Current Assets		
Cash in Bank	\$ 138,007	\$ 99,297
Accounts Receivable	18,427	85,156
Deferred Tax Asset		
	\$ 156,434	\$ 184,453
 Fixed Assets		
Equipment	3517.00	3517.00
Furniture	5,932	5,932
Leasehold Improvements	49,051	49,051
Less Depreciation	(8,889)	(3,366)
	\$ 49,611	\$ 55,134
 Other Assets		
Start-up Costs	86,480	86,480
Organization Costs	20,375	20,375
Less Amortization	(106,855)	(106,855)
Rent & Utility Deposits	10,296	10,296
	\$ 10,296	\$ 10,296
 Total Assets	 \$ 216,341	 \$ 249,883

LIABILITIES AND STOCKHOLDER'S EQUITY

Current Liabilities		
Accounts Payable	\$ 7,124	\$ 31,079
Credit Card Payable	6,166	2,817
Deferred Tax Liability	241	1,041
Payroll Tax Payable	0	0
	\$ 13,531	\$ 34,937

See accompanying independent auditor's report and notes to financial statements.

986 Degrees Corporation
Balance Sheet
As of December 31, 2020

Stockholders' Equity

Common Stock of no par value per share:

authorized, issued, and outstanding

100,000 shares

60,500

60,500

Additional Paid in Capital

54,500

54,500

Retained Earnings

87,810

99,946

\$ 202,810

\$ 214,946

Total Liabilities & Stockholders' Equity

\$ 216,341

\$ 249,883

See accompanying independent auditor's report and notes to financial statements.

986 Degrees Corporation
Statements of Operation and Retained Earnings
For the year ended December 31, 2020

	2020	2019
Revenue		
Franchise Revenue Earned	\$ 511,788	\$ 547,195
Expenses		
Advertising	\$ 10,902	\$ 59,367
Wages	284,973	164,115
Payroll Taxes	22,760	14,153
Transportation	904	1,739
Dues & Subscriptions	20,245	7,164
Insurance	29,548	19,159
Supplies	27,004	19,977
Repairs	3,740	
Meals & Entertainment		8,923
Licenses & Fees	556	(2,215)
Networking & Meetings	(90)	8,504
Rent	59,156	26,582
Pension	9,187	4,829
Professional Fees	64,156	21,793
Accounting	6,295	5,665
Telephone and Utilities	6,853	3,044
Miscellaneous	979	3,010
Total Expenses	\$ 547,168	\$ 365,809
Income from Operations	\$ (35,380)	\$ 181,386
Other Income (Expenses)		
PPP Loan forgiven	35,500	
Depreciation and Amortization	(5,523)	(23,218)
Current and Deferred Taxes	(2,213)	(2,000)
Donations	(4,520)	(3,550)
Net Income (Loss)	\$ (12,136)	\$ 152,618
Beginning Retained Earnings	99,946	27,328
Distribution to Stockholders		(80,000)
Ending Retained Earnings	\$ 87,810	\$ 99,946

See accompanying independent auditor's report and notes to financial statements.

986 Degrees Corporation
Statement of Cash Flows
For the Year Ended December 31, 2020

	2020	2019
Cash flows applied to operating activities		
Net Income (Loss)	\$ (12,136)	\$ 152,618
Adjustments to reconcile net income to net cash applied to operating activities:		
Depreciation & Amortization	5,523	23,218
Changes in Assets and Liabilities Increases and Decreases in cash flows -		
Deferred Tax Asset/Liability	(800)	1,200
Accounts Receivable	66,729	(77,977)
Credit Card Payable	3,349	1,884
Accounts Payable	(23,955)	27,793
Payroll Tax Payable	0	(207)
	\$ 38,710	\$ 128,529
Cash flows applied to investing Activities		
Deposits	0	(10,296)
Equipment Purchase	-	(56,321)
	\$ -	\$ (66,617)
Cash flows applied to financing activities		
Stock Purchase	-	-
Distributions to Shareholders	-	(80,000)
Additional paid in Capital	-	-
Principle payments on long-term debt	-	-
	\$ -	\$ (80,000)
Net increase in cash	\$ 38,710	\$ (18,088)
Cash at beginning of year	99,297	117,385
Cash at end of year	\$ 138,007	\$ 99,297

See accompanying independent auditor's report and notes to financial statements.

986 Degrees Corporation
Notes to the Financial Statements
For the Year Ended December 31, 2020

Nature of Operations

986 Degrees Corporation (the "Company") incorporated in California on July 17, 2014 and elected to be treated as an S-Corporation on that same date. The Company sells retail pharmacy franchises under the name of "986 Pharmacy". Under the terms of the franchise agreements, the Company assists its franchisees in setting up the retail location. Once operations commence, the Company provides a list of suppliers with pre-negotiated highly competitive rates as well as provide marketing services. Continuing license and marketing fees will be collected by the Company in accordance with the franchise agreement. The franchise includes brands, logos, trademarks, and the name.

Note 1: Summary of Significant Accounting Policies

Use of Estimates

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for bad debt from the accounts receivable, and the valuation of deferred tax assets.

Significant Group Concentrations of Credit Risk

The Company has no restriction on who can purchase a franchise. We see no group or credit concentration risk.

Cash and Cash Equivalents

For purposes of the cash flow statement, cash and cash equivalents include cash and balances due from banks,

See Accompanying Accountant's Audit Report

986 Degrees Corporation
Notes to the Financial Statements
For the Year Ended December 31, 2020

federal funds sold and securities purchased under agreements to resell, all of which mature within ninety days.

Interest-Bearing Deposits in banks

Interest-bearing deposits in banks mature within one year and are carried at cost.

Advertising

The Company expenses advertising production costs as the advertising occurs, except for direct-response advertising. Which is capitalized and amortized over its expected period of future benefits.

Fixed Assets

Equipment and furniture are carried at cost, less accumulated depreciation computed on the straight-line method over the estimated useful lives of the assets, general as follows:

Furniture	5-7 years
Fixtures	5-7 years
Office Equipment	5-9 years
Transportation Equipment	5-7 years
Leasehold Improvements	Lease Term or 15 years

Depreciation expense for 2020 is \$5,523.00.

Start-Up Costs

The Company incurred development costs during the first year of operation of \$77,080.00. These costs represent the research and development of; franchise development, trademarks, logos, branding, and the retail site plan and requirements. During 2015 the final work was done on the above mentioned costs, the additional start-up cost incurred in 2015 was \$9,400.00. The useful life of the start-up costs have been estimated to be 5 years. Amortization expense for 2020 is \$0.00. 2019 is the final year of amortization.

See Accompanying Accountant's Audit Report

986 Degrees Corporation
Notes to the Financial Statements
For the Year Ended December 31, 2020

Revenue Recognition

The Company will recognize revenue when a franchise is sold and when said franchise begins operations.

The Company will receive revenue from the sale of franchise locations at a rate of \$50,000.00 per location. The Company will also receive revenue from the franchisee once the location begins operations. The revenue will be recognized based on the terms of the franchise agreements. Finally the Company will receive Rebate Income from the Drug suppliers for all the Pharmacies using the Company's ordering system.

Income Taxes

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the basis' of start-up and organizational costs for financial and income tax reporting. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be a taxable or deductible when the assets and liabilities are recovered or settled.

The Company made the election to be taxed under the provisions of Sub-Chapter S of the Internal Revenue Code Section 1362 on July 17, 2014. Under Section 1362, the company does not pay federal corporate income taxes on its taxable income. However, the Company does incur a liability for California income taxes at a rate of 1.5% on its California taxable income.

Long Term Debt

The Corporation has no long term debt, it is using the raised capital to fund operations.

Legal Contingencies

See Accompanying Accountant's Audit Report

986 Degrees Corporation
Notes to the Financial Statements
For the Year Ended December 31, 2020

Various legal claims also arise from time to time in the normal course of business which, in the opinion of management, will have no material effect on the Corporation's financial statements presented.

Note 2: Commitments and Contingencies

The Company uses facilities owned by the shareholders and therefore pays no rent for its premises.

Note 3: Franchise Agreement

The Company as of December 31, 2020, has five franchise agreements. However, the Company does have Income from 3 additional Pharmacies paying the monthly license fee.

Note 4: Common Stock

The Company issued 100,000 shares of common stock to the shareholders. The Company has authorized a total of 100,000 shares of common stock, no stated par value of which 100,000 shares were issued and outstanding as of December 31, 2020.

Note 5: Subsequent Events

The Company has evaluated subsequent events through March 12, 2021, the date which the financial statements were issued. No events need to be disclosed.

See Accompanying Accountant's Audit Report

MUTSCHLER ACCOUNTANCY CORPORATION

Experience Doesn't Cost, It Saves!

April 1, 2020

To the Board of Directors and Stockholders of:
986 Degrees Corporation

We hereby consent to the use of our Auditor's Report dated February 24, 2020, on the Company, 986 Degrees Corporation's financial statements as of December 31, 2019 and December 31, 2018, to be included in the Company's Franchise Disclosure Document issued April 1, 2020

Very Truly Yours,



W. Andrew Mutschler, CPA,
andy@mutschlertax.com

Small Business Financial Management
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986 DEGREES CORPORATION
AUDITED FINANCIAL STATEMENTS
December 31, 2019 and 2018

Mutschler Accountancy Corporation

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(909) 305-2530

MUTSCHLER ACCOUNTANCY CORPORATION

Experience Doesn't Cost, It Saves!

Independent Auditor's Report

To The Board of Directors and Stockholders of
986 Degrees Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of 986 Degrees Corporation (a California S-Corporation), (the "Company") which comprise the balance sheet as of December 31, 2019 and 2018, and the related statements of Operations and retained earnings, and cash flows for the year ended December 31, 2019 and 2018, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

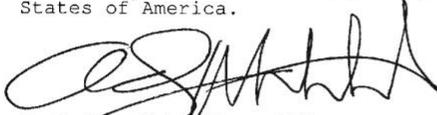
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MUTSCHLER ACCOUNTANCY CORPORATION

Experience Doesn't Cost, It Saves!

Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the year ended December 31, 2019 and 2018 in accordance with accounting principles generally accepted in the United States of America.



W. Andrew Mutschler, CPA
February 24, 2020

Small Business Financial Management
TAX-ACCOUNTING-QUICKBOOKS-INCORPORATIONS-NEW BUSINESS ADVISOR
1024 Bonita Ave., La Verne, CA 91750
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986 Degrees Corporation
Balance Sheet
As of December 31, 2019

ASSETS

	2019	2018
Current Assets		
Cash in Bank	\$ 99,297	\$ 117,385
Accounts Receivable	85,156	7,179
Deferred Tax Asset		159
	\$ 184,453	\$ 124,723
 Fixed Assets		
Equipment	\$ 3,517	\$ 2,179
Furniture	5,932	
Leasehold Improvements	49,051	
Less Depreciation	(3,366)	(218)
	\$ 55,134	\$ 1,961
 Other Assets		
Start-up Costs	\$ 86,480	\$ 86,480
Organization Costs	20,375	20,375
Less Amortization	(106,855)	(86,785)
Rent & Utility Deposits	10,296	
	\$ 10,296	\$ 20,070
 Total Assets	 \$ 249,883	 \$ 146,754

LIABILITIES AND STOCKHOLDER'S EQUITY

Current Liabilities		
Accounts Payable	\$ 31,079	\$ 3,286
Credit Card Payable	2,817	933
Deferred Tax Liability	1,041	
Payroll Tax Payable	0	207
	\$ 34,937	\$ 4,426

See accompanying independent auditor's report and notes to financial statements.

986 Degrees Corporation
Balance Sheet
As of December 31, 2019

Stockholders' Equity

Common Stock of no par value per share:
authorized, issued, and outstanding

100,000 shares	\$ 60,500	\$ 60,500
Additional Paid in Capital	54,500	54,500
Retained Earnings	99,946	27,328
	<u>\$ 214,946</u>	<u>\$ 142,328</u>

Total Liabilities & Stockholders' Equity \$ 249,883 \$ 146,754

See accompanying independent auditor's report and notes to financial statements.

986 Degrees Corporation
Statements of Operation and Retained Earnings
For the year ended December 31, 2019

	2019	2018
Revenue		
Franchise Revenue Earned	\$ 547,195	\$ 195,736
Expenses		
Advertising	\$ 59,367	\$ 15,454
Wages	164,115	53,372
Payroll Taxes	14,153	4,050
Transportation	1,739	207
Dues & Subscriptions	7,164	3,272
Insurance	19,159	3,146
Supplies	19,977	2,520
Administrative		223
Meals & Entertainment	8,923	717
Licenses & Fees	(2,215)	1,008
Networking & Meetings	8,504	
Rent	26,582	
Pension	4,829	1,977
Professional Fees	21,793	5,736
Accounting	5,665	4,805
Telephone and Utilities	3,044	393
Miscellaneous	3,010	
Total Expenses	\$ 365,809	\$ 96,880
Income from Operations	\$ 181,386	\$ 98,856
Other Income (Expenses)		
Depreciation and Amortization	(23,218)	(21,593)
Current and Deferred Taxes	(2,000)	(928)
Donations	(3,550)	(1,525)
Net Income (Loss)	\$ 152,618	\$ 74,810
Beginning Retained Earnings	27,328	(47,482)
Distribution to Stockholders	(80,000)	-
Ending Retained Earnings	\$ 99,946	\$ 27,328

See accompanying independent auditor's report and notes to financial statements.

