

PHARMCHEM

OFFER TO PURCHASE FOR CASH
by
PHARMCHEM, INC.
UP TO \$5,000,000 IN VALUE OF SHARES OF ITS COMMON STOCK
AT A PURCHASE PRICE NOT LESS THAN \$3.25
NOR GREATER THAN \$3.75 PER SHARE

THE TENDER OFFER, PRORATION PERIOD AND WITHDRAWAL RIGHTS WILL EXPIRE AT
5:00 P.M., EASTERN TIME, ON MAY 31, 2022,
UNLESS THE TENDER OFFER IS EXTENDED.

PharmChem, Inc., a Delaware corporation (“PharmChem,” “we,” “us” or the “Company”), is offering to purchase for cash up to \$5,000,000 in value of shares of our common stock, \$0.001 par value per share (our “common stock” or “shares”), upon the terms and subject to the conditions set forth in this document and the related letter of transmittal (which together, as they may be amended or supplemented from time to time, constitute the “tender offer.” The tender offer will commence on May 2, 2022 and terminate at 5:00 p.m., Eastern Time, on May 31, 2022 or such later date to which we may extend the tender offer (the “Expiration Date”). Unless otherwise indicated, all references to shares are to shares of our common stock and references to you or to shareholders are to shareholders of our common stock.

On the terms and subject to the conditions of the tender offer, we will determine the single per share purchase price, which will be not less than \$3.25 nor greater than \$3.75 per share, net to the seller of such shares in cash, less applicable withholding taxes and without interest, that we will pay for shares properly tendered and not properly withdrawn in the tender offer, taking into account the total number of shares so tendered and the prices specified by the tendering shareholders. We will select the lowest purchase price within the indicated range that will enable us to purchase \$5,000,000 in value of shares, or a lower amount depending on the number of shares that are properly tendered and not properly withdrawn before the expiration of the tender offer, at a price not less than \$3.25 nor greater than \$3.75 per share. We refer to the purchase price we select within the range indicated for our shares as the “purchase price.”

The tender offer is not conditioned on any minimum number of shares being tendered. The tender offer is, however, conditioned on the successful consummation by the Company before the Expiration Date of the private placement of notes (the “Notes Placement”), of not less than \$6,500,000 (the “Financing Condition”), as well as certain customary conditions. See Section 6. **This tender offer shall not constitute an offer to sell or the solicitation of an offer to buy the notes in the Notes Placement, and does not constitute an offer of any securities for sale.**

We will purchase at the purchase price all shares properly tendered and not properly withdrawn at prices at or below the purchase price, on the terms and subject to the conditions of the tender offer, including the odd lot and proration provisions. We reserve the right, in our sole discretion, to change the per share purchase price range and to purchase an additional amount of shares, subject to applicable law. In accordance with the rules of the Securities and Exchange Commission (the “SEC”), we may increase the number of shares accepted for payment in the tender offer by no more than 2% of the outstanding shares without amending or extending the tender offer. We will not purchase shares tendered at prices greater than the purchase price or shares that we do not accept for purchase because of proration provisions. We will return any shares we do not purchase in the tender offer to the tendering shareholders at our expense promptly after the expiration of the tender offer. See Section 1.

The shares of common stock are not listed on an established stock exchange. See Section 7 for recent information regarding trading of the shares of common stock. We urge you to obtain current quotations of the

market price of our common stock before deciding to tender your shares.

A detailed discussion of the tender offer is contained in this offer to purchase. Shareholders are strongly encouraged to read this entire package of materials, and the publicly available information about us referenced herein, before making a decision regarding the tender offer.

Our board of directors has approved the tender offer. However, neither we nor our board of directors, the information agent, or the depositary makes any recommendation to you as to whether you should tender or refrain from tendering your shares or as to the price or prices at which you may choose to tender your shares. You must make your own decision as to whether to tender your shares and, if so, how many shares to tender and the price or prices at which to tender your shares. In doing so, you should read carefully the information in this offer to purchase and in the related letter of transmittal that accompanies this offer to purchase (the “letter of transmittal”), including the purposes and effects of the tender offer. See Section 2. Our directors and executive officers have advised us that they do not intend to tender any shares in the tender offer.

Neither the SEC nor any state securities commission has approved or disapproved of this transaction or passed upon the merits or fairness of the transaction or passed upon the adequacy or accuracy of the information contained in this offer to purchase. Any representation to the contrary is a criminal offense.

You may direct questions and requests for assistance in connection with the tender offer to InvestorCom Inc., the information agent for the tender offer (the “information agent”), at their address or telephone number set forth on the last page of this document. You may also direct requests for additional copies of this document, the letter of transmittal, the notice of guaranteed delivery or other related materials to the information agent.

Offer to Purchase dated May 2, 2022

Contents

IMPORTANT PROCEDURES.....	4
FORWARD-LOOKING STATEMENTS	10
INTRODUCTION.....	11
THE TENDER OFFER.....	12
1. Number of Shares; Odd Lots; Proration.....	12
2. Purpose of the Tender Offer; Potential Risks and Disadvantages of the Offer; Other Plans.	15
3. Procedures for Tendering Shares.	17
4. Withdrawal Rights.	21
5. Purchase of Shares and Payment of Purchase Price.	22
6. Conditions of the Tender Offer.	23
7. Price Range of Shares; Dividends.	25
8. Source and Amount of Funds.....	26
9. Certain Information About Us.....	26
10. Interests of Directors and Executive Officers; Transactions and Arrangements Concerning Shares; Material Arrangements.	28
11. Effects of the Tender Offer on the Market for Shares.....	30
12. Legal Matters; Regulatory Approvals.	30
13. Material U.S. Federal Income Tax Consequences.	30
14. Extension of the Tender Offer; Termination; Amendment.	35
15. Fees and Expenses.....	35
16. Miscellaneous.....	36

IMPORTANT PROCEDURES

If you wish to tender all or any part of your shares, you must do one of the following before the tender offer expires at 5:00 p.m., Eastern Time, on May 31, 2022, or such later date and time to which we may extend the tender offer:

- If your shares are registered in the name of a broker, dealer, commercial bank, trust company or other nominee, contact the nominee and request that the nominee tender your shares for you. If a broker, dealer, commercial bank, trust company or other nominee holds your shares, it is likely that they have an earlier deadline for you to act to instruct them to accept the tender offer on your behalf. We urge you to contact your broker, dealer, commercial bank, trust company or other nominee to find out their applicable deadline.
- If you hold certificates registered in your own name, complete and sign the letter of transmittal according to the instructions therein and deliver it, together with any required signature guarantees, the original certificate(s) for your shares and any other documents required by the letter of transmittal, to Transfer Online, Inc. (“Transfer Online”) the depository for the tender offer, at the address appearing on the last page of this offer to purchase.
- If you hold shares that you are tendering in Direct Registration, or DRS, which is a book-entry position at Transfer Online, the transfer agent for our common stock, complete and sign the letter of transmittal according to the instructions therein and deliver it, together with any required signature guarantees and any other documents required by the letter of transmittal, to the depository, at the address appearing on the last page of this offer to purchase. Since certificates are not issued for DRS shares, you do not need to deliver any certificates representing those shares to the depository.
- If you are an institution participating in the Depository Trust Company, which we call the “book-entry transfer facility” in this offer to purchase, tender your shares according to the procedure for book-entry transfer described in Section 3.

If you desire to tender your shares but (a) your share certificates are not immediately available or cannot be delivered to the depository by the expiration of the tender offer, (b) you cannot comply with the procedure for book-entry transfer by the expiration of the tender offer, or (c) you cannot deliver the other required documents to the depository by the expiration of the tender offer, you must tender your shares according to the guaranteed delivery procedure described in Section 3.

We are not making the tender offer to (nor will we accept any tender of shares from or on behalf of) shareholders in any jurisdiction in which the making of the tender offer or the acceptance of any tender of shares would not be in compliance with the laws of such jurisdiction. However, we may, at our discretion, take such action as we may deem necessary for us to make the tender offer in any such jurisdiction and extend the tender offer to holders in such jurisdiction.

You may contact the information agent or your broker, dealer, commercial bank, trust company or other nominee for assistance. The contact information for the information agent is set forth on the last page of this offer to purchase.

We have not made any recommendation as to whether you should tender or not tender your shares in the tender offer. We have not authorized any person to make any recommendation on our behalf as to whether you should tender or not tender your shares in the tender offer. We have not authorized any person to give any information or to make any representation in connection with the tender offer other than those contained in this offer to purchase or in the letter of transmittal. You should not rely on any recommendation, or any such representation or information, as having been authorized by us, any member of our board of directors, the information agent or the depository.

The statements made in this offer to purchase are made as of the date on the cover page and the

statements incorporated by reference are made as of the date of the documents incorporated by reference. The delivery of this offer to purchase and the letter of transmittal will not under any circumstances create any implication that the information contained herein or incorporated by reference is correct as of a later date or that there has not been any change in such information or in our affairs since such dates.

SUMMARY TERM SHEET

We are providing this summary term sheet for your convenience. It highlights the most material terms of the proposed tender offer, but you should realize that it does not describe all of the details of the tender offer to the same extent described in the body of this offer to purchase. We urge you to read the entire offer to purchase and the related letter of transmittal because they contain the full details of the tender offer. We have included references to the sections of this document where you will find a more complete discussion.

Who is making the tender offer?

PharmChem, Inc., a Delaware corporation, with principal executive offices at 2411 E. Loop 820 N. Fort Worth, TX 76118.

What are we offering to purchase?

Our intent is to purchase up to \$5,000,000 in value of shares of our common stock. However, we reserve the right, in our sole discretion, to purchase additional shares in the tender offer, subject to applicable law. See Section 1.

What will be the purchase price for the shares?

We are conducting the tender offer through a procedure commonly called a modified “Dutch Auction.” This procedure allows you to select the price per share (in increments of \$0.10) within a price range specified by us at which you are willing to sell your shares. The price range for the tender offer is \$3.25 to \$3.75 per share. We will determine the purchase price that we will pay per share promptly after the expiration of the tender offer. The purchase price will be the lowest price at which, based on the number of shares tendered and the prices specified by the tendering shareholders, we can purchase \$5,000,000 in value of shares, or a lower amount depending on the number of shares that are properly tendered and not properly withdrawn before the expiration of the tender offer.

The purchase price will not be less than \$3.25 nor greater than \$3.75 per share. We will pay the same per share purchase price in cash, less any applicable withholding taxes and without interest, for all the shares we purchase in the tender offer, even if some of the shares are tendered at a price below the purchase price. See Section 1. Under no circumstances will we pay interest on the purchase price, even if there is a delay in making payment.

If you wish to maximize the chance that your shares will be purchased in the tender offer, you should check the box in the section of the letter of transmittal captioned “Shares Tendered at Price Determined in the Tender Offer,” indicating that you will accept the purchase price determined in the tender offer. If you agree to accept the purchase price determined in the tender offer, your shares will be deemed to be tendered at the minimum price of \$3.25 per share. You should understand that this election could have the effect of decreasing the purchase price determined by us, which may result in your shares being purchased at the minimum price per share. See Section 2.

How many shares will PharmChem purchase in the tender offer?

We are offering to purchase up to \$5,000,000 in value of shares. At the maximum purchase price of \$3.75 per share, we could purchase 1,333,333 shares if the tender offer is fully subscribed, which would represent approximately 26% of our issued and outstanding common stock as of April 29, 2022. At the minimum purchase price of \$3.25 per share, we could purchase 1,538,461 shares, which would represent approximately 30% of our issued and outstanding common stock as of April 29, 2022. If, based on the purchase price we determine, more than \$5,000,000 in value of shares are properly tendered at or below the purchase price and not properly withdrawn before the expiration of the tender offer, we will purchase all shares tendered at or below the purchase price on a pro rata basis, except for lots held by owners of less than 100 shares, or “odd lots,” which we will purchase on a priority basis as described in the immediately following paragraph. Subject to certain limitations and legal requirements, we reserve the right to accept for payment, according to the terms and conditions of the tender offer, up to an additional 2% of outstanding shares of our common stock (or 101,179 shares) without amending or extending the tender offer. The tender offer is not conditioned on any minimum number of shares being tendered. See Section 1 and Section 6.

If I own fewer than 100 shares and I tender all of my shares, will I be subject to proration?

If you own beneficially or of record fewer than 100 shares in the aggregate, you properly tender all of these shares at or below the purchase price before the tender offer expires and you complete the section entitled “Odd Lots” in the letter of transmittal, and, if applicable, the notice of guaranteed delivery, we will purchase all of your shares without subjecting them to the proration procedure. See Section 1.

What will be the form of payment of the purchase price?

If we purchase your shares in the tender offer, we will pay the purchase price, net to you in cash, less any applicable withholding taxes and without interest, for all of your shares that we purchase pursuant to the tender offer. We will pay the purchase price promptly after the tender offer expires, but under no circumstances will we pay interest on the purchase price, even if there is a delay in making payment. See Section 1 and Section 5.

How will PharmChem pay for the shares?

We expect to use the net proceeds from the Notes Placement and cash on hand to fund the share purchases in the tender offer, and the Company will use cash on hand to pay related fees and expenses. There can be no assurance that the Notes Placement will be completed. See Section 8. Subject to Rule 14e-1(c) under the Securities Exchange Act of 1934 (the “Exchange Act”), if the Notes Placement is not completed, we will not be required to accept for purchase, or to pay for, any notes in the Notes Placement. The offer to purchase and the accompanying letter of transmittal are not an offer to sell or a solicitation of an offer to buy the notes in the Notes Placement.

