

NON-PROSECUTION AGREEMENT

I. INTRODUCTION

1. This Non-Prosecution Agreement (the “Agreement”) dated October 13, 2010, is entered into between the United States Attorneys’ Offices for the Central District of California (“USAO-CDCA”) and the District of Nevada (“USAO-NV”) (collectively “the USAOs”) and CVS Pharmacy, Inc., a subsidiary of CVS Caremark Corporation that operates the company’s retail pharmacy division (“CVS/pharmacy”). This Agreement binds not only the USAOs, but also the United States Attorney’s Offices for each of the judicial districts of the United States listed on the attached Appendix A, the Drug Enforcement Administration (“DEA”), and the Criminal Division of the United States Department of Justice (collectively referred to with the USAOs as the “Government Parties”). This Agreement does not bind any state, local, or foreign prosecuting, administrative, or regulatory authorities.

2. This Agreement is entered into to resolve the USAOs’ criminal investigation of unlawful distribution and sales of pseudoephedrine (“PSE”) by CVS/pharmacy stores in Southern California and Nevada and a CVS/pharmacy distribution center in Southern California. PSE is an ingredient found in various popular cough and cold medicines, but it is also a precursor chemical that can be used in the illegal manufacture of methamphetamine. PSE is a “list I chemical,” and the PSE sold at retail by CVS/pharmacy is a “scheduled listed chemical product” under 21 U.S.C. sections 802(34)(K) and 802(45)(A).

3. The investigation of this matter began in 2008, following the arrest of several individuals in Southern California for unlawful distribution and/or possession of PSE with the intent to manufacture methamphetamine. The DEA learned that the individuals had purchased unusually large amounts of PSE from CVS/pharmacy stores in the area. The DEA – Los

Angeles Field Division and the USAO-CDCA initiated an investigation into CVS/pharmacy's PSE distribution and retail sales practices, policies, and procedures. The investigation examined CVS/pharmacy's distribution and retail sales of PSE between September 1, 2007, and December 31, 2008, in Los Angeles and Orange Counties, California, and Clark County, Nevada ("the Investigated Conduct").

4. The USAOs have determined that entering into this Agreement to resolve the investigation is appropriate in light of the following:

(a) CVS/pharmacy's acceptance of responsibility for the conduct described in the Statement of Admitted Facts set forth in Section II below, and its remedial actions taken to address and correct that conduct;

(b) CVS/pharmacy's cooperation with the investigation and its agreement to continue to cooperate with the United States;

(c) CVS/pharmacy's commitment to maintain a Compliance and Ethics Program as described below; and

(d) Other promises and obligations of CVS/pharmacy made in this Agreement, as well as CVS/pharmacy's payment of the civil penalties and forfeiture amounts referenced in this Agreement.

5. This Agreement shall have full force and effect only upon the date on which all of the following have occurred (the "Effective Date"):

(a) execution of this Agreement by the USAOs, on behalf of themselves and the other Government Parties, and CVS/pharmacy, on behalf of itself and CVS Caremark Corporation;

(b) execution of the Civil Settlement Agreement, in the form attached hereto as Appendix B, by the USAOs, on behalf of themselves and the other Government Parties, and CVS/pharmacy; and

(c) execution of the Memorandum of Agreement (“MOA”), in the form attached hereto as Appendix C, by DEA and CVS/pharmacy.

6. This Agreement shall be effective and in place for three years (the “Agreement Term”) from the Effective Date.

II. STATEMENT OF ADMITTED FACTS

A. Overview

7. Federal law prohibits retail stores like those operated by CVS/pharmacy from selling more than 3.6 grams of PSE per day to any individual customer. 21 U.S.C. § 830(d). Federal law requires retailers to maintain PSE products behind the store counter, keep a paper or electronic logbook to record individual PSE sales information, and take steps to prevent sales of PSE for illicit purposes. 21 U.S.C. § 830(e). In addition, federal law prohibits any person or entity, including retail stores like those operated by CVS/pharmacy, from distributing PSE knowing, or having reasonable cause to believe, that it will be used to manufacture methamphetamine. 21 U.S.C. § 841(c)(2).

8. In 2007, CVS/pharmacy switched from a manual system using a paper logbook to an automated electronic logbook system to record individual PSE sales. The manner in which CVS/pharmacy implemented the new system in some states, including California and Nevada, was flawed. Although the new system prevented sales of over 3.6 grams of PSE per transaction, it did not track the customer’s other purchases of PSE that day and, consequently, did not prevent multiple sales that totaled more than 3.6 grams in a day. This flaw was made worse by

CVS/pharmacy's instructions for using the new electronic system, as store employees were told to rely on the new system and to complete any sales that the system approved. As a result, beginning in September 2007, criminals were able to exploit the system at CVS/pharmacy's retail stores in California and Nevada by making multiple purchases of PSE in a day that totaled over 3.6 grams.

9. In late 2008, after learning that the government had initiated an investigation, CVS/pharmacy corrected the flawed implementation of the electronic logbook system in California and Nevada and instituted enhanced training and other remedial measures to ensure that PSE sales at CVS/pharmacy stores complied with applicable legal requirements. By February 2009, these same measures were implemented at CVS/pharmacy stores in the other states with the same flaw in the electronic logbook system. CVS/pharmacy deeply regrets that PSE products it sold got into the hands of criminals who manufactured methamphetamine, and takes full responsibility for its failure to maintain appropriate safeguards to prevent those illegal purchases.

B. CVS/pharmacy

10. CVS/pharmacy is the retail division of CVS Caremark Corporation, the nation's largest pharmacy services company. CVS/pharmacy is headquartered in Woonsocket, Rhode Island, and operates approximately 7,100 retail stores in 41 states, the District of Columbia, and Puerto Rico. There are 830 CVS/pharmacy stores in California and 85 CVS/pharmacy stores in Nevada. Additionally, one of CVS/pharmacy's 14 Distribution Centers is located in La Habra, California. The La Habra Distribution Center orders and sends products to CVS/pharmacy stores in Southern California and Nevada, among other locations.

11. CVS/pharmacy sells a wide range of health care products, including over-the-counter cough and cold medicines containing PSE.

C. Regulation of PSE Sales

12. Prior to 2005, states regulated PSE retail sales out of concern that criminals were purchasing large quantities of PSE for the illegal manufacture of methamphetamine. However, state laws were not uniform. Some laws applied only to buyers while others applied to sellers as well. In addition, there were variations as to the forms of PSE covered and the aggregate amounts of PSE that could be sold by retailers or bought by consumers during a month or day.

13. To address PSE sales on a federal level, Congress passed the Combat Methamphetamine Epidemic Act of 2005 (“CMEA”), 21 U.S.C. §§ 830(d), (e), 842(a)(12)-(14). Effective in 2006, the CMEA imposed specific restrictions on retailers that sold products containing PSE. The CMEA required retailers like CVS to implement procedures to move PSE behind the counter, keep records of PSE sales, make those records available to law enforcement, provide certification that all employees who sold PSE were trained on the CMEA’s requirements, and limit daily PSE sales to 3.6 grams per person. 21 U.S.C. § 830(e). The CMEA did not preempt state law; rather, it left in place varying state requirements governing, among other things, monthly sales of PSE to individual customers. The CMEA had no impact on existing provisions of the Controlled Substances Act (21 U.S.C. §§ 801, *et seq.*), which prohibits any entity or person from distributing PSE knowing, or having reasonable cause to believe, it would be used to manufacture methamphetamine. 21 U.S.C. § 841(c)(2).

D. CVS/pharmacy’s Compliance and Recordkeeping

14. In 2006, CVS/pharmacy implemented a nationwide program to comply with the CMEA’s requirements. For example, CVS/pharmacy moved PSE behind the cash register

counters and provided written materials to train and educate employees about the new federal requirements and the problem of diversion of PSE to make methamphetamine.

15. Initially, CVS/pharmacy implemented a paper logbook system at the cash registers to track and prevent excessive PSE sales. The paper logbook was maintained alphabetically by customer name so that cashiers could check whether a customer wishing to purchase PSE products had previously made purchases of PSE at that store and, if so, whether the total amount may have exceeded the federal daily limit of 3.6 grams. Where state laws imposed monthly sales limits on retailers, the paper logbook also permitted stores to check whether a customer may have exceeded those monthly limits.