986 Degrees Corporation
Statement of Cash Flows
For the Year Ended December 31, 2019

	2019	2018
Cash flows applied to operating activities		
Net Income (Loss)	\$ 152,618	\$ 74,810
Adjustments to reconcile net income to net cash applied to operating activities:		
Depreciation & Amortization	23,218	21,593
Changes in Assets and Liabilities Increases and Decreases in cash flows -		
Deferred Tax Asset/Liability	1,200	128
Accounts Receivable	(77,977)	(7,179)
Credit Card Payable	1,884	933
Accounts Payable	27,793	2,273
Payroll Tax Payable	(207)	(73)
Net cash provided(used) by operating activities	\$ 128,529	\$ 92,485
Cash flows applied to investing Activities		
Deposits	(10,296)	
Equipment Purchase	(56,321)	(2,179)
Net cash used in Investing Activities	\$ (66,617)	\$ (2,179)
Cash flows applied to financing activities		
Stock Purchase	-	-
Distributions to Shareholders	(80,000)	
Additional paid in Capital		
Principle payments on long-term debt	-	-
Net cash provided by financing activities	\$ (80,000)	\$ -
Net increase in cash	\$ (18,088)	\$ 90,306
Cash at beginning of year	117,385	27,079
Cash at end of year	\$ 99,297	\$ 117,385

See accompanying independent auditor's report and notes to financial statements.

986 Degrees Corporation
Notes to the Financial Statements
For the Year Ended December 31, 2019

Nature of Operations

986 Degrees Corporation (the "Company") incorporated in California on July 17, 2014 and elected to be treated as an S-Corporation on that same date. The Company sells retail pharmacy franchises under the name of "986 Pharmacy". Under the terms of the franchise agreements, the Company assists its franchisees in setting up the retail location. Once operations commence, the Company provides a list of suppliers with pre-negotiated highly competitive rates as well as provide marketing services. Continuing license and marketing fees will be collected by the Company in accordance with the franchise agreement. The franchise includes brands, logos, trademarks, and the name.

Note 1: Summary of Significant Accounting Policies

Use of Estimates

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for bad debt from the accounts receivable, and the valuation of deferred tax assets.

Significant Group Concentrations of Credit Risk

The Company has no restriction on who can purchase a franchise. We see no group or credit concentration risk.

Cash and Cash Equivalents

For purposes of the cash flow statement, cash and cash equivalents include cash and balances due from banks,

See Accompanying Accountant's Audit Report

986 Degrees Corporation
Notes to the Financial Statements
For the Year Ended December 31, 2019

federal funds sold and securities purchased under agreements to resell, all of which mature within ninety days.

Interest-Bearing Deposits in banks

Interest-bearing deposits in banks mature within one year and are carried at cost.

Advertising

The Company expenses advertising production costs as the advertising occurs, except for direct-response advertising. Which is capitalized and amortized over its expected period of future benefits.

Fixed Assets

Equipment and furniture are carried at cost, less accumulated depreciation computed on the straight-line method over the estimated useful lives of the assets, general as follows:

Furniture	5-7 years
Fixtures	5-7 years
Office Equipment	5-9 years
Transportation Equipment	5-7 years
Leasehold Improvements	Lease Term or 15 years

Depreciation expense for 2019 is \$3,148.00.

Start-Up Costs

The Company incurred development costs during the first year of operation of \$77,080.00. These costs represent the research and development of; franchise development, trademarks, logos, branding, and the retail site plan and requirements. During 2015 the final work was done on the above mentioned costs, the additional start-up cost incurred in 2015 was \$9,400.00. The useful life of the start-up costs have been estimated to be 5 years. Amortization expense for 2019 is \$20,070.00. 2019 is the final year of amortization.

See Accompanying Accountant's Audit Report

986 Degrees Corporation
Notes to the Financial Statements
For the Year Ended December 31, 2019

Revenue Recognition

The Company will recognize revenue when a franchise is sold and when said franchise begins operations.

The Company will receive revenue from the sale of franchise locations at a rate of \$50,000.00 per location. The Company will also receive revenue from the franchisee once the location begins operations. The revenue will be recognized based on the terms of the franchise agreements. Finally the Company will receive Rebate Income from the Drug suppliers for all the Pharmacies using the Company's ordering system.

Income Taxes

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the basis' of start-up and organizational costs for financial and income tax reporting. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be a taxable or deductible when the assets and liabilities are recovered or settled.

The Company made the election to be taxed under the provisions of Sub-Chapter S of the Internal Revenue Code Section 1362 on July 17, 2014. Under Section 1362, the company does not pay federal corporate income taxes on its taxable income. However, the Company does incur a liability for California income taxes at a rate of 1.5% on its California taxable income.

Long Term Debt

The Corporation has no long term debt, it is using the raised capital to fund operations.

Legal Contingencies

See Accompanying Accountant's Audit Report

986 Degrees Corporation
Notes to the Financial Statements
For the Year Ended December 31, 2019

Various legal claims also arise from time to time in the normal course of business which, in the opinion of management, will have no material effect on the Corporation's financial statements presented.

Note 2: Commitments and Contingencies

The Company uses facilities owned by the shareholders and therefore pays no rent for its premises.

Note 3: Franchise Agreement

The Company as of December 31, 2019, has four franchise agreements. However, the Company does have Income from 3 Pharmacies paying the monthly license fee.

Note 4: Common Stock

The Company issued 100,000 shares of common stock to the shareholders. The Company has authorized a total of 100,000 shares of common stock, no stated par value of which 100,000 shares were issued and outstanding as of December 31, 2019.

Note 5: Subsequent Events

The Company has evaluated subsequent events through February 24, 2020, the date which the financial statements were issued. No events need to be disclosed.

See Accompanying Accountant's Audit Report

**986 DEGREES CORPORATION
AUDITED FINANCIAL STATEMENTS
December 31, 2018 and 2017**

Mutschler Accountancy Corporation
1024 Bonita Avenue
La Verne, CA. 91750
(909) 305-2530

MUTSCHLER ACCOUNTANCY CORPORATION

Experience Doesn't Cost, It Saves!

Independent Auditor's Report

To The Board of Directors and Stockholders of
986 Degrees Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of 986 Degrees Corporation (a California S-Corporation), (the "Company") which comprise the balance sheet as of December 31, 2017 and 2016, and the related statements of Operations and retained earnings, and cash flows for the year ended December 31, 2018 and 2017, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Small Business Financial Management
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MUTSCHLER ACCOUNTANCY CORPORATION

Experience Doesn't Cost, It Saves!

Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for the year ended December 31, 2018 and 2017 in accordance with accounting principles generally accepted in the United States of America.



W. Andrew Mutschler, CPA
January 24, 2019

Small Business Financial Management
TAX-ACCOUNTING-QUICKBOOKS-INCORPORATIONS-NEW BUSINESS ADVISOR
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986 Degrees Corporation
Balance Sheet
As of December 31, 2018

ASSETS

	2018	2017
Current Assets		
Cash in Bank	\$ 117,385	\$ 27,079
Accounts Receivable	\$ 7,179	
Deferred Tax Asset	159	287
	\$ 124,723	\$ 27,366
Fixed Assets		
Equipment	\$ 2,179	
Less Depreciation	\$ (218)	
	\$ 1,961	\$ -
Other Assets		
Start-up Costs	\$ 86,480	\$ 86,480
Organization Costs	20,375	20,375
Less Amortization	(86,785)	(65,410)
	\$ 20,070	\$ 41,445
Total Assets	\$ 146,754	\$ 68,811

LIABILITIES AND STOCKHOLDER'S EQUITY

Current Liabilities		
Accounts Payable	\$ 3,286	\$ 1,013
Credit Card Payable	933	
Payroll Tax Payable	207	280
	\$ 4,426	\$ 1,293
Stockholders' Equity		
Common Stock of no par value per share: authorized, issued, and outstanding 100,000 shares	60,500	60,500
Additional Paid in Capital	54,500	54,500
Retained Earnings	27,328	(47,482)
	\$ 142,328	\$ 67,518
Total Liabilities & Stockholders' Equity	\$ 146,754	\$ 68,811

See accompanying independent auditor's report and notes to financial statements.

986 Degrees Corporation
Statements of Operation and Retained Earnings
For the year ended December 31, 2017

	2017	2016
Revenue		
Franchise Revenue Earned	\$ 195,736	\$ 65,502
Expenses		
Advertising	\$ 15,454	\$ 6,337
Wages	53,372	25,340
Payroll Taxes	4,050	2,440
Transportation	207	40
Dues & Subscriptions	3,272	2,185
Insurance	3,146	2,189
Supplies	2,520	2,801
Administrative	223	496
Meals & Entertainment	717	
Licenses & Fees	1,008	
Pension	1,977	656
Professional Fees	5,736	7,551
Accounting	4,805	4,100
Telephone and Utilities	393	469
Bank Charges		50
Total Expenses	\$ 96,880	\$ 54,654
Income from Operations	\$ 98,856	\$ 10,848
Other Income (Expenses)		
Depreciation and Amortization	(21,593)	(21,375)
Current and Deferred Taxes	(928)	(1,776)
Donations	(1,525)	
	(24,046)	(24,927)
Net Income (Loss)	\$ 74,810	\$ (12,303)
Beginning Retained Earnings	(47,482)	(35,179)
Distribution to Stockholders	-	-
Ending Retained Earnings	\$ 27,328	\$ (47,482)

See accompanying independent auditor's report and notes to financial statements.

986 Degrees Corporation
Statement of Cash Flows
For the Year Ended December 31, 2018

	2018	2017
Cash flows applied to operating activities		
Net Income (Loss)	\$ 74,810	\$ (12,303)
Adjustments to reconcile net income to net cash applied to operating activities:		
Depreciation & Amortization	21,593	21,375
Changes in Assets and Liabilities Increases and Decreases in cash flows -		
Deferred Tax Asset	128	976
Accounts Receivable	(7,179)	0
Credit Card Payable	933	0
Accounts Payable	2,273	1,013
Payroll Tax Payable	(73)	(185)
	<hr/>	<hr/>
Net cash provided(used) by operating activities	\$ 92,485	\$ 10,876
Cash flows applied to investing Activities		
Equipment Purchase	(2,179)	
	<hr/>	
Net cash used in Investing Activities	\$ (2,179)	\$ -
Cash flows applied to financing activities		
Stock Purchase	-	-
Additional paid in Capital		
Principle payments on long-term debt	-	-
	<hr/>	<hr/>
Net cash provided by financing activities	\$ -	\$ -
Net increase in cash	\$ 90,306	\$ 10,876
Cash at beginning of year	27,079	16,203
	<hr/>	<hr/>
Cash at end of year	\$ 117,385	\$ 27,079
	<hr/>	<hr/>

See accompanying independent auditor's report and notes to financial statements.

986 Degrees Corporation
Notes to the Financial Statements
For the Year Ended December 31, 2018

Nature of Operations

986 Degrees Corporation (the "Company") incorporated in California on July 17, 2014 and elected to be treated as an S-Corporation on that same date. The Company sells retail pharmacy franchises under the name of "986 Pharmacy". Under the terms of the franchise agreements, the Company assists its franchisees in setting up the retail location. Once operations commence, the Company provides a list of suppliers with pre-negotiated highly competitive rates as well as provide marketing services. Continuing license and marketing fees will be collected by the Company in accordance with the franchise agreement. The franchise includes brands, logos, trademarks, and the name.

Note 1: Summary of Significant Accounting Policies

Use of Estimates

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for bad debt from the accounts receivable, and the valuation of deferred tax assets.

Significant Group Concentrations of Credit Risk

The Company has no restriction on who can purchase a franchise. We see no group or credit concentration risk.

Cash and Cash Equivalents

For purposes of the cash flow statement, cash and cash equivalents include cash and balances due from banks,

See Accompanying Accountant's Audit Report

986 Degrees Corporation
Notes to the Financial Statements
For the Year Ended December 31, 2018

federal funds sold and securities purchased under agreements to resell, all of which mature within ninety days.

Interest-Bearing Deposits in banks

Interest-bearing deposits in banks mature within one year and are carried at cost.

Advertising

The Company expenses advertising production costs the first time the advertising occurs, except for direct-response advertising. Which is capitalized and amortized over its expected period of future benefits.

