COUNTY OF LOS ANGELES

MARVIN J. SOUTHARD, D.S.W.
Director

ROBIN KAY, Ph.D.
Acting Chief Deputy Director

RODERICK SHANER, M.D.
Medical Director

550 SOUTH VERMONT AVENUE, LOS ANGELES, CALIFORNIA 90020

BOARD OF SUPERVISORS
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DEPARTMENT OF MENTAL HEALTH

http://dmh.lacounty.gov

Reply To: (213) 738-4601
Fax: (213) 386-1297

November 17, 2008

TO: Each Supervisor

FROM: Marvin J. Southard, D.S.W.
Director of Mental Health

SUBJECT: **ACQUISITION OF BELL GARDENS REXALL PHARMACY BY WELLNESS PHARMACY, INC.**

This is to advise your Board of the acquisition effective October 3, 2008, of Bell Gardens Rexall Pharmacy with Department of Mental Health Pharmacy Agreement No. MH150110 by Wellness Pharmacy, Inc., with Department of Mental Health Pharmacy Agreement No. MH150191.

The Wellness Pharmacy, Inc., Agreement was amended to reflect the acquisition of Bell Gardens Rexall Pharmacy on June 10, 2008 (see attached Asset Purchase Agreement).

Board approval to execute the amendment was given on July 29, 2008, Agenda Item No. 23.

If you have any questions or concerns regarding this acquisition, please contact me, or your staff may contact Richard Kushi, Contracts Development and Administration Division, at (213) 738-4684.

MJS:RK:EM:bt

Attachment

c: Executive Officer, Board of Supervisors
Chief Executive Officer
County Counsel
Karalyn Wallensak
Wayland Chan, Pharm.D.
Richard Kushi
Mike Motodani
Estelle Marmolejo
Beatriz Torres

Bd. Notif-Acquisition of BellGardens by Wellness -MH150191

ASSET PURCHASE AGREEMENT

THIS ASSET PURCHASE AGREEMENT (this "Agreement") is made on June 10, 2008 (the "Effective Date"), by and between Byung S. Lee (the "Seller", who is also known as "Cindy") and Wellness Pharmacy Inc., a California corporation (the "Buyer"). Seller and Buyer are the parties to this Agreement.

RECITALS

WHEREAS, Seller owns and operates Bell Gardens Rexall Pharmacy (the "Business") at 7625 Eastern Avenue, Unit C, Bell Gardens, CA 90201 (the "Business Location");

WHEREAS, the Business and the County Of Los Angeles (the "County") have entered into a Pharmacy Agreement effective June 12, 2007, pursuant to which the County compensates the Business specified amounts for certain prescriptions dispensed by the Business (the "County Contract");

WHEREAS, Seller desires to sell substantially all of the assets of its Business, including without limitation the County Contract;

WHEREAS, Buyer desires to purchase the Business and substantially all of Seller's assets used in connection with the operation of the Business, including without limitation the County Contract;

WHEREAS, the County will not consent to the assignment of the County Contract by Seller to Buyer or, alternatively, the County will not enter into an equivalent successor agreement with Buyer unless the County first determines that this Agreement protects the County's rights and that the Buyer is a qualified assignee or successor in interest;

NOW THEREFORE, in consideration of the mutual covenants, representations, warranties and conditions set forth in this Agreement, the parties agree as follows:

AGREEMENTS:

For the mutual promises and covenants contained herein, the parties hereto agree as follows:

1. Purchase and Sale.

1.1 Conveyance of Assets. On the terms and subject to the conditions set forth in this Agreement, on the "Closing Date" (as hereinafter defined) Seller shall convey, transfer, assign, sell and deliver to Buyer and Buyer shall acquire, accept and purchase, all of the assets owned by Seller that are utilized in connection with the operation of the Business and located on the premises of the Business on the Effective Date, plus any warranty rights related to the foregoing (collectively, the "Assets"), including, without limitation, the following:

(a) Business and Records. The Business, together with all patient lists, patient records, books, records and accounts, correspondence, production records, employment records, customer lists, marketing information and any confidential information which has been reduced to writing relating to or arising out of the Business, patients, customers or suppliers of Sellers (collectively, "Transferred Records");

(b) Contracts. All of Seller's right, title and interest in and to each contract, agreement and lease, written or oral, relating to the regular operation of the Business listed in Schedule 1.1(b) hereto, together with all contracts, agreements and leases entered into or acquired by Seller between the Effective Date and the Closing Date which Buyer has agreed to assume in writing at the Closing (as hereinafter defined), and all other listings and advertisements of the Business (collectively, "Contracts");

(c) Telephone Numbers. All assignable rights, if any, to all telephone lines and numbers used exclusively in the operation of the Business by Seller.

(d) Tangible Personal Property. All office furniture and fixtures and equipment (as set forth on Schedule 1.1(d)), equipment, machines, computers, office materials and supplies, pharmacy equipment and supplies, pharmaceuticals or drugs, inventory, materials and other tangible personal property, of every kind and description, owned or used by Seller with respect to the Business on the Effective Date, together with any additions thereto made between the Effective Date and the Closing Date (collectively, "Tangible Personal Property");

(e) Leases. All of the equipment leases, real property leases, and other contracts listed on Schedule 1.1(e) (the "Leases");

(f) Leasehold Improvements. Leasehold improvements installed by Seller on the premises of the Business that are the subject of a real property lease, to the extent that such leasehold improvements can be assigned by Seller to Buyer;

(g) Permits. To the extent transferable, all approvals, authorizations, consents, licenses, permits, franchises, tariffs, orders, and other registrations of any federal, state, or local court or other governmental department, commission, board, bureau, agency, or instrumentality that are held by Seller and required or appropriate for the operation of the Business by Seller and that are listed on Schedule 1.1(g) (collectively, the "Permits");

(h) Goodwill. The goodwill associated with the operation of the Business;

(i) Warranty Rights. All rights of Seller under express or implied warranties from the suppliers of Sellers with respect to any of the Assets;

(j) Other Assets. Except as specifically provided in Section 1.2 hereof, all other assets and properties of Seller relating to the Business which exist on the Closing Date, whether tangible or intangible, real or personal.