How long do I have to decide whether to tender my shares?

You may tender your shares until the tender offer expires. The tender offer will expire on May 31, 2022, at 5:00 p.m., Eastern Time, unless we extend it. See Section 1. We may choose to extend the tender offer for any reason, subject to applicable law. We cannot assure you that we will extend the tender offer or indicate the length of any extension that we may provide. See Section 14. If a broker, dealer, commercial bank, trust company or other nominee holds your shares, it is likely they have an earlier deadline for you to act to instruct them to accept the tender offer on your behalf. We urge you to contact your broker, dealer, commercial bank, trust company or other nominee to find out the applicable deadline.

Can the tender offer be extended, amended or terminated, and under what circumstances?

We can extend or amend the tender offer in our sole discretion. If we extend the tender offer, we will delay the acceptance of any shares that have been tendered thereunder. We can terminate the tender offer under certain circumstances. See Section 6 and Section 14.

How will I be notified if PharmChem extends, amends or terminates the tender offer?

We will post a notice of extension on OTC Markets, Inc. (“OTC Markets”) no later than 9:00 a.m., Eastern Time, on the business day after the scheduled expiration date if we decide to extend the tender offer. We will announce any amendment to the tender offer by posting a notice of the amendment on OTC Markets. Similarly, we will announce any termination of the tender offer by posting a notice of the amendment on OTC Markets. See Section 14. You can access these notices at www.otcmarkets.com, by entering “PCHM” in the search bar in the top right corner of their webpage.

How will I be notified that the Financing Condition has been met?

We will post a notice on OTC Markets no later than 9:00 a.m., Eastern Time, on the business day after the Financing Condition is met. The tender offer will remain open for at least five business days from the date we notify you that the Financing Condition has been met. You can access the notice at www.otcmarkets.com, by entering “PCHM” in the search bar in the top right corner of their webpage.

What is the purpose of the tender offer?

We believe that the repurchase of shares is consistent with our goal of maximizing value for shareholders. Our board of directors, with the assistance of management, has evaluated our operations, financial condition, capital needs, strategy and expectations for the future and believes that the tender offer is a prudent use of our financial resources given our business profile, prospective capital requirements, and the current market price of our shares. Furthermore, we believe the tender offer is an efficient means to return value to our shareholders. The tender offer represents the opportunity for us to return cash to shareholders who elect to tender their shares, while at the same time increasing non-tendering shareholders' proportionate interest in us. See Section 2 and Section 9.

Are there any conditions to the tender offer?

Yes. The tender offer is subject to the Financing Condition, and certain other customary conditions, including the absence of court and governmental action prohibiting, challenging or restricting the tender offer and the absence of changes in general market conditions or our business that, in our reasonable judgment, are or may be materially adverse to us. See Section 6.

How do I tender my shares?

If you want to tender all or part of your shares, you must do one of the following before 5:00 p.m., Eastern Time, on May 31, 2022, or any later time and date to which the tender offer may be extended:

- If your shares are registered in the name of a broker, dealer, commercial bank, trust company or other nominee, contact the nominee and request that the nominee tender your shares for you. If a broker, dealer, commercial bank, trust company or other nominee holds your shares, it is likely that they have an earlier deadline for you to act to instruct them to accept the tender offer on your behalf. We urge you to contact your broker, dealer, commercial bank, trust company or other nominee to find out their applicable deadline.
- If you hold certificates registered in your own name, complete and sign the letter of transmittal according to the instructions therein and deliver it, together with any required signature guarantees, the original certificate(s) for your shares and any other documents required by the letter of transmittal, to the depositary at the address appearing on the last page of this offer to purchase.
- If you hold shares that you are tendering in DRS, which is a book-entry position at Transfer Online, the transfer agent for our common stock, complete and sign the letter of transmittal according to the instructions therein and deliver it, together with any required signature guarantees and any other documents required by the letter of transmittal, to the depositary, at the address appearing on the last page of this offer to purchase. Since certificates are not issued for DRS shares, you do not need to deliver any certificates representing those shares to the depositary.
- If you are an institution participating in the book-entry transfer facility, tender your shares according to the procedure for book-entry transfer described in Section 3.

If you want to tender your shares, but: (a) the certificates for your shares are not immediately available or cannot be delivered to the depositary by the expiration of the tender offer; (b) you cannot comply with the procedure for book-entry transfer by the expiration of the tender offer; or (c) your other required documents cannot be delivered to the depositary by the expiration of the tender offer, you can still tender your shares if you comply with the guaranteed delivery procedures described in Section 3.

We are not aware of any jurisdiction where the making of the tender offer is not in compliance with applicable law. If we become aware of any jurisdiction where the making of the tender offer or the acceptance of shares pursuant to the tender offer is not in compliance with any applicable law, we will make a good faith effort to comply with the applicable law. If, after a good faith effort, we cannot comply with the applicable law, then the tender offer will not be made to, nor will tenders be accepted from or on behalf of, the holders of shares residing in that jurisdiction.

You may contact the information agent or your broker, dealer, commercial bank, trust company or other nominee for assistance. The contact information for the information agent set forth on the last page of this offer to purchase. See Section 3 and the instructions to the letter of transmittal.

Can I tender shares subject to the condition that a specified number of my shares must be purchased?

No. Conditional tenders will not be accepted. See Section 1 (regarding priority of shares to be purchased in the tender offer).

Once I have tendered shares in the tender offer, can I withdraw my tender?

You may withdraw any shares you have tendered at any time before the expiration of the tender offer, which will occur at 5:00 p.m., Eastern Time, on May 31, 2022, unless we extend the tender offer, in which case you may withdraw until the latest date to which we extend the tender offer. If we have not accepted for payment the shares you have tendered to us, you may also withdraw your shares after 12:00 midnight, Eastern Time, on July 1, 2022 (the 40th business day following the commencement of the tender offer). See Section 4.

How do I withdraw shares I previously tendered?

You must deliver, on a timely basis, a written notice of your withdrawal with the required information to the depositary at the address appearing on the last page of this offer to purchase. Your notice of withdrawal must specify your name, the number of shares to be withdrawn and the name of the registered holder of those shares. Some additional requirements apply if the share certificates to be withdrawn have been delivered to the depositary or if your shares have been tendered under the procedure for book-entry transfer set forth in Section 3. See Section 3 and Section 4.

Has PharmChem or its board of directors adopted a position on the tender offer?

Our board of directors has approved the tender offer. However, none of PharmChem, its board of directors or the information agent makes any recommendation to you as to whether you should tender or refrain from tendering your shares or as to the price or prices at which you may choose to tender your shares. You must make your own decision as to whether to tender your shares and, if so, how many shares to tender and the price or prices at which you choose to tender your shares. In so doing, you should read carefully the information in this offer to purchase and in the related letter of transmittal, including our reasons for making the tender offer. See Section 2.

Do the directors and executive officers of PharmChem intend to tender any shares in the tender offer?

Our directors and executive officers have advised us that they do not intend to tender any shares in the tender offer. Accordingly, if we complete the tender offer, the proportional holdings of our directors and executive officers will increase. However, subject to applicable law, our directors and executive officers may subsequently sell their shares in open market transactions at prices that may or may not be more favorable than the purchase price we will pay shareholders who tender shares in the tender offer. See Section 10.

If I decide not to tender, how will the tender offer affect my shares?

Shareholders who choose not to tender will own a greater percentage interest in our outstanding common stock immediately following the consummation of the tender offer. See Section 11.

When will PharmChem pay for the shares I tender?

We will pay the purchase price, net to you in cash, less applicable withholding taxes and without interest, for the shares we purchase promptly after the expiration of the tender offer and the acceptance of the shares for payment; provided, however, that, if proration is required, we do not expect to announce the results of the proration and begin paying for tendered shares until at least four (4) business days after the expiration of the tender offer. See Section 5.

What is the recent market price of my shares?

The Company's common stock trades on the "Pink Current Information" level of the OTC Pink Marketplace under the symbol, PCHM. See Section 7 for recent information regarding trading of the shares of common stock. We urge you to obtain current quotations of the market price of our common stock before deciding to tender your shares.

Will I have to pay brokerage commissions if I tender my shares?

If you are a registered shareholder and you tender your shares directly to the depositary, you will not have to pay any brokerage commissions. If you hold shares through a broker, dealer, commercial bank, trust company or other nominee, we urge you to consult your broker, dealer, commercial bank, trust company or other nominee to determine whether transaction costs are applicable. See Section 3.

What are the United States federal income tax consequences if I tender my shares?

Generally, you will be subject to United States, or U.S., federal income taxation when you receive cash from us in exchange for the shares you tender. The receipt of cash for your tendered shares generally will be treated either as (1) consideration received in respect of a sale or exchange of the tendered shares or (2) a distribution from us in respect of our stock. Different consequences could arise if you acquired your shares through the exercise of employee stock options (or otherwise as compensation) or are otherwise subject to special treatment under the U.S. federal income tax laws. You should consult your tax advisor as to the particular consequences to you of participation in the tender offer in light of your specific circumstances. See Section 13.

Will I have to pay any stock transfer tax if I tender my shares?

If you instruct the depositary in the letter of transmittal to make the payment for the shares to the registered holder, you will not incur any stock transfer tax. See Section 5.

What is the accounting treatment of the tender offer?

The accounting for the repurchase of the shares under the tender offer will result in a reduction of our shareholders' equity in an amount equal to the aggregate purchase price of the repurchased shares plus direct expenses of the tender offer, an increase of our borrowings in an amount equal to the aggregate principal amount of the notes issued in the Notes Placement, and a corresponding reduction in cash and cash equivalents. See Section 2.

Whom can I talk to if I have questions?

InvestorCom, the information agent, can help answer your questions. InvestorCom's contact information is set forth on the last page of this offer to purchase.

FORWARD-LOOKING STATEMENTS

This offer to purchase, the documents incorporated by reference and other written reports and oral statements made from time to time by PharmChem, Inc. may contain "forward-looking statements" regarding future events and our future results. These forward-looking statements reflect the views of our management regarding current expectations of future events based on certain assumptions and include any statement that does not directly relate to any historical or current fact. These statements are inherently uncertain, and actual events could differ materially from our predictions for a variety of reasons, including, without limitation, those discussed elsewhere in this offer to purchase and the documents incorporated by reference. Forward-looking statements can also be identified by words such as "future," "anticipates," "believes," "estimates," "expects," "intends," "plans," "predicts," "will," "would," "could," "can," "may," and similar terms. Forward-looking statements are not guarantees of future performance and our actual results may differ significantly from the results discussed in the forward-looking statements. Important factors that could cause actual events to vary from our predictions, include those discussed in our annual Letter to Stockholders, as well as the other information posted on OTC Markets.

These forward-looking statements are inherently subject to uncertainties, risks and changes in

circumstances that are difficult to predict. Except as required by applicable law, we are not under any obligation and do not intend to publicly update or review any of these forward-looking statements, whether as a result of new information, future events or otherwise, even if experience or future events make it clear that any expected results expressed or implied by those forward-looking statements will not be realized.

Please carefully review and consider the various disclosures made in this offer to purchase and in our other information available on OTC Markets that attempt to advise interested parties of the risks and factors that may affect our business, results of operations, financial condition or prospects. You can read these documents at www.otcmarkets.com, by entering “PCHM” in the search bar in the top right corner of their webpage.

INTRODUCTION

To the Holders of our Common Stock:

We invite our shareholders to tender shares of our common stock, \$.001 par value per share, for purchase by us. We are offering to purchase up to \$5,000,000 in value of shares at a price not less than \$3.25 nor greater than \$3.75 per share, net to the seller in cash, less applicable withholding taxes and without interest, upon the terms and subject to the conditions set forth in this offer to purchase and the related letter of transmittal.

On the terms and subject to the conditions of the tender offer, we will select the lowest purchase price that is not less than \$3.25 nor greater than \$3.75 per share that will allow us to purchase \$5,000,000 in value of shares or a lower amount depending on the number of shares that are properly tendered and not properly withdrawn. If shares having an aggregate value of less than \$5,000,000 are properly tendered and not properly withdrawn, we will select the lowest price that will allow us to buy all the shares that are properly tendered and not properly withdrawn. We will acquire all shares that we purchase in the tender offer at the same purchase price regardless of whether the shareholder tendered at a lower price. However, because of the “odd lot” priority and proration provisions described in this offer to purchase, we may not purchase all of the shares tendered at or below the purchase price if more than the number of shares we seek are properly tendered and not properly withdrawn. We will return tendered shares that we do not purchase to the tendering shareholders at our expense promptly after the expiration of the tender offer. See Section 1.

Our intent is to purchase up to \$5,000,000 in value of shares of our common stock. However, we reserve the right to purchase additional shares pursuant to the tender offer, subject to certain limitations and legal requirements. See Section 1.

The tender offer, proration period and the withdrawal rights will expire at 5:00 p.m., Eastern Time, on May 31, 2022, unless extended. We may, in our sole discretion, extend the period of time in which the tender offer will remain open.

Shareholders must complete the section of the related letter of transmittal relating to the price at which they are tendering shares in order to properly tender shares.