16. CVS/pharmacy's original paper logbook program complied with the CMEA, but CVS/pharmacy believed that the paper logbook system was cumbersome. It required store employees to review the logbook, make calculations of total daily and monthly sales where required, and determine whether or not it was permissible under the law to sell PSE to a particular customer. CVS/pharmacy also believed that the paper logbook system caused inconvenience for customers purchasing PSE products by creating delays at the cash register. CVS/pharmacy also had privacy concerns because the paper logbook had to be signed in front of other customers, and because customers signing the logbook could see information in the logbook about other customers' PSE purchases. Finally, the paper logbook system made it difficult for CVS/pharmacy to provide law enforcement with relevant PSE sales data because that data was available only in hard-copy format and only at each individual store.

17. To address what it perceived to be the problems with the paper logbook system, in 2007 CVS/pharmacy replaced the paper logbook system with an automated electronic system. This new electronic system was called "MethCheck" and was designed by a computer software

company to enable those using it to track PSE sales, prevent PSE sales that exceeded federal and state limits, and make PSE sales information more readily available to law enforcement.

E. Implementation of MethCheck

18. Primary responsibility for implementing the MethCheck system at CVS/pharmacy on a national basis was delegated to a small group of employees led by a senior manager in store operations at CVS/pharmacy's corporate headquarters in Woonsocket, Rhode Island.

CVS/pharmacy senior management responsible for retail store operations authorized and approved the implementation of the MethCheck system at all stores based on this group's recommendations.

19. To comply with the laws of states that imposed monthly sales limits on PSE sellers, the MethCheck system offered a "Lookback" feature that could track and review a customer's aggregate purchases and compare those figures to the various state limits, and then prevent any sales that would violate those limits. This Lookback feature could also be used to track and review aggregate purchases and compare them to the federal daily limits imposed by the CMEA.

20. In implementing MethCheck, CVS/pharmacy decided that the Lookback feature was only needed in states that imposed monthly sales limits on retailers. California and Nevada were two of the many states that had no such monthly limits.

21. Shortly before MethCheck was installed and implemented at CVS/pharmacy stores, the senior manager in charge of the project was told that without the Lookback feature, the MethCheck system would not be able to identify multiple PSE sales to the same customer on the same day, and those aggregate multiple sales could exceed the 3.6 gram daily limit imposed by the CMEA.

22. The senior manager consulted with the software company that designed MethCheck and learned that a separate daily Lookback feature was not then available. The senior manager confirmed that the only option for aggregating multiple PSE sales to an individual customer, whether for one day or one month, was to turn on the Lookback feature in all states, even where state law did not impose a monthly PSE limit on retailers.

23. CVS/pharmacy went forward with the project as initially planned, that is, without any Lookback feature in states that did not impose monthly PSE limits on retailers. CVS/pharmacy did so even though the senior manager and one other member of the MethCheck implementation group knew that, in states without the Lookback feature turned on, MethCheck as implemented would not prevent aggregate purchases that exceeded the 3.6 gram daily limit imposed by the CMEA. In deciding to go forward with the project, CVS/pharmacy failed to appreciate the risk that without the Lookback feature, individuals could purchase excessive amounts of PSE, and that this would allow criminals to purchase large quantities of PSE for use in manufacturing methamphetamine. The states without the Lookback feature turned on (the “Non-Lookback States”) are set forth in Appendix A.

24. When the MethCheck system was rolled out, CVS/pharmacy retail store employees were advised to rely on MethCheck in determining whether a particular PSE sale could be made.

F. Impact of the Flawed Implementation of MethCheck

25. The flawed implementation of MethCheck made CVS/pharmacy stores vulnerable to criminals who intended to purchase large amounts of PSE. Criminals in California and Nevada and some other Non-Lookback States quickly learned that excessive amounts of PSE could be purchased at CVS/pharmacy by making multiple purchases on a single day. Those

multiple sales often far exceeded the daily limit of 3.6 grams. By allowing these multiple purchases and sales, CVS/pharmacy distributed PSE to individuals who used it to manufacture methamphetamine.

26. As a result, beginning in late 2007 and continuing until late 2008, CVS/pharmacy's PSE sales increased significantly in California and Nevada. Despite communications from store employees, store managers, loss prevention managers, and suppliers of PSE noting this increase and, in some instances, questioning whether the excessive purchases were intended for use in manufacturing methamphetamine, CVS/pharmacy failed to promptly investigate and adequately address the illegal and increased sales of PSE in California and Nevada caused by the flawed implementation of the MethCheck system. The increase in PSE sales did not trigger an immediate or comprehensive response by CVS/pharmacy because CVS/pharmacy did not have procedures in place to separately track and monitor PSE sales and because PSE sales were a tiny fraction of CVS/pharmacy's overall monetary sales.

27. The flawed implementation of the MethCheck system also may have led to some excessive PSE sales in the other Non-Lookback States, but the excessive sales occurred primarily in California and Nevada.

28. In late 2008, after the government had initiated its investigation, CVS/pharmacy acknowledged and addressed the problem of excessive PSE sales in California and Nevada by adding the Lookback feature to the MethCheck system in those two states. By February 2009, CVS/pharmacy added the Lookback feature in the remaining Non-Lookback states. The Lookback feature has been active in all CVS/pharmacy stores nationwide since that time.

G. CVS/pharmacy's Acceptance of Responsibility

29. CVS/pharmacy acknowledges that from September 2007 to November 2008, it sold excessive amounts of PSE in California and Nevada in violation of federal law.

CVS/pharmacy also acknowledges that some of those sales were to criminals who purchased PSE for use in manufacturing methamphetamine. Store employees carried out those sales in reliance on the flawed implementation of the electronic logbook system and on erroneous instructions regarding its use. The store employees who engaged in those sales were acting within the course and scope of their duties, and their actions are therefore attributable to CVS/pharmacy. CVS/pharmacy accepts responsibility for those unlawful sales of PSE.

30. More specifically, CVS/pharmacy acknowledges that as a result of these unlawful sales, it is responsible for the following unlawful conduct in California and Nevada:

(a) Employees at certain CVS/pharmacy stores in Los Angeles and Orange Counties, California, and in Clark County, Nevada, knowingly sold PSE in excess of 3.6 grams per day, per person, in violation of 21 U.S.C. §§ 830(d)(1), 842(a)(12)(A), and 842(c)(2)(A).

(b) At least 48 of the CVS/pharmacy stores, as listed on Appendix D hereto, and the CVS/pharmacy La Habra Distribution Center distributed PSE having reasonable cause to believe, based on the collective knowledge of CVS/pharmacy employees, that the PSE would be used to manufacture methamphetamine, in violation of 21 U.S.C. § 841(c)(2).¹

(c) The CVS/pharmacy Distribution Center in La Habra, California, which used an automated system to replenish PSE for CVS/pharmacy's stores in California and Nevada, was in a position to monitor and report the excessive PSE sales described above, but failed to do so, in violation of 21 U.S.C. § 830(b) and 21 C.F.R. § 1310.05(a)(1).

¹ The government believes that the number of CVS/pharmacy stores in California and Nevada that violated 21 U.S.C. § 841(c)(2) is higher. CVS disputes this contention.

H. Remedial Measures

31. In response to the events described above, CVS/pharmacy has implemented a program of enhanced training and compliance regarding PSE sales. That program includes the following:

(a) In May 2009, CVS/pharmacy increased its monitoring of PSE sales by reducing the threshold amount of PSE products that can be ordered by the CVS/pharmacy stores, reducing the targeted inventory for each store, and requiring the return of product that exceeds inventory levels. CVS/pharmacy has created several variance and trend reports to monitor PSE sales by store; unexplained increases in sales or variances will be investigated. CVS/pharmacy also has conducted inspections on PSE compliance at a number of CVS/pharmacy stores in California and Nevada, and conducted random PSE purchases to test the effectiveness of its systems.

(b) In June 2009, CVS/pharmacy established a PSE Advisory Committee responsible for ensuring compliance with PSE requirements. The PSE Advisory Committee reviews policies and procedures, makes recommendations for enhanced compliance, and develops new metrics for review of PSE sales.