1.2 Excluded Assets. Notwithstanding anything contained in Section 1.1 hereof to the contrary, Seller is not selling and Buyer is not purchasing pursuant to this Agreement (a) the minute books and tax records of Seller, (b) Seller's rights under this Agreement, (c) any accounts receivable of the Business arising out of services performed on behalf of the Business prior to the Closing Date, (d) all assets of Seller that are not exclusively used in connection with the Business, (e) cash, (f) any automobiles; (g) any prepaid and deferred items of Seller related to the operation of the Business, including without limitation prepaid insurance, taxes and rent; unbilled charges; and other deposits relating to the operation of the Business; (h) accounts payable for goods and services received by Seller prior to the Closing Date; (i) personal items of Seller; and (j) any of the assets and properties of Seller relating to the Business listed on Schedule 1.2 (collectively "Additional Excluded Assets").

1.3 Liabilities Assumed. At the Closing, Buyer shall assume and agree to thereafter pay when due, and discharge and indemnify Seller and hold Seller harmless with respect to, all liabilities and obligations of Seller under the Leases, Permits and Contracts from and after the Closing Date (collectively, the "Assumed Liabilities"). Except for the post-closing obligations of Seller under the Leases and the Contracts, Buyer shall not assume (and Seller shall indemnify Buyer against) any of the liabilities of Seller arising or relating to events prior to the Closing Date.

1.4 Purchase Price. The purchase price for the Assets sold and liabilities assumed pursuant to this Agreement shall be Six Hundred Fifty Thousand Dollars ($650,000) in cash (the "Purchase Price") payable at the "Closing" (as hereinafter defined) plus the Rent Deposits (as defined in Subsection 1.5 below). (The Purchase Price and the Rent Deposits are referred to collectively herein as the "Closing Payment"). On or before the Effective Date, Buyer shall make an initial deposit of Fifty Thousand Dollars ($50,000) towards the Purchase Price (the "Buyer's Deposit"), which deposit shall be held by an escrow agent jointly selected and instructed by Seller and Buyer.

1.5 Assumption of Lease/Rent Deposits At the Closing, Buyer shall assume Seller's real estate lease with EFG Properties LLC (the "Lessor") for the premises located at 7625 Eastern Avenue, Unit C, Bell Gardens, CA 90201 (the "Bell Gardens Lease"), and Buyer agrees to thereafter pay and perform Seller's obligations thereunder. Buyer agrees to pay Seller in addition to the Closing Payment the amount Seller has provided to the lessor as a deposit on the Bell Gardens Lease (the "Rent Deposits"). Buyer shall thereafter be entitled to the Rent Deposits.

1.6 Allocation of Purchase Price. The Purchase Price payable by Buyer to Seller for the Business and the Assets shall be allocated as set forth in Part II of the Internal Revenue Service Form 8594 attached hereto as Schedule 1.6. It is agreed by the parties that such allocation was arrived at by arm's length negotiation and in the judgment of the parties properly reflects the fair market value of each class of Assets transferred pursuant to this Agreement. It is agreed that the allocations under this Section 1.6 will be binding on all parties for federal, state, local and other tax purposes in connection with the purchase and sale of the Assets and will be consistently reflected by each party on his or its tax returns.

1.7 Adjustments. The operation of the Business and related income and expenses up to the close of business on the day before the Closing Date shall be for the account of Seller and thereafter for the account of Buyer. Expenses, including utilities, personal property taxes, rents, real property taxes shall be prorated between Seller and Buyer as of the close of business on the day before the Closing Date, the proration to be made and paid, insofar as reasonably possible, on the Closing Date, with settlement of any remaining items to be made within sixty (60) days following the Closing Date.

1.8 Transfer Taxes. Buyer shall be responsible for any (if any) sales, use and other transfer taxes imposed by reason of the transfer of the Assets provided hereunder

1.9 Transferred Equipment Leases. Buyer and Seller agree that included among the Leases listed on Schedule 1.1(e) are the equipment leases further identified on Schedule 1.9 hereof (collectively, the "Transferred Equipment Leases"). Buyer and Seller agree that any and all of Seller's right, title and interest in and to the Transferred Equipment Leases and the equipment covered thereby shall be transferred from Seller to Buyer in connection with the sale of the Assets contemplated hereby. From and after the Closing, Seller shall continue to make all payments required under the Transferred Equipment Leases and otherwise comply with the terms thereof until such time

as Buyer and Seller can obtain the consent of the lessor on such Transferred Equipment Leases to the assignment of such leases from Seller to Buyer. Buyer agrees to promptly reimburse the Seller for any and all payments made by Seller pursuant to the Transferred Equipment Leases; provided, however, that as long as Buyer has promptly performed its reimbursement obligations under this Subsection 1.9, Seller shall be solely responsible for any and all late charges and other fees and expenses incurred by Seller arising out of the late payment of obligations owed under the Transferred Equipment Leases. Seller and Buyer further agree to execute any and all documents reasonably requested by the other in order to effectuate an assignment of the Transferred Equipment Leases from Seller to Buyer.

2. Closing. The closing of the transactions contemplated hereby (the "Closing") shall be held (i) one week following notice to the parties from the County's Department Of Mental Health ("DMH") that the County approved assignment of the County Contract by Seller to Buyer or, alternatively, the County approved entering into an equivalent successor agreement with Buyer; or (ii) such other date and time as Seller and Buyer shall mutually agree in writing (the "Closing Date"). The Closing shall be held at 10:00 a.m. local time at the offices of Seller's attorneys or such other time and/or place as Seller and Buyer shall mutually agree in writing.

3. Representations and Warranties of Seller. Seller represents and warrants to Buyer with respect to the Business as follows:

3.1 Authorization of Agreement. Seller has the full legal right, power and authority to enter into this Agreement and to consummate the transactions contemplated hereby. This Agreement and all other agreements and instruments to be executed by Seller in connection herewith have been (or upon execution will have been) duly executed and delivered by Seller, have been effectively authorized by all necessary action and constitute (or upon execution will constitute) legal, valid and binding obligations of Seller.