We will pay the purchase price, net to the seller in cash, less applicable withholding taxes and without interest, for all shares that we purchase. Tendering shareholders whose shares are registered in their own names and who tender directly to Transfer Online, Inc., the depositary in the tender offer, will not be obligated to pay brokerage fees or commissions or, except as set forth in Instruction 9 to the letter of transmittal, stock transfer taxes on the purchase of shares by us under the tender offer. If you own your shares through a bank, broker, dealer, trust company or other nominee and that person tenders your shares on your behalf, that person may charge you a fee for doing so. You should consult your bank, broker, dealer, trust company or other nominee to determine whether any charges will apply.

The tender offer is not conditioned on any minimum number of shares being tendered. The tender offer is, however, subject to the Financing Condition, as well as certain customary conditions. See Section 6.

Our board of directors has approved the tender offer. However, none of PharmChem, its board of directors or the information agent makes any recommendation to you as to whether you should tender or refrain from tendering your shares or as to the price or prices at which you may choose to tender your shares. You must make

your own decision as to whether to tender your shares and, if so, how many shares to tender and the price or prices at which to tender your shares. In doing so, you should read carefully the information in this offer to purchase and the related letter of transmittal, including our reasons for making the tender offer. See Section 2. Our directors and executive officers have advised us that they do not intend to tender any shares in the tender offer.

If, on the expiration date, shares having an aggregate value in excess of \$5,000,000 (or such greater amount as we may elect to purchase, subject to applicable law) are properly tendered at or below the purchase price and not properly withdrawn, we will buy shares in the following order:

- first, from all holders of odd lots who (i) properly tender all their shares at or below the purchase price selected by us and do not properly withdraw the shares before the expiration date and (ii) complete the section captioned “Odd Lots” on the letter of transmittal and, if applicable, on the notice of guaranteed delivery, without regard to any proration that would otherwise be applicable to such “odd lot” shares; and
- second, on a pro rata basis from all other shareholders who properly tender and do not properly withdraw shares at or below the purchase price selected by us before the expiration date.

Because of the “odd lot” priority and proration provisions described above, we may not purchase all of the shares tendered pursuant to the tender offer even if the shares are tendered at or below the purchase price. See Section 1, Section 5 for additional information concerning priority and proration.

Section 13 of this offer to purchase describes the material U.S. federal income tax consequences of a sale of shares under the tender offer.

As of April 29, 2022, we had issued and outstanding approximately 5,058,995 shares of our common stock. At the maximum purchase price of \$3.75 per share, we could purchase 1,333,333 shares if the tender offer is fully subscribed, which would represent approximately 26% of our issued and outstanding common stock as of April 29, 2022. At the minimum purchase price of \$3.25 per share, we could purchase 1,538,461 shares, which would represent approximately 30% of our issued and outstanding common stock as of April 29, 2022. The Company’s common stock trades on the “Pink Current Information” level of the OTC Pink Marketplace under the symbol, PCHM. See Section 7 for recent information regarding trading of the shares of common stock. We urge you to obtain current quotations of the market price of our common stock before deciding to tender your shares.

THE TENDER OFFER

1. Number of Shares; Odd Lots; Proration.

General. Upon the terms and subject to the conditions of the tender offer, we will purchase \$5,000,000 in value of shares, or if a lower amount of shares is properly tendered and not properly withdrawn, all shares that are properly tendered and not properly withdrawn, at a price not less than \$3.25 nor greater than \$3.75 per share, net to the seller in cash, less applicable withholding taxes and without interest.

Expiration Date. The term “expiration date” means 5:00 p.m., Eastern Time, on May 31, 2022, unless and until we, in our sole discretion, extend the period of time during which the tender offer will remain open, in which event the term “expiration date” will refer to the latest time and date at which the tender offer, as so extended by us, will expire. See Section 14 for a description of our right to extend, delay, terminate or amend the tender offer. In accordance with the rules of the SEC, we may, and we expressly reserve the right to, purchase under the tender offer an additional number of shares not to exceed 2% of our outstanding shares (or 101,179 shares). See Section 14. In the event of an over-subscription of the tender offer as described below, shares tendered at or below the purchase price will be subject to proration, except for odd lots. The proration period and, except as described herein, withdrawal rights, expire on the expiration date.

If we materially change the terms of the tender offer we will extend the tender offer to the extent required by Rule 14e-1(b), promulgated under the Exchange Act. Accordingly, if we undertake any of the following actions:

- increase the price to be paid for shares above \$3.75 per share or decrease the price to be paid for shares below \$3.25 per share;
- increase the aggregate purchase price limit and thereby increase the number of shares being sought in the tender offer, and this increase in the number of shares sought exceeds 2% of our outstanding shares (or 101,179 shares), or
- decrease the aggregate purchase price limit and thereby decrease the number of shares being sought in the tender offer, and
- the tender offer is scheduled to expire at any time earlier than the expiration of a period ending on the tenth (10th) business day from, and including, the date that we first publish, send or give notice of any such increase or decrease,

We will extend the tender offer until the expiration of ten (10) business days from the date that we first publish, send or give notice of any such increase or decrease. The tender offer will remain open for at least five business days from the date we notify you that the Financing Condition has been met. For the purposes of the tender offer, a “business day” means any day other than a Saturday, Sunday or U.S. federal holiday and consists of the time period from 12:01 a.m. through 12:00 midnight, Eastern Time.

The tender offer is not conditioned on any minimum number of shares being tendered. The tender offer is, however, subject to the Financing Condition, as well as certain customary conditions. See Section 6.

Purchase Price. In accordance with Instruction 5 of the related letter of transmittal, shareholders desiring to tender shares must specify the price or prices, not less than \$3.25 nor greater than \$3.75 per share, at which they are willing to sell their shares to us under the tender offer. Alternatively, shareholders desiring to tender shares can choose not to specify a price and, instead, specify that they will sell their shares at the purchase price that we ultimately select to pay for shares properly tendered and not properly withdrawn in the tender offer, which could result in the tendering shareholder receiving a price per share as low as \$3.25 or as high as \$3.75. If tendering shareholders wish to maximize the chance that we will purchase their shares, they should check the box in the section of the letter of transmittal captioned “Shares Tendered at Price Determined Pursuant to the Tender Offer,” indicating that they will accept the purchase price determined in the tender offer. Note that this election could result in the tendered shares being purchased at the minimum price of \$3.25 per share.

To tender shares properly, you must specify one and only one price box in the appropriate section in each letter of transmittal. If you want to tender portions of your shares at different prices, you must complete a separate letter of transmittal for each portion of your shares that you want to tender at a different price. The same shares cannot be tendered (unless first properly withdrawn) at more than one price. If you specify more than one price on a single letter of transmittal, or if you fail to check any price at all, you will not have properly tendered your shares. See Section 3.

Promptly following the expiration date, we will, in our sole discretion, determine the purchase price that we will pay for shares properly tendered and not properly withdrawn, taking into account the number of shares tendered and the prices specified by tendering shareholders. We will select the lowest purchase price, not less than \$3.25 nor greater than \$3.75 per share, net to the seller in cash, less applicable withholding taxes and without interest, that will enable us to purchase \$5,000,000 in value of shares, or a lower amount depending on the number of shares that are properly tendered and not properly withdrawn in the tender offer before the expiration date. If, based on the purchase price we determine, shares having an aggregate value of less than \$5,000,000 are properly tendered and not properly withdrawn, we will buy all the shares that are properly tendered and not properly withdrawn.

We will purchase all shares properly tendered at or below the purchase price and not properly withdrawn, all at the purchase price, upon the terms and subject to the conditions of the tender offer, including the odd lot and proration provisions. We will not purchase any shares tendered at prices greater than the purchase price we select. Additionally, we may not purchase all of the shares tendered at the purchase price because of proration provisions. We will return to the tendering shareholders shares that we do not purchase in the tender offer at our expense promptly after the expiration date. By following the instructions to the letter of transmittal, you can specify one

minimum price for a specified portion of your shares and a different minimum price for other specified shares, but you must submit a separate letter of transmittal for shares tendered at each price. You also can specify the order in which you would like us to purchase the specified portions if, as a result of the proration provisions or otherwise, we purchase some but not all of your tendered shares.

If the value of the shares properly tendered at or below the purchase price and not properly withdrawn before the expiration date is less than or equal to \$5,000,000, or such greater amount as we may elect to purchase, subject to applicable law, we will, upon the terms and subject to the conditions of the tender offer, purchase all such shares at the purchase price.

Priority of Purchases. Upon the terms and subject to the conditions of the tender offer, if, based on the purchase price determined in the tender offer, shares having an aggregate value in excess of \$5,000,000, or such greater amount as we may elect to purchase, subject to applicable law, have been properly tendered at prices at or below the purchase price and not properly withdrawn before the expiration date, we will purchase properly tendered and not properly withdrawn shares in the following order of priority:

First, we will purchase all shares tendered by all holders of odd lots who:

- tender all shares owned beneficially or of record (partial tenders will not qualify for this preference) at a price at or below the purchase price selected by us; and
- complete the section entitled “Odd Lots” in the letter of transmittal and, if applicable, in the notice of guaranteed delivery.

Second, we will purchase all other shares tendered at prices at or below the purchase price selected by us on a pro rata basis with appropriate rounding adjustments to avoid purchases of fractional shares, as described below.

Odd Lots. For purposes of the tender offer, the term “odd lots” means all shares properly tendered before the expiration date at prices at or below the purchase price and not properly withdrawn by any person, referred to as an “odd lot” holder, who owns beneficially or of record an aggregate of fewer than 100 shares and so certifies in the appropriate place on the letter of transmittal and, if applicable, on the notice of guaranteed delivery. To qualify for this preference, an odd lot holder must tender all shares owned beneficially or of record by the odd lot holder in accordance with the procedures described in Section 3. As set forth above, we will accept odd lots for payment before proration, if any, of the purchase of other tendered shares. This preference is not available to partial tenders or to beneficial or record holders of an aggregate of 100 or more shares, even if these holders have separate accounts or share certificates representing fewer than 100 shares. By accepting the tender offer, an odd lot holder who holds shares in its name and tenders its shares directly to the depositary would avoid the payment of brokerage commissions. Any odd lot holder wishing to tender all of its shares pursuant to the tender offer should complete the section entitled “Odd Lots” in the letter of transmittal and, if applicable, in the notice of guaranteed delivery.

Proration. If the tender offer is over-subscribed by tendering shareholders, shares tendered will be subject to proration, except for odd lots. If proration of tendered shares is required, we will determine the proration factor promptly following the expiration date. Subject to rounding adjustment to avoid the purchase of fractional shares, proration for each shareholder that tenders shares will be based on the ratio of the total number of shares properly tendered and not properly withdrawn by the shareholder at or below the purchase price selected by us to the total number of shares properly tendered (excluding odd lots) and not properly withdrawn by all shareholders (other than odd lot holders) at or below the purchase price selected by us. This ratio will be applied to shareholders tendering shares (other than odd lot holders) to determine the number of shares that will be purchased from each tendering shareholder.

Because of the potential difficulty in determining the number of shares properly tendered, including shares tendered by guaranteed delivery procedures, as described in Section 3, and not properly withdrawn, and because of the odd lot procedure provisions, we do not expect that we will be able to announce the final proration factor or commence payment for any shares purchased under the tender offer until approximately four (4) business days after the expiration date. The preliminary results of any proration will be announced by press release promptly after the expiration date. Shareholders may obtain preliminary proration information from the information agent and may be

able to obtain this information from their brokers.

As described in Section 13, the number of shares that we will purchase from a shareholder under the tender offer may affect the U.S. federal income tax consequences to that shareholder and, therefore, may be relevant to that shareholder's decision whether or not to tender shares.

We will mail this offer to purchase and the related letter of transmittal to record holders of shares as of May 2, 2022 and we will furnish them to brokers, dealers, commercial banks and trust companies whose names, or the names of whose nominees, appear on our shareholder list or, if applicable, that are listed as participants in a clearing agency's security position listing for subsequent transmittal to beneficial owners of shares.

2. Purpose of the Tender Offer; Potential Risks and Disadvantages of the Offer; Other Plans.

Purpose of the Tender Offer. The board of directors believes that the Company's purchase of shares is an attractive investment which will benefit the Company and its remaining shareholders. The tender offer will, at the same time, provide liquidity to our shareholders who may desire to sell their shares for cash to do so at the stated tender price, all to be handled through the Company. The tender offer may also reduce the number of shareholders with minimal stock holdings.

PharmChem held its annual meeting of shareholders on August 31, 2021 (the "2021 Annual Meeting"). At the 2021 Annual Meeting, the shareholders replaced the three incumbent members of the board of directors with Tice Brown, Thompson Clark and Tim Eriksen. The board of directors then replaced the incumbent executive officers, naming Kerri Wagner as CEO and Shana Veale as CFO. Both have served with the Company in various capacities for many years.

As set forth in the management letter to shareholders dated October 21, 2021 and incorporated into this offer by reference (see Section 9), after the change in management following the 2021 Annual Meeting, the board of directors decided to expand the sales force for our products and embark upon an expanded marketing program. The board of directors also determined that the Company would be better served through leveraging the current balance sheet through the incurrence of debt, something which the previous management did not support. There can be no assurance that we will be successful in implementing these changes, nor that if implemented, that these changes will result in improved operating results for the Company and not adversely affect the Company's financial condition and results of operation.