(c) Beginning in September 2009, CVS/pharmacy updated its store operations manuals and training materials and included additional PSE information and guidance in its biannual training. All store employees are required to complete training and testing on the updated PSE policies and procedures.

(d) As of December 2009, all PSE products at all CVS/pharmacy stores nationwide had been relocated from the retail counter to the pharmacy counter, and PSE products are sold only from the pharmacy, where they are subject to enhanced inventory and security

requirements. Pharmacy staff are required to check-in PSE products against store delivery manifests and confirm actual counts and inventory amounts on invoice. Any discrepancies must be immediately reported.

III. PROMISES AND OBLIGATIONS OF CVS/PHARMACY

32. In consideration for the USAOs' promises and obligations as set forth in paragraphs 44 and 45 of this Agreement, CVS/pharmacy knowingly, voluntarily, and with the advice of counsel agrees to the following terms.

A. Acceptance of Responsibility for the Admitted Facts

33. CVS/pharmacy acknowledges and accepts responsibility for the conduct described in the Statement of Admitted Facts set forth in Section II above.

34. CVS/pharmacy agrees that neither it nor CVS Caremark Corporation shall, through any of its counsel, representatives, or executive employees who have authority to speak publicly on their behalf, make any public statement that contradicts any material fact articulated in the Statement of Admitted Facts set forth in Section II above. This provision is not intended to apply to any statement made by any individual, as a witness or otherwise, unless such individual has authority to speak, and is speaking, publicly on behalf of CVS/pharmacy or CVS Caremark Corporation.

B. Agreement to Pay Civil Penalties and Forfeiture

35. CVS/pharmacy agrees to pay the following amounts to the United States:

(a) \$ 75,000,000 in civil penalties pursuant to the Civil Settlement Agreement to be executed concurrently herewith in the form attached hereto as Appendix B; and

(b) \$2.6 million in profits from CVS/pharmacy's PSE sales in California during the period of the Investigated Conduct (the "Forfeitable Profits") will be forfeited to the United States, pursuant to 21 U.S.C. § 881(a)(6). Payment shall be delivered to the USAO-CDCA within 30 days of the Effective Date, in the form of three cashier's checks, in amounts to be specified by the USAO-CDCA, payable to the United States Marshals Service or shall be made by electronic funds transfer to the United States Marshals Service pursuant to instructions to be provided by the USAO-CDCA. Regarding these Forfeitable Profits, CVS/pharmacy agrees that:

(i) CVS/pharmacy will not file a claim or statement of interest to contest the forfeiture of the Forfeitable Profits in any administrative or judicial proceeding.

(ii) CVS/pharmacy will waive all constitutional and statutory challenges to forfeiture of the Forfeitable Profits on any grounds, including that the forfeiture constitutes an excessive fine or punishment.

(iii) CVS/pharmacy will take all steps as requested by the USAO-CDCA that are necessary to pass to the United States clear title to the Forfeitable Profits, including, without limitation, the execution of a consent decree of forfeiture and the completion of any other legal documents required for the transfer of title to the United States.

(iv) CVS/pharmacy will not assist any other person in any effort falsely to contest the forfeiture of the Forfeitable Profits.

(v) Forfeiture of the Forfeitable Profits shall not be counted toward satisfaction of any other payment required by this Agreement or the Civil Settlement Agreement to be executed concurrently herewith, nor shall it be counted toward satisfaction of any taxes, penalties, or interest owed to the Internal Revenue Service or any other government entity.

C. Cooperation, Compliance and Ethics Program, and Other Remedial Measures

36. CVS/pharmacy agrees to continue to cooperate fully and actively with the USAOs and DEA and, at the direction of the USAOs or DEA, with any other law enforcement agency (state, local, federal, or foreign) designated by the USAOs or DEA (collectively the “Designated Agencies”) regarding any alleged violation of the Controlled Substances Act and the CMEA or any violation of any state criminal law relating to a substance defined in the Controlled Substances Act as a controlled substance or a listed chemical that occurs at any CVS/pharmacy store or distribution center (“Designated Violation”). In connection with any investigation of any Designated Violation, CVS/pharmacy shall:

(a) In response to any inquiry by the USAOs, DEA, or Designated Agencies, truthfully disclose and provide them all information, documents, records and other evidence within CVS/pharmacy’s possession, custody, or control relating to the Designated Violations that are not subject to the attorney-client privilege or the work product doctrine or other legal restrictions on disclosure, and, if requested by the USAOs, timely provide a detailed privilege log for any information, documents, records, or other evidence requested but withheld under a claim of privilege;

(b) Use its reasonable best efforts to make available for interviews (to the extent such individuals are willing to be interviewed) and/or testimony present CVS/pharmacy or CVS Caremark Corporation officers, directors, employees, agents, consultants, and independent contractors as requested by the USAOs or DEA;

(c) Use its reasonable best efforts to provide contact information for any former CVS/pharmacy or CVS Caremark Corporation officers, directors, employees, agents, consultants, and independent contractors as requested by the USAOs or DEA; and

(d) As requested by the USAOs, provide qualified custodians of records to introduce into evidence documents, records, and evidence produced by CVS/pharmacy or CVS Caremark Corporation.

37. CVS/pharmacy has established and agrees to maintain a Compliance and Ethics Program that comports with the criteria set forth in Section 8B2.1 of the United States Sentencing Guidelines. Specifically, CVS/pharmacy agrees that its Compliance and Ethics Program will require CVS/pharmacy to:

- (a) Exercise due diligence to prevent and detect criminal conduct;
- (b) Promote an organizational culture that encourages ethical conduct and a commitment to compliance with the law;
- (c) Maintain procedures for disciplining employees at all levels who are found to have violated CVS/pharmacy's ethics standards or compliance policies or procedures, or who have been convicted of a crime related to job function;
- (d) Maintain procedures for an anonymous reporting mechanism, to the extent and where legally permissible, by which employees can report or seek guidance regarding potential or actual violations of CVS/pharmacy's ethics standards, compliance policies or procedures, or any law or regulation; and
- (e) Maintain a prohibition on retaliation against employees who report or seek guidance regarding potential or actual violations of CVS/pharmacy's ethics standards, compliance policies or procedures, or any law or regulation.

38. In addition to the above, CVS/pharmacy agrees that its Compliance and Ethics Program will include:

(a) Periodic training of employees responsible for handling controlled substances and/or listed chemicals with respect to ethics and compliance issues appropriate to the job function of the employees, including at least annual training relating to (i) the CMEA; (ii) federal and state laws relating to controlled substances and listed chemicals; (iii) trends in criminal activities relating to the above and best practices as to how to mitigate diversion; and (iv) where to send complaints or concerns about violations of ethics standards or compliance policies or procedures;

(b) Procedures to ensure that CVS/pharmacy and CVS Caremark Corporation executive level employees, as defined in Appendix E attached hereto (“CVS Executives”), are made aware of any Reportable Offenses, as defined in paragraph 41 below, or any conduct by CVS/pharmacy or CVS Caremark Corporation employees that, if committed by the CVS Executives, would constitute a breach of this Agreement, as defined in paragraph 46 below; and

(c) Procedures for periodic review of the relevant provisions of CVS/pharmacy’s Compliance and Ethics Program, as identified in paragraphs 37 (a) through (e) and 38 (a) and (b), above, by the USAOs or DEA, or procedures for review occurring annually during the term of this Agreement.

39. In addition to the implementation of its Compliance and Ethics Program, CVS/pharmacy agrees to enter into a MOA with DEA in the form attached hereto as Appendix C.

40. CVS/pharmacy agrees that it shall, within 120 days of the Effective Date of this Agreement, provide the USAOs and DEA with a written certification from the Chief Compliance Officer for CVS/pharmacy confirming that CVS/pharmacy has implemented and is maintaining

the Compliance and Ethics Program described above and that it is implementing measures consistent with the terms of the MOA.

D. Reportable Offenses

41. CVS/pharmacy agrees that it will not, by or through any of its employees, commit any criminal violation of the Controlled Substances Act, 21 U.S.C. § 801 *et seq.*, or any criminal violation of any state law relating to any substance defined in the Controlled Substances Act as a controlled substance or a listed chemical (“Reportable Offense”).