3.2 Tangible Personal Property. The Tangible Personal Property is all of the tangible personal property reasonably necessary to operate the Business in the manner in which it is presently operated. Seller (a) is the lawful owner of all of the Tangible Personal Property it purports to own, (b) has valid leasehold interests in the Tangible Personal Property it purports to lease, and (c) has valid license rights (whether as a licensor or licensee) in the Tangible Personal Property it purports to license. Seller's ownership is free and clear of any liens, deeds of trust, mortgages, pledges, security interests, restrictions, prior assignments, encumbrances, or claims of any kind or nature whatsoever, except as otherwise disclosed in this Agreement and its schedules ("Liens"). Seller has delivered to Buyer a true, accurate and complete copy of each lease, license or sublicense regarding any Tangible Personal Property leased, licensed or sublicensed by Seller.

3.3 Contracts. To Seller's actual knowledge, Seller is not in violation or breach of nor has Seller received in writing any claim or threat that it has breached any of the terms and conditions of any agreement, contract or lease to which Seller is a party. To the actual knowledge of Seller, no other party to any Contract is in default thereunder or breach thereof. Seller has delivered to Buyer a true, accurate and complete copy of each of the Contracts, including all amendments, supplements or modifications thereto or waivers thereunder. Except as disclosed on Schedule 1.1(b) hereto, neither the execution and delivery by Seller of this Agreement nor the consummation by Seller of the transactions contemplated under this Agreement requires the consent of any party to the Contracts.

3.4 Leases. Seller is the holder of all leasehold estates purported to be granted by the Leases. There are no existing or claimed defaults under the Leases and there are no events which with notice or lapse of time or both would constitute such an event of default thereunder or would cause the acceleration of any obligation of any party thereto or the creation of a lien or encumbrance on any of the Assets. No notice from any governmental body has been served upon Seller claiming any violation of any law or ordinance, or requiring any substantial or material work, repairs, construction, alterations or installation on or in connection with the premises that are the subject of the Leases (including any notices regarding earthquake retrofitting).

3.5 No Conflicts. Except as otherwise set forth in this Agreement, neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby will constitute or result in a breach of, or a default (or give rise to any rights to acquire any Assets of Seller) under, any term or provision of any contract, agreement, indebtedness, lease, commitment, license, sublicense, franchise, permit, authorization or concession to which Seller is a party or by which any of the Assets are bound, (ii) constitute or result in a violation by Seller of any statute, rule, regulation, ordinance, code, order, judgment, writ, injunction, decree or award, or (iii) result in an imposition of any encumbrance, restriction or charge on any of the Assets.

3.6 Labor and Employment Matters. Seller will terminate all employees of the Business prior to or as of the Closing Date and comply in all respects with all applicable laws, rules and regulations with respect thereto including, but not limited to, filing any notices and paying all accrued but unpaid periodic compensation, vacation pay, sick pay and other employee benefits due and owing to such employees as of the Closing Date. There is no collective bargaining agreement or other labor agreement to which Seller is a party or by which it is bound.

3.7 Litigation. To the Seller's actual knowledge, there are no claims, disputes, actions, proceedings or investigations of any nature pending or, threatened against or involving Seller, the Business or any of the employees of Seller in connection with or arising out of the business conducted by the Seller or the transactions contemplated by this Agreement.

3.8 Taxes. Seller has complied in all material respects with all applicable laws, rules and regulations relating to the payment and withholding of taxes and other sums as required by appropriate governmental authorities and has withheld and paid to the appropriate governmental authorities or is holding for payment not yet due to such authorities, all amounts required to be withheld from such employees of the Seller for all periods through the Closing Date and is not liable for any arrears of wages, taxes, penalties or other sums for failure to comply with any of the foregoing. Seller has filed with the appropriate governmental agencies all required income, sales and use, employment and payroll, meal, franchise and other tax returns and tax reports with respect to the Assets and the operation of the Business.

3.9 Regulatory Approvals; Permits.

(a) Regulatory Approvals. To Seller's actual knowledge, Seller has, at all times during which it has operated the Business, possessed all approvals, authorizations, consents, licenses, orders and permits necessary to operate the Business in compliance with applicable state, federal or other laws or regulations.

(b) Permits. To Seller's actual knowledge, the Permits represent all permits or licenses required by any governmental or regulatory authority for the operation of the

Business and the use of the Assets as presently operated or used. To Seller's actual knowledge all of the Permits are in full force and effect and no action or claim is pending or threatened to revoke or terminate any of such Permits or to declare any such Permit invalid in any material respect.

3.10 Tax Returns. Seller has previously provided Buyers with copies of Seller's federal and California state tax returns for the 2006 and 2007 tax years (collectively, the "Tax Returns"). To Seller's actual knowledge, the Tax Returns are correct and complete in all material respects, and are consistent with the books and records of Seller (which books and records are correct and complete).

3.11 No Undisclosed Liabilities. Other than obligations arising after Closing under the Leases and the Contracts and the liabilities and obligations disclosed herein, to Seller's actual knowledge, Seller has no liabilities or obligations of any nature, whether absolute, accrued, contingent or otherwise, and whether due or to become due (including, without limitation, any liability for taxes and interest, penalties and other charges payable with respect to any such liability or obligation) which would affect Buyer or the Assets or become the obligation of Buyer after the Closing.

3.12 Material Misstatements or Omissions. No representations or warranties by Seller in this Agreement, nor any document, exhibit, statement, certificate or schedule furnished to Buyer or his agents, attorneys, accountants or representatives pursuant to this Agreement and in contemplation of the transactions contemplated hereby, contains or will contain any untrue statement of a material fact, or omits or will omit to state any material fact necessary to make the statements or facts contained therein not misleading

4. Representations and Warranties of the Buyer. Buyer represents and warrants to Seller as follows:

4.1 Organization and Authority. Buyer is duly organized, validly existing and in good standing under the laws of the State of California and has all requisite power and authority to enter into this Agreement and to consummate the transactions contemplated hereby. This Agreement and all other agreements herein contemplated to be executed in connection herewith have been (or upon execution will have been) duly executed and delivered by Buyer, have been effectively authorized by all necessary action, and constitute (or upon execution will constitute) legal, valid and binding obligations of Buyer. Young Kyung Cho, R.P., as President, is authorized to execute this Agreement and thereby make it binding on Buyer.