Fixed Assets

Equipment and furniture are carried at cost, less accumulated depreciation computed on the straight-line method over the estimated useful lives of the assets, general as follows:

Furniture	5-7 years
Fixtures	5-7 years
Office Equipment	5-9 years
Transportation Equipment	5-7 years
Leasehold Improvements	Lease Term

Depreciation expense for 2018 is \$218.00.

Start-Up Costs

The Company incurred development costs during the first year of operation of \$77,080.00. These costs represent the research and development of; franchise development, trademarks, logos, branding, and the retail site plan and requirements. During 2015 the final work was done on the above mentioned costs, the additional start-up cost incurred in 2015 was \$9,400.00. The useful life of the start-up costs have been estimated to be 5 years. Amortization expense for 2018 is \$21,375.00.

See Accompanying Accountant's Audit Report

986 Degrees Corporation
Notes to the Financial Statements
For the Year Ended December 31, 2018

management, will have no material effect on the Corporation's financial statements presented.

Note 2: Commitments and Contingencies

The Company uses facilities owned by the shareholders and therefore pays no rent for its premises.

Note 3: Franchise Agreement

The Company as of December 31, 2018, has One franchise agreement. However, the Company does have Income from 3 Pharmacies paying the monthly license fee.

Note 4: Common Stock

The Company issued 100,000 shares of common stock to the shareholders. The Company has authorized a total of 100,000 shares of common stock, no stated par value of which 100,000 shares were issued and outstanding as of December 31, 2018.

Note 5: Subsequent Events

The Company has evaluated subsequent events through January 24, 2019, the date which the financial statements were issued. No events need to be disclosed.

See Accompanying Accountant's Audit Report

986 Degrees Corporation
Notes to the Financial Statements
For the Year Ended December 31, 2018

Revenue Recognition

The Company will recognize revenue when a franchise is sold and when said franchise begins operations.

The Company will receive revenue from the sale of franchise locations at a rate of \$30,000.00 per location. The Company will also receive revenue from the franchisee once the location begins operations. The revenue will be recognized based on the terms of the franchise agreements. Finally the Company will receive Rebate Income from the Drug suppliers for all the Pharmacies using the Company's ordering system.

Income Taxes

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the basis' of start-up and organizational costs for financial and income tax reporting. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be a taxable or deductible when the assets and liabilities are recovered or settled.

The Company made the election to be taxed under the provisions of Sub-Chapter S of the Internal Revenue Code Section 1362 on July 17, 2014. Under Section 1362, the company does not pay federal corporate income taxes on its taxable income. However, the Company does incur a liability for California income taxes at a rate of 1.5% on its California taxable income.

Long Term Debt

The Corporation has no long term debt, it is using the raised capital to fund operations.

Legal Contingencies

Various legal claims also arise from time to time in the normal course of business which, in the opinion of

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**EXHIBIT F
TO
FRANCHISE DISCLOSURE DOCUMENT**

986 PHARMACY

FRANCHISE AGREEMENT

(SEE ATTACHED)



986 Degrees Corporation

Franchise Agreement

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FRANCHISE AGREEMENT

This Agreement for the franchising of a “986 Pharmacy” is made and effective as of the _____ day of _____, _____, between 986 Degrees Corporation, a California Corporation (“986”) dba “986 Pharmacy” and _____ (“Franchisee”).

Section 1: Scope of the Agreement

1.1 Defined Terms

Defined terms in this Agreement, which may be identified by, the capitalization of the first letter of each principal word thereof, have the meanings assigned to them below.

DEFINITIONS AND REQUIREMENTS

986 Pharmacy: A “986 Pharmacy” is a retail pharmacy authorized by 986 Degrees Corporation to operate with the “986 Pharmacy” name and trademark under the terms of this Agreement. It is a singular business location run by the Franchisee or Pharmacist-In-Charge.

Pharmacist-In-Charge: A “Pharmacist-In-Charge” is a person that has control of operations of the Franchisee’s 986 Pharmacy. A Pharmacist-In-Charge at all times must have a valid board of Pharmacy license in the state of where the Retail Pharmacy is located. If Franchisee is not a licensed pharmacist, Franchisee shall pay the Pharmacist-in-charge a salary for his or her services rather than a share of the profits derived from the operation of the Pharmacy.

Board Issuance Date: The date that the Board of Pharmacy within that state issues an official license to open a retail pharmacy.

Anticipated Open Date: The anticipated open date is estimated to be 6 weeks after the Board of Pharmacy approves and issues an official board of pharmacy license.

Actual Open Date: The date that the Pharmacy is actually open for business and is able to accept prescriptions from clients.

Initial Training: “Initial Training” is business training given to the Franchisee or Pharmacist-In-Charge within the first two (2) months prior to the “Anticipated Open Date” of the Pharmacy.

Subsequent Initial Training: “Subsequent Initial Training” is business training designed for a Franchisee, Transferee, or Pharmacist-In-Charge who has not completed Initial Business Training and is taking over control of the operations of Franchisee’s 986 Pharmacy.

The System: The “System” is defined in paragraph 1.2.

986’s Marks: “986’s Marks” is defined in paragraph 1.4.

1.2 The System

986 operates a pharmacy system (the “**System**”), which is a system for the ongoing operation and development of pharmacy businesses, and includes 986’s Intellectual Property, training methods, and processes including a system for dispensing and fulfilling prescriptions, inventory methods, buying procedures, designs and color schemes, pharmacy store layouts, signs, equipment, financial bookkeeping and accounting standards, and manuals containing business practice standards. The System has generated considerable goodwill for 986 under its name and trademarks. 986 may modify or change, the System in their sole discretion from time to time. 986 may authorize the use of the System to franchisees and selected pharmacies.

1.3 986’s Marks

986 through an investment of time, money, and efforts has generated goodwill for its main mark and marks and has the right to license its main mark and marks as identified on Exhibit A, which is attached to and made part of this Agreement.

1.4 Franchisee’s Desire to License the System and 986’s Marks

Franchisee desires to use the System and license 986’s main mark and other marks and any other logos, names, catch phrases, designs, or color schemes that 986 may recognize as its trademarks (collectively, “**986’s Marks**”) to operate as a 986 Pharmacy (“**986 Pharmacy**”).

1.5 Franchisee’s Acknowledgements

By signing this Agreement, Franchisee certifies that it has read this Agreement, in its entirety, and has had time to seek out and consult with their advisor(s) (such as an attorney or an accountant) to clarify all terms, conditions and covenants of this Agreement. Franchisee understands and accepts that the terms, conditions, and covenants of this Agreement are reasonable and necessary in order to maintain the high standards of customer service, image, and goodwill associated with 986’s Marks and the System. Franchisee by signing this contract also certifies that it has completed an independent study of the business venture considered in this Agreement and has consulted with their business advisors (such as a financial advisor, or Certified Public Accountant) and recognizes there are significant risks involved in opening and operating a franchise pharmacy business. Further, Franchisee understands that although 986 will provide business training, the success of Franchisee’s pharmacy business largely depends on the Franchisee’s own abilities and the overall market demands for pharmacy services.

1.6 986’s Agreement to Grant Non-Exclusive License to Franchisee

986 has agreed to grant a non-exclusive license to Franchisee under the terms, conditions and covenants set hereinafter in this Agreement:

1.7 Professional Judgment of Pharmacist-In-Charge

The Pharmacist-In-Charge shall, at all times, be solely responsible for the training, professional direction, supervision and employment or engagement of all Pharmacist-In-Charge at the Pharmacy. Franchisor may not and will not interfere with, supervise, or assume any responsibility for the Pharmacist-In-Charge’s exercise of his or her professional judgment with respect to the operation of the Pharmacy. The Pharmacist-

In-Charge is at all times free to exercise this or her professional judgment, in his or her sole discretion, on behalf of all customers of the Pharmacy. Nothing contained in this Franchise Agreement is intended to permit Franchisor to affect or influence the professional judgment of any Pharmacist-In-Charge. Any act or service required or permitted by any provision of this Franchise Agreement that may be construed or deemed to do so is void and waived by Franchisor. Under no circumstances will Franchisor's rights of approval interfere with any aspect of the professional services to be delivered at the Pharmacy by the Pharmacist-In-Charge authorized to engage in those services by applicable law or your Pharmacist-In-Charge's exercise of his or her professional judgment with respect to the operation of the Pharmacy. Each Pharmacist must have a level of competence, experience, and skill comparable to that prevailing in the community where the Pharmacy is located.

Section 2: Grant of License

2.1 The Grant

Subject to all terms, conditions, and covenants of this Agreement, 986 hereby grants Franchisee the non-exclusive, limited right to use 986's Marks as set forth in Exhibit A to this Agreement and to use the System in the operation of a 986 Pharmacy during the time period set forth in this Agreement solely for the one location per the designated address. Franchisee has no right to assign, transfer, expand, modify, or continue the use of 986's Marks without obtaining prior written consent from 986.

2.2 Grant is Non-Exclusive

Franchisee recognizes that the grant of this license is a non-exclusive grant. Further, Franchisee recognizes that 986 may license 986's Marks and System to other persons and or entities that may compete with Franchisee. Additionally, Franchisee recognizes that 986 may open its own pharmacy businesses or any other business whether using 986's Marks or any other name or mark.

Section 3: Site Selection

3.1 Site Selection

If Franchisee is starting a new retail pharmacy, Franchisee shall work with 986 to select the location of the 986 Pharmacy. All sites are subject to prior written approval from 986. Franchisee recognizes that the selection of a location is not a guarantee that the location will be successful or profitable. Franchisee should not solely rely upon the location analysis provided by 986; Franchisee should do an independent investigation of their proposed location before choosing to start their business. You will select the location using our guidelines. Our approval is in no way any guarantee of success. When we review a proposed site, we will consider such factors as zoning and approval from appropriate agencies, other restrictions, size, layout, lease terms, and proximity to other 986 Pharmacies and other pharmacies. We will notify you of our acceptance or rejection of a proposed site within about 30 days from the date you submit the site to us or 15 days after you provide any supplemental information we request. You must sign a lease for the Approved Location within 120 days after signing the Franchise Agreement. We have the right to approve the terms of any lease or sublease for the Approved Location.

3.2 Franchisee's Agreement to Open Franchise

If Franchisee is starting a new retail pharmacy, Franchisee agrees to open a 986 Pharmacy at the location approved by 986 within twelve (12) months of the signing this Agreement. or 986 shall have the right to terminate this agreement immediately. If Franchisee is converting an existing retail pharmacy to a 986 Pharmacy, Franchisee shall comply with all updates to be in conformity with this Agreement and any standards made available to Franchisee, within one-hundred eighty (180) days of signing this Agreement or 986 shall have the right to terminate this agreement immediately.

Section 4: Term

4.1 Term

This Agreement becomes effective on the date this Agreement is made and shall expire ten (10) years from that date.

Section 5: Renewal

5.1 Renewal and Written Request for Renewal

Franchisee must give written notice to 986, not less than ninety (90) days from the expiration of this Agreement indicating its desire to renew the Agreement. 986 may require as a condition to renewal that Franchisee not be in default with 986, or any suppliers, or the Landlord, and Franchisee's 986 Pharmacy must be in compliance with current standards for signage and look, and equipment, then 986 will renew Franchisee's franchise for another 10 year term, or under the terms of a new current form Franchise Agreement with the Franchisee under the standard agreement being offered to new franchisees at that time Franchisee must pay Franchisor a \$2,000 renewal fee upon renewal.

5.2 Updates to Building at Renewal

At renewal, Franchisee agrees to pay for updates to the building, premises, signage and any equipment that is deemed necessary by 986 to be in line with the image and safety standards of 986 at time of renewal.

5.3 986's Intent Not to Renew

If 986 makes the determination that Franchisee has not complied with all terms, conditions, and covenants of this Agreement, 986 may, at its discretion, not renew this Agreement. If 986 decides to not renew this Agreement, 986 shall give Franchisee written notice of its intent to not renew this Agreement not less than 60 days prior to the expiration of this Agreement.

Section 6: Franchisee's General Obligations

6.1 Opening and Operation of a 986 Pharmacy

Franchisee or Franchisee's Pharmacist-In-Charge shall open and operate a retail pharmacy using the System and shall name Franchisee's retail pharmacy "986 Pharmacy" and brand the retail pharmacy under 986's

Marks. Franchisee shall continue to operate the business under the 986 Pharmacy name and under 986's Marks or any other names, logos or designs recognized by 986 as its marks throughout the term of this Agreement.

6.2 Valid Pharmacy Business Licenses

Franchisee shall hold and maintain a valid pharmacy business license as required by the state in which its 986 Pharmacy is located which will allow it to legally provide pharmaceutical services. If Franchisee is not a licensed pharmacist, Franchisee shall employ a licensed pharmacist who must be on the premises during regular business hours to directly supervise the operations of the Pharmacy. If Franchisee is not a licensed pharmacist, the Pharmacist-In-Charge shall at all times have a valid board of Pharmacy license in the state of where the Retail Pharmacy is located.