42. CVS/pharmacy agrees that when a Reportable Offense becomes known to CVS Executives, CVS/pharmacy shall notify the USAOs and DEA of that Reportable Offense within 30 days. The USAOs and the other Government Parties retain the right to exercise their discretion to prosecute CVS/pharmacy, CVS Caremark Corporation, or any individual for any Reportable Offense so reported to the extent that such Reportable Offense would otherwise be prosecutable by the USAOs or the other Government Parties. CVS/pharmacy agrees that it shall notify the USAOs if it is charged with any federal criminal offense, including any Reportable Offense, by any other United States Attorney’s Office during the Agreement Term. Nothing in this provision exempts CVS/pharmacy, CVS Caremark Corporation, or any individual from prosecution in any district for any Reportable Offense or any other federal criminal violation.

E. Certification of Compliance

43. CVS/pharmacy agrees that semi-annually during the Agreement Term, including between thirty and sixty days before the expiration of the Agreement Term, the Chief Compliance Officer for CVS/pharmacy shall execute, under penalty of perjury, and provide to the USAOs, a certification that, to the best of his or her knowledge after inquiry he or she

believes to be sufficient to assess compliance, CVS/pharmacy and CVS Caremark Corporation are in compliance with the terms of this Agreement.

IV. PROMISES AND OBLIGATIONS OF THE USAOS

44. In exchange for CVS/pharmacy's and CVS Caremark Corporation's good faith performance of the promises and obligations set forth in paragraphs 33 through 43 of this Agreement, and subject to the terms and conditions of this Agreement, the USAOs agree that the Government Parties will not pursue any federal criminal charges against CVS/pharmacy or CVS Caremark Corporation arising from (i) the Investigated Conduct, or (ii) the distribution and retail sales of PSE by CVS/pharmacy as described in paragraphs 25-27 and 29-30 above in the Non-Lookback States between September 1, 2007 and the Effective Date of this Agreement (collectively the "Released Criminal Conduct").

45. Nothing in this Agreement shall preclude or limit the USAOs or any of the other Government Parties from bringing a criminal prosecution against CVS/pharmacy or CVS Caremark Corporation for making false statements, obstruction of justice, perjury, subornation of perjury, witness tampering, or aiding and abetting or conspiring to commit such offenses, based on CVS/pharmacy's or CVS Caremark Corporation's conduct in performing obligations under this Agreement. Nor does anything in this Agreement preclude or limit the USAOs or any of the other Government Parties from bringing a criminal prosecution against CVS/pharmacy or CVS Caremark Corporation for conduct other than the Released Criminal Conduct. Nor does anything in this agreement preclude or limit the USAOs or any of the other Government Parties from bringing any criminal prosecution against any individual or any entity other than CVS/pharmacy or CVS Caremark Corporation for the Released Criminal Conduct or any other criminal conduct.

V. BREACH OF THE AGREEMENT

46. It shall constitute a breach of this Agreement for CVS/pharmacy or CVS Caremark Corporation knowingly to engage in conduct that constitutes a material failure to abide by or fully perform any of the promises and obligations set forth above in paragraphs 33 through 43 during the Agreement Term. For purposes of determining compliance with or breach of this Agreement (as opposed to legal responsibility), conduct by an employee of CVS/pharmacy or CVS Caremark Corporation that would constitute a breach of this Agreement if attributed to CVS/pharmacy or CVS Caremark Corporation shall not be deemed to constitute conduct by CVS/pharmacy or CVS Caremark Corporation unless (a) the employee is a CVS Executive or (b) a CVS Executive learns of that conduct and fails to initiate curative action within 30 days after learning of it.

47. The USAOs shall confer with one another and jointly make any decisions or determinations and jointly take any actions with respect to an alleged breach of this Agreement by CVS/pharmacy or CVS Caremark Corporation. In the event that the USAOs preliminarily believe that CVS/pharmacy or CVS Caremark Corporation has breached this Agreement, the USAOs shall provide CVS/pharmacy with written notice of this preliminary belief and CVS/pharmacy will have 30 calendar days from the date of that written notice in which to make a presentation to the USAOs to demonstrate that no breach has occurred or, to the extent applicable, that the breach is not a knowing breach or has been cured. The USAOs shall thereafter provide written notice to CVS/pharmacy of their final determination regarding whether or not a breach has occurred. CVS/pharmacy reserves the right to seek an opportunity to appeal to a higher authority within the Department of Justice in connection with any decisions, determinations, or actions by the USAOs with respect to any claim that CVS/pharmacy or CVS

Caremark Corporation has breached this Agreement. CVS/pharmacy and CVS Caremark Corporation waive any right either may have to a determination by a United States District Court with respect to whether either has breached this Agreement.

48. Should the USAOs, in accordance with the procedures set forth above in paragraph 47 of this Agreement, conclude that this Agreement has been breached by CVS/pharmacy or CVS Caremark Corporation, CVS/pharmacy will still be required to pay the civil settlement amount and forfeit the Forfeitable Profits referenced in paragraph 35 above, and the USAOs may jointly elect from either of the following two remedies, the election to be announced to CVS/pharmacy by the USAOs in the written notice of their final determination regarding whether or not a breach has occurred, and the election to be irrevocable absent agreement by the USAOs and CVS/pharmacy:

(a) Remedy Option A:

(i) The USAOs and the other Government Parties will immediately be free to prosecute CVS/pharmacy and CVS Caremark Corporation for any federal offense relating to the Released Criminal Conduct.

(ii) In any criminal prosecution relating to the Released Criminal Conduct, CVS/pharmacy and CVS Caremark Corporation will be precluded from raising any claim or defense based on the statute of limitations, pre-indictment delay, or speedy trial violations, except to the extent that such claims or defenses existed on the date CVS/pharmacy signed this Agreement. By executing this Agreement, CVS/pharmacy agrees, on behalf of itself and CVS Caremark Corporation, that the federal statute of limitations for any charge against CVS/pharmacy or CVS Caremark Corporation regarding any criminal offense related to the Released Criminal Conduct is tolled for the Agreement Term plus 90 days.

(iii) CVS/pharmacy agrees that, by signing this Agreement, it waives on behalf of CVS/pharmacy and CVS Caremark Corporation any right to be prosecuted by indictment for any federal criminal offense arising from the Released Criminal Conduct and agrees that any such prosecution may be brought by way of an Information.

(iv) CVS/pharmacy agrees, on behalf of itself and CVS Caremark Corporation, that in any criminal prosecution of CVS/pharmacy or CVS Caremark Corporation for any federal criminal offense arising from the Released Criminal Conduct, the USAOs and other Government Parties will be free to use in any way any statements, testimony, information, documents and evidence disclosed under the terms of this Agreement, as well as any evidence in whatever form derived therefrom (collectively, the “Disclosed and Derived Information”), and CVS/pharmacy and CVS Caremark Corporation will be unable to and waive any right to assert that any Disclosed and Derived Information (1) was obtained in violation of any constitutional, statutory or rule-based right or privilege; or (2) is inadmissible because of Rule 11(f) of the Federal Rules of Criminal Procedure, or Rule 410 of the Federal Rules of Evidence, or any other constitutional provision, statute or rule.

(v) In any proceeding or trial in any criminal prosecution relating to the Released Criminal Conduct, CVS/pharmacy and CVS Caremark Corporation shall be deemed to have stipulated to the Statement of Admitted Facts set forth in Section II above, as well as the admissibility of that Statement of Admitted Facts, and shall be precluded from offering any evidence or arguments that the statements in the Statement of Admitted Facts are untrue.

(b) Remedy Option B:

(i) The USAOs may seek a determination, as set forth below, that

CVS/pharmacy or CVS Caremark Corporation is in breach of the Agreement and is liable for a penalty of not more than \$500,000, with the amount to be determined based on the nature, seriousness, and consequences of the breach, and the adequacy of any cure.

(ii) The issue of whether CVS/pharmacy or CVS Caremark Corporation has breached the Agreement and, if so, the amount of the penalty up to \$500,000, shall be decided by such person as the parties agree upon, acting as a Special Master (the “Special Master”), based on such proceedings as shall be specified by the Special Master, and with no right of appeal of the Special Master’s decision. Review by the Special Master of any determination by the USAOs shall be de novo, and the USAOs shall bear the burden of proof to establish any factual issues, as specified by the Special Master, by a preponderance of the evidence. CVS/pharmacy agrees to pay all costs for retaining the Special Master.