4.2 Agreement Not in Breach of Other Instruments. Except as otherwise set forth in this Agreement, the execution and delivery of this Agreement, the consummation of the transactions contemplated hereby and the fulfillment of the terms hereof will not result in a breach of any of the terms or provisions of, or constitute a default under, or conflict with, any material agreement, indenture or other instrument to which Buyer is a party or by which it is bound, any judgment, decree, order or award of any court, governmental body or arbitrator, or any law, rule or regulation applicable to Buyer, except where such default or conflict would not have a material adverse effect on Seller's or Buyer's ability to effect the transactions contemplated hereby.

4.3 Acknowledgement Of Receipt. Buyer acknowledges it has received from Seller copies of each lease, license and sublicense Seller delivered pursuant to Section 3.2 above and of Seller's Tax Returns.

4.4 Pharmacy Agreement With County. Buyer has itself entered into a Pharmacy Agreement with the County comparable to but separate from Seller's County Agreement, and Buyer is in good standing with the County with respect to its Pharmacy Agreement.

5. Seller's and Buyer's Obligations Before Closing.

5.1 Access. Between the Effective Date of this Agreement and the Closing Date, at all reasonable times and upon reasonable notice, Seller will provide Buyer and its representatives upon two (2) business days written notice, reasonable access to the offices, books, records, employees, attorneys and accountants of Seller during normal business hours, and will furnish to Buyer and its representatives such financial and operating data and other information with respect to the Business and Assets as Buyer and its representatives may reasonably request. No investigation pursuant to this subsection shall affect any representations, warranties or covenants of Seller herein.

5.2 Operation Of Business.

(a) Specific Acts. Between the Effective Date of this Agreement and the Closing Date, Seller shall do the following:

(i) preserve intact the business organization of the Business;

(ii) preserve Seller's existing relationships with customers, suppliers, and any other persons having business relations with Seller relating to the Business;

(iii) preserve and protect all of the Assets in their condition as of the Effective Date, normal wear and tear excepted, and not remove any of the Assets from Seller's premises except in the ordinary course of Seller's business; and

(iv) maintain the Seller's books of account and records in the usual and ordinary manner, and in conformity with their respective past practices.

(b) Ordinary Course Of Business. Between the Effective Date of this Agreement and the Closing Date, Seller shall conduct the Business in the ordinary course consistent with past practices, or as required by this Agreement, and, by way of amplification and not limitation, Seller, with respect to the Business, shall not do anything or fail to do something which is inconsistent with any of the transactions contemplated by this Agreement or which would materially reduce any of the benefits to be received by Buyer under this Agreement.

5.3 Insurance. Seller shall maintain in full force and effect all insurance policies covering the Assets through and including the Closing Date.

5.4 Notice of Adverse Developments. Prior to the Closing Date, Seller will give prompt written notice to Buyer of any development not reasonably known to Buyer which adversely affects, or which probably will adversely affect, the Business after the Closing Date. No disclosure pursuant to this subsection, however, shall be deemed to amend or supplement the schedules or exhibits to this Agreement or to prevent or cause any misrepresentation or breach of representations, warranties or covenants made herein or in any schedule or exhibit hereto.

5.5 Payment of Rent Under Leases. Subject to the terms and conditions of this Agreement, Seller shall pay all rental and other payments required to be paid under the Leases through the Closing Date.

5.6 Assignment Of Bell Gardens Lease. Buyer and Seller shall execute an Assignment, Acceptance & Consent pursuant to which Seller will assign and Buyer will accept all rights and obligations under the Bell Gardens Lease (the "Space Lease Assignment"). The Space Lease Assignment shall include, at a minimum, a full release by the Lessor of Seller from any further liability under the Bell Gardens Lease. The Space Lease Assignment shall be in a form acceptable to Lessor and reasonably acceptable to Buyer and Seller.

5.7 Transfer Of County Contract. Buyer and Seller shall use their best efforts to promptly comply with all requests and requirements of the County's Board Of Supervisors with respect to the County's approving an assignment of the County Contract by Seller to Buyer or, alternatively, the County's entering into an equivalent successor agreement with Buyer, which such requests and requirements are set forth in part in the letter dated December 6, 2005, from D.E. Janssen, Chief Administrative Officer, to The Honorable Board Of Supervisors and titled "Board Policy On Contractor Mergers/Acquisitions". Seller and Buyer each acknowledge receiving a copy of such letter prior to the Effective Date.

5.8 Pharmacy Permit. Buyer shall use its best efforts to promptly apply for and obtain from California's Board Of Pharmacy (the "Board") a pharmacy permit authorizing Buyer to continue the Business at the Business Location without interruption effective as of the Closing Date. Seller shall notify the Board of the proposed and/or actual change of ownership as required by law.

5.9 Medi-Cal. Buyer shall use its best efforts to promptly apply for and obtain from the California Department Of Health Care Services ("DHCS") a Medi-Cal Provider Agreement covering Buyer's conduct of the Business. Buyer and Seller shall timely submit to DHCS a fully completed, executed and notarized DHCS Form 6127 (Rev. 2/08), titled "Successor Liability With Joint And Several Liability Agreement", for the operation of the Business effective as of the Closing Date.

5.10 Medicare. Buyer shall use its best efforts to promptly enroll the Business Location with Medicare as a new business location, effective as of the Closing Date. Seller shall timely terminate its enrollment with Medicare for the Business Location, effective as of the Closing Date.

5.11 National Provider Identifier. If Buyer does not have a National Provider Identified ("NPI") issued by the National Plan and Provider Enumeration System, Buyer shall promptly obtain such an NPI.