6.3 Valid Licenses of Pharmacists employed by Franchisee

Franchisee shall ensure that any pharmacist employed or contracted by the Franchisee holds and maintains a valid license to practice the profession of pharmacy in the state in which the Franchisee's 986 Pharmacy is located. If Franchisee is not a licensed pharmacist, the 986 Pharmacy must be directly supervised "on premises" by a duly licensed pharmacist who is "on-premises" during business hours. All pharmacists employed at the 986 Pharmacy must also be duly licensed pharmacists. Only licensed pharmacists shall manufacture, compound, furnish, sell and dispense dangerous drugs or dangerous devices at the 986 Pharmacy. Only licensed pharmacists shall dispense and compound prescriptions of a prescriber at the 986 Pharmacy. If Franchisee is a pharmacy corporation, each shareholder, director and officer of Franchisee, except an assistant secretary and assistant treasurer, must be a licensed person as defined by applicable law. Franchisee shall also comply with all federal, state, and local rules in order to operate a pharmacy at the location where Franchisee's 986 Pharmacy is located. Franchisor shall have the right to terminate this Agreement if, at any time, Franchisee no longer is, or no longer employs, a licensed pharmacist at the 986 Pharmacy.

6.4 License for the Sale of Controlled Substances

Franchisee shall maintain all required state and federal licenses for the sale of controlled substances, listed chemicals, and monitored items.

6.5 Notification to 986 of Loss or Suspension of Licenses

Franchisee will notify 986 immediately if any of the licenses mentioned in paragraphs 7.2, 7.3 or 7.4 are revoked, suspended or restricted in any way and hinder the Franchisee from fulfilling this Agreement.

6.6 In-Store Marketing and Advertising

Franchisee understands that in-store marketing and advertising programs are important to the recognition and reputation of 986's Marks and the System. Franchisee shall participate in marketing and advertising programs as designed and designated to the Franchisee from time to time by 986.

6.7 Local Advertising and Marketing

Franchisee understands that local marketing and advertising are important to increase local recognition and reputation of 986's Marks, the System, and Franchisee's 986 Pharmacy. Franchisee shall make reasonable expenditures for local advertising in the mediums of television, internet, and local print publications. All marketing and advertising must be in line with 986's standards and requirements which may be modified or changed from time to time. 986 does not currently have a network marketing fund, (Fund) but reserves the right to establish one in the future. If established, Franchisee will be required to contribute either a flat monthly amount, or a percentage of gross revenues on a monthly or weekly basis not to exceed 0.25%. 986 and our designees will have the sole authority to direct all advertising, marketing, and promotional programs of the Fund and will have sole discretion over all aspects of those programs, including the concepts, materials, and media used and the placement and allocation of them. The Fund's activities and programs may include, among other things, conducting and preparing advertising, marketing, public relations, customer surveys, and/or promotional programs and materials, and any other activities that we believe will enhance the image of the 986 Pharmacy brand, such as preparing and conducting radio, television, print, and Internet-based advertising campaigns; marketing and promoting the 986 Pharmacy locations, and may include utilizing social and business networking media sites and other emerging media or promotional tactics; developing, maintaining, and updating our Website on the Internet; direct mail advertising; marketing surveys; employing advertising and/or public relations agencies; purchasing promotional items; purchasing point-of-purchase materials; providing promotional and other marketing materials and services to the businesses operating under the System. Fund contributions will be used primarily for advertising on the national level as well as for costs associated with promoting the 986 Pharmacy locations in general, and not for any specific geographic territory. 986 is not obligated, in administering the Fund, to make expenditures for you which are equivalent or proportionate to Franchisee's contribution, or to ensure that any particular franchisee benefits directly or on a pro rata basis from expenditures or activities of the Fund.

6.8 Compliance with Image Standards

Franchisee understands that image standards are important to the continued recognition and reputation of 986's Marks and the System. Franchisee shall use the logos, uniforms, color schemes, outdoor signs, indoor signs, posters and any other reasonable marketing and advertising items that are required by 986. Franchisee shall make reasonable updates to their 986 Franchise Business to keep in line with 986's image standards which may be changed or modified from time to time by 986. Franchisee shall make any expenditure necessary to be in line with 986's image standards. You must not use any advertising or promotional plans or materials unless and until you have received written approval from us. If you do not receive written notice of disapproval from us within 15 days of the date of our receipt of these samples or materials, we will be deemed to have approved them.

6.9 Supplies Equipment and Product Purchasing

Franchisee shall only purchase supplies, and equipment that are in line with standards set out by 986. The standards for supplies and equipment may be changed or modified from time to time by 986. All products offered for sale at Franchisee's 986 Pharmacy must be purchased through 986's chosen suppliers and vendors. Furthermore, Franchisee shall not sell any product without prior approval by 986. 986 will provide a list of required opening inventory. Our specifications and standards for supplier approval are generally available upon written request. Our specifications and standards will be issued to you or approved suppliers

and our criteria for supplier approval will be available to our franchisees. If product specifications for the item are not in the Manuals, we will furnish the general, but not manufacturing, specifications for the products to you at your request. We may condition our approval on the supplier agreeing in writing not to disclose any confidential information regarding us or our operations, to comply faithfully with our specifications for the items it sells, to sell any materials bearing our marks only to our franchisees, and on the supplier demonstrating to our reasonable satisfaction that it is able to supply commodities meeting our specifications on a continuing basis, and that the supplier is, and will continue to be, of good standing in the business community with regard to its financial soundness and the reliability of its product and service. We and our affiliates may derive income based on certain required purchases or leases made in accordance with our specifications. We will earn a 0.25% to 0.50% administrative fee for branded medicine, 1% to 2% administrative fee on generic medications, and 1% to 10% administrative fee on non-medical supplies and inventory on franchisee purchases from approved suppliers. If we or our other affiliates derive income based on certain required purchases or leases made in accordance with our specifications, that income will generally be a percentage of the gross revenue derived by the supplier from sales to our franchisees.

6.10 Mandatory Attendance of Training

Franchisee understands that training is important to the ongoing success of the System; therefore, Franchisee or Franchisee's Pharmacist-In-Charge shall attend all trainings deemed mandatory by 986 at Franchisee's expense. Mandatory trainings may be at the location of the Franchisee's 986 Pharmacy or at any other location within the continental United States (excluding both Alaska and Hawaii). Franchisee agrees that a selection of a location for training anywhere within the continental United States (excluding both Alaska and Hawaii) is a reasonable location.

6.11 Subsequent Initial Business Training

If a Franchisee, who initially exercises operational control, opts to give operational control to a Pharmacist-In-Charge, or if there is a change in the Pharmacist-In-Charge at Franchisee's 986 Pharmacy, Franchisee shall send the new Pharmacist-In-Charge to Subsequent Initial Business Training at Manager's expense and pay 986 a fee for Subsequent Initial Training. If Franchisee selects a Pharmacist-In-Charge who has successfully completed Initial Business Training within the past five (5) years, then the Pharmacist-In-Charge is not required to attend Subsequent Initial Business Training and no fee for the training shall be paid by Franchisee.

6.12 Restricted Access to 986 of Physical Premises

Franchisee understands that in order for 986 to maintain its standards for the System, it is necessary for 986 to have access to the Franchisee's 986 Pharmacy; therefore, Franchisee shall give access to 986 to enter and inspect the Franchisee's 986 Pharmacy with the presence of a registered pharmacist designated as the pharmacist-in-charge of Franchisee's store when the store is stocked with any prescription medication. Franchisor and Franchisee agree that the Franchisor, its agents, representatives, and designee shall not have a key or access to the pharmacy premise at any time. Further, Franchisee shall allow 986 from time to time to take samples of any marketing materials, products, and items trademarked by 986 to ensure that the quality of the samples comply with the franchise guidelines. The Franchisor shall have no right to remove any excluded items from the pharmacy premise which includes prescription-only drugs, controlled substances, non-prescription drugs, and any over-the-counter drugs.

6.13 Financial and Sales Information

Franchisee understands that maintaining financial books and sales records under a set of standards allows for a more efficient review by 986, therefore Franchisee shall maintain its financial books and sales records in line with standards, set by 986. Standards for financial books and records may be modified or changed from time to time by 986. Franchisee shall send copies of financial books and sales information requested by 986 from time to time using a form of communication authorized by this Agreement. Franchisee shall send financial books and sales information to 986 no later than three (3) weeks from the date of 986's request.

Franchisee understands that accurate and organized bookkeeping is crucial to the success of any business. Thus, Franchisee is required to retain monthly bookkeeping from a designated accountant firm or a pre-approved accountant firm by Franchisor. For accuracy and cost-effective audit of insurance payments, Franchisees are required to pay a monthly fee to a designated service, such as FDS Recon or a similar company pre-approved by Franchisor.

6.14 Internet Presence

Franchisee understands the importance of maintaining a uniform identity; therefore, Franchisee shall not establish or maintain a website, social media webpage, or any other internet presence (except for local internet advertising that complies with 986's standards) with any reference to the System, 986's Marks, or any 986 Pharmacy, including the Franchisee's 986 Pharmacy. 986 will provide you with a website page, which will be linked to a locator link on our main website www.986pharmacy.com, and will maintain that website and your locator link so long as you are not in default of the Franchise Agreement terms.

6.15 Financial Obligations

Franchisee shall be responsible for all financial tax and other financial obligations of the 986 Pharmacy on time and without delay.

6.16 Computer Systems

Franchisee understands that the pharmacy computer system standards are necessary to maintain the efficiency of the System, therefore, Franchisee shall use only a pharmacy computer system that is in line with standards set by and may be reasonably modified or changed from time to time by 986. Franchisee agrees to purchase and use the software Digital Rx. 986 is not required to provide any maintenance to you for your computer systems and any maintenance must come at your sole expense. Franchisee agrees to update its system, if necessary, to comply with any updated standards 986 implements. There is no contractual limitation on 986's right to require Franchisee to do so or on the frequency or cost if 986 so requires; however, 986 agrees to try to be reasonable in our requirements in implementing any required upgrades consistently among 986's franchisees.

6.17 Communications

Franchisee understands that it is important to maintain lines of communication with 986 and the public, therefore, Franchisee shall maintain an operating computer with internet access. Franchisee shall use an e-mail address as designated by 986; Franchisee shall monitor the designated email address daily while

Franchisee's 986 Pharmacy is in operation. Further, Franchisee shall establish and maintain sufficient fixed telephone lines which Franchisee or staff will monitor while Franchisee's 986 Pharmacy is in operation.

6.18 Point of Sale System

Franchisee understands that to maintain efficiency and safeguard the System that a uniform point of sale system and standards are necessary, therefore, Franchisee shall purchase and maintain a uniform point of sale system and comply with standards as designated by 986. The uniform point of sale system and standards may be modified or changed from time to time by 986. There is no contractual limitation on our right to require you to do so or on the frequency or cost if we do so 986 will provide its specifications and POS systems that meet these specifications.

6.19 Insurance

Franchisee understands that operating a pharmacy business opens it up to risks that can be partially mitigated financially by insurance; Franchisee shall maintain comprehensive insurance of insurance types listed under subsection (a), (b), (c), (d), and (e), if applicable, of this paragraph throughout the term of this Agreement, all at Franchisee's sole expense. The insurance shall be held under one or multiple insurance policies and name 986 as an additional insured. 986 shall provide guidelines to franchisee of acceptable terms of insurance policies for Franchisee's 986 Pharmacy. Before Franchisee purchases or agrees to terms for an insurance policy covering its 986 Pharmacy, 986 shall be able to inspect, and approve or reject the Franchisee's proposed insurance policy.