(iii) CVS/pharmacy agrees to make payment of the penalty decided upon by the Special Master pursuant to this paragraph within 30 days of notice of the Special Master’s decision on the matter. CVS/pharmacy’s failure to make timely payment will constitute a separate material breach of this Agreement.

(iv) Payment of a penalty by CVS/pharmacy pursuant to paragraph 48(b)(iii) shall not relieve CVS/pharmacy of performing its obligations under this Agreement.

VI. MISCELLANEOUS PROVISIONS

49. This Agreement is binding on the Government Parties and CVS/pharmacy, and on CVS/pharmacy’s parent entity CVS Caremark Corporation to the extent provided herein. This Agreement relates only to CVS/pharmacy's retail pharmacy business and not to any other business conducted by CVS Caremark Corporation or its affiliates, such as its mail order pharmacy business, specialty and apothecary pharmacy business, and internet pharmacy

business. This Agreement does not confer or provide any benefits, privileges or rights to any other individual or entity.

50. Except as expressly provided herein, nothing in this Agreement restricts in any way the ability of any other federal, state or local law enforcement, administrative or licensing agency or authority to pursue charges, claims or actions, if appropriate, under federal, state or local law.

51. The USAOs and DEA expressly agree that, if requested by CVS/pharmacy, they will disclose the terms of this Agreement to any other law enforcement, administrative or licensing agency or authority, and will represent that the promises and obligations in this Agreement were considered sufficient to address and remedy the Released Criminal Conduct.

52. Nothing in this Agreement shall preclude CVS/pharmacy or any of its affiliates from raising defenses and/or asserting affirmative claims in any proceedings brought by any federal, state or local law enforcement, administration or licensing agency or authority, or by any private party, as long as doing so does not otherwise violate any term of this Agreement.

53. CVS/pharmacy warrants and represents that its undersigned officer is authorized to execute and deliver this Agreement and has the authority to bind CVS/pharmacy and CVS Caremark Corporation to its terms. The USAOs warrant and represent that their undersigned representatives are authorized to execute and deliver this Agreement and bind the USAOs and the other Government Parties to its terms.

54. CVS/pharmacy agrees, on behalf of itself and CVS Caremark Corporation, that if either sells or merges all or substantially all of its business operations as they exist as of the Effective Date of this Agreement to or into a single purchaser or group of affiliated purchasers during the term of this Agreement, it shall include in any contract for sale or merger a provision

binding the purchaser/successor to the obligations described in this Agreement, and this Agreement shall remain in effect.

55. All notices to CVS/pharmacy required or permitted by this Agreement shall be in writing and shall be given by first class, postage prepaid mail and by facsimile or electronic transmission effective in each case upon the later of the date of mailing or the date of transmission, addressed as follows:

Sara Finley
General Counsel
CVS Caremark
445 Great Circle Road
Nashville, Tennessee 37228
Email: Sara.Finley@Caremark.com

Barbara Rowland
Vice President and Assistant General
Counsel
CVS Caremark
One CVS Drive
Woonsocket, Rhode Island 02895
Email: BRowland@CVS.com

John Gilbert
Hyman, Phelps & McNamara
700 Thirteenth Street, NW
Washington, D.C. 20005
Email: JGilbert@HPM.com

56. All notices or reports to the USAOs required or permitted by this Agreement shall be in writing and shall be given by first class, postage prepaid mail and by facsimile or electronic transmission, addressed as follows:

United States Attorney's Office
Central District of California
Attn: George S. Cardona
1200 United States Courthouse
312 North Spring Street
Los Angeles, CA 90012
Facsimile: 213-894-2535
E-mail: George.S.Cardona@usdoj.gov

United States Attorney's Office
District of Nevada
Attn: Steven W. Myhre
333 Las Vegas Blvd. South
Suite 5000
Las Vegas, NV 89101
E-mail: Steven.Myhre@usdoj.gov

57. This Agreement and Appendices A, B, C, D, and E hereto constitute the entire agreement regarding the Investigated Conduct and the Released Criminal Conduct. Except as set

forth herein, there are no promises, understandings or agreements between the USAOs, the other Government Parties, CVS/pharmacy, CVS Caremark Corporation, or counsel for CVS/pharmacy or CVS Caremark Corporation. No additional agreement, understanding or condition may be entered into unless in a writing signed by both USAOs and a duly authorized representative of CVS/pharmacy.

58. This Agreement is covered by the laws of the United States. The Government Parties and CVS/pharmacy agree that exclusive jurisdiction and venue for any dispute arising under this Agreement is in the United States District Court for the Central District of California.

59. The Government Parties and CVS/pharmacy consent to the disclosure of this Agreement, and information about this Agreement, to the public.

60. This Agreement may be executed in counterparts, each of which constitutes an original and all of which constitute one and the same agreement. Facsimile or electronically submitted signatures are acceptable, binding signatures for purposes of this Agreement.

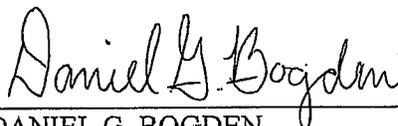
FOR THE USAOS

October 13, 2010

October 13, 2010



ANDRÉ BIROTTE JR.
United States Attorney
GEORGE S. CARDONA
Chief Assistant United States Attorney
LIZABETH A. RHODES
Assistant United States Attorney
Central District of California

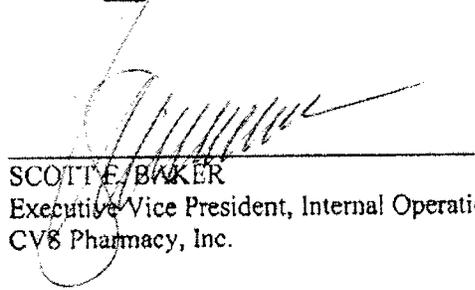


DANIEL G. BOGDEN
United States Attorney
STEVEN W. MYHRE
First Assistant United States Attorney
District of Nevada

(signatures continued)

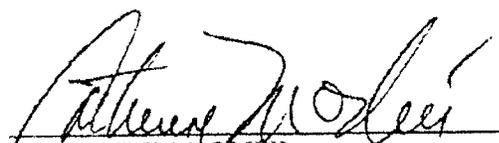
FOR CVS PHARMACY, INC.

October ~~12~~, 2010

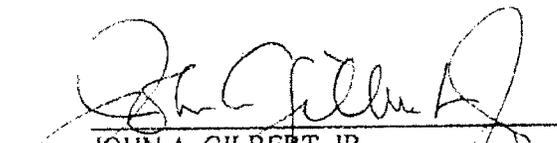

SCOTT E. BAKER
Executive Vice President, Internal Operations & Real Estate
CVS Pharmacy, Inc.

REVIEWED AND APPROVED:

October ~~12~~, 2010


CATHERINE M. O'NEIL
King & Spalding
Attorneys for CVS Caremark Corporation

October ~~12~~, 2010


JOHN A. GILBERT, JR.
Hyman, Phelps & McNamara
Attorneys for CVS Caremark Corporation

October ~~12~~, 2010


BRYAN D. DALY
MICHAEL W. EMMICK
Sheppard Mullin Richter & Hampton
Attorneys for CVS Caremark Corporation

APPENDIX A

NON-LOOKBACK STATES AND ASSOCIATED JUDICIAL DISTRICTS

STATES	JUDICIAL DISTRICTS
Alabama	Middle District of Alabama
	Northern District of Alabama
	Southern District of Alabama
Arizona	District of Arizona
California	Central District of California
	Eastern District of California
	Northern District of California
	Southern District of California
Colorado	District of Colorado
Connecticut	District of Connecticut
District of Columbia	District of Columbia
Florida	Middle District of Florida
	Northern District of Florida
	Southern District of Florida
Georgia	Middle District of Georgia
	Northern District of Georgia
	Southern District of Georgia
Kansas	District of Kansas
Maine	District of Maine
Maryland	District of Maryland
Massachusetts	District of Massachusetts