6. Conditions to Closing.

6.1 Documents to Be Delivered.

(a) Deliveries at the Closing. To effect the transfer of the Assets pursuant to Section 1.1 hereof and the delivery of the consideration described in Section 1.4, Seller and Buyer shall, on the Closing Date, deliver all instruments and documents required to be delivered herein. Consideration shall be in the form of a wire transfer or cashier's check.

(b) Form of Instruments and Documents. All of the foregoing instruments and documents shall be in form and substance, and shall be executed and delivered in a manner, reasonably satisfactory to Buyer and Seller, as the case may be.

6.2 Conditions to Obligations of Buyer and Seller. The consent of the Lessor to the Space Lease Assignment shall have been obtained to Seller's and Buyer's satisfaction.

6.3 Conditions to Obligations of Seller. The obligations of Seller to consummate the transactions provided for hereby are subject, in the discretion of Seller, to the satisfaction or written waiver, on or prior to the Closing Date, of each of the following conditions:

(a) Representations, Warranties, and Covenants. All representations and warranties of Buyer contained in this Agreement shall be true and correct in all material respects at and as of the Closing Date, except as and to the extent that the facts and conditions upon which such representations and warranties are based are expressly required or permitted to be changed by the terms hereof, and Buyer shall have performed all agreements and covenants required hereby to be performed by it prior to or at the Closing Date.

(b) No Governmental Proceedings or Litigation. No actions by any governmental authority shall have been instituted or threatened which questions the validity or legality of the transactions contemplated hereby and which could reasonably be expected materially and adversely to damage Seller if the transactions contemplated hereunder are consummated.

(c) Purchase Price. The Buyer shall have delivered and/or arranged to be delivered the Closing Payment (including the Buyer's Deposit and the Rent Deposit) to the Seller. The term "Closing Payment" shall mean payment by cashier's check or wire transfer.

(d) Consents. All material consents, approvals and waivers from governmental authorities, customers, and other parties necessary to permit Seller to transfer the Assets to Buyer as contemplated hereby (including all necessary consents to the assignment of the Leases, Permits and Contracts--including the Bell Gardens Lease) shall have been obtained to Seller's satisfaction, unless such consents, approvals and waivers shall have been waived by Seller.

(e) Assignment And Assumption Agreement. Buyer shall have executed and delivered to Seller the Assignment and Assumption Agreement in the form attached hereto as Exhibit A (the "Assignment and Assumption Agreement").

7. Conditions to the Obligations of Buyer. The obligations of Buyer to consummate the transactions provided for hereby are subject, in the reasonable discretion of Buyer, to the satisfaction or waiver, on or prior to the Closing Date, of each of the following conditions:

(a) Representations, Warranties, and Covenants. All representations and warranties of Seller contained in this Agreement shall be true and correct in all material respects at and as of the Closing Date, except as and to the extent that the facts and conditions upon which such representations and warranties are based are expressly required or permitted to be changed by the terms hereof, and Seller shall have performed in all material respects all agreements and covenants required hereby to be performed by it prior to or at the Closing Date.

(b) Consents. All material consents, approvals and waivers from governmental authorities, customers and other parties necessary to permit Seller to transfer the Assets

to Buyer as contemplated hereby (including all necessary consents to the assignment of Leases, Permits and Contracts--including the Bell Gardens Lease and the County Contract) shall have been obtained to Buyer's satisfaction, unless such consents, approvals and waivers shall have been waived by Buyer. For purposes of this subdivision, Buyer shall be deemed satisfied with respect to the transfer and/or assignment of the County Contract if the County agrees to enter into an equivalent successor agreement with Buyer.

(c) No Governmental Proceedings or Litigation. No action by any governmental authority shall have been instituted or threatened which questions the validity or legality of the transaction contemplated hereby and which could reasonably be expected materially and adversely to damage Buyer if the transactions contemplated hereunder are consummated.

(d) Assignment Agreement and Bills of Sale. Seller shall have executed and delivered to Buyer the Assignment Agreement and, in the form attached hereto as Exhibit B, the bill of sale (the "Bill of Sale").

(e) Material Adverse Change. There shall have been no material adverse change since the Effective Date of this Agreement in the general affairs, management, business, condition (financial or otherwise) of Seller or the Business.

(f) Due Diligence. Buyer shall have completed its due diligence investigation of the Business and the purchased Assets and shall be reasonably satisfied with the results of such investigation.

(g) Termination of Employees. Seller shall have provided Buyer with evidence to Buyer's reasonable satisfaction that Seller has terminated all employees of the Business prior to or as of the Closing Date and that Seller has complied in all respects with all applicable laws, rules and regulations with respect thereto including, but not limited to, filing any notices and paying all accrued but unpaid periodic compensation, vacation pay, sick pay and other employee benefits due and owing to such employees as of the Closing Date.

8. Broker. Buyer and Seller have entered into an agreement with Keller Williams Realty, 411 N. Central Ave. Suite 100, Glendale, CA 91203 (the "Broker"), agent Anthony Nercessian, pursuant to which Seller will pay the Broker a fee of Twenty-Five Thousand Dollars ($25,000) on Closing.

9. Post-Closing Billing, Collecting And Misdirected Payments.

9.1 In Favor Of Seller. Buyer shall bill and collect for goods and services provided by Seller prior to the Closing Date. Buyer shall promptly remit to Seller any monies and related documentation (including without limitation mail or other communications) received by Buyer (i) with respect to goods or services provided by Seller prior to the Closing Date or (ii) constituting or in respect to the Excluded Assets.

9.2 In Favor Of Buyer. Seller shall remit to Buyer with reasonable promptness any monies and related documentation (including without limitation mail or other communications) received by Seller with respect to goods or services provided by Buyer on or after the Closing Date.

9.3 Allocation Of Certain Receivables. All payments received by the Buyer or Seller after the Closing Date from any person with respect to whom the Buyer and Seller both have an account receivable shall be applied against the oldest remaining receivable owed from such person, unless the remittance advice from any third-party payor paying on behalf of such person clearly indicates otherwise.

10. Indemnifications.

10.1 Survival of Representations and Warranties. The representations and warranties of the parties contained herein shall survive the Closing Date for six (6) months, without regard to any investigation made by any of the parties hereto.