- (a) general public policy liability insurance including death, personal injury, and property damage insurance with a minimum coverage of \$1 Million each occurrence and \$3 million aggregate;
- (b) general casualty insurance including fire, vandalism, and malicious mischief on the building, signs, equipment and inventory;
- (c) comprehensive workers compensation insurance;
- (d) comprehensive professional liability insurance;
- (e) comprehensive motor vehicle liability insurance on each motor vehicle owned or operated by Franchisee 986 Pharmacy, if any vehicles are owned or operated by the Franchisee's 986 Pharmacy in this Agreement;
- (f) Professional liability insurance; and
- (g) Employment practices liability insurance (optional)

6.20 Franchisee's Employee Policies

Franchisee shall maintain a competent, conscientious, and trained staff and shall take all steps necessary to ensure that its employees preserve good customer relations, render competent, prompt, courteous, and knowledgeable service, and meet the minimum standards that Franchisor may establish from time to time in the Manuals or otherwise. If Franchisee is not a licensed pharmacist, Franchisee must pay Franchisee's duly licensed pharmacist who is on-premises during business hours a salary for his or her services rather than a share of profits derived from the operation of the 986 Pharmacy. All employees hired by or working for Franchisee shall be the employees of Franchisee, and Franchisee alone, and shall not, for any purpose, be deemed to be the employees of Franchisor or subject to Franchisor's direct or indirect control, most particularly with respect to any mandated or other insurance coverage, tax or contributions, or requirements pertaining to withholdings, levied, or fixed by any governmental authority. Franchisee and Franchisor will each file their own tax, regulatory and payroll reports, and be responsible for all employee benefits and

workers' compensation insurance payments with respect to their respective employees and operations. Franchisee acknowledges and agrees that Franchisor will not have the power to hire or fire Franchisee's employees. Franchisee expressly agrees, and will never contend otherwise, that Franchisor's authority under this Agreement to certify Franchisee's supervisory or managerial personnel for qualification to perform certain functions at the 986 Pharmacy does not directly or indirectly vest in Franchisor the power to hire, fire or control any of Franchisee's personnel. Franchisee alone shall be solely responsible for all hiring and employment decisions and functions relating to the 986 Pharmacy, including, without limitation, those related to hiring, firing, training, establishing remuneration, compliance with wage and hour requirements, personnel policies, benefits, recordkeeping, supervision, and discipline of employees regardless of whether Franchisee has received advice from Franchisor on these subjects or not. Franchisee acknowledges and agrees that any guidance Franchisee receives from Franchisor regarding employment policies should be considered as examples, that Franchisee alone is responsible for establishing and implementing its own employment policies, and that Franchisee understands that Franchisee should do so in consultation with local legal counsel experienced in employment law. Franchisee shall immediately defend, reimburse and hold Franchisor harmless from any direct or indirect losses, costs and expenses, including attorneys' fees, arising out of any claim made by or for the benefit of any employee of Franchisee against Franchisor regarding employment decisions and employee functions at the 986 Pharmacy, including, without limitation, those related to hiring, firing, training, wage and hour requirements, record keeping, supervision, and discipline of employees.

Franchisee understands that public image is crucial to the success of all businesses. The 986 Pharmacy image maintains a high standard of treatment of employees. Thus, Franchisees are required to comply with all federal, state, and local employment practices. Additionally, Franchisees are required to provide a minimum benefits of medical benefits of at least a fifty percent (50%) contribution to full-time, employees working more than 30 hours after three months and a 401K plan, and vacation benefits. Exceptions are allowed by special waiver and consent from Franchisor.

Section 7: Fees

7.1 Initial Fees

Franchisee shall pay to 986 an initial fee of seventy-five thousand dollars (\$75,000) and is non-refundable. This fee is due on the day this Agreement is executed. The initial fees will be a \$75,000 lump sum franchise fee due upon signing the Franchise Agreement.

7.2 License Fees

Franchisee shall pay to 986 a continuing license fee::

- For new Franchisee, the monthly licensing fee will be one thousand five hundred dollars (\$1,500.00) for the first twelve (12) months and subsequently increase to two thousand dollars (\$2,000.00) per month for the remainder of the term.

In addition, 986, at its sole discretion, reserves the right to increase the license fee annually by up to five percent (5%) on July 1 of each calendar year. The Franchisee is required to fulfill this fee increase within twenty-one (21) days of the billing invoice.

Furthermore, 986 holds the discretion to implement a five percent (5%) annual increase in the monthly licensing fee, and this adjustment will bring the fee to two thousand dollars (\$2,000.00) effective from the date of the increase.

7.3 Administration Fee

Franchisee shall pay to 986 an administration fee of quarter percent 0.25% to 0.50% for all branded medications, 1% to 2% on generic medications, and 1% to 10% on non-medicinal supplies and inventory or products purchased through 986's approved medication wholesalers. 986 reserves the right to change wholesalers without notice.

7.3 Penalty for Late Payment of Fees

All fees not received on or before due date under this Agreement shall incur a late charge of one (1%) percent per a month, compounded annually. If this interest rate is higher than the interest rate allowed by law than the maximum interest rate allowable by law shall be used.

Section 8: Standards, Policies and Procedures

8.1 Standards Policies and Procedures; Operations Manual

986 will loan you one copy of our Operations Manual or make it available to you, which may be hard copy or electronically. If 986 establishes, modifies, or changes any standards, policies or procedures, 986 shall make available copies to Franchisee. 986's standards, policies, and procedures may be made available through e-mail, internet website, printed manuals or by any other medium or means determined by 986. Franchisee shall comply with any mandatory standard, policy or procedure set by 986 unless prohibited by state federal or local law. Any physical copies of standards, policies, or procedures are the property of 986 and shall be kept on the premises of Franchisee's 986 Pharmacy and returned to 986 within (5) days of written or oral request. We will provide you a list of approved suppliers and vendors for products and services to be offered at the 986 Pharmacy, and we may update that list from time to time, and will provide you all updates. We will provide you with our Manuals and various supplemental bulletins and notices that will contain the specifications, standards and restrictions on your purchase of products and services. The various requirements, restrictions, prohibitions, specifications and procedures of the 986 Pharmacy System with which you must comply under the Franchise Agreement and the Manuals do not directly or indirectly constitute, suggest, infer or imply that we control any aspect or element of the day-to-day operations of your 986 Pharmacy, but only constitute standards to which you must adhere when exercising your control over the day-to-day operations of your 986 Pharmacy consistent with our policies.

8.2 Modification of System

Franchisee understands that 986 may need to modify the System from time to time in order to improve the System; therefore, Franchisee agrees to comply with any modification to the System by 986.

8.3 Conflict of System with Laws and Regulations

Franchisee understands that the pharmacy retail industry is a highly regulated industry, therefore franchisee agrees that any advice, standard, policy, or procedure (collectively, “986’s advice”) that is inconsistent with federal, state local law, or regulation is unintentional. Franchisee when faced with an inconsistency between 986’s advice and federal, state, local law or regulations shall comply with the applicable laws and regulations. Franchisee shall communicate any inconsistency between the laws and regulations and 986’s advice immediately to 986, both orally and in writing. Further, any standard, procedure or policy shall not be construed by Franchisee or any pharmacist that works, or is contracted to work, at a 986 Pharmacy to be advice for the professional practice of pharmacy. Franchisee shall comply with all prohibitions against referral and fee splitting under California and federal laws.

Section 9: 986’s Obligations

9.1 Initial Training

986 will provide Franchisee and the Pharmacist-In-Charge a total of up to 80 hours over the course of 2 weeks for training. The 80 hours of training includes the pre-opening Initial Training and post-opening on-site assistance. Additional on-site assistance by 986 Degrees Corporation will require an additional fee that will cover professional fee, travel expenses such as lodging, meals and transportation. You and your Manager/Pharmacist-in-Charge must successfully complete the Initial Training at least 30 days before the opening of the 986 Pharmacy and you must open your 986 Pharmacy within one year after you sign your Franchise Agreement, Instructional materials for the initial training program consist of the Manual, print material, and other information to be distributed and/or available. If you and your Manager/Pharmacist-in-Charge do not successfully complete the Initial Training, after a second attempt, we may terminate the Franchise Agreement, with no refund to you.

9.2 Programs Consisting of Additional Training

986 may from time to time provide programs consisting of additional training or at your request, additional post-opening assistance or training to you at an additional fee, which may be \$0-up to \$250 per day. Additional on-site assistance by 986 Degrees Corporation will require an additional fee that will cover professional fee, travel expenses such as lodging, meals and transportation.

9.3 Marketing and Advertising

986, from time to time will provide franchisee marketing or advertising including a website for the Franchisee’s location, and access to 986’s templates for local print and internet advertising.

9.4 Site Selection

If the 986 Pharmacy is a new location, 986 shall work with Franchisee to select a site for Franchisee within ninety (90) days of signing this agreement. 986 shall consult with Franchisee on the subject of location; however, where to locate Franchisee’s 986 Pharmacy is subject to final approval by 986 in accordance with paragraph 3.1 of this Agreement. You must sign a lease for an approved location within 120 days of signing

the Franchise Agreement. 986 has the right to approve the terms of any lease or sublease for the Approved Location.

9.5 Consultation

We may provide regular consultation and advice to you in response to inquiries from you regarding administrative and operating issues that you bring to our attention. We may make recommendations that we deem appropriate to assist your efforts. However, you alone will establish all requirements, consistent with our policies, regarding (i) employment policies, hiring, firing, training, wage and hour requirements, record keeping, supervision, and discipline of employees; (ii) the individuals to whom you will offer and sell your products and services; and (iii) the suppliers from whom you obtain any products or services used in or at your 986 Pharmacy for which we have not established approved suppliers.

Section 10: Termination of Franchise Relationship

10.1 Immediate Termination of this Agreement Without Right to Cure by 986

986 may terminate this Agreement without right to cure upon immediate notice to Franchisee if any of the following occur:

- (a) Franchisee's pharmacy business license is revoked, suspended or restricted in any way;
- (b) any of Franchisee's state and or federal licenses for the sale of controlled substances, listed chemicals, and monitored items is revoked, suspended or restricted in any way;
- (c) Franchisee no longer is or no longer employs a pharmacist validly licensed in the state in which Franchisee's 986 Pharmacy is located who is on the premises during regular business hours to directly supervise the operations of the pharmacy;
- (d) Franchisee or its employees are conducting the 986 Pharmacy business in a manner that endangers patients or customers;
- (e) Franchisee or its employees are conducting the 986 Pharmacy business utilizing unauthorized practices, fraud or dishonesty in dealings with 986 or customers;
- (f) Franchisee is dispensing unauthorized products at the 986 Pharmacy;
- (g) If there are MORE THAN 2 defaults listed in the Right To Cure section in any 12 month period even though such defaults have been timely cured.
- (h) Franchisee fails to open up a 986 Pharmacy at a new location within one year of entering this Agreement;
- (i) Franchisee fails to open up a 986 Pharmacy at a converted location within 180 days of entering this Agreement

10.2 Termination of Agreement with Right to Cure & Penalties

986 may, at its discretion, terminate this Agreement upon the expiration of fourteen days (14) written Notice of Default and Demand to Cure, should any of the following defaults not be cured:

- a) Franchisee fails to provide financial books and records or any other information or reports requested by 986;
- b) Franchisee sells or attempts to sell any interest in Franchisee's pharmacy operated under 986's Marks without prior written consent by 986;

- c) Franchisee fails to pay any monies due to 986 or any of Franchisee's creditors or suppliers;
- d) Franchisee fails to utilize approved vendors;(e) Franchisee failed to follow the operations manual or operating standards;
- e) Franchisee fails to follow Franchisor's marketing and advertising policies and requirements;
- f) Franchisee fails to have store open for the minimum hours written in 986's procedures;
- g) Franchisee fails to attend required additional training or required training for a new manager/Pharmacist-in-Charge; or
- h) At Franchisor's discretion, instead of termination, Franchisor may elect to penalize Franchisee for non-compliance or failing to cure a curable default by issuing a monetary penalty of one Thousand dollars (\$1,000) per occurrence. If a penalty is issued by Franchisor for failing to cure a non-compliance within fourteen (14) days of notice, Franchisee shall be required to pay the issued penalty within ten (10) days of the notice from Franchisor. In the event that Franchisor elects to terminate this Agreement when Franchisee fails to cure a default, Franchisor retains the right to purchase Franchisee's 986 Pharmacy at a price determined by an experience retail pharmacy business appraiser with a ten (10) day prior written notice.

10.3 Right to Cure-extension

Franchisor may allow Franchisee a reasonable extension of time to cure where it is not practical to cure within the 14 day period, so long as Franchisee has made substantial attempts to begin the cure.

10.4 State Law Supersedes

If any of the provisions in this Agreement in respect to termination or time to cure are less than those minimally allowed by state law in the state that Franchisee's 986 Pharmacy is located then the minimum time frame allowed by the state shall take the place of those times prescribed by this Agreement in Section 10.

Section 11: Franchisee's Obligations upon Termination of Contract

11.1 Franchisee shall cease using Marks

If this Agreement in terminated, Franchisee shall immediately cease using 986's Marks in the operation of its business. Further, Franchisee shall remove any signs, logos, names, color schemes or other marks associated with 986 or 986's Marks.

11.2 No use of Confusingly Similar 986's Marks

If this Agreement is terminated, Franchisee shall not use any signs, logos, names, colors schemes, design, catchphrase or other marks that are confusingly similar to 986's Marks.

11.3 Return or Deletion of Standards, Practices, and Procedures

If this Agreement in terminated, Franchisee shall immediately return any manuals or physical copies of standards, practices, and procedures that have been provided to the Franchisee. Further, Franchisee shall delete any copies of standards, practices, or procedures stored on any electronic storage device, computer or any other device in control of the Franchisee.

Section 12: Confidentiality, Limited Use and Change of Mark

12.1 Confidentiality

Franchisee covenants to keep confidential the System, and any methods used by 986. The System and methods used by 986 are valuable trade secrets and Franchisee shall not disseminate any information or documents related to these trade secrets, these documents include but are not limited to manuals and computer programs. Franchisee must sign a Confidentiality Agreement, attached as Exhibit 3 to this Agreement.