The Company has continued and is continuing to refine its business plans following the change in management after the 2021 Annual Meeting. Since October, 2021, we have hired five salespeople, but only three remain employed with the Company at present. It is still not clear whether the gross margin dollars produced by new sales per salesperson justify the expense. The financial statements for the quarter ended March 31, 2022 (the "First Quarter"), which are incorporated by reference into this offer (see Section 9), reflect the higher operating expenses associated with the additional salespeople. For the First Quarter, sales were down slightly year-over-year, which could reflect ongoing normalization from increased demand for the PharmChek product due to the COVID 19 pandemic.

In light of the recent changes in the direction of the Company following the 2021 Annual Meeting, and the decision to substantially increase the Company's indebtedness, the board of directors has determined to offer current shareholders the opportunity to liquidate their interest in the Company to the extent set forth in this tender offer. In the event this tender offer is completely subscribed, we anticipate ceasing our buyback plan for the time being.

None of PharmChem, its board of directors or the information agent makes any recommendation to any shareholder as to whether to tender or refrain from tendering any shares or as to the price or prices at which shareholders may choose to tender their shares. We have not authorized any person to make any recommendation. Shareholders should carefully evaluate all information in the tender offer, should consult their own investment and tax advisors, and should make their own decisions about whether to tender shares,

and, if so, how many shares to tender and the price or prices at which to tender. We have been advised that none of our directors or executive officers intends to tender any shares in the tender offer.

Potential Risks and Disadvantages of the Tender Offer. The tender offer presents potential risks and disadvantages to us and our continuing shareholders. The tender offer will reduce our “public float,” which is the number of shares owned by non-affiliate shareholders and available for trading, and is likely to reduce the number of our shareholders. These reductions may result in lower or higher stock prices and/or reduced liquidity in the trading market for our shares as well as increased volatility of our share price after completion of the tender offer. See Section 11. Future open market purchases, if any, would further reduce our public float

As a result of the tender offer, our borrowings will be increased in an amount equal to the aggregate principal amount of the notes issued in the Notes Placement. In addition, purchases may occur at a premium to the current market price of the shares tendered.

Shareholders who do not tender their shares pursuant to the tender offer and shareholders who otherwise retain an equity interest in our common stock as a result of a partial tender of shares or a proration will continue to be owners of our common stock. As a result, those shareholders will likely realize a proportionate increase in their relative equity interest in PharmChem and, thus, in our future earnings and assets, if any, and will bear the attendant risks associated with owning our equity securities, including risks resulting from our purchase of shares and our reduced public float.

We can give no assurance that we will not issue additional shares or other equity interests in the future. Shareholders may be able to sell non-tendered shares in the future at a net price which may be significantly higher than the purchase price in the tender offer. We can give no assurance, however, as to the price at which a shareholder may be able to sell his, her or its shares in the future, which price may be higher or lower than the purchase price paid by us in the tender offer.

Our directors and executive officers have advised us that they do not intend to tender any shares owned by them in the tender offer. Accordingly, if we complete the tender offer, the proportional holdings of our directors and executive officers will likely increase.

For example, if the Company purchases the maximum number of shares possible in the tender offer, the Chairman of the Board will control approximately 45.4% of the Company’s voting power. Our directors and executive officers may, in compliance with applicable law, sell their shares in open market transactions at prices that may or may not be more favorable than the purchase price we pay tendering shareholders in the tender offer.

We may in the future provide the return of value to shareholders with special dividends based on available cash resources, prevailing market conditions and other factors. If you tender shares in this tender offer, you will not be able to receive special dividends that we may, in compliance with applicable law, declare in the future. In addition, we may in the future purchase additional shares in the open market subject to market conditions. We may also purchase shares in private transactions, tender offers or otherwise. Any of these purchases may be on the same terms as, or on terms more or less favorable to shareholders than, the terms of this tender offer. However, Rule 14e-5 under the Exchange Act generally prohibits our affiliates from purchasing any shares during the period the tender offer is open, other than through the tender offer, except pursuant to certain limited exceptions provided in Rule 14e-5 of the Exchange Act. Any possible future purchases by us will depend on many factors, including the market price of our common stock, the results of the tender offer, our business and financial position, and general economic and market conditions.

Shares acquired pursuant to our offer will be canceled and returned to treasury. We have no current plans for the issuance or sale of the shares purchased in our offer.

Other Plans. Except as described in this offer to purchase, including those documents incorporated by reference herein, we currently have no plans, proposals or negotiations underway that relate to or would result in:

- any extraordinary transaction, such as a merger, reorganization or liquidation, involving us;
- any purchase, sale or transfer of a material amount of our assets;

- any material change in our present dividend policy, indebtedness or capitalization;
- other than the continuous review of the size of our board of directors and director qualifications in the ordinary course, any change in our present board of directors or management, including any plans or proposals to change the number or term of directors or to change any material term of the employment contract of any of our executive officers;
- any other material change in our corporate structure or business;
- the acquisition by any person of additional securities of ours, or the disposition of our securities, other than pursuant to the grants of equity awards to employees and directors in the ordinary course of business and our share repurchase programs, which we will not be utilizing during the tender offer; or
- any changes in our charter, bylaws or other governing instruments or other actions that could impede the acquisition of control of us.

Although we do not currently have any plans, other than as described in this offer to purchase, including those documents incorporated by reference herein, that relate to or would result in any of the events discussed above, we may undertake or plan actions that relate to or could result in one or more of these events.

3. Procedures for Tendering Shares.

Proper Tender of Shares. For shareholders to properly tender shares under the tender offer, either (1) or (2) below must happen:

(1) The depositary must receive all of the following before 5:00 p.m., Eastern Time, on the expiration date at the depositary's address on the last page of this offer to purchase:

- either (a) the original certificate(s) representing the tendered shares, or (b) in the case of tendered shares delivered in accordance with the procedures for book-entry transfer as described below, a confirmation of receipt of the shares
- either (a) a properly completed and duly executed letter of transmittal, including any required signature guarantees, or (b) in the case of a book-entry transfer, an "agent's message" of the type described below;
- a properly completed and duly executed letter of transmittal, including any required signature guarantees, in case of shares held in DRS at Transfer Online, which is a book-entry position at Transfer Online; and
- any other documents required by the letter of transmittal.

(2) The tendering shareholder must comply with the guaranteed delivery procedure set forth below.

If a broker, dealer, commercial bank, trust company or other nominee holds your shares, it is likely they have an earlier deadline for you to act to instruct them to accept the tender offer on your behalf. We urge you to contact your broker, dealer, commercial bank, trust company or other nominee to find out their applicable deadline.

We recommend that shareholders who hold shares through brokers, dealers, commercial banks, trust companies or other nominees consult the brokers, dealers, commercial banks, trust companies or other nominees to determine whether transaction costs are applicable if they tender shares through the brokers, dealers, commercial banks, trust companies or other nominees and not directly to the depositary.

In accordance with Instruction 5 of the letter of transmittal, each shareholder desiring to tender shares pursuant to the tender offer must either (1) check the box in the section of the letter of transmittal captioned "Shares

Tendered at Price Determined Pursuant to the Tender Offer,” in which case you will be deemed to have tendered your shares at the minimum price of \$3.25 per share, or (2) check one, and only one, of the boxes corresponding to the price at which shares are being tendered in the section of the letter of transmittal captioned “Shares Tendered at Price Determined by Shareholder.”

If you wish to maximize the chance that we will purchase your shares, you should check the box in the section of the letter of transmittal captioned “Shares Tendered at Price Determined Pursuant to the Tender Offer,” indicating that you will accept the purchase price determined in the tender offer. Note that this election could have the effect of decreasing the price at which we purchase tendered shares because shares tendered using this election will be available for purchase at the minimum price of \$3.25 per share and, as a result, it is possible that this election could result in us purchasing tendered shares at the minimum price of \$3.25 per share.

If you desire to tender shares at more than one price, you must complete a separate letter of transmittal for each price at which you tender shares, provided that you may not tender the same shares (unless properly withdrawn previously in accordance with Section 4) at more than one price. To tender shares properly, you must check one and only one price box in the appropriate section of each letter of transmittal. If you check more than one box, or if you fail to check any box at all, you will not have properly tendered your shares.

Shareholders also can specify the order in which we will purchase shares tendered in the tender offer if, as a result of the proration provisions or otherwise, we purchase some but not all of the tendered shares pursuant to the tender offer. If a shareholder does not designate the order and fewer than all shares are purchased due to proration or otherwise, the depositary will select the order of shares purchased.

Odd lot holders must tender all of their shares and also complete the section captioned “Odd Lots” in the letter of transmittal and, if applicable, in the notice of guaranteed delivery, to qualify for the preferential treatment available to odd lot holders as set forth in Section 1.

Signature Guarantees. No signature guarantee is required if:

- the letter of transmittal is signed by the registered holder of the shares (which term, for purposes of this Section 3, shall include any participant in The Depository Trust Company, referred to as the “book-entry transfer facility,” whose name appears on a security position listing as the owner of the shares) exactly as the name of the registered holder appears on the share certificates tendered therewith and the holder has not completed either the box captioned “Special Delivery Instructions” or the box captioned “Special Payment Instructions” in the letter of transmittal; or
- shares are tendered for the account of a bank, broker, dealer, credit union, savings association or other entity which is a member in good standing of the Securities Transfer Agents Medallion Program or a bank, broker, dealer, credit union, savings association or other entity which is an “eligible guarantor institution,” as such term is defined in Rule 17Ad-15 under the Exchange Act. See Instruction 1 of the letter of transmittal.

If a share certificate is registered in the name of a person other than the person executing a letter of transmittal, or if payment is to be made or delivered to a person other than the registered holder, then the certificate must be endorsed or accompanied by an appropriate stock power, in either case signed exactly as the name of the registered holder appears on the certificate, with the signature guaranteed by an eligible guarantor institution.

Payment for shares tendered and accepted for payment under the tender offer will be made only after timely receipt by the depositary of:

- share certificates or a timely confirmation of the book-entry transfer of the shares into the depositary’s account at the book-entry transfer facility as described below;
- a properly completed and duly executed letter of transmittal, including any required signature guarantees, or an agent’s message in the case of a book-entry transfer; and
- any other documents required by the letter of transmittal.

Method of Delivery. The method of delivery of all documents, including share certificates, the letter of transmittal and any other required documents, is at the election and risk of the tendering shareholder. If you choose to deliver required documents by mail, we recommend that you use registered mail with return receipt requested, properly insured.

All deliveries made in connection with the tender offer, including the letter of transmittal and share certificates, must be made to the depositary and not to us, the information agent or the book-entry transfer facility. Any documents delivered to us, the information agent or the book-entry transfer facility will not be forwarded to the depositary and therefore will not be deemed to be properly tendered.

Book-Entry Delivery. The depositary will establish an account with respect to the shares for purposes of the tender offer at the book-entry transfer facility within two (2) business days after the date of this offer to purchase, and any financial institution that is a participant in the book-entry transfer facility's system may make book-entry delivery of the shares by causing the book-entry transfer facility to transfer shares into the depositary's account in accordance with the book-entry transfer facility's procedures for transfer. Although participants in the book-entry transfer facility may effect delivery of shares through a book-entry transfer into the depositary's account at the book-entry transfer facility, either (1) or (2) below must occur:

- (1) a properly completed and duly executed letter of transmittal, including any required signature guarantees, or an agent's message, and any other required documents, must, in any case, be transmitted to and received by the depositary at its address set forth on the last page of this offer to purchase before the expiration date; or
- (2) the guaranteed delivery procedure described below must be followed.

Delivery of the letter of transmittal and any other required documents to the book-entry transfer facility does not constitute delivery to the depositary.

The term "agent's message" means a message transmitted by the book-entry transfer facility to, and received by, the depositary, which states that the book-entry transfer facility has received an express acknowledgment from the participant in the book-entry transfer facility tendering the shares that the participant has received and agrees to be bound by the terms of the letter of transmittal and that we may enforce the agreement against the participant.

Guaranteed Delivery. If you want to tender your shares, but your share certificates are not immediately available or you cannot deliver the share certificates to the depositary before the expiration date, or you cannot complete the procedure for book-entry transfer before the expiration date, or if time will not permit all required documents to reach the depositary before the expiration date, you may nevertheless tender your shares, provided that you satisfy all of the following conditions:

- you make the tender by or through an eligible guarantor institution;
- the depositary receives by mail or overnight courier, before the expiration date, a properly completed and duly executed notice of guaranteed delivery in the form we have provided with this offer to purchase, specifying the price at which you are tendering shares, including (where required) signature guarantees by an eligible guarantor institution in the form set forth in such notice of guaranteed delivery; and
- the depositary receives at the address listed on the last page of this offer to purchase the share certificates, in proper form for transfer, or confirmation of book-entry transfer of the shares into the depositary's account at the book-entry transfer facility, together with a properly completed and duly executed letter of transmittal, and including any required signature guarantees, or an agent's message, and any other documents required by the letter of transmittal, within two (2) business days after the date of receipt by the depositary of the notice of guaranteed delivery.

Return of Unpurchased Shares. The depositary will return certificates for unpurchased shares promptly after the expiration or termination of the tender offer or the proper withdrawal of the shares, as applicable, or, in the

case of shares tendered by book-entry transfer at the book-entry transfer facility, the depositary will credit the shares to the appropriate account maintained by the tendering shareholder at the book-entry transfer facility, in each case without expense to the shareholder.