Michigan	Eastern District of Michigan
	Western District of Michigan
Nevada	District of Nevada
New Hampshire	District of New Hampshire
New Jersey	District of New Jersey
New York	Eastern District of New York
	Northern District of New York
	Western District of New York
	Southern District of New York
North Dakota	District of North Dakota
Ohio	Northern District of Ohio
	Southern District of Ohio
Pennsylvania	Eastern District of Pennsylvania
	Middle District of Pennsylvania
	Western District of Pennsylvania
Rhode Island	District of Rhode Island
South Carolina	District of South Carolina
Texas	Eastern District of Texas
	Northern District of Texas
	Southern District of Texas
	Western District of Texas
Virginia	Eastern District of Virginia
	Western District of Virginia
Vermont	District of Vermont

APPENDIX B

CIVIL SETTLEMENT AGREEMENT

CIVIL SETTLEMENT AGREEMENT

I. PARTIES

This Civil Settlement Agreement (“Agreement”) dated October 13, 2010, is entered into by and between the **United States Attorneys’ Offices for the Central District of California** (“USAO-CDCA”) and the **District of Nevada** (“USAO-DNV”) (collectively the “USAOs”) and **CVS Pharmacy, Inc.**, a subsidiary of CVS Caremark Corporation that operates the company’s retail pharmacy division (“CVS/pharmacy”). This Agreement binds not only the USAOs, but also the United States Attorney’s Offices for each of the judicial districts of the United States listed on the attached Appendix A, the Drug Enforcement Administration (“DEA”), and the Criminal Division of the United States Department of Justice (collectively referred to with the USAOs as the “Government Parties”). This Agreement does not bind any state, local, or foreign civil, administrative, or regulatory authorities.

II. PREAMBLE

As a preamble to this Agreement, the Parties agree as follows:

1. This Agreement is entered into to resolve the USAOs’ civil investigation of unlawful distribution and sales of pseudoephedrine (“PSE”) by CVS/pharmacy stores in Southern California and Nevada and a CVS/pharmacy distribution center in Southern California.
2. This Agreement shall have full force and effect only upon the date on which all of the following have occurred (the “Effective Date”):
 - (a) execution of this Agreement by the USAOs, on behalf of themselves and the other Government Parties, and CVS/pharmacy;

(b) execution of the Non-Prosecution Agreement dated October 13, 2010 (the “NPA”), by the USAOs, on behalf of themselves and the other Government Parties, and CVS/pharmacy, on behalf of itself and CVS Caremark Corporation; and

(c) execution of the Memorandum of Agreement dated October 13, 2010 (the “MOA”), by the DEA and CVS/pharmacy.

3. CVS/pharmacy is the retail division of CVS Caremark Corporation, the nation’s largest pharmacy services company. CVS/pharmacy is headquartered in Woonsocket, Rhode Island, and operates approximately 7,100 retail stores in 41 states, the District of Columbia, and Puerto Rico. There are 830 CVS/pharmacy stores in California and 85 CVS/pharmacy stores in Nevada. Additionally, one of CVS/pharmacy’s 14 Distribution Centers is located in La Habra, California. The La Habra Distribution Center orders and sends products to CVS/pharmacy stores in Southern California and Nevada, among other locations.

4. This Agreement relates only to CVS/pharmacy's retail pharmacy business and not to any other business conducted by CVS Caremark Corporation or its affiliates, such as its mail order pharmacy business, specialty and apothecary pharmacy business and internet pharmacy business.

5. CVS/pharmacy distributes and sells over-the-counter PSE products as part of its operations. PSE is a “list I chemical,” and the PSE sold at retail by CVS/pharmacy is a “scheduled listed chemical product” under 21 U.S.C. sections 802(34)(K) and 802(45)(A).

6. CVS/pharmacy is required to operate its stores, pharmacies and distribution centers in accordance with the applicable statutory provisions of the Comprehensive Drug Abuse Prevention and Control Act, 21 U.S.C. § 801 *et seq.*, popularly known as the Controlled Substances Act (“CSA”), and the related regulatory provisions of the Code of Federal

Regulations, 21 CFR 1300 *et seq.* CVS/pharmacy is required to monitor and limit its retail sales of PSE pursuant to the Combat Methamphetamine Epidemic Act of 2005 (the “CMEA”) (21 U.S.C. § 830(d) and (e)), which is part of the CSA.

7. In 2008, the DEA – Los Angeles Field Division and the USAO-CDCA initiated a civil investigation into CVS/pharmacy’s PSE distribution and retail sales practices, policies, and procedures. The investigation examined CVS/pharmacy’s distribution and retail sales of PSE between September 1, 2007, and December 31, 2008, in Los Angeles and Orange Counties, California, and Clark County, Nevada.

8. The Statement of Admitted Facts (¶¶ 7-31) set forth in the NPA is hereby incorporated into this Agreement as if fully set forth herein.

9. The USAOs contend that the United States has claims for civil penalties pursuant to 21 U.S.C. §§ 842(c)(1)(A), 842(c)(1)(B), and 842(c)(2)(C) against CVS/pharmacy for the following conduct occurring in California and Nevada and potentially in other Covered States between September 1, 2007 and the Effective Date of this Agreement:

- (a) Selling PSE in violation of 21 U.S.C. §§ 830(d)(1) and 842(a)(12)(A) by CVS/pharmacy stores;
- (b) Distributing PSE in violation of 21 U.S.C. § 842(a)(11) by CVS/pharmacy stores; and
- (c) Failing to report regulated transactions of PSE by the CVS/pharmacy Distribution Center in La Habra, California in violation of 21 U.S.C. § 830(b) and 21 C.F.R. § 1310.05(a)(1).

The “Covered States” are identified in Appendix A to the NPA, which is attached hereto and incorporated herein.

The conduct described in this Paragraph 9 shall be referred to as “the Covered Conduct.”

10. For purposes of this Agreement, CVS/pharmacy only admits liability for the Covered Conduct to the extent set forth in the NPA.

11. In order to avoid the delay, uncertainty, inconvenience and expense of protracted litigation of these claims, the Government Parties and CVS/pharmacy hereby enter into this full and final settlement pursuant to the Terms and Conditions set forth below.

III. TERMS AND CONDITIONS

THEREFORE, in consideration of the mutual promises, covenants, and obligations set forth below, and for good and valuable consideration as stated herein, the Government Parties and CVS/pharmacy agree as follows:

12. Settlement Payment. CVS/pharmacy agrees to pay to the United States the sum of \$75,000,000.00 (the “Settlement Amount”). Full payment will be made by electronic funds transfer on or before October 15, 2010, pursuant to instructions to be provided by the United States.

13. Release of CVS/pharmacy. Subject to the exceptions in Paragraph 14 below, in consideration of the obligations set forth in this Agreement, and conditioned upon CVS/pharmacy’s payment in full of the Settlement Amount, the Government Parties agree to release CVS/pharmacy, together with its officers, directors, parents, subsidiaries, affiliates, agents and employees, from any civil or administrative monetary claim the United States (or its agencies or departments) has or may have under the CSA, CMEA and the related provisions of the Code of Federal Regulations, based on the Covered Conduct.

14. Reservations and Exclusions from Release of CVS/pharmacy. Notwithstanding any term of this Agreement, specifically reserved and excluded from the scope and terms of this Agreement, including the release of CVS/pharmacy, are the following:

- (a) Any civil, criminal or administrative claims arising under Title 26, U.S. Code (Internal Revenue Code);
- (b) Any criminal liability not otherwise released under the terms of the NPA;
- (c) Any administrative claims or liability, including claims for revocation of DEA authorization to possess or distribute controlled substances and/or listed chemicals, not otherwise released under the terms of the MOA;
- (d) Any liability to the United States (or its agencies or departments) for any conduct other than the Covered Conduct; and,
- (e) Any claims based upon such obligations as are created by this Agreement.

15. Release of the United States. CVS/pharmacy, on behalf of its officers, directors, parents, subsidiaries, affiliates, agents and employees, fully and finally releases the United States, its officers, agents, employees, agencies and departments from any claims (including attorneys' fees, costs, and expenses of every kind and however denominated) that CVS/pharmacy has asserted, could have asserted, or may assert in the future against the United States, its officers, agents, employees, agencies and departments, related to the Covered Conduct or the United States' investigation or prosecution thereof.