12.2 Limited Use of Intellectual Property

The System, Site Location Lists, and any methods used by 986 shall only be used in Franchisee's 986 Pharmacy, identified in this Agreement, and shall not be used by Franchisee in any other business or location not covered in this Agreement. Franchisee may not be engaged as an owner, officer, director or employee in any competing business within 10 miles of the 986 Pharmacy during the term of this Agreement. Franchisee must sign a non-competition Agreement attached as Exhibit C to this Agreement.

12.3 Change of 986's Mark

986 at its discretion may cease using 986's Mark or any other mark that is in use by 986. The cessation of using 986's Mark does not affect the validity of this Agreement; 986, instead, may substitute in a new mark or marks for 986's Mark. Franchisee is responsible for all changes to the store to re-identify the business under the substituted mark.

Section 13: Indemnification

13.1 Indemnification

At Franchisee's sole expense, Franchisee agrees and is obligated to defend, indemnify, and hold harmless 986, its stock holders, directors, officers, employees, and agents from any liability, loss, or damage as a result of claims, demands, costs or judgments against 986 arising from Franchisee's (including Franchisee's employees, Pharmacist-In-Charge, contractors, related parties, personnel or agents) negligence, willful actions or omissions. In any action claim or allegation which Franchisee is obligated to indemnify 986, 986 reserves the right to defend itself and select and employ counsel at Franchisee's sole expense. Further, Franchisee agrees to indemnify 986 for all costs, including, but not limited to, travel, accommodation, court costs, attorney's fees, and any investigations conducted by 986 or outside entity. Any amounts due under this paragraph shall be paid by Franchisee to 986 within fourteen (14) days of notice.

13.2 Ongoing Indemnification

All provisions in paragraph 13.1 shall continue in full force and effect after this Agreement has expired or has been terminated by either party with no end or limit in time.

Section 14: Relationship of Franchisee and 986

14.1 Relationship of Franchisee and 986

Franchisee and 986 are considered independent contractors of one another. There is no intention of either Franchisee or 986, under any term, condition or covenant of this Agreement to create a fiduciary, employment, partnership, agency or any other type of relationship except that of independent contractors. Further, there is no implied employment relationship as a result of this Agreement.

14.2 No Representation of Agency

Franchisee and 986 operate independently of one another and neither party shall make any representation that they act on behalf of the other in any way or that either will assume or assist in the debts or obligations of either party. The debts and obligations of each party are not the responsibility of the other party.

Section 15: Transfer of Rights of this Agreement by Franchisee

15.1 Transfer of Rights under this Agreement by Franchisee

Franchisee shall not transfer any rights under this Agreement to any other person, persons, entity or entities (hereinafter collectively known as “Transferee”) without the prior written consent of 986. Transferee shall be of good moral character, have a good credit rating all of which shall be determined at the sole discretion of 986. Transferee shall have business qualifications showing enough competence to operate a 986 Pharmacy. However, if transferee decides to designate a Pharmacist-In-Charge to operate the business, the Pharmacist-In-Charge shall also have good moral character, a good credit rating and competent business qualifications to operate Franchisee’s 986 Pharmacy. If a Transferee’s business qualifications are not deemed competent by 986, 986 shall also take into account Transferee’s Pharmacist-In-Charge’s business qualifications in making its determination. Further the terms and price of the transfer agreement shall not negatively affect Transferee’s ability to operate Franchisee’s 986 Pharmacy or fulfill this Agreement.

15.2 Information Concerning Transfer of Rights by Transferee

Franchisee shall provide all informational statements requested and reasonably available or retrievable by Franchisee to 986 in regard to any transfer, transferee, or Transferee’s Pharmacist-In-Charge. Informational statements concerning Transferee will allow 986 to make a determination of the adequacy of the transferee to own, and or operate, a 986 Pharmacy. Information that may be requested includes, but is not limited to, financial statements, criminal background checks, credit score reports, and lists of litigation or criminal cases that involved transferee. All informational statements must be legally obtained by Franchisee under federal, state and local laws.

15.3 Assumption of all Terms, Conditions and, Covenants of this Agreement by Transferee

If Franchisee transfers its rights under this Agreement to a Transferee, the Transferee shall assume all of Franchisee’s obligations, terms, conditions and covenants of this Agreement.

15.4 Franchisee’s Payment of All Monies Owed to 986

Franchisee shall pay any and all money owed to 986 prior to any transfer.

15.5 Transfer Fee

Franchisee shall pay a transfer fee to 986 of five thousand dollars (\$5,000.00) for each transfer request. This fee is due to 986 at the time of the request for transfer by Franchisee.

15.6 Mandatory Training of Transferee or Transferee's Pharmacist-In-Charge

Transferee may choose to retain operating control of the 986 Pharmacy or give operating control of Transferee's 986 Pharmacy to a Pharmacist-In-Charge. The Transferee and the Pharmacist-In-Charge who possesses operating control, at Transferee's expense, must successfully complete a Subsequent Initial Business Training and Transferee must pay a fee to 986 of five thousand (\$5,000.00) for that Subsequent Business Training. If the Transferee and Pharmacist-In-Charge who possesses operating control has successfully completed an Initial Business Training or Subsequent Initial Business Training within the last five (5) years from the day of transfer, then the Transferee or the Pharmacist-In-Charge who possesses operating control does not have to attend a Subsequent Initial Business Training and the Transferee does not have to pay a fee mentioned in this paragraph for the Subsequent Business Training.

15.7 Transfer(s) upon Death or Permanent Incapacity

In the event any equity interests in Franchisee's 986 Pharmacy are transferred, whether by operation of law, testamentary disposition or otherwise, upon Franchisee's death or permanent incapacity, and the recipient is not legally permitted to own a retail pharmacy, then each recipient of such equity interests shall transfer or sell his or her interest in the 986 Pharmacy to a person who is legally permitted to own a retail pharmacy and fulfill all of Franchisee's obligations under this Agreement within sixty (60) days. Further, all recipients of any equity interest in Franchisee's 986 Pharmacy shall agree to observe and be bound by all provisions of this Agreement and any other applicable Related Agreement by which Franchisee was bound.

15.8 Right of First Refusal

(a) Prior to granting consent to any proposed assignment, Franchisor shall have a right of first refusal to purchase the franchised business from Franchisee. Franchisee shall notify Franchisor of its desire to sell, assign or transfer the franchised business by written notice setting forth the proposed terms and conditions for such sale, assignment, or transfer. Franchisor shall then notify Franchisee in writing within thirty (30) days after receipt of such notice as to whether or not Franchisor wishes to exercise its right of first refusal on such terms and conditions.

(b) If Franchisor determines not to exercise its right of first refusal at that time, then Franchisor may assist Franchisee to find a suitable buyer from among those prospective franchisees with whom Franchisor has been in contact. If within the said thirty (30) day period Franchisor has not been able to assist Franchisee, then Franchisee may commence its efforts to sell the franchised business; provided, however, that Franchisee shall submit all proposed advertisements for the sale of the franchised business to Franchisor for its reasonable prior written approval as to form.

(c) Once Franchisee receives a bona fide offer to purchase from a third party, Franchisee shall deliver written notice to Franchisor setting forth all of the terms and conditions of the proposed sale and all available information concerning the proposed assignee, as well as a statutory declaration of Franchisee or an officer thereof attaching a true and complete copy of the offer. Franchisor shall

have the right to communicate directly with the offeror upon Franchisee's acceptance of the offer conditional upon Franchisor's prior right of first refusal, or upon Franchisee notifying Franchisor that Franchisee is willing and intends to accept the offer if Franchisor does not exercise its right of first refusal. Within thirty (30) days after Franchisor's receipt of such notice and information, Franchisor shall notify Franchisee in writing as to whether or not it will exercise its right of first refusal on the same terms and conditions excluding any agent or broker fees that would be payable by Franchisee, or if not, whether or not it consents or does not consent to the proposed sale and assignment of this Agreement to the proposed assignee, together with any reasonable conditions of Franchisor's consent, or the reasons for Franchisor's non-consent. Franchisor's consent, if any, will be conditioned upon the same factors as set forth above in respect of any proposed assignment.

(d) If Franchisee is a corporation, a transfer, re-acquisition, cancellation, alteration or issuance of shares, or any other transaction or series of transactions involving the same which alone or together would affect twenty-five percent (25%) or more of or would result in a change in control of the majority of the voting or equity interests in Franchisee directly or indirectly shall constitute an assignment for the purposes of this Agreement. In the event that any transaction such as the above shall occur but shall not constitute an assignment, or in the event of any change in the directors, officers or shareholders of Franchisee, or in the voting or equity interests in Franchisee, Franchisee shall notify Franchisor in writing of the details of such transaction within five (5) days of its occurrence.

(f) Franchisee shall not have the right to pledge, encumber, charge, hypothecate or otherwise give any third party a security interest in this Agreement without the prior written consent of Franchisor.

Section 16: Transfer of Rights of this Agreement by 986

16.1 Transfer of Rights of this Agreement by 986

986 may directly or indirectly transfer its rights under this Agreement, to an assignee who agrees to be bound by all 986's obligations.

16.2 No Release of Franchisee upon Transfer of Agreement by 986

Any transfer of rights in this Agreement by 986 shall not release the Franchisee from this Agreement unless agreed upon in a separate a written agreement by Franchisee and 986.

Section 17: Enforcement of Agreement

17.1 Governing Law

This Agreement shall be governed by the substantive and procedural laws of the state of California.

17.2 Venue

Subject to conditions of paragraphs 17.1 each party shall submit to the jurisdictions of the Federal or State Courts of California in Los Angeles County.

17.3 Arbitration

Each party shall submit to binding arbitration by one (1) Neutral of JAMS (located at 707 Wilshire Blvd. in Los Angeles, California, or if moved to the nearest JAMS location to the aforementioned address), who will act as Arbitrator, before undertaking any litigation arising from this Agreement. The parties shall submit **JAMS Expedited Procedures**. If JAMS ceases to exist at the time of dispute or arbitration, then the parties to this Agreement shall submit to another Mediator or mediation service located in Los Angeles, California. The arbitrator must apply applicable provisions of this Agreement including any limitations or waivers. The Arbitrator shall have no authority to change any provisions of this Agreement. Any arbitration must be conducted on an individual basis between the Franchisee and 986, no other franchisee may be named or participate in an arbitration between the parties to this Agreement.

- (a) The parties agree to submit to the exclusive jurisdiction of the federal and state courts of Los Angeles California to enforce this Agreement to arbitrate.
- (b) The parties agree to keep all aspects of the Arbitration confidential including the Arbitrations results and existence.
- (c) The parties agree to pay for arbitration equally.

17.4 Legal Fees

The losing party shall pay the legal costs and attorney's fees of the prevailing party.

17.5 No Punitive Damages

The parties, as maximally allowed by law, agree to waive any punitive damages from the other for any disputes that arise from this Agreement.

17.6 Franchisee is Jointly and Several Liable

Franchisee agrees that it will be jointly and severally liable with any limited liability entity, (including but not limited to a, Corporation, Limited Liability Company or Limited Partnership) that Franchisee forms to own and operate a 986 Business, for all obligations of Franchisee under this Agreement.

17.7 Waiver of Class Action

Franchisee agrees that if any litigation is commenced by either party in relation to this Agreement or due to the relationship formed by this Agreement between the parties, then Franchisee waives its right to any class action against 986. Any litigation must be only between Franchisee and 986 and must not name any other Franchisee as named parties to the litigation. Any action will be an individual litigation not including any other Franchisee.

Section 18: 986's Business Interests and Titles and Headings as References

18.1 986's Business Interests

Franchisee understands that 986 and its affiliates have other business interests that it does not intend nor shall be limited or affected in any way by this Agreement. Further, Franchisee understands and agrees that

986 and its affiliates shall have the right to conduct other similar or related business including the creation of other pharmacy franchise brands and its own retail pharmacy businesses, both of which may compete with Franchisee, and any other unrelated business that 986 and its affiliates is involved in or will become involved.

18.2 Titles and Headings as References

All titles and headings within this Agreement are only to be used as references and shall not be a part of this Agreement.

Section 19: Effective Dates of Notices and Correspondence

19.1 Effective Dates of Notices and Correspondence

All written notices and Correspondence allowed by this Agreement shall be effective on the following schedule:

- (a) on the day of any notices or correspondence is delivered by hand.
- (b) one (1) business day after any notices or correspondence is mailed by national overnight courier service with delivery receipt requested and obtained by sender.
- (c) five (5) business days after any notices or correspondence is sent by first class mail.
- (d) one (1) business day after notices or correspondence is sent by e-mail to monitored e-mail address as designated by 986.