10.2 Indemnification by Seller. Seller will defend, indemnify and hold the Buyer, its officers, directors, agents, shareholders, representatives, employees, attorneys, accountants, affiliates, beneficiaries, subsidiaries, successors and assigns (collectively, the "Buyer Indemnitees") harmless from and against:

(a) Any and all claims, demands, liabilities, liens, costs, expenses, penalties, damages and losses (including, but not limited to, reasonable attorneys' fees and costs) (collectively, "Damages") of every kind and nature incurred or accrued prior to the Closing Date with respect to Seller's ownership or operation of the Business and Assets, whether or not arising from acts or omissions of such Seller, its agents or employees or otherwise, including, but not limited to, (i) all liabilities and obligations for which Seller would have been, or will be, liable had Seller not transferred the Assets to Buyer pursuant to this Agreement and (ii) all liabilities arising out of the termination of Seller's employees prior to the Closing; and

(b) Any and all Damages arising from any breach of the warranties, representations, covenants and agreements of Seller or their respective agents contained in this Agreement or in any agreements between Seller and any third parties relating to the Assets or the Contracts, Permits or Leases which accrued prior to the Closing Date.

10.3 Indemnification by Buyer. Buyer will defend, indemnify and hold the Seller, its agents, representatives, employees, attorneys, accountants, affiliates, beneficiaries, subsidiaries, successors and assigns (collectively, the "Seller Indemnitees") harmless from and against:

(a) Any and all Damages of every kind and nature arising from events occurring on or subsequent to the Closing Date with respect to Buyer's ownership or operation of the Assets, whether or not arising from acts or omissions of Buyer, its agents or employees or otherwise, including but not limited to all liabilities, obligations, claims, (including, without limitation, statutory and contractual claims), damages and expenses resulting from or in any way related to Buyer's acts or omissions with respect to operation of the Business and Assets on and subsequent to the Closing Date; and

(b) Any and all Damages arising from any breach of the warranties, representations, covenants and agreements of Buyer or its agents contained in this Agreement or in any agreements between Buyer and any third parties relating to the Assets or the Leases which Buyer assumes which accrue from and after the Closing Date.

10.4 Defense of Claims. As soon as practicable after receipt of notice of the assertion or commencement of any action, claim or proceeding for which indemnification may be

sought under this Section 10, the indemnified party shall give written notice thereof to the indemnifying party. The failure of any indemnified party to give timely notice shall not affect rights to indemnification hereunder except to the extent that the indemnifying party demonstrates actual damage caused by such failure. After such notice, if the indemnifying party shall acknowledge in writing to the indemnified party that the indemnifying party shall be obligated under the terms of its indemnity hereunder, then the indemnifying party shall be entitled, if it so elects, to take control of the defense and investigation of such action, claim or proceeding and to employ and engage attorneys of its own choice to handle and defend the same, at the indemnifying party's cost, risk and expense, provided that the indemnifying party and its counsel shall proceed with diligence and in good faith with respect thereto. The indemnified party shall cooperate in all reasonable respects with the indemnifying party and such attorneys in the investigation, trial and defense of such action, claim or proceeding and any appeal arising therefrom; provided, however, that the indemnified party may, at its own cost, participate in the investigation, trial and defense of such action, claim or proceeding, and any appeal arising therefrom. If the indemnifying party, within a reasonable time after receipt of such notice, fails to defend such action, the indemnified party shall have the right, but shall not be obligated, to undertake the defense of, and compromise or settle, the action, claim or proceeding on behalf, for the account, and at the risk, of the indemnifying party.

10.5 Limitations.

(a) Subsection 10.2 shall be effective only when the aggregate amount of Buyer Indemnitees' Damages exceeds a threshold of fifty thousand dollars ($50,000), at which point Seller will be obligated to indemnify the Buyer Indemnitees for all Buyer Indemnitees' aggregate Damages in excess of such amount.

(b) Seller shall have no liability for indemnification in excess of the amount of the Closing Payment.

(c) Notwithstanding any contrary provision of this Agreement, neither party shall have an obligation to indemnify the other party for special damages or punitive damages.

(d) Any party's claim for indemnification shall be reduced by the amount of any insurance proceeds actually received by the party, its officers, directors, agents, shareholders, representatives, employees, attorneys, accountants, affiliates, beneficiaries, subsidiaries, successors and/or assigns (collectively, "Party's Indemnitees") as a result of a claim giving rise to the indemnification claim. The party and the Party's Indemnitees shall use commercially reasonable efforts to recover any such insurance proceeds.

11. Competing Business; Non-Solicitation Covenants.

11.1 Competing Business. Subject to the Closing having occurred and in consideration of the covenants and agreements herein contained, Seller shall not, for a period of five (5) years following the Closing (the "Non-Compete Period"), engage within a five (5) mile radius of the Business Location, whether as principal, agent, distributor, representative, employee, consultant, stockholder or otherwise, in owning or operating a business that provides pharmacy services at any time during the Non-Compete Period (the "Competitive Services"). Notwithstanding the foregoing, Seller may own less than five percent (5%) of the outstanding voting securities of any corporation or

other entity with a class of securities registered under the Securities Exchange Act of 1934, even if engaged in pharmacy services or any other activities competitive with the business of Buyer.

11.2 Non-Solicitation Covenants. Subject to the Closing having occurred and in consideration of the covenants and agreements herein contained, without the prior written consent of Buyer, Seller will not directly or indirectly (whether through any partnership of which Seller is a member, through any trust in which Seller is a beneficiary or trustee, or through a corporation or other association in which Seller has any interest, legal or equitable, or in any other capacity whatsoever) hire, solicit or endeavor to entice away from Buyer or otherwise materially interfere with the business relationship of Buyer with any person (i) who is, or was within the two (2) year period immediately prior to the date of solicitation, a customer or patient of Seller or actually known by Seller to be a customer or patient of Buyer or (ii) who is, or was within the six (6) month period immediately prior to the date of hiring, employed by or an independent contractor of Seller or actually known by Seller to be employed by or an independent contractor or Buyer. This non-solicitation covenant shall extend through the Non-Compete Period or until such earlier time as Buyer, its successors or assigns, shall cease to carry on or have an interest in the Business acquired hereunder.