Determination of Validity; Rejection of Shares; Waiver of Defects; no Obligation to Give notice of Defects. We will determine, in our sole discretion, all questions as to the number of shares that we will accept, the price that we will pay for shares that we accept and the validity, form, eligibility (including time of receipt) and acceptance for payment of any tender of shares, and our determination will be final and binding on all persons participating in the tender offer, subject to such tender offer participants disputing such determination in a court of competent jurisdiction. We reserve the absolute right to reject any or all tenders of any shares that we determine are not in proper form or the acceptance for payment of or payment for which we determine may be unlawful. We also reserve the absolute right to waive any defect or irregularity in any tender with respect to any particular shares or any particular shareholder, and our interpretation of the terms of the tender offer will be final and binding on all persons participating in the tender offer, subject to such tender offer participants disputing such determination in a court of competent jurisdiction. no tender of shares will be deemed to have been made properly until the shareholder cures, or we waive, all defects or irregularities. None of PharmChem, the depositary, the information agent, or any other person will be under any duty to give notification of any defects or irregularities in any tender or incur any ility for failure to give this notification.

U.S. Federal Backup Withholding. Under the U.S. federal backup withholding rules, 24% of the gross proceeds payable to a shareholder or other payee pursuant to the tender offer must be withheld and remitted to the United States Treasury unless the shareholder or other payee provides his, her or its taxpayer identification number (employer identification number or social security number) to the depositary and provides the required certifications under penalties of perjury or otherwise establishes an exemption from U.S. federal backup withholding. Therefore, tendering shareholders should complete and sign the Substitute Form W-9 included as part of the related letter of transmittal or the applicable IRS Form W-8 in order to provide the information and certifications necessary to avoid U.S. federal backup withholding. Tendering shareholders can obtain the applicable forms from the depositary. See Instruction 12 of the letter of transmittal.

To prevent U.S. federal backup withholding tax on the gross payments made to you for shares purchased under the tender offer, if you do not otherwise establish an exemption from such withholding, you must provide the depositary with a properly completed Substitute Form W-9 or applicable IRS Form W-8.

U.S. Federal Tax Withholding for non-U.S. Holders. Gross proceeds payable pursuant to the tender offer to a non-U.S. Holder (as defined in Section 13) or his, her or its agent will be subject to withholding of U.S. federal income tax at a rate of 30%, unless a reduced rate of withholding is applicable pursuant to an income tax treaty or an exemption from withholding is applicable because such gross proceeds are effectively connected with the conduct of a trade or business within the United States (or, if an income tax treaty applies, the gross proceeds are generally attributable to a U.S. permanent establishment maintained by such non-U.S. Holder). In order to claim a reduction of or an exemption from U.S. federal withholding tax, a non-U.S. Holder must deliver to the depositary a validly completed and executed IRS Form W-8BEN or W-8BEN-E, as applicable (with respect to income tax treaty benefits), or IRS Form W-8ECI (with respect to amounts effectively connected with the conduct of a trade or business within the United States), claiming such exemption or reduction before the payment is made. Tendering non-U.S. Holders can obtain the applicable forms from the depositary.

A non-U.S. Holder may be eligible to file for a refund of such tax or a portion of such tax under certain circumstances, including if such shareholder is entitled to a reduced rate of withholding pursuant to a tax treaty and we withheld at a higher rate. Non-U.S. Holders should consult their own tax advisors regarding the tax consequences to them of participating in the tender offer, including the application of U.S. federal tax withholding, their potential eligibility for a withholding tax reduction or exemption, and the refund procedure.

For a discussion of material U.S. federal income tax consequences to tendering shareholders see Section 13.

Your Representation and Warranty; Our Acceptance Constitutes an Agreement. A tender of shares under any of the procedures described above will constitute the tendering shareholder's acceptance of the terms and conditions of the tender offer, as well as the tendering shareholder's representation and warranty to us that:

- the shareholder has a net long position in the shares or equivalent securities at least equal to the shares tendered within the meaning of Rule 14e-4 under the Exchange Act;
- the shareholder has full power and authority to tender, sell, assign and transfer the shares tendered;
- when and to the extent we accept the shares for purchase, we will acquire good and marketable title to them, free and clear of all security interests, liens, restrictions, claims, charges, encumbrances, conditional sales agreements or other obligations relating to their sale or transfer, and the shares will not be subject to any adverse claims or rights;
- the shareholder will, on request by the depositary or us, execute and deliver any additional documents deemed by the depositary or us to be necessary or desirable to complete the sale, assignment and transfer of the shares tendered and accepted for purchase;
- the shareholder has read and agrees to all terms of the tender offer; and
- the shareholder's tender of shares complies with Rule 14e-4.

It is a violation of Rule 14e-4 for a person, directly or indirectly, to tender shares for that person's own account unless, at the time of tender and at the end of the proration period or period during which shares are accepted by lot (including any extensions thereof), the person so tendering:

- has a net long position equal to or greater than the amount tendered in our shares or in securities immediately convertible into, or exchangeable or exercisable for, our shares; and
- will deliver or cause to be delivered the shares in accordance with the terms of the tender offer.

Rule 14e-4 provides a similar restriction applicable to the tender or guarantee of a tender on behalf of another person.

Our acceptance for payment of shares tendered under the tender offer will constitute a binding agreement between the tendering shareholder and us upon the terms and conditions of the tender offer. All authority conferred or agreed to be conferred by delivery of the letter of transmittal will be binding on the successors, assigns, heirs, personal representatives, executors, administrators and other legal representatives of the tendering shareholder and will not be affected by, and shall survive, the death or incapacity of such tendering shareholder.

Lost or Destroyed Certificates. Shareholders whose share certificate for part or all of their shares has been lost, stolen, misplaced or destroyed may contact Transfer Online, the transfer agent for our common stock, at (503) 227-2950 for instructions as to obtaining a replacement share certificate at the address specified on the cover of the letter of transmittal. That share certificate will then be required to be submitted, together with the letter of transmittal, in order to receive payment for shares that are tendered and accepted for payment. The shareholder may be required to post a bond to secure against the risk that the original share certificate may subsequently emerge. The letter of transmittal and related documents cannot be processed until the procedures for replacing lost or destroyed certificates have been followed. We urge you to contact Transfer Online immediately in order to receive further instructions, for a determination as to whether you will need to post a bond, and to permit timely processing of this documentation.

4. Withdrawal Rights.

Except as otherwise provided in this Section 4, tenders of shares pursuant to the tender offer are irrevocable. You may withdraw shares tendered under the tender offer according to the procedures described below at any time before the expiration date. Thereafter, if we have not accepted for payment the shares you have tendered to us, you may also withdraw your shares at any time after 12:00 midnight, Eastern Time, on July 1, 2022 (the 40th business day following the commencement of the tender offer).

For a withdrawal to be effective, the depositary must timely receive a written notice of withdrawal at the depositary's address set forth on the last page of this offer to purchase. Any such notice of withdrawal must specify the name of the tendering shareholder, the number of shares that the shareholder wishes to withdraw and the name of the registered holder of the shares. If the share certificates for the shares to be withdrawn have been delivered or otherwise identified to the depositary, then, before the release of the share certificates, the serial numbers shown on the share certificates must be submitted to the depositary and the signature(s) on the notice of withdrawal must be guaranteed by an eligible guarantor institution, unless the shares have been tendered for the account of an eligible guarantor institution.

If a shareholder has tendered shares under the procedure for book-entry transfer set forth in Section 3, any notice of withdrawal also must specify the name and the number of the account at the book-entry transfer facility to be credited with the withdrawn shares and must otherwise comply with the book-entry transfer facility's procedures.

We will determine all questions as to the form and validity (including the time of receipt) of any notice of withdrawal, in our sole discretion, and such determination will be final and binding on all persons participating in the tender offer, subject to such tender offer participants disputing such determination in a court of competent jurisdiction. Neither we nor the depositary, the information agent or any other person will be under any duty to provide notification of any defects or irregularities in any notice of withdrawal or incur any liability for failure to give this notification.

A shareholder may not rescind a withdrawal and we will deem any shares that a shareholder properly withdraws not properly tendered for purposes of the tender offer, unless the shareholder properly re-tenders the withdrawn shares before the expiration date by following one of the procedures described in Section 3.

5. Purchase of Shares and Payment of Purchase Price.

Upon the terms and subject to the conditions of the tender offer, promptly following the expiration date, we will:

- determine the purchase price we will pay for shares properly tendered and not properly withdrawn before the expiration date, taking into account the number of shares so tendered and the prices specified by tendering shareholders; and
- accept for payment and pay for, and thereby purchase, shares having an aggregate purchase price of up to \$5,000,000, or if a lower amount of shares is properly tendered and not properly withdrawn, all shares that are properly tendered at prices at or below the purchase price we select and not properly withdrawn before the expiration date.

For purposes of the tender offer, we will be deemed to have accepted for payment, and therefore purchased, shares that are properly tendered at or below the purchase price we select and are not properly withdrawn, subject to the "odd lot" and proration provisions of the tender offer, only when, as and if we give oral or written notice to the depositary of our acceptance of the shares for payment under the tender offer.

Upon the terms and subject to the conditions of the tender offer, promptly after the expiration date, we will accept for payment and pay a single per share purchase price not less than \$3.25 nor greater than \$3.75 per share that will enable us to purchase \$5,000,000 in value of shares, subject to increase or decrease as provided in Section 1, if properly tendered and not properly withdrawn, or a lower amount depending on the number of shares that are properly tendered and not properly withdrawn.

We will pay for shares that we purchase under the tender offer by depositing the aggregate purchase price for these shares with the depositary, which will act as agent for us for the purpose of transmitting payment to the tendering shareholders.

In the event of proration, we will determine the proration factor and pay for those tendered shares accepted for payment promptly after the expiration date; however, we do not expect to be able to announce the final results of any proration and commence payment for shares purchased until at least four (4) business days after the expiration date. Shares tendered and not purchased, including all shares tendered at prices greater than the purchase price and

shares that we do not accept for purchase due to proration, will be returned to the tendering shareholder, or, in the case of shares tendered by book-entry transfer, will be credited to the account maintained with (i) the book-entry transfer facility by the participant therein who so delivered the shares, or (ii) Transfer Online in case of shares held in DRS, at our expense, promptly after the expiration date or termination of the tender offer without expense to the tendering shareholders. **Under no circumstances will we pay interest on the purchase price regardless of any delay in making the payment.** In addition, if certain events occur before the expiration date, we may not be obligated to purchase shares under the tender offer. See Section 6.

We will pay all stock transfer taxes, if any, payable on the transfer to us of shares purchased under the tender offer. If, however,

- payment of the purchase price is to be made to any person other than the registered holder,
- certificate(s) for shares not tendered or tendered but not purchased are to be returned in the name of and to any person other than the registered holder(s) of such shares, or
- tendered certificates are registered in the name of any person other than the person signing the letter of transmittal,

then the amount of all stock transfer taxes, if any (whether imposed on the registered holder or the other person), payable on account of the transfer to the person will be the responsibility of the transferor and satisfactory evidence of the payment of the stock transfer taxes, or exemption from payment of the stock transfer taxes, will need to be submitted. See Instruction 9 of the letter of transmittal.

Any tendering shareholder or other payee who fails to fully complete, sign and return to the depositary the Substitute IRS Form W-9 included with each letter of transmittal or applicable IRS Form W-8, as the case may be, may be subject to U.S. federal backup withholding of 24% of the gross proceeds paid to such shareholder or other payee under the tender offer. Any tendering shareholder or other payee who is a non-U.S. Holder (as defined in Section 13) generally will be subject to a U.S. federal withholding tax of 30% of the gross proceeds paid to such non-U.S. Holder, and such non-U.S. Holder must fully complete, sign and return to the depositary the applicable IRS Form W-8 in order to claim any reduced rate of withholding under an applicable tax treaty. See Section 13.