Section 20: Entire Agreement and Binding Effect of this Agreement

20.1 Entire Agreement

Franchisee and 986 acknowledges and warrants to each other that this Agreement encompasses the entire business relationship and agreement between Franchisee and 986. This Agreement supersedes or cancels any other prior or contemporaneous promise, description, agreement, or any other statement whether made orally or written by 986 or any person acting on its behalf. Franchisee agrees that they will not rely upon any statement having to do with a guarantee or warranty of profit, success, or satisfaction related the business venture contemplated by this Agreement with 986. Nothing in this or in any related agreement, however, is intended to disclaim the representations Franchisor made in the franchise disclosure document that Franchisor furnished to Franchisee.

20.2 Binding Effect of this Agreement on Parties and All Subsequent Parties

This Agreement shall be binding on the parties to this Agreement as well as all subsequent parties including Transferees, and any successors of Franchisee. The transfer, expiration, lapse of time, or early termination of this Agreement shall not affect any continuing obligations, covenants (including the obligation to indemnify) contained in this Agreement.

20.3 No Waiver of Applicable State Franchise Law

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any

applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

(Signature Page Follows)

IN WITNESS WHEREOF, the parties have duly executed this Agreement on the date listed on the first page on this Agreement.

986 Degrees Corporation:

Franchisee:

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

EXHIBIT 1 TO FRANCHISE AGREEMENT

986'S MARKS

986's Main Mark: 986 Pharmacy®

986's Other Marks: 986 Degrees Corporation®

Location of Franchisee's 986 Pharmacy:

EXHIBIT 2 TO FRANCHISE AGREEMENT GUARANTEE, INDEMNIFICATION, AND ACKNOWLEDGMENT

As an inducement to 986 Degrees Corporation (the “Company”) to execute the Franchise Agreement between the Company and _____ (the “Franchisee”) dated _____, 20____ (the “Agreement”), the undersigned (the “Guarantors”), jointly and severally, hereby unconditionally guarantee to the Company and its successors and assigns that all of the Franchisee’s obligations under the Agreement will be punctually paid and performed.

Upon demand by the Company, the Guarantors will immediately make each payment to the Company required of the Franchisee under the Agreement. The Guarantors hereby waive any right to require the Company to: (a) proceed against the Franchisee for any payment required under the Agreement; (b) proceed against or exhaust any security from the Franchisee; or (c) pursue or exhaust any remedy, including any legal or equitable relief, against the Franchisee. Without affecting the obligations of the Guarantors under this Guarantee, the Company may, without notice to the Guarantors, extend, modify, or release any indebtedness or obligation of the Franchisee, or settle, adjust, or compromise any claims against the Franchisee. The Guarantors waive notice of amendment of the Agreement and notice of demand for payment by the Franchisee and agree to be bound by any and all such amendments and changes to the Agreement.

The Guarantors hereby agree to defend, indemnify, and hold the Company harmless against any and all losses, damages, liabilities, costs, and expenses (including reasonable attorneys’ fees, reasonable costs of investigation, court costs, and arbitration fees and expenses) resulting from, consisting of, or arising out of or in connection with any failure by the Franchisee to perform any obligation of the Franchisee under the Agreement, any amendment thereto, or any other agreement executed by the Franchisee referred to therein.

The Guarantors hereby acknowledge and agree to be individually bound by all of the confidentiality provisions and non-competition covenants contained in of the Agreement.

This Guarantee shall terminate upon the termination or expiration of the Agreement or upon the transfer or assignment of the Agreement by the Franchisee, except that all obligations and liabilities of the Guarantors which arose from events which occurred on or before the effective date of such termination, expiration, transfer, or assignment of the Agreement shall remain in full force and effect until satisfied or discharged by the Guarantors, and all covenants which by their terms continue in force after the termination, expiration, transfer, or assignment of the Agreement shall remain in force according to their terms. This Guarantee shall not terminate upon the transfer or assignment of the Agreement or this Guarantee by the Company. Upon the death of an individual guarantor, the estate of such guarantor shall be bound by this Guarantee, but only for defaults and obligations hereunder existing at the time of death; and the obligations of the other guarantors will continue in full force and effect.

Unless specifically stated otherwise, the terms used in this Guarantee shall have the same meaning as in the Agreement and shall be interpreted and construed in accordance with Section 26 of the Agreement. This Guarantee shall be interpreted and construed under the laws of California. In the event of any conflict of law, the laws of California shall prevail, without regard to, and without giving effect to, the application of the California conflict of law rules.

The Guarantors agree that the dispute resolution and attorney fee provisions in Section 26 of the Agreement are hereby incorporated into this Guarantee by reference, and references to the Franchisee and the Franchise Agreement therein shall be deemed to apply to the Guarantors and this Guarantee, respectively, herein.

Any and all notices required or permitted under this Guarantee shall be in writing and shall be personally delivered, sent by registered mail, or sent by other means which affords the sender evidence of delivery or rejected delivery (including private delivery, courier service, or facsimile), which shall not include electronic communication, such as e-mail, to the respective parties at the following addresses, unless and until a different address has been designated by written notice to the other party:

Notices to the Guarantors:

Address: _____

Attention: _____

Notices to the Company:

968 DEGREES CORPORATION
2521 Huntington Dr.
San Marino, CA 91108
Attention: Sally Chan, Vice President

Any notice by a means, which affords the sender evidence of delivery or rejected delivery shall be deemed given and received at the date and time of receipt or rejected delivery.

--Signatures on next page--

GUARANTEE, INDEMNIFICATION, AND ACKNOWLEDGMENT

Signature page

IN WITNESS WHEREOF, each of the Guarantors have signed this Guarantee as of the date of the Agreement.

GUARANTORS

Signature

Signature

Print Name

Print Name

Signature

Signature

Print Name

Print Name

EXHIBIT 3 TO FRANCHISE AGREEMENT

CONFIDENTIALITY AND NON-COMPETITION AGREEMENT

This Agreement is between 986 Degrees Corporation (“Franchisor”) and the undersigned, (Franchisee”).

In consideration of my being a franchisee of **986 Pharmacy** franchise system, and other good and valuable consideration, the receipt and sufficiency of which is acknowledged, I hereby acknowledge and agree that:

By agreement dated _____ 20____ (“Franchise Agreement”) between the Franchisee and Franchisor, the Franchisee has acquired the right and obligation to establish and operate 986 Pharmacy business (the “Pharmacy”) under the Franchisor’s trade names, service marks, trademarks, trade dress, logos, emblems, and indicia of origin (the “Proprietary Marks”) and the Franchisor’s unique and distinctive format and system relating to the establishment and operation of 986 Degrees businesses (the “System”), as they may be changed, improved and further developed from time to time in the Franchisor’s sole discretion.

1. The Franchisor possesses certain confidential information, knowledge or know-how concerning the methods of operation of the Pharmacy, including operating manuals and teaching programs, methods and materials, which may be communicated to the Franchisee or of which the Franchisee may be apprised by virtue of the Franchisee’s operation under the terms of the Franchise Agreement (the “Confidential Information”). Any and all information, knowledge, know-how, and techniques which the Franchisor specifically designates as confidential shall be deemed to be Confidential Information for purposes of the Franchise Agreement and this Agreement.

2. I understand and acknowledge that, as a Franchisee, the Franchisor will disclose Confidential Information to me in furnishing to me initial and ongoing training, the operating manual, and other general assistance during the term of the Franchise Agreement.

3. I will not acquire any interest in the Confidential Information, other than the right to utilize it in the operation of the Franchisee’s business and the Pharmacy during the term of the Franchise Agreement, and I understand and acknowledge that the use or duplication of the Confidential Information for any use outside the System would constitute an unfair method of competition.

4. I understand and acknowledge that the Confidential Information is proprietary to the Franchisor, involves trade secrets of the Franchisor, and is disclosed to me solely on the condition that I agree, and I do hereby agree, that I will hold in strict confidence all Confidential Information and all other information designated by the Franchisor as confidential. Unless the Franchisor otherwise agrees in writing, I will disclose and/or use the Confidential Information only in connection with my owning and operating the Pharmacy.

5. Except as otherwise approved in writing by the Franchisor, I will not, during the term of the Franchise Agreement, either directly or indirectly, for myself, or through, on behalf of, or in conjunction with any person, persons, partnership, or corporation, own, maintain, operate, engage in, be employed by, provide assistance to, or have any interest in (as owner or otherwise) any business which: (a) is substantially similar to the 986 Pharmacy business; or (b) offers or sells services that are the same as or similar to the services being offered by 986 Pharmacy business under the System,

including computer programming instruction, and for two (2) years thereafter, either directly or indirectly, for myself, or through, on behalf of, or in conjunction with any person, persons, partnership, or corporation, own, maintain, operate, engage in, be employed by, provide assistance to, or have any interest in (as owner or otherwise) any business which: (a)(i) is substantially similar to 986 Pharmacy business; or (ii) offers or sells services that are the same as or similar to the services being offered by 986 Pharmacy business under the System, and (b) is, or is intended to be, located at or within: (i) the Territory, which I acknowledge has been described to me; or (ii) ten (10) miles of any 986 Pharmacy business operating under the System and the Proprietary Marks.

The prohibitions in this Section 6 do not apply to my interests in or activities performed in connection with 986 Pharmacy business. This restriction does not apply to my ownership of less than five percent beneficial interest in the outstanding securities of any publicly-held corporation.

6. I agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an un-appealed final decision to which the Franchisor is a party, I expressly agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Agreement.

7. I understand and acknowledge that the Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Agreement, or any portion thereof, without my consent, effective immediately upon receipt by me of written notice thereof; and I agree to comply forthwith with any covenant as so modified.

8. I am aware that my violation of this Agreement will cause the Franchisor irreparable harm; therefore, I acknowledge and agree that the Franchisee and/or the Franchisor may apply for the issuance of an injunction preventing me from violating this Agreement, and I agree to pay the Franchisor all the costs it/they incur(s), including legal fees and expenses, if this Agreement is enforced against me.

9. This Agreement shall be construed under the laws of the State of California.

SIGNATURES ON FOLLOWING PAGE

CONFIDENTIALITY AND NON-COMPETITION AGREEMENT
SIGNATURE PAGE

FRANCHISOR:

986 DEGREES CORPORATION

By: _____

Print Name: _____

Title: _____

Date: _____

FRANCHISEE (signature applies individually and as officer of entity, if applicable):

Legal Name: _____

By: _____

Print Name: _____

Title if entity: _____

Date: _____

By: _____

Print Name: _____

Title if entity: _____

Date: _____

By: _____

Print Name: _____

Title if entity: _____

Date: _____

By: _____

Print Name: _____

Title if entity: _____

Date: _____

**EXHIBIT G
TO
FRANCHISE DISCLOSURE DOCUMENT**

GENERAL RELEASE

(SEE ATTACHED)

GENERAL RELEASE

This General Release (“Release”) is made and entered into on this ____ day of _____, 20____ by and between 986 Degrees Corporation (“Franchisor”) and _____ (“Franchisee”) with regard to the following Recitals.

RECITALS

WHEREAS, Franchisor and Franchisee are parties to 986 Pharmacy Franchise Agreement (the “Franchise Agreement”) dated _____, 20____, granting Franchisee the right to operate 986 Pharmacy business under Franchisor’s proprietary marks and system at the following location:
_____;

WHEREAS, Franchisee is requesting Franchisor’s consent to a transfer, or requesting a renewal term or requesting Franchisor’s consent to _____; and Franchisor is willing to grant such consent in consideration for Franchisee signing this Release.

NOW THEREFORE, in consideration of the mutual covenants and conditions contained in this Release, and other good and valuable consideration, receipt of which is hereby acknowledged by each of the parties hereto, the parties hereto agree as follows:

Franchisee, for itself and its successors, predecessors, assigns, beneficiaries, executors, trustees, agents, representatives, employees, officers, directors, shareholders, partners, members, subsidiaries and affiliates (jointly and severally, the “Releasers”), irrevocably and absolutely releases and forever discharges Franchisor and its successors, predecessors, assigns, beneficiaries, executors, trustees, agents, representatives, employees, officers, directors, shareholders, partners, members, subsidiaries and affiliates (jointly and severally, the “Releasees”), of and from all claims, obligations, actions or causes of action (however denominated), whether in law or in equity, and whether known or unknown, present or contingent, for any injury, damage, or loss whatsoever arising from any acts or occurrences occurring as of or prior to the date of this Release relating to the Franchise Agreement, the business operated under the Franchise Agreement, and/or any other agreement between any of the Releasees and any of the Releasers.

The Releasers, and each of them, also covenant not to sue or otherwise bring a claim against any of the Releasees regarding any of the claims being released under this Release.

Franchisee hereby waives the provisions of California Civil Code section 1542, which provides:

A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.

And any other similar provision in any other jurisdiction.

Signatures on next page

IN WITNESS WHEREOF, the parties hereto have executed this Release as of the date first above written.