11.3 Duration and Area. The parties hereto agree that the duration and area for which the non-competition and non-solicitation covenants set forth in this Section 11 are to be effective are reasonable. In the event that any court determines that the time period or the area, or both of them, are unreasonable and that either of such covenants is to that extent unenforceable, the parties hereto agree that the covenant shall remain in full force and effect for the greatest time period and in the greatest area that would not render it unenforceable. The parties intend that these covenants shall be deemed to be a series of separate covenants, one for each and every county of each and every state of the United States of America and each and every political subdivision of each and every country outside the United States of America where this covenant is intended to be effective. The parties agree that damages are an inadequate remedy for any breach of these covenants and that the parties shall, whether or not they are pursuing any potential remedies at law, be entitled to equitable relief in the form of preliminary and permanent injunctions without bond or other security upon any actual breach of this covenant.

12. Termination.

12.1 Grounds For Terminating. If prior to December 1, 2008, (i) the parties have not received the written consent of the Lessor to the Space Lease Assignment; (ii) the parties have not received written notice from the County or DMH that the County approved assignment of the County Contract by Seller to Buyer or, alternatively, the County approved entering into an equivalent successor agreement with Buyer; (iii) any condition precedent to Seller's obligations hereunder is not satisfied or is incapable of satisfaction and such condition is not waived by it, or (iv) any condition precedent to Buyer's obligations hereunder is not satisfied or is incapable of satisfaction and such condition is not waived by it, Seller or Buyer, as the case may be, may terminate this Agreement at its option by notice to the other party. If a condition precedent to any party's obligations is not satisfied, nothing contained herein shall be deemed to require any party to terminate this Agreement, rather than to waive such condition precedent and proceed with the Closing.

12.2 Payment Of Buyer's Deposit. In the event of the termination of this Agreement:

(a) Seller shall be entitled to Buyer's Deposit, which Seller and Buyer shall (and hereby do) instruct the escrow agent to pay to Seller;

(b) Except as provided in subdivision (a) immediately above, no party shall thereafter be liable to the other, except that any party in willful breach of its obligations hereunder shall be liable to the other party for such willful breach, and, in addition, each of the parties shall reserve and retain all, and no party shall have waived any, of its rights and remedies as existed prior to the execution of this Agreement. Notwithstanding the foregoing, Subsection 14.1, titled "Arbitration And Injunctive Relief" shall survive the termination of this Agreement

13. Maintenance of and Access to Records.

13.1 Retention of Transferred Records. Following the Closing Date, Buyer shall assume legal responsibility for retention of the Transferred Records and shall preserve the Transferred Records for at least seven (7) years from the date of each such Transferred Record or such longer periods as may be required by applicable legal requirements, contract requirements or Buyer's record retention policy, as amended from time to time.

13.2 Access to Records. Subject to all applicable legal requirements, on and after the Closing Date, Seller shall have reasonable access to (upon at least two (2) business days' prior written notice and during normal administrative business hours), and shall be permitted to make copies of, all books and records and information retained and remaining in existence after the Closing Date (including, without limitation, the Transferred Records) to the extent reasonably necessary by such entity or person for appropriate legal and business purposes, including in connection with any audit or investigation by any governmental authority, preparing tax returns or conducting tax audits, reimbursement or payment for services, compliance with legal requirements, insurance coverage, and the defense or prosecution of any litigation, including third party claims. Buyer shall reasonably cooperate fully with, and subject to the preceding provisions of this section, make available for inspection and copying by Seller and its employees, agents, legal counsel and accountants and/or governmental authorities, all records requested to the extent reasonably necessary to facilitate the foregoing purposes. Upon reasonable notice from Seller and upon satisfaction of any required consents or authorizations, Buyer shall permit Seller to remove from the Buyer's possession, at the Seller's sole risk and expense, any such records or copies for purposes of litigation involving matters to which such records may refer or relate, as certified in writing as necessary for the Seller to remove. Seller shall promptly return to Buyer any records so removed following their use, as permitted by applicable legal requirements.

13.3 Destruction of Documents. After the expiration of the seven (7) year (or longer) period described in Subsection 13.1, Buyer shall not destroy or dispose of or allow the destruction or disposition of any Transferred Records, without first having offered in writing to deliver such Transferred Records to Seller.

14. Miscellaneous.

14.1 Arbitration And Injunctive Relief. The parties hereto agree that any dispute, controversy or claim arising out of, relating to, or in connection with this Agreement including, without limitation, the provisions regarding indemnification under Section 10, shall be settled by arbitration administered by the American Arbitration Association ("AAA") under its Commercial Arbitration Rules for binding arbitration in Los Angeles, California by a single arbitrator.

All awards of the arbitrator shall be binding and non-appealable. Judgment upon the award of the arbitrator may be entered in any court having jurisdiction. Notwithstanding the foregoing, no party to this Agreement shall be precluded from applying to a proper court for injunctive relief by reason of the prior or subsequent commencement of an arbitration proceeding as herein provided. The prevailing party in such action or proceeding (i.e., the party who, in light of the issues contested or determined in the action or proceeding, was more successful) shall be entitled to have and recover from the non-prevailing party such costs and expenses (including, without limitation, all court and AAA costs and reasonable attorneys' fees) as the prevailing party may incur in the pursuit or defense thereof.

14.2 "As Is" "Where Is" Basis. The Assets and the Business are sold, assigned, transferred and conveyed to Buyer on the Closing Date on an "as is", "where is" and "with all faults" basis, and, except for the representations, warranties and covenants contained in this Agreement, Seller makes no further warranties or representations of any nature whatsoever relating to the Assets and the Business. Notwithstanding any contrary provisions herein, at Closing Seller may retain copies of any Transferred Records reasonably related to billing and collecting any accounts receivable.