6. Conditions of the Tender Offer.

Notwithstanding any other provision of the tender offer, we will not be required to accept for payment, purchase or pay for any shares tendered, and may terminate or amend the tender offer or may postpone the acceptance for payment of, the purchase of or the payment for, shares tendered, or may accept for payment fewer than all of the shares tendered, if, at any time on or after May 2, 2022 and before the expiration date, any of the following events shall have occurred (or shall have been reasonably determined by us to have occurred), other than by actions or omissions to act by us, and, in our reasonable judgment and regardless of the circumstances giving rise to the event or events, such event or events make it inadvisable to proceed with the tender offer or with acceptance for payment:

- the Financing Condition has not been satisfied;
- there has been threatened in writing or instituted or there is pending any action or proceeding by any government or governmental, regulatory or administrative agency, authority or tribunal or any other person, domestic, foreign or supranational, before any court, authority, agency or tribunal that directly or indirectly:
 - challenges or seeks to make illegal, or to delay or otherwise directly or indirectly to restrain, prohibit or otherwise affect the making or consummation of the tender offer, the acquisition of some or all of the shares pursuant to the tender offer or otherwise relates in any manner to the tender offer;
 - in our reasonable judgment, could materially and adversely affect our business, condition

(financial or otherwise), income, operations or prospects, taken as a whole, or otherwise materially impair our ability to purchase some or all of the shares pursuant to the tender offer; or

- materially and adversely affect our business, condition (financial or otherwise), income, operations or prospects;
- there has been any action threatened in writing, instituted, pending or taken, including any settlement, or any approval withheld, or any statute, rule, regulation, judgment, order or injunction threatened, proposed, sought, promulgated, enacted, entered, amended, enforced or deemed to be applicable to the tender offer or us, including any settlement, by any court or any government, authority, agency or tribunal, domestic, foreign or supranational, that, in our reasonable judgment, would or might, directly or indirectly:
 - make the acceptance for payment of, or payment for, some or all of the shares illegal or otherwise restrict or prohibit completion of the tender offer; or
 - delay or restrict our ability, or render us unable, to accept for payment or pay for some or all of the shares;
- there has occurred any of the following:
 - any general suspension of trading in, or limitation on prices for, securities on any national securities exchange or in the over-the-counter market in the United States, United Kingdom, or European Union;
 - the declaration of a banking moratorium or any suspension of payments in respect of banks in the United States, United Kingdom, or European Union, whether or not mandatory;
 - a material change in United States or any other currency exchange rates or a suspension of or limitation on the markets therefor;
 - the commencement of a war, armed hostilities or other international or national calamity, including, but not limited to, an act of terrorism, directly or indirectly involving the United States or any of its territories, on or after May 2, 2022;
 - any material escalation of any war or armed hostilities which had commenced before May 2, 2022;
 - any limitation (whether or not mandatory) by any governmental, regulatory or administrative agency or authority on, or any event, or any disruption or adverse change in, the financial or capital markets generally or the market for loan syndications in particular, that, in our reasonable judgment, might affect the extension of credit by banks or other lending institutions in the United States;
 - any change in the general political, market, economic or financial conditions in the United States or abroad that could, in our reasonable judgment, have a material adverse effect on our business, condition (financial or other), assets, income, operations or prospects or the trading in shares of our common stock, or otherwise materially impair in any way the contemplated future conduct of our business, including as a result of the COVID-19 pandemic;
 - in the case of any of the foregoing existing at the time of the commencement of the tender offer, a material acceleration or worsening thereof; or
 - any decrease of more than 10% in the market price of the shares or in the general level of market prices for equity securities in the United States of the Dow Jones Industrial Average,

the Standard & Poor's Composite Index of 500 Industrial Companies, the New York Stock Exchange Index or the Nasdaq Global Select Market Composite Index, in each case measured from the close of trading on April 29, 2022, the last trading day before the date of the announcement of the tender offer;

- a change in the stock ownership of the Company which, in the judgment of the Company, is or may be material to the Company and its subsidiaries;
- legislation amending the Internal Revenue Code of 1986, as amended, has been passed by either the U.S. House of Representatives or the Senate or any committee thereof, the effect of which, in our reasonable judgment, would be to change the tax consequences of the transaction contemplated by the tender offer in any manner that would adversely affect us or any of our affiliates or shareholders;
- a tender offer or exchange offer for any or all of the shares (other than this tender offer), or any merger, acquisition, business combination or other similar transaction with or involving us has been proposed, announced or made by any person or has been publicly disclosed;
- we learn that a change has occurred or been threatened in the business, condition (financial or otherwise), operations, stock ownership or prospects of the Company which, in our judgement, is or may be material, which, in our sole opinion, in any such case and regardless of the circumstances (including any action of the Company) giving rise to such event, makes it inadvisable to proceed with the tender offer and with such purchase or payment.

The conditions referred to above are for our sole benefit and may be asserted by us regardless of the circumstances giving rise to any of these conditions, and may be waived by us, in whole or in part, at any time and from time to time, in our sole discretion, but only based on events occurring or not occurring before the expiration date. Our failure at any time to exercise any of the foregoing rights shall not be deemed a waiver of any of these rights, and each of these rights shall be deemed an ongoing right that may be asserted at any time and from time to time, but only based on events occurring or not occurring before the expiration date. In certain circumstances, if we waive any of the conditions described above, we may be required to extend the expiration date. Any determination or judgment by us concerning the events described above will be final and binding on all persons participating in the tender offer, subject to such tender offer participants disputing such determination in a court of competent jurisdiction.

7. Price Range of Shares; Dividends.

Price Range of Shares

The Company's common stock trades on the "Pink Current Information" level of the OTC Pink Marketplace under the symbol, PCHM. Certain information and trading data is available on OTC Markets' website. You can read these documents at www.otcmarkets.com, by entering "PCHM" in the search bar in the top right corner of their webpage. As of April 29, 2022, there were 5,058,995 shares of PharmChem common stock issued and outstanding, held by approximately 106 shareholders of record.

The following table sets forth the high and low sales prices known to management of PharmChem for trades of our common stock for the periods shown:

2020 First Quarter	\$ 2.51	\$ 1.55
Second Quarter	\$ 2.50	\$ 1.75
Third Quarter	\$ 3.99	\$ 1.89
Fourth Quarter	\$ 4.23	\$ 3.25
2021 First Quarter	\$ 5.55	\$ 3.50
Second Quarter	\$ 5.80	\$ 3.80
Third Quarter	\$ 5.75	\$ 4.52
Fourth Quarter	\$ 4.90	\$ 4.24

2022 First Quarter	\$ 5.27	\$ 4.09
2022 Second Quarter (through April 29, 2022)	\$ 4.63	\$ 3.21

Because of limited trading, the prices described above may not be representative of the actual or fair value of the PharmChem common stock.

We urge shareholders to obtain current quotations of the market price of our common stock.

Dividends

The declaration of dividends is subject to the discretion of our board of directors, and is restricted by applicable state law limitations on distributions to shareholders.

8. Source and Amount of Funds.

Our intent is to purchase up to \$5,000,000 in value of shares of our common stock. However, we reserve the right, in our sole discretion, to purchase additional shares in the tender offer, subject to applicable law.

The Offer is conditioned upon certain conditions, including the closing of the Notes Placement. This tender offer shall not constitute an offer to sell or the solicitation of an offer to buy the notes in the Notes Placement, and does not constitute an offer of any securities for sale.

We expect to use the net proceeds from the Notes Placement and cash on hand to fund the share purchases in the tender offer, and the Company will use cash on hand to pay related fees and expenses. There can be no assurance that the Notes Placement will be completed. Subject to Rule 14e-1(c) under the Exchange Act, if the Notes Placement is not completed, we will not be required to accept for purchase, or to pay for, any shares.

Other than the Notes Placement, the Company is currently not pursuing any financing arrangements in connection with the tender offer.

The principal effects of completion of the tender offer would be: (a) to increase our debt by the total amount of notes sold in the Notes Placement; (b) to reduce our cash on hand by the amounts of cash used to purchase shares tendered in the tender offer and pay the direct expenses of the tender offer; (c) to reduce our shareholders' equity by the amount of funds used to consummate the tender offer plus direct expenses of the tender offer; (d) to reduce the number of shares of our common stock outstanding by the number of shares purchased in the tender offer; and (e) to increase proportionately our income (loss) per share by virtue of the decrease in the number of shares of our common stock outstanding.

The tender offer and the accompanying letter of transmittal are not an offer to sell or a solicitation of an offer to participate in the Notes Placement.

9. Certain Information About Us.

Our principal executive offices are located at 2411 E. Loop 820 N. Fort Worth, TX 76118, and our telephone number is (855) 458-4100. You may find additional information on our website located at www.PharmaChem.com. The information contained on our website or connected to our website is not incorporated by reference into this offer to purchase and should not be considered part of this offer to purchase.

Additional Information. We are not subject to the informational filing requirements of the Exchange Act, and do not file periodic reports, proxy statements and other information with the SEC relating to our business, financial condition and other matters. However, we periodically post financial information and other information regarding the Company on OTC Markets. This information is available at www.otcm Markets.com.

Incorporation by Reference. This offer to purchase incorporates by reference the following documents:

- PharmChem, Inc. Quarterly Report – 2022 – 1st Quarter Financial Statements, Letter to Shareholders

and OTCIQ Disclosure, which was filed on OTC Markets on April 22, 2022.

- PharmChem, Inc. Supplemental Information – PharmChem – Share Repurchase Press Release, which was filed on OTC Markets on March 22, 2022.
- PharmChem, Inc. Annual Report – 2021 Financial Statement Audit with OTC Disclosures, which was filed on OTC Markets on February 22, 2022.
- PharmChem, Inc. Q4 2021 Letter to Shareholders with financials - unaudited, which was filed on OTC Markets on January 26, 2022.
- PharmChem, Inc. OTCIQ Change in Control Addendum, which was filed on OTC Markets on October 21, 2021.
- PharmChem, Inc. 9/30/2021 Shareholder Letter, which was filed on OTC Markets on October 21, 2021.
- PharmChem, Inc. News Release, which was filed on OTC Markets on September 1, 2021.
- PharmChem, Inc. 6/30/2021 Shareholder Letter, which was filed on OTC Markets on July 28, 2021.
- PharmChem, Inc. Interim Financial Report – Six Mos. 2021 Financial Statements with Letter to Stockholders, which was filed on OTC Markets on June 28, 2021.
- PharmChem, Inc. 2020 Audit Report, which was filed on OTC Markets on June 23, 2021.
- PharmChem, Inc. 2020 Letter to Stockholders, which was filed on OTC Markets on June 9, 2021.
- PharmChem, Inc. 2019 Letter to Stockholders, which was filed on OTC Markets on June 9, 2021.
- PharmChem, Inc. 2018 and 6mo 2019 Letter to Stockholders, which was filed on OTC Markets on June 9, 2021.
- PharmChem, Inc. 12/31/2020 Audit Report, which was filed on OTC Markets on January 27, 2022.
- PharmChem, Inc. 12/31/2019 Audit Report, which was filed on OTC Markets on January 27, 2022.
- PharmChem, Inc. 12/31/2018 Audit Report, which was filed on OTC Markets on January 27, 2022.
- PharmChem, Inc. 12/31/2017 Audit Report, which was filed on OTC Markets on January 27, 2022.
- PharmChem, Inc. 12/31/2016 Audit Report, which was filed on OTC Markets on January 27, 2022.
- PharmChem, Inc. 12/31/2015 Audit Report, which was filed on OTC Markets on January 27, 2022.

We incorporate by reference additional documents that we may post on the OTC Markets after the date of this offer to purchase and before the Expiration Date. Any statement contained in any document incorporated by reference into this offer to purchase shall be deemed to be modified or superseded to the extent that an inconsistent statement is made in this offer to purchase or any subsequently filed document. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this offer to purchase.

You can obtain copies of any document incorporated by reference in this offer to purchase from us or from the OTC Market's web site at <https://www.otcmarkets.com>. You may request copies of any document from us at no cost by contacting Kerri Wagner, CEO of PharmChem at PharmChem, Inc., 2411 E. Loop 820 N. Fort Worth, Texas. Please be sure to include your complete name and address in your request.

As Adjusted Information. The following table sets forth our consolidated cash and capitalization, as of March 31, 2022, and on an as-adjusted basis to give effect, as of such date, to (i) the issuance of \$6,500,000 worth of notes in the Notes Placement along with its estimated related expenses, which is a condition of this tender offer, and (ii) the purchase of shares of our common stock for an aggregate purchase price of \$5,000,000 pursuant to the tender offer (net of \$50,000 of estimated related expenses), assuming that the tender offer is fully subscribed. The unaudited pro forma financial information contained in this tender offer is presented for illustrative purposes only, contains a variety of adjustments, assumptions and preliminary estimates and does not represent the actual financial position or results of operations of PharmChem following the Notes Placement and tender offer. The information presented in the table below should be read in conjunction with the consolidated historical financial statements and notes thereto that are included in our Annual Report for the year ended December 31, 2021 and Quarterly Report for the quarter ended March 31, 2022, which are incorporated by reference into this offer to purchase.

As of March 31, 2022

	Actual	Adjustments Relating to the Notes to Be Issued (1)	Adjustments Relating to the Offer (2)	As Adjusted
Cash and cash equivalents	\$ 2,260,698	\$ 6,000,000	\$ (5,050,000)	\$ 3,210,698
Debt to be issued concurrent with this offer	-	6,500,000	-	
Total Borrowings	-	6,500,000	-	6,500,000
Total common stockholders' equity	(3,191,057)	-	(5,000,000)	(8,191,057)
Total Stockholders' Equity	\$ (3,191,057)	-	-	\$ (8,191,057)

(1) Proceeds of Notes Placement, net of estimated commissions and fees of \$500,000.

(2) Assumes purchase of \$5,000,000 of common stock and estimated expenses of \$50,000.

10. Interests of Directors and Executive Officers; Transactions and Arrangements Concerning Shares; Material Arrangements.

Beneficial Ownership. As of April 29, 2022, we had issued and outstanding approximately 5,058,995 shares of our common stock. We are offering to purchase up to \$5,000,000 in value of shares. At the maximum purchase price of \$3.75 per share, we could purchase 1,333,333 shares if the tender offer is fully subscribed, which would represent approximately 26% of our issued and outstanding common stock as of April 29, 2022. At the minimum purchase price of \$3.25 per share, we could purchase 1,538,461 shares, which would represent approximately 30% of our issued and outstanding common stock as of April 29, 2022.