16. No Agreement Re: Tax Treatment. Nothing in this Agreement constitutes an agreement by the United States concerning the characterization of the Settlement Amount for purposes of any proceeding under Title 26 of the Internal Revenue Code.

17. Benefit of Parties Only. This Agreement is intended to be for the benefit of the Government Parties and CVS/pharmacy only, and by this instrument neither the Government Parties nor CVS/pharmacy release any claim against any other person or entity.

18. Attorneys' Fees and Costs. The Government Parties and CVS/pharmacy will bear their own legal and other costs incurred in connection with this matter, including the preparation and performance of this Agreement. CVS/pharmacy agrees that it will not, directly or indirectly, charge the Settlement Amount or its legal or other costs incurred in connection with this matter to any federal contract or any federal health insurance program.

19. Voluntary Agreement. CVS/pharmacy represents that this Agreement is knowingly, deliberately, freely and voluntarily entered into, without any degree of duress or compulsion whatever, and that it has been advised with respect to this Agreement by counsel.

20. Governing Law, Jurisdiction and Venue. The Agreement is governed by the laws of the United States. The Government Parties and CVS/pharmacy agree that the exclusive jurisdiction and venue for any dispute arising between or among them under this Agreement will be the United States District Court for the Central District of California, Western Division.

21. Binding Effect. This Agreement is binding on CVS/pharmacy's successors, transferees, subsidiaries, and assigns.

22. Consent to Disclosure. The Government Parties and CVS/pharmacy consent to the disclosure of this Agreement, and information about this Agreement, to the public.

23. Entire Agreement. This Agreement, together with the NPA and the MOA constitute the complete agreement between and among the Government Parties and CVS/pharmacy regarding the Covered Conduct. This Agreement may not be amended except by written consent of the Government Parties and CVS/pharmacy.

24. Jointly Drafted Agreement. For purposes of construction, this Agreement shall be deemed to have been drafted by both the Government Parties and CVS/pharmacy, and in any subsequent dispute shall not be construed against any party based on separate drafting by that party.

25. Capacity to Execute. CVS/pharmacy warrants and represents that its undersigned officer is authorized to execute and deliver this Agreement and has the authority to bind CVS/pharmacy to its terms. The USAOs warrant and represent that their undersigned representatives are authorized to execute and deliver this Agreement and bind the USAOs and the other Government Parties to its terms.

26. Counterparts. This Agreement may be executed in counterparts, each of which constitutes an original and all of which constitute one and the same agreement.

THE USAOS

October 13, 2010

October 13, 2010



ANDRÉ BIROTTE JR.
United States Attorney
GEORGE S. CARDONA
Chief Assistant United States Attorney
SHANA T. MINTZ
Assistant United States Attorney
Central District of California

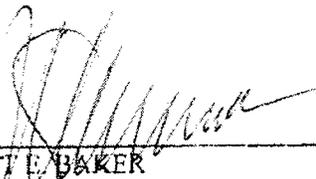


DANIEL G. BOGDEN
United States Attorney
STEVEN W. MYHRE
First Assistant United States Attorney
District of Nevada

(signatures continued)

CVS PHARMACY, INC.

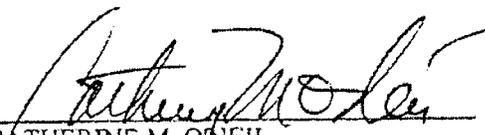
October ~~12~~ 13, 2010



SCOTT E. BAKER
Executive Vice President, Internal Operations & Real Estate
CVS Pharmacy, Inc.

REVIEWED AND APPROVED:

October ~~12~~ 13, 2010



CATHERINE M. O'NEIL
King & Spalding
Attorneys for CVS Caremark Corporation

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JOHN A. GILBERT, JR.
Hyman, Phelps & McNamara
Attorneys for CVS Caremark Corporation

October ~~12~~ 13, 2010



BRYAN D. DALY
MICHAEL W. EMMICK
Sheppard Mullin Richter & Hampton
Attorneys for CVS Caremark Corporation

APPENDIX A

COVERED/NON-LOOKBACK STATES AND ASSOCIATED JUDICIAL DISTRICTS

STATES	JUDICIAL DISTRICTS
Alabama	Middle District of Alabama
	Northern District of Alabama
	Southern District of Alabama
Arizona	District of Arizona
California	Central District of California
	Eastern District of California
	Northern District of California
	Southern District of California
Colorado	District of Colorado
Connecticut	District of Connecticut
District of Columbia	District of Columbia
Florida	Middle District of Florida
	Northern District of Florida
	Southern District of Florida
Georgia	Middle District of Georgia
	Northern District of Georgia
	Southern District of Georgia
Kansas	District of Kansas
Maine	District of Maine
Maryland	District of Maryland
Massachusetts	District of Massachusetts

Michigan	Eastern District of Michigan
	Western District of Michigan
Nevada	District of Nevada
New Hampshire	District of New Hampshire
New Jersey	District of New Jersey
New York	Eastern District of New York
	Northern District of New York
	Western District of New York
	Southern District of New York
North Dakota	District of North Dakota
Ohio	Northern District of Ohio
	Southern District of Ohio
Pennsylvania	Eastern District of Pennsylvania
	Middle District of Pennsylvania
	Western District of Pennsylvania
Rhode Island	District of Rhode Island
South Carolina	District of South Carolina
Texas	Eastern District of Texas
	Northern District of Texas
	Southern District of Texas
	Western District of Texas
Virginia	Eastern District of Virginia
	Western District of Virginia
Vermont	District of Vermont

APPENDIX C

DEA MEMORANDUM OF AGREEMENT

ADMINISTRATIVE MEMORANDUM OF AGREEMENT

I. Parties

This Administrative Memorandum of Agreement (“Agreement”) is entered into by and between the United States Department of Justice, Drug Enforcement Administration (“DEA”), and CVS Pharmacy, Inc., a subsidiary of CVS Caremark Corporation that operates the company’s retail pharmacy division (“CVS/pharmacy”) (collectively referred to as “the Parties”).

II. Background

1. On October 20, 2009, the Deputy Assistant Administrator, Office of Diversion Control, DEA, issued an Order to Show Cause (“OTSC”) proposing to prohibit 305 CVS/pharmacy stores from selling schedule listed chemical products, as defined under 21 U.S.C. § 802(45)(A). The OTSC alleged that the 305 stores unlawfully sold more than 3.6 grams of pseudoephedrine (“PSE”) products per day to purchasers under circumstances where the CVS/pharmacy stores knew or should have known at the time of the transactions that the sales were in violation of the Combat Methamphetamine Epidemic Act of 2005 (“CMEA”), independent of consulting the logbook required to be maintained by the CMEA. See Appendix A (OTSC against 305 CVS/pharmacy stores).
2. The OTSC was served via Certified Mail, Return Receipt Requested on October 27, 2009. On November 24, 2009, CVS/pharmacy, through counsel, filed a hearing request with the Administrative Law Judge, wherein CVS/pharmacy generally denied the factual allegations in the OTSC and disagreed with DEA’s position that the 305 CVS/pharmacy stores should be prohibited from selling PSE. See Appendix B (hearing request dated November 24, 2009, for the 305 CVS/pharmacy stores).
3. On November 12, 2009, the Deputy Assistant Administrator, Office of Diversion Control, DEA, issued a second OTSC, proposing to revoke the DEA registration of the CVS/pharmacy La Habra Distribution Center (“CVS – La Habra”). The OTSC alleged that CVS – La Habra distributed extraordinary quantities of PSE to CVS/pharmacy stores under circumstances where CVS – La Habra knew or should have known that the PSE was likely to be diverted for use in the production of methamphetamine. The OTSC also alleged that CVS – La Habra failed to report to DEA regulated transactions involving PSE as required by the CMEA. See Appendix C (OTSC against CVS – La Habra).
4. The second OTSC was served via Certified Mail, Return Receipt Requested on November 18, 2009. On November 24, 2009, CVS/pharmacy, through counsel, filed a hearing request with the Administrative Law Judge, wherein CVS/pharmacy generally denied the factual allegations in the second OTSC and disagreed with DEA’s position that CVS – La Habra’s DEA registration should be revoked. See Appendix D (hearing request dated November 24, 2009, for the CVS – La Habra OTSC).