FRANCHISOR:

986 DEGREES CORPORATION

By: _____

Title: _____

Date: _____

FRANCHISEE (signature applies individually and as officer of entity, if applicable):

Legal Name: _____

By: _____

Print Name: _____

Title if entity: _____

Date: _____

By: _____

Print Name: _____

Title if entity: _____

Date: _____

By: _____

Print Name: _____

Title if entity: _____

Date: _____

By: _____

Print Name: _____

Title if entity: _____

Date: _____

**EXHIBIT H
TO
FRANCHISE DISCLOSURE DOCUMENT**

STATE ADDENDUM

(SEE ATTACHED)

EXHIBIT H
ADDENDUM TO DISCLOSURE DOCUMENT
AND FRANCHISE AGREEMENT
CALIFORNIA

Item 17. Item 17 of the disclosure document is amended to provide as follows:

The California Franchise Investment law requires that a copy of all proposed agreements relating to the sale of the franchise be delivered together with the disclosure document.

California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer or non-renewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).

The Franchise Agreement contains a covenant not to compete, which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

The Franchise Agreement requires binding arbitration. The arbitration will occur in Orange County, California with the costs being borne equally by both parties. Franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a Franchise Agreement that restricts venue to a forum outside of California.

You must sign a general release if you renew or transfer your franchise. California Corporations Code section 31512 voids a waiver of your rights under the franchise investment law (California Corporations Code sections 31000 through 31505). Business and Professions code section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code sections 20000 through 20043).

Neither the Franchisor, nor any person in Item 2 of the disclosure document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling these persons from membership in this association or exchange.

Section 31125 of the franchise investment law requires us to give to you a disclosure document approved by the Commissioner of Business Oversight before we ask you to consider a material modification of your Franchise Agreement.

Our web site has not been reviewed or approved by the California Department of Financial Protection and Innovation. Any complaints concerning the content of this web site may be directed to the California Department of Financial Protection and Innovation at www.dfpi.ca.gov.

The franchisee may need to show compliance with the prohibition against referral and fee splitting statutes under California and federal laws and to ensure that they seek advice of counsel before entering into a contract with Franchisor.

In registering this franchise, the California Department of Financial Protection and Innovation has not reviewed, and makes no statements concerning, the franchisor's compliance with state and federal licensing and regulatory requirements relating to the practice of medicine. You should consult with your attorney concerning these laws, regulations, and ordinances that may affect the operation of your business. If the California Medical Board, or any other agency overseeing the practice of medicine in this state, determines that the operation of the franchise fails to comply with state law, the franchisor may be required to cease operations of the franchised business in California. This may result in the termination of your franchise and loss of your investment.

CALIFORNIA

ADDENDUM TO FRANCHISE AGREEMENT

THIS ADDENDUM TO FRANCHISE AGREEMENT (this “**Addendum**”) dated _____, is intended to be a part of, and by this reference is incorporated into that certain Franchise Agreement (the “**Franchise Agreement**”) dated _____, by and between **986 DEGREES CORPORATION**, a California corporation, as Franchisor, and _____, as Franchisee. Where and to the extent that any of the provisions of this Addendum are contrary to, in conflict with or inconsistent with any provision contained in the Franchise Agreement, the provisions contained in this Addendum shall control. Defined terms contained in the Franchise Agreement shall have the identical meanings in this Addendum.

1. Notwithstanding anything in the Franchise Agreement to the contrary, payment of all initial fees is postponed until the first business day after all of Franchisor’s initial obligations are complete and Franchisee is open for business, at which time all initial fees shall be all due and payable.

2. In the event of any conflict between the terms of this Addendum and the terms of the Franchise Agreement, the terms of this Addendum shall prevail.

3. Nostatement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

FRANCHISOR:

986 DEGREES CORPORATION
A California corporation

By: _____

Name: _____

Title: _____

FRANCHISEE:

A _____

By: _____

Name: _____

Title: _____

EXHIBIT I
TO
FRANCHISE DISCLOSURE DOCUMENT
FRANCHISEE DISCLOSURE QUESTIONNAIRE

(SEE ATTACHED)

NOTICE FOR PROSPECTIVE FRANCHISEES WHO RESIDE IN, OR WHO INTEND TO OPERATE THE FRANCHISED BUSINESS IN THE STATE OF CALIFORNIA: DO NOT COMPLETE THIS QUESTIONNAIRE OR TO RESPOND TO ANY OF THE QUESTIONS CONTAINED IN THIS QUESTIONNAIRE.

FRANCHISEE DISCLOSURE QUESTIONNAIRE

As you know, 986 Degrees Corporation (“we,” “us” or “Franchisor”) and you are preparing to enter into a Franchise Agreement for the operation of 986 Pharmacy franchised business. The purpose of this Questionnaire is to determine whether any statements or promises were made to you that we have not authorized and that may be untrue, inaccurate or misleading. Please review each of the following questions carefully and provide honest and complete responses to each question.

- 1. Have you received and personally reviewed our Franchise Agreement and each exhibit and schedule attached to it?

YES___ NO___

- 2. Do you understand all of the information contained in the Franchise Agreement and each exhibit and schedule attached to it?

YES___ NO___

IF “NO,” WHAT PARTS OF THE FRANCHISE AGREEMENT DO YOU NOT UNDERSTAND? (ATTACH ADDITIONAL PAGES, IF NECESSARY)

- 3. Did we make any material changes to the form of Franchise Agreement that was included in the Franchise Disclosure Document you received from us, which were not negotiated with you?

YES___ NO___

IF “YES,” DID YOU RECEIVE A COPY OF THE FINAL FRANCHISE AGREEMENT AT LEAST SEVEN (7) CALENDAR DAYS PRIOR TO SIGNING IT?

YES___ NO___

4. Have you received and personally reviewed the Franchise Disclosure Document we provided to you?

YES___ NO___

5. Do you understand all of the information contained in the Franchise Disclosure Document?

YES___ NO___

IF "NO," WHAT PARTS OF THE FRANCHISE DISCLOSURE DOCUMENT DO YOU NOT UNDERSTAND? (ATTACH ADDITIONAL PAGES, IF NECESSARY)

6. Did you receive a copy of the Franchise Disclosure Document at least fourteen (14) calendar days prior to signing any agreement with us or paying us any money or other consideration?

YES___ NO___

7. Have you discussed the benefits and risks of operating franchised business with an attorney, accountant or other professional advisor and do you understand those risks?

YES___ NO___

8. Do you understand that the success or failure of your business will depend in large part upon your skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, lease terms and other economic and business factors that are outside of our control?

YES___ NO___

9. Has any employee or other person speaking on our behalf made any statement or promise concerning the potential revenues, profits or operating costs of the business operated by us or our franchisees?

YES___ NO___

IF "YES," PLEASE DESCRIBE THE NATURE OF THE STATEMENTS AND BY WHOM THEY WERE MADE? (ATTACH ADDITIONAL PAGES, IF NECESSARY)

-
10. Has any employee or other person speaking on our behalf made any statement or promise concerning the franchised business that is contrary to, or different from, the information contained in the Franchise Disclosure Document?

YES___ No___

IF "YES," PLEASE DESCRIBE THE NATURE OF THE STATEMENTS AND BY WHOM THEY WERE MADE? (ATTACH ADDITIONAL PAGES, IF NECESSARY)

11. Has any employee or other person speaking on our behalf made any statement or promise regarding the amount of money you may earn in operating the franchised business?

YES___ No___

IF "YES," PLEASE DESCRIBE THE NATURE OF THE STATEMENTS AND BY WHOM THEY WERE MADE? (ATTACH ADDITIONAL PAGES, IF NECESSARY)

12. Has any employee or other person speaking on our behalf made any statement or promise concerning the total amount of revenue the franchised business will generate?

YES___ No___

IF "YES," PLEASE DESCRIBE THE NATURE OF THE STATEMENTS AND BY WHOM THEY WERE MADE? (ATTACH ADDITIONAL PAGES, IF NECESSARY)

13. Has any employee or other person speaking on our behalf made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating the franchised business?

YES___ No___

IF "YES," PLEASE DESCRIBE THE NATURE OF THE STATEMENTS AND BY WHOM THEY WERE MADE? (ATTACH ADDITIONAL PAGES, IF NECESSARY)

-
-
14. Were you provided any actual or estimated revenue or sales figures or amounts in connection with any pro forma profit and loss statement that may have been furnished to you by any employee or other person on our behalf?

YES___ NO___

IF "YES," PLEASE DESCRIBE THE NATURE OF THE STATEMENTS AND BY WHOM THEY WERE MADE? (ATTACH ADDITIONAL PAGES, IF NECESSARY)

15. Has any employee or other person speaking on our behalf made any statement, promise, or agreement concerning the advertising, marketing, training, support service or assistance that we will furnish you that is contrary to, or different from, the information contained in the Franchise Disclosure Document?

YES___ NO___

IF "YES," PLEASE DESCRIBE THE NATURE OF THE STATEMENTS AND WHOM THEY WERE MADE BY? (ATTACH ADDITIONAL PAGES, IF NECESSARY)

16. Do you understand that in all dealings with you, our officers, directors, employees and agents act only in a representative capacity and not in an individual capacity and such dealings are solely between you and the Franchisor?

YES___ NO___

17. Do you understand that nothing in the Franchise Agreement or in our communications with one another is intended to make, or in fact makes, either you or us a general or limited partner, general or special agent, joint venture, or employee of the other for any purpose, that the Franchise Agreement does not create a fiduciary relationship between you and us, and that we and you are and will be independent contractors during the term of the Franchise Agreement?

YES___ NO___

18. Do you understand that you, and not the Franchisor, have the duty and obligation to locate and lease a site for the Franchised Business and that the Franchisor's approval

of a site is not an assurance, representation or warranty as to the suitability of the franchised business's site or the franchised business's profitability or success?

YES ___ No ___

BY SIGNING THIS QUESTIONNAIRE, YOU AGREE THAT YOU UNDERSTAND THAT YOUR ANSWERS ARE IMPORTANT TO US AND THAT WE WILL RELY ON THEM, AND YOU ARE REPRESENTING THAT YOU HAVE RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS.

FRANCHISEE APPLICANT:

Legal Name: _____

By: _____

By: _____

Print Name: _____

Print Name: _____

Title if entity: _____

Title if entity: _____

Date: _____

Date: _____

By: _____

By: _____

Print Name: _____

Print Name: _____

Title if entity: _____

Title if entity: _____

Date: _____

Date: _____

STATE EFFECTIVE DATE:

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

California:

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

**EXHIBIT J
TO
FRANCHISE DISCLOSURE DOCUMENT**

RECEIPTS

(SEE ATTACHED)

RECEIPT

This disclosure document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this disclosure document and all agreements carefully. If 986 Degrees Corporation offers you a franchise, it must provide this disclosure document to you at least 14 calendar days before you sign a binding agreement with, or make payment to, us or an affiliate in connection with the proposed franchise sale. New York, Michigan and Rhode Island require that we give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If 986 Degrees Corporation does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and your state agency listed in Exhibit A.

We authorize the agents listed in Exhibit B to receive service of process on its behalf.

The franchise seller(s) offering this franchise is/are checked off below:

Khanh-Long Thai, Vijay Amarshi, Sally Chan, Brian Garner, , Henry Chang, Quang Thai and Johnny Lam
2521 Huntington Dr. San Marino, CA 91108, PH: (888) 986-7666

Issuance Date: **May 2, 2023**

I have received a disclosure document that included the following exhibits:

EXHIBIT A	List of State Administrators
EXHIBIT B	List of Agents for Service of Process
EXHIBIT C	Table of Contents for Manual
EXHIBIT D	List of Current and Former Franchisees and Licensees
EXHIBIT E	Financial Statements
EXHIBIT F	Franchise Agreement (with exhibits 1, 2, and 3)
EXHIBIT G	Confidentiality and Non-Disclosure Agreement
EXHIBIT H	General Release
EXHIBIT I	State Addenda
EXHIBIT J	Franchisee Disclosure
EXHIBIT K	Receipts

Franchisee: _____

By: _____ Print Name: _____

Title, if entity: _____ Date: _____

PLEASE SIGN AND DATE THIS PAGE AND RETAIN THIS PAGE IN YOUR POSSESSION AS PART OF YOUR RECORDS.

RECEIPT

This disclosure document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this disclosure document and all agreements carefully. If 986 Degrees Corporation offers you a franchise, it must provide this disclosure document to you at least 14 calendar days before you sign a binding agreement with, or make payment to, us or an affiliate in connection with the proposed franchise sale. New York, Michigan and Rhode Island require that we give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

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EXHIBIT J Franchisee Disclosure
EXHIBIT K Receipts

Franchisee: _____

By: _____ Print Name: _____

Title, if entity: _____ Date: _____

**PLEASE REMOVE THIS PAGE, SIGN AND DATE ABOVE, AND RETURN IT TO:
986 DEGREES CORPORATION 2521 Huntington Dr., San Marino, CA 911**