The following table sets forth, as of April 29, 2022, the aggregate number and percentage of shares of our common stock that were beneficially owned by our directors, executive officers. For each listed person, percentage ownership takes into account shares issuable upon exercise of securities currently vested or exercisable, but does not assume the conversion or exercise of any equity securities of ours owned by any other person. Percentage ownership is based on 5,058,995 shares of our common stock outstanding as of April 29, 2022. To our knowledge, except as otherwise noted below, each person included in the table has sole voting and investment power with respect to all shares of common stock shown as beneficially owned by such person, subject to community property laws, where applicable. None of our directors or executive officers intends to tender any of his or her shares in the tender offer. Any director, officer or affiliate who does not tender shares in this tender offer or sell shares in the open market

during the pendency of the tender offer will realize an increase in the percentage of outstanding shares that they beneficially own.

Shares Beneficially Owned.

Name and Address	Amount and Nature of Beneficial Ownership (1)(2)(3)	Percentage of Class (1)(3)
<u>Directors and Executive Officers:</u>		
Tice P. Brown, Chair of the Board	1,598,151	31.59%
Tim Eriksen, Director	192,638 (4)	3.81%
R. Thompson Clark, Director	5,000 (5)	*
Kerri Wagner, Chief Executive Officer	240,100 (6)	4.53%
Shana Veale, Chief Financial Officer	20	*
All directors and executive officers as a group	2,035,909 (6)	38.42%

* denotes less than 1% ownership

- (1) The table reflects share ownership and the percentage of such share ownership as of April 29, 2022. The share ownership number includes shares of common stock exercisable as stock options. The Company has determined the percentages on the basis of 5,058,995 shares of PharmChem common stock issued and outstanding.
- (2) Except as otherwise indicated, each person or entity shown has sole voting and investment power with respect to the shares of PharmChem common stock beneficially owned by him, her or it.
- (3) Based upon information furnished to us by the named persons, and information in our shareholder records. Under the rules of the SEC, a person is deemed to beneficially own shares over which the person has or shares voting or investment power or has the right to acquire beneficial ownership within 60 days, and such shares are deemed to be outstanding for the purpose of computing the percentage beneficially owned by such person or group. However, the Company does not consider shares of which beneficial ownership can be acquired within 60 days to be outstanding when we calculate the percentage ownership of any other person.
- (4) Includes 159,951 shares held by Cedar Creek Partners and 21,000 shares held by Solitron Devices Inc. Also includes 2,316 shares beneficially owned by Mr. Eriksen in retirement accounts held by Mr. Eriksen and his spouse. Mr. Eriksen has voting and dispositive power through a registered investment advisor, Eriksen Capital Management.
- (5) Mr. Clark's shares are held in a retirement account for the benefit of Mr. Clark.
- (6) Includes 240,000 shares covered by currently exercisable stock options.

Transactions and Arrangements Concerning the Shares of Common Stock

Share Repurchase Programs. Our board of directors approved a share repurchase program for up to 100,000 shares of the Company's common stock at such times and such prices as the Company considers to be in the best interests of the Company and its stockholders, subject to the availability of stock, general market conditions, alternative uses for capital, and the Company's financial performance, to be repurchased in open market or private transactions, through block trades, and pursuant to any trading plan that may be adopted in accordance with Rule 10b5-1 under the Securities Exchange Act of 1934. The Company suspended purchases under the program on April

29, 2022. Through May 2, 2022, we have repurchased 44,278 shares under the Company's current share repurchase program at an aggregate cost of approximately \$194,493.25.

Equity Compensation Plan. In 2015, we approved the 2015 Employee Stock Option Plan (the "Plan") whereby non-qualified options were authorized and granted to employees to purchase 1,140,000 shares of common stock with varying vesting dates up to sixty months. The Plan is administered by the PharmChem board of directors, which determines the term of each stock option. The exercise price cannot be less than 100% of the fair value of the common stock on the date the option is granted. The Plan terminates in 2025. There are 240,000 options currently issued and outstanding with zero shares available for future issuances of options.

11. Effects of the Tender Offer on the Market for Shares

Our purchase of shares under the tender offer will reduce the number of our shares that might otherwise be traded and may reduce the number of our shareholders. These reductions may reduce the volume of trading in our shares, making it more difficult to buy or sell significant amounts of our shares without affecting the market price, and may result in lower stock prices and reduced liquidity in the trading of our shares following completion of the tender offer.

12. Legal Matters; Regulatory Approvals.

We are not aware of any license or regulatory permit that is reasonably likely to be material to our business that might be adversely affected by our acquisition of shares as contemplated by the tender offer or of any approval or other action by any government or governmental, administrative or regulatory authority or agency, domestic, foreign or supranational, that would be required for the acquisition of shares by us as contemplated by the tender offer. Should any approval or other action be required, we presently contemplate that we will seek that approval or other action. We are unable to predict whether we will be required to delay the acceptance for payment of or payment for shares tendered under the tender offer pending the outcome of any such matter. There can be no assurance that any approval or other action, if needed, would be obtained or would be obtained without substantial cost or conditions or that the failure to obtain the approval or other action might not result in adverse consequences to our business and financial condition. Our obligation under the tender offer to accept for payment and pay for shares is subject to various conditions. See Section 6.

13. Material U.S. Federal Income Tax Consequences.

ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES CONTAINED HEREIN IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED UNDER THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED. SUCH DISCUSSION IS WRITTEN IN SUPPORT OF THE PROMOTION OR MARKETING OF THE TRANSACTION OR THE MATTERS ADDRESSED HEREIN. EACH SHAREHOLDER SHOULD SEEK ADVICE BASED ON SUCH SHAREHOLDER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

The following is a summary of material U.S. federal income tax consequences of the tender offer to shareholders whose shares are properly tendered, and not properly withdrawn, and accepted for payment pursuant to the tender offer. Those shareholders who do not participate in the tender offer should not have any U.S. federal income tax consequences as a result of the tender offer. This summary is based upon the U.S. Internal Revenue Code of 1986, as amended, which we refer to as the Code, existing and proposed U.S. Treasury Regulations promulgated under the Code, published rulings, administrative pronouncements and judicial decisions, all as of the date hereof and all of which are subject to change, possibly with retroactive effect.

This summary addresses only shareholders who hold their shares as capital assets for U.S. federal income tax purposes. It does not purport to consider all aspects of U.S. federal income taxation that might be relevant to shareholders in light of their particular circumstances and does not apply to shareholders subject to special treatment under the U.S. federal income tax laws (including, without limitation, non-U.S. Holders, financial institutions, brokers, dealers in securities or commodities, traders in securities or commodities who elect to apply a mark-to-market method of accounting, insurance companies, "S" corporations, partnerships (including entities treated as partnerships for U.S. federal income tax purposes), tax-exempt organizations, tax-qualified retirement plans, former

citizens or residents of the United States, persons who hold shares as part of a hedge, straddle, constructive sale or conversion transaction, persons who are subject to the U.S. federal alternative minimum tax and persons who acquired their shares through the exercise of employee stock options or otherwise as compensation). This summary does not address any state, local or foreign tax consequences of participating in the tender offer, nor does it address any U.S. federal tax considerations other than those pertaining to U.S. federal income tax.

We have not sought, nor do we expect to seek, any ruling from the U.S. Internal Revenue Service, which we refer to as the IRS, with respect to the matters discussed below. The statements in this summary are not binding on the IRS or a court or other judicial or administrative authority. There can be no assurances that the IRS will not take a different position concerning the tax consequences of the sale of shares to us pursuant to the tender offer or that any such position would be sustained by a court or other judicial or administrative authority.

As used herein, a “U.S. Holder” means a beneficial owner of shares that is, for U.S. federal income tax purposes, (i) an individual who is a citizen or resident of the United States, (ii) a corporation (or entity treated as a corporation for U.S. federal income tax purposes) created or organized under the laws of the United States, any State thereof or the District of Columbia, (iii) a trust (a) whose administration is subject to the primary supervision of a U.S. court and which has one or more U.S. persons who have the authority to control all substantial decisions, or (b) that has a valid election in effect to be treated as a U.S. person, or (iv) an estate, the income of which is subject to U.S. federal income taxation regardless of its source. As used herein, a “non-U.S. Holder” means a beneficial owner of shares that is an individual, corporation, estate or trust, which (in each case) is not a U.S. Holder.

The U.S. federal income tax treatment of a person that is a partner of an entity or arrangement treated as a partnership for U.S. federal income tax purposes that holds our shares generally will depend on the status of the partner and the activities of the partnership. Partners in partnerships holding our shares should consult their own tax advisors.

All shareholders should consult their own tax advisors to determine the particular tax consequences to them of participating in the tender offer in light of their specific circumstances, including the applicability and effect of any U.S. federal, state, local, foreign or other tax laws.

Exchange of Shares in the Tender Offer — U.S. Holders

Characterization of the Exchange — Sale vs. Distribution Treatment. An exchange of shares by a U.S. Holder for cash pursuant to the tender offer will be a taxable transaction for U.S. federal income tax purposes. A U.S. Holder who participates in the tender offer will, depending on such U.S. Holder’s particular circumstances, be treated either as recognizing gain or loss from the sale of the shares or as receiving a distribution from us with respect to such U.S. Holder’s shares. We cannot predict whether any particular U.S. Holder will be subject to sale or distribution treatment.

Sale Treatment. An exchange of shares pursuant to the tender offer will be treated as a sale of shares by a U.S. Holder if any of the following tests under Section 302 of the Code is satisfied:

- as a result of the exchange, there is a “complete termination” of such U.S. Holder’s equity interest in us;
- as a result of the exchange, there is a “substantially disproportionate” reduction in such U.S. Holder’s equity interest in us; or
- the receipt of cash by such U.S. Holder is “not essentially equivalent to a dividend.”

In applying each of the Section 302 tests described above, a U.S. Holder must take account of shares that such U.S. Holder constructively owns under detailed attribution rules set forth in the Code, which generally treat the U.S. Holder as owning shares owned by certain related individuals and entities, and shares that the U.S. Holder has the right to acquire by exercise of an option, warrant or right of conversion. U.S. Holders should consult their tax advisors regarding the application of the constructive ownership rules to their particular circumstances.

An exchange of shares pursuant to the tender offer generally will result in a “complete termination” if either (i) the U.S. Holder owns none of our shares, either actually or constructively, after the shares are exchanged pursuant to the tender offer, or (ii) the U.S. Holder does not actually own any of our shares immediately after the

exchange of shares pursuant to the tender offer and, with respect to shares constructively owned, is eligible to waive, and effectively waives, constructive ownership of all such shares. U.S. Holders wishing to satisfy the “complete termination” test through waiver of attribution should consult their tax advisors.

An exchange of shares pursuant to the tender offer generally will result in a “substantially disproportionate” redemption with respect to a U.S. Holder if: (i) in the case of each of our common stock and voting stock, the percentage of such then outstanding stock actually and constructively owned by such U.S. Holder immediately after the tender offer is less than 80% of the percentage of such stock actually and constructively owned by such U.S. Holder immediately before the tender offer; and (ii) immediately before and immediately after the tender offer, such U.S. Holder actually and constructively owns less than 50% of the total combined voting power of all classes of our stock that are entitled to vote. If an exchange of shares pursuant to the tender offer fails to satisfy the “substantially disproportionate” test, the U.S. Holder may nonetheless satisfy the “not essentially equivalent to a dividend” test.

An exchange of shares pursuant to the tender offer will satisfy the “not essentially equivalent to a dividend” test if it results in a “meaningful reduction” of the U.S. Holder’s proportionate interest in us. Whether there is a “meaningful reduction” of a U.S. Holder’s proportionate interest in us depends on such U.S. Holder’s particular circumstances. There may be a reasonable position that an exchange of shares that actually reduces the percentage of our outstanding shares owned, directly or constructively, by such U.S. Holder would be treated as a “meaningful reduction” even if the percentage reduction is relatively minor if that U.S. Holder does not exercise any control over or participate in the management of our corporate affairs. Any person that has an ownership position that allows some exercise of control over or participation in the management of our corporate affairs will not satisfy the “meaningful reduction” test unless that person’s ability to exercise control over or participate in management of our corporate affairs is materially reduced or eliminated.

U.S. Holders should also be aware that the manner in which we will select the shares to be purchased pursuant to the tender offer may affect whether the exchange of the tendered shares pursuant to the tender offer will satisfy any of the Section 302 tests. U.S. Holders should consult their tax advisors regarding whether to make a conditional tender of a minimum number of shares, and the appropriate calculation thereof. See Section 6 for information regarding the option to make a conditional tender of a minimum number of shares. In addition, substantially contemporaneous dispositions or acquisitions of shares by a U.S. Holder or a related person that are part of a plan viewed as an integrated transaction with the tender offer may be taken into account in determining whether any of the Section 302 tests described above are satisfied.

If a U.S. Holder satisfies any of the Section 302 tests described above, the U.S. Holder will recognize gain or loss for U.S. federal income tax purposes in an amount equal to the difference, if any, between the amount of cash received and such U.S. Holder’s tax basis in the shares exchanged. Any such gain or loss will be capital gain or loss and generally will be long-term capital gain or loss if the holding period of the shares exceeds one year as of the date of the exchange. Gain or loss must be determined separately for each block of shares acquired at different times or at different prices.