14.3 Assignment And Successors. Neither this Agreement nor any of the rights or obligations hereunder may be assigned or delegated by any party. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors, assigns and delegates, and nothing in this Agreement shall be construed to confer on any other person any right, benefit or obligation hereunder. Notwithstanding the foregoing, prior to the Closing and on written notice to Buyer but without the consent of Buyer, Seller may assign all of its rights and delegate all of its obligations under this Agreement to a California corporation of Seller's choice.

14.4 Choice of Law. This Agreement shall be construed, interpreted and the rights of the parties determined in accordance with the laws of the State of California without regard to conflict of laws principles.

14.5 Entire Agreement; Amendments and Waivers. This Agreement and the instructions to the escrow agent referred to in Subsection 1.4 above (the "Escrow Instructions") contain the entire agreement among the parties pertaining to the subject matter hereof and supersede all prior agreements, understandings, negotiations and discussions, whether oral or written, of the parties. No supplement, modification or waiver of this Agreement shall be binding unless executed in writing by the party to be bound thereby. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provision hereof (whether or not similar), nor shall such waiver constitute a continuing waiver unless otherwise expressly provided.

14.6 Exhibits And Schedules. All exhibits and schedules referred to herein and attached hereto are hereby incorporated by reference and made a part of this Agreement. If there is any conflict between this Agreement and the Escrow Instructions, this Agreement shall control. If there is any conflict between this Agreement and any exhibit or schedule hereto, this Agreement shall control.

14.7 Expenses. Each party hereto shall bear its own costs and expenses, including attorneys' fees, with respect to the transactions contemplated hereby.

14.8 Further Assurances. After the Closing Date, each party will cooperate in good faith with the other and will take all appropriate action and execute any documents, instruments

or conveyances of any kind which may be reasonably necessary or advisable to carry out any of the transactions contemplated hereunder. From time to time after the Closing, Seller will execute and deliver to Buyer such instruments of sale, transfer, conveyance, assignment and delivery, consents, assurances, powers of attorney and other instruments as may be reasonably requested by counsel for Buyer in order to vest in Buyer all right, title and interest of Seller in and to the Assets and otherwise in order to carry out the purpose and intent of this Agreement.

14.9 Interpretation. This Agreement has been or shall be deemed to have been prepared and negotiations in connection therewith have been or shall be deemed to have been carried on by the joint efforts of the respective counsel for the parties. This Agreement is to be construed simply and fairly and not strictly for or against any of the parties hereto. Whenever in this Agreement the context may require, the masculine gender shall be deemed to include the feminine and/or neuter, the singular to include the plural, and vice versa.

14.10 Multiple Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Delivery of an executed counterpart of a signature page of this Agreement or any document or instrument delivered in connection herewith by facsimile or other electronic transmission shall be effective as delivery of an original executed counterpart of this Agreement or such other document or instrument, as applicable.

14.11 Notices. Unless otherwise provided herein, any notice, request, instruction or other document to be given hereunder by any party to the other shall be in writing and given by (i) personal delivery or (ii) United States Postal Service ("USPS") certified first class mail with return receipt requested to a party as follows:

If to Seller, addressed to:

1291 Ridgeside Dr.
Monterey Park CA 91754

If to Buyer, addressed to:

1604 Holly Ave
Arcadia CA 91007
Attn: Young K. Cho, R.P.

If by personal delivery, notice shall be effective when delivered. If by certified mail, notice shall be effective on the later of the date of receipt and the first date of attempted delivery (as shown on the return receipt). A party may change its address for notice by providing notice of such change in accordance with this provision.

14.12 Survival of Provisions. No obligations, promises, agreements, covenants, debt or liability (for purposes of this Subsection 14.12, collectively "obligations") contained herein shall survive beyond the effective date of expiration or earlier termination of this Agreement, except for (i) obligations accrued prior to such effective date that exist (actually or contingently) or remain to be performed in whole or in part as of such effective date and (ii) obligations that expressly

extend beyond the such effective date. The foregoing obligations shall include without limitation the obligations contained in Sections 10, 11, 12.2, 13 and 14.1 hereof.

14.13 Time of the Essence. Time is of the essence in the performance of all of the covenants and conditions hereunder.

14.14 Titles. The titles, captions or headings herein are inserted for convenience of reference only and are not intended to be a part of or to affect the meaning or interpretation of this Agreement.

14.15 Independent Counsel. **BUYER FOR ITSELF AND ON BEHALF OF ITS SOLE SHAREHOLDER (YOUNG KYUNG CHO, R.P.) WARRANTS AND REPRESENTS: (i) BUYER HAS BEEN ADVISED TO BE REPRESENTED BY COUNSEL OF ITS OWN CHOOSING IN THE PREPARATION, ANALYSIS AND ADVISABILITY OF EXECUTION OF THIS AGREEMENT; (ii) BUYER IS FULLY AWARE THAT COUNSEL FOR SELLER (VIZ., JEFFER, MANGELS, BUTLER & MARMARO, LLP AND ITS ATTORNEYS) HAS NOT ACTED OR PURPORTED TO ACT ON BUYER'S OR ITS SHAREHOLDER'S BEHALF; (iii) BUYER HAS BEEN REPRESENTED BY INDEPENDENT COUNSEL OR HAS HAD THE OPPORTUNITY AND REASONABLE TIME TO BE REPRESENTED BY INDEPENDENT COUNSEL BUT HAS DECIDED NOT BE REPRESENTED BY INDEPENDENT COUNSEL; (iv) BUYER HAS READ THIS AGREEMENT WITH CARE, UNDERSTANDS THE AGREEMENT AFFECTS SUBSTANTIAL LEGAL RIGHTS, AND BELIEVES IT IS FULLY AWARE OF AND UNDERSTANDS THE CONTENTS AND THE LEGAL EFFECT OF THIS AGREEMENT.**

IN WITNESS WHEREOF, each of the parties hereto has executed this Agreement as of the date first above written.

"BUYER":	"SELLER":
WELLNESS PHARMACY INC.	BELL GARDENS REXALL PHARMACY
By: _____	_____
Young Kyung Cho, R.P., President	Byung S. Lee