In the case of U.S. Holders who are individuals or certain trusts and estates, long-term capital gain generally will be subject to tax at the maximum U.S. federal income tax rate for capital gains which is generally 15% or 20%, depending on whether the individual’s “taxable” income exceeds certain threshold amounts, plus the additional U.S. federal net investment income tax, if applicable, as discussed below. Capital gain with respect to shares held for one year or less will be short-term capital gain subject to U.S. federal income tax at ordinary income tax rates, plus the additional U.S. federal net investment income tax, if applicable, as discussed below. In general, capital losses are deductible only against capital gains and are not available to offset ordinary income. However, individual taxpayers are permitted to offset a limited amount of net capital losses annually against ordinary income, and unused capital losses may be carried forward to subsequent tax years.

Distribution Treatment. If a U.S. Holder does not satisfy any of the Section 302 tests described above, the exchange of shares pursuant to the tender offer will not be treated as a sale or exchange, and the entire amount of cash received by such U.S. Holder pursuant to the tender offer will be treated as a distribution by us to such U.S. Holder for U.S. federal income tax purposes.

The distribution will be taxable as a dividend to the U.S. Holder to the extent of the U.S. Holder’s allocable portion of our current and accumulated earnings and profits, if any, as determined under U.S. federal income tax

principles. Such a dividend would be includible in the U.S. Holder's gross income without reduction for the U.S. Holder's tax basis in the shares exchanged pursuant to the tender offer, and no current loss would be recognized. Dividends generally are taxable as ordinary income. However, if certain holding period and other requirements are satisfied, individuals and certain other non-corporate U.S. Holders generally will be subject to U.S. federal income tax at the same rate as the maximum U.S. federal income tax rate for long-term capital gains, which is generally 15% or 20%, depending on whether the individual's "taxable" income exceeds certain threshold amounts (plus the additional U.S. federal net investment income tax, if applicable, as discussed below).

To the extent that the amount received by a U.S. Holder in the distribution exceeds the U.S. Holder's allocable portion of our current and accumulated earnings and profits, such excess first will be treated as a non-taxable return of capital to the extent, generally, of the U.S. Holder's tax basis in the shares exchanged pursuant to the tender offer. If the portion not treated as a dividend exceeds the U.S. Holder's tax basis in the shares exchanged pursuant to the tender offer, any such excess will be treated as capital gain from the sale or exchange of the exchanged shares. Any such gain would be capital gain and generally would be long-term capital gain if the holding period of the shares exceeds one year as of the date of the exchange.

To the extent that an exchange of a U.S. Holder's shares pursuant to the tender offer is treated as the receipt by the U.S. Holder of a dividend, the U.S. Holder's remaining adjusted tax basis (reduced by the amount, if any, treated as a return of capital) in the exchanged shares would be added to any shares retained by the U.S. Holder, subject to certain adjustments in the case of a corporate U.S. Holder.

To the extent that a corporate U.S. Holder is treated as receiving a dividend, as described above, it may be eligible for a dividends-received deduction (subject to applicable limitations). In addition, any amount received by a corporate U.S. Holder that is treated as a dividend may constitute an "extraordinary dividend" under Section 1059 of the Code, thereby resulting in a reduction of tax basis or possible gain recognition in an amount equal to the non-taxed portion of the distribution. If an individual, trust or estate receives an "extraordinary dividend" within the meaning of Section 1059 of the Code with respect to a share of stock eligible for the reduced qualified dividend rates under current law, a subsequent loss on the sale or exchange of that share will be characterized as long-term capital loss. U.S. Holders should consult their own tax advisors as to the application of the Code to the tender offer and the tax consequences of distribution treatment in their particular circumstances.

U.S. Federal Net Investment Income Tax. A U.S. Holder that is an individual, estate or trust that does not fall into a special class of trusts that is exempt from such tax, will be subject to a 3.8% U.S. federal tax on the lesser of (1) in the case of an individual, the U.S. Holder's "net investment income," or, in the case of an estate or trust, the U.S. Holder's undistributed "net investment income," for the relevant tax year, and (2) the excess of the U.S. Holder's modified adjusted gross income for the taxable year over a certain threshold amount. For this purpose, "net investment income" generally includes, but is not limited to, interest, dividends and net gains from the disposition of stock (unless such net gains are derived in the ordinary course of the conduct of a trade or business, other than a trade or business that consists of certain passive or trading activities), reduced by deductions that are properly allocable to such items of income. The applicable threshold amounts for individuals are, for married individuals who file joint returns, \$250,000; for married individuals who file separate returns, \$125,000; for all other individuals, \$200,000. For estates and trusts, the applicable threshold amount is the dollar amount at which the highest U.S. federal income tax bracket for estates and trusts begins for the relevant tax year.

U.S. Federal Backup Withholding. See "Exchange of Shares in the Tender Offer — Information Reporting and U.S. Federal Backup Withholding," below.

Withholding for non-U.S. Holders.

The depositary will withhold U.S. federal income tax equal to 30% of the gross proceeds payable to the non-U.S. Holder (directly or indirectly through such non-U.S. Holder's agent), unless (i) an exemption from, or a reduced rate of, withholding tax is available under a tax treaty or such amount is effectively connected with the conduct of a trade or business of the non-U.S. Holder within the United States (or, if a tax treaty applies, the gross proceeds generally are attributable to a U.S. permanent establishment maintained by such non-U.S. Holder), and (ii) the non-U.S. Holder so certifies on the applicable IRS Form W-8, as described below.

In order to obtain a reduced rate of withholding under a tax treaty, a non-U.S. Holder must deliver to the

depository before payment a properly completed and executed applicable IRS Form W-8, claiming its entitlement to such treaty rate. Furthermore, a non-U.S. Holder that is not an individual must also include any applicable certifications, identification numbers and other required information in its IRS Form W-8 to establish that such non-U.S. Holder is exempt from withholding under Sections 1471-1474 of the Code, which we refer to as FATCA, or such non-U.S. Holder will be subject to a U.S. federal income tax equal to 30% of the gross proceeds to be paid to such non-U.S. Holder (which gross proceeds generally are being characterized as dividend distributions for withholding purposes, as discussed above), regardless of whether such non-U.S. Holder otherwise is entitled to a reduced rate of withholding under a tax treaty. Amounts withheld under FATCA with respect to income that is also subject to the general U.S. withholding tax, discussed above, will be applied against and reduce the amount of such other withholding required.

In order to obtain an exemption from withholding on the grounds that the amount paid under the tender offer is effectively connected with the conduct of a trade or business within the United States, a non-U.S. Holder must deliver to the depository before payment a properly completed and executed IRS Form W-8ECI.

If tax is withheld, a non-U.S. Holder may be eligible to obtain a refund of all or a portion of such withheld tax if such non-U.S. Holder is able to establish that no withholding or a reduced rate of withholding is due.

U.S. federal backup withholding generally will not apply to amounts subject to the 30% or treaty-reduced rate of U.S. federal income tax withholding. Also see “Exchange of Shares in the Tender Offer — Information Reporting and U.S. Federal Backup Withholding,” below.

Non-U.S. Holders may be subject to tax on the exchange of shares for cash pursuant to the tender offer even if such non-U.S. Holders would not be subject to tax if those same shares were sold on the open market. **Non-U.S. Holders should consult their own tax advisors regarding the tax consequences to them of participating in the tender offer, including the application of U.S. federal tax withholding, their potential eligibility for a withholding tax reduction or exemption, and the refund procedures.**

Exchange of Shares in the Tender Offer — Information Reporting and U.S. Federal Backup Withholding.

The tender offer may be subject to certain information reporting requirements under applicable U.S. federal income tax laws.

Under the U.S. federal backup withholding rules, 24% of the gross proceeds payable to a shareholder or other payee pursuant to the tender offer must be withheld and remitted to the United States Treasury unless the shareholder or other payee provides his, her or its taxpayer identification number (employer identification number or social security number) to the depository and provides the required certifications under penalties of perjury or otherwise establishes an exemption from U.S. federal backup withholding. Therefore, tendering shareholders that are U.S. Holders should complete and sign the Substitute Form W-9 included as part of the related letter of transmittal in order to provide the information and certifications necessary to avoid U.S. federal backup withholding. In order for a non-U.S. Holder to establish that it is not subject to U.S. federal backup withholding, that shareholder must submit the applicable IRS Form W-8, signed under penalties of perjury, instead of the Substitute Form W-9. Tendering shareholders can obtain the applicable forms from the depository. See Instruction 12 of the letter of transmittal.

U.S. federal backup withholding is not an additional tax. Any amounts withheld under the U.S. federal backup withholding rules will be refunded or credited against the tendering shareholder’s U.S. federal income tax liability if certain information is furnished to the IRS. Shareholders should consult their own tax advisors regarding the application of U.S. federal backup withholding in their particular circumstances and the availability of, and procedure for obtaining, an exemption from U.S. federal backup withholding under current U.S. Treasury Regulations.

The discussion set forth above is for general information only and is not tax advice. We urge you to consult your own tax advisor to determine the particular tax consequences to you of the tender offer, including the applicability and effect of any U.S. federal, state, local, foreign and other tax laws.

14. Extension of the Tender Offer; Termination; Amendment.

Subject to compliance with applicable law, we further reserve the right, in our sole discretion, and regardless of whether any of the events set forth in Section 6 have occurred or are deemed by us to have occurred, to amend the tender offer in any respect, including, without limitation, by decreasing or increasing the consideration offered in the tender offer to holders of shares or by decreasing or increasing the number of shares being sought in the tender offer. We may amend the tender offer at any time and from time to time by posting a notice of the amendment on OTC Markets, which notice, in the case of an extension, will be issued no later than 9:00 a.m., Eastern Time, on the next business day after the last previously scheduled or announced expiration date. We will disseminate promptly to shareholders any public announcement made under the tender offer in a manner reasonably designed to inform shareholders of the change. Without limiting the manner in which we may choose to make an announcement, except as required by applicable law, we will have no obligation to publish, advertise or otherwise communicate any public announcement other than by posting a notice on OTC Markets.

If we materially change the terms of the tender offer we will extend the tender offer to the extent required by Rule 14e-1(b), promulgated under the Exchange Act. This rule provides that if we undertake any of the following actions:

- increase or decrease the range of prices to be paid for the shares,
- increase the aggregate purchase price limit and thereby increase the number of shares being sought in the tender offer, and this increase in the number of shares sought exceeds 2% of our outstanding shares (or 101,179 shares),
- decrease the aggregate purchase price limit and thereby decrease the number of shares being sought in the tender offer, or
- the tender offer is scheduled to expire at any time earlier than the expiration of a period ending on the tenth (10th) business day from, and including, the date that we first publish, send or give notice of any such increase or decrease,

we will extend the tender offer until the expiration of ten (10) business days from the date that we first publish, send or give notice of any such increase or decrease.

The tender offer will remain open for at least five business days from the date we notify you that the Financing Condition has been met.

15. Fees and Expenses.

We have retained InvestorCom to be the information agent and Transfer Online to be the depositary in connection with the tender offer. The information agent may contact holders of shares by mail, telephone, email and personal interviews and may request brokers, dealers, commercial banks, trust companies and other nominee shareholders to forward materials relating to the tender offer to beneficial owners of shares. The information agent and the depositary each will receive reasonable and customary compensation for their respective services in connection with the tender offer, will be reimbursed for reasonable expenses, and will be indemnified against certain liabilities and expenses in connection therewith.

We will not pay fees or commissions to any broker, dealer, commercial bank, trust company or other person for soliciting any shares under the tender offer, other than as described above. We will, however, on request, reimburse brokers, dealers, commercial banks, trust companies and other persons for customary handling and mailing expenses incurred in forwarding the tender offer and related materials to the beneficial owners for whom they act as nominees. no broker, dealer, commercial bank or trust company has been authorized to act as our agent or as an agent of our information agent or depositary or any affiliate of the foregoing for purposes of the tender offer. We will pay, or cause to be paid, any stock transfer taxes on our purchase of shares, except as otherwise provided in this offer to purchase and in Instruction 9 of the related letter of transmittal.

16. Miscellaneous.

We are not aware of any jurisdiction where the making of the tender offer is not in compliance with applicable law. If we become aware of any jurisdiction where the making of the tender offer or the acceptance of shares pursuant thereto is not in compliance with applicable law, we will make a good faith effort to comply with the applicable law. If, after such good faith effort, we cannot comply with the applicable law, then we will not make the tender offer to the holders of shares residing in that jurisdiction.

We have not authorized any person to make any recommendation on our behalf as to whether you should tender or refrain from tendering your shares in the tender offer. We have not authorized any person to give any information or to make any representation in connection with the tender offer other than those contained in this offer to purchase or the related letter of transmittal. If anyone makes any recommendation or representation to you or gives you any information, you must not rely upon that recommendation, representation or information as having been authorized by us or the information agent.

The letter of transmittal and share certificates and any other required documents should be sent or delivered by each shareholder or that shareholder's broker, dealer, commercial bank, trust company or nominee to the depositary at one of its addresses set forth below.

The depositary for the tender offer is:



512 SE Salmon Street

Portland, OR 97214

(503) 227 2950

Email: info@transferonline.com

Please direct any questions or requests for assistance and any requests for additional copies of this offer to purchase, the letter of transmittal or the notice of guaranteed delivery to the information agent at the telephone number or address set forth below. Shareholders also may contact their broker, dealer, commercial bank, trust company or nominee for assistance concerning the tender offer. Please contact the depositary to confirm delivery of shares.

The information agent for the tender offer is:



19 Old Kings Highway S., Suite 210

Darien, CT 06820

(203) 972-9300

Stockholders call toll-free at (877) 972-0090

Email: info@investor-com.com

End of Document