5. The facts alleged in the October 20, 2009, and the November 12, 2009, OTSCs could, if proven at hearing, constitute a basis to prohibit the 305 CVS/pharmacy stores from selling PSE and to revoke the DEA registration of CVS – La Habra, respectively.
6. In order to avoid the uncertainty and expense of litigation and in consideration of the mutual covenants and agreements contained herein; as well as in consideration of execution of the Non-Prosecution Agreement, dated October 13, 2010 (the “NPA”), and the Civil Settlement Agreement, dated October 13, 2010 (the “Civil Settlement Agreement”), each between the United States Attorney’s Offices for the Central District of California and the District of Nevada and CVS/pharmacy; and for other good and valuable consideration, and intending to be legally bound hereby, the Parties hereto agree as follows:

III. Terms and Conditions

1. **Effective Date.** This Agreement shall become effective (i.e., final and binding) on the date of signing by the last signatory of this Agreement, the NPA and the Civil Settlement Agreement (the “Effective Date”).
2. **Applicability.** The Agreement shall be applicable to all current and future CVS/pharmacy stores and CVS/pharmacy Distribution Centers that sell or distribute PSE.¹ CVS/pharmacy currently operates approximately 7100 retail pharmacies in 41 states, the District of Columbia and Puerto Rico. This Agreement relates only to CVS/pharmacy’s retail pharmacy business and does not relate to any other business conducted by CVS Caremark Corporation or its affiliates such as its mail order pharmacy business, specialty and apothecary pharmacy business and internet pharmacy business.
3. **Covered Conduct for Purposes of this Agreement.** “Covered Conduct” shall mean the conduct alleged in the OTSCs referenced in paragraphs II.1 and 3 against the 305 CVS/pharmacy stores and CVS – La Habra.
4. **Obligations of CVS/pharmacy.**
 - a. CVS/pharmacy shall conduct regular reviews of PSE inventory and sales by store and investigate increases in sales that exceed historical trends for stores in the same geographic area, taking into consideration seasonal fluctuations. These reviews shall be regularly conducted by CVS/pharmacy Store Operations and Loss Prevention.
 - b. CVS/pharmacy shall establish policies and procedures to prohibit purchases of PSE by CVS/pharmacy stores from outside vendors, and all shipments of PSE to the stores will be processed solely through a CVS/pharmacy distribution center except that CVS/pharmacy stores in Hawaii will be authorized to purchase PSE from DEA registered authorized local distributors.

¹ The terms and obligations under this Agreement related to pseudoephedrine (“PSE”) shall also apply to any ephedrine OTC products sold or distributed by CVS/pharmacy.

- c. CVS/pharmacy will maintain records required to be kept pursuant to the CMEA in a readily retrievable manner and available for inspection and copying by authorized federal, state, and local law enforcement officers and investigators.
- d. PSE will only be sold from behind the pharmacy counter at CVS/pharmacy stores. Sales of PSE will be limited to times when there is a registered pharmacist on duty during normal pharmacy operating hours.
- e. CVS/pharmacy will block all sales of PSE to individuals that, when taking into account all sales to each of those individuals from all CVS/pharmacy stores, would exceed 3.6 grams per day and/or 9 grams per 30 days per individual (or subsequent limits established by amendment to the CMEA and/or the Controlled Substances Act (“CSA”)).
- f. Within 60 days of the Effective Date of this Agreement, CVS/pharmacy will develop a report to be submitted to the local DEA office, of individuals who have attempted to purchase PSE in excess of the daily or 30 day federal limits. The report will utilize third-party systems or other electronic databases maintained by CVS/pharmacy to track PSE sales and identify attempted purchases by individuals who have previously purchased up to the daily or 30 day limits. The report will be submitted to each local DEA office on a weekly basis. DEA agrees to cooperate with CVS/pharmacy on the content and information to be provided in the report and to identify the jurisdiction of each DEA local office for purposes of facilitating submission of the report to each office. DEA and CVS/pharmacy agree within one year of the Effective Date to discuss the continued need for and frequency of providing the report to DEA local offices.
- g. CVS/pharmacy will cooperate with DEA agents, task force officers and/or diversion investigators in investigation of individuals suspected of purchasing or attempting to purchase PSE in excess of the legal limits.
- h. CVS/pharmacy store employees will be trained and instructed not to sell PSE to any individual if they have reason to believe the individual’s identification card is invalid. CVS/pharmacy will implement a system to detect and prevent the use of fake identification for the purchase of PSE. The system will utilize black lights to identify the legitimacy of the identification card regardless of the type of card used. CVS/pharmacy will evaluate and consider the implementation of other technology that may be incorporated into CVS/pharmacy current technology to further identify fake identification. Further, if CVS/pharmacy implements technology with the capability to capture and generate a report of attempted use of fake identification to purchase PSE, CVS/pharmacy agrees to submit such report(s) to the DEA local office on a weekly basis, consistent with the terms outlined in paragraph (f), above.
- i. Within 60 days after the Effective Date of this Agreement CVS/pharmacy will install in the pharmacy area of all stores in California and Nevada black light technology designed to identify the legitimacy of an identification card and facilitate detection of use of false identification for the purchase of PSE. Within this same period,

CVS/pharmacy will also commence the installation of black light technology in all other CVS/pharmacy stores on a rolling basis. Installation of black light technology in all CVS/pharmacy stores will be completed no later than one year from the Effective Date of this Agreement.

- j. CVS/pharmacy will cooperate with DEA agents, task force officers and/or diversion investigators in investigations of individuals suspected of purchasing or attempting to purchase PSE with invalid identification.
 - k. CVS/pharmacy shall maintain security cameras that capture images of PSE transactions at the pharmacy counter and at the pharmacy drive-thru window (if applicable) in all of its stores as provided in this paragraph. The security cameras will be installed in a manner that captures a clear and unobstructed image of the individual purchasing PSE. The recordings from the security cameras shall be maintained for at least thirty (30) days and shall be produced to DEA agents, task force officers and/or diversion investigators upon request. CVS/pharmacy further agrees that, if additional days of recordings are available, subject to technology limitations at each CVS/pharmacy store, CVS/pharmacy will produce such recordings to DEA agents and investigators, upon request. For those CVS/pharmacy stores that are not currently equipped with security cameras and recordings, CVS/pharmacy shall install security cameras and recordings at all remaining CVS/pharmacy stores. Installation of security cameras and recordings in all current CVS/pharmacy stores will be completed no later than 18 months from the Effective Date of this Agreement. For all new CVS/pharmacy store locations acquired after the Effective Date of this Agreement, to the extent such locations do not have adequate security cameras and recordings as discussed in this paragraph, CVS/pharmacy shall take appropriate action to implement the security cameras and recordings within a reasonable time after acquisition.
 - l. CVS/pharmacy shall design, implement, and maintain a program to routinely and periodically train all CVS/pharmacy store and distribution center employees to detect and prevent the diversion of PSE.
 - m. CVS/pharmacy shall design and implement a program to detect and report suspicious transactions of PSE, pursuant to 21 U.S.C. § 830(b)(1), at all CVS/pharmacy distribution centers that distribute PSE.
 - n. CVS/pharmacy agrees that the obligations undertaken in this Agreement do not fulfill the totality of its obligations under the CSA.
 - o. CVS/pharmacy agrees to abide by all current and future federal and state laws with respect to the distribution and sale of PSE.
5. Release by DEA. In exchange for CVS/pharmacy's good faith performance of the promises and obligations set forth in this Agreement and subject to the terms and conditions of this Agreement, DEA agrees that it will not pursue any administrative action against CVS/pharmacy, its subsidiaries, affiliates, officers, directors, agents, and

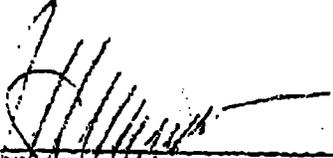
employees arising from the Covered Conduct, or same or similar conduct at any CVS/pharmacy store or distribution center in the Non-Lookback States, as defined under the NPA, between September 1, 2007 and the Effective Date of this Agreement (collectively, the “Released Conduct”). DEA further agrees that it will not initiate any civil or criminal investigation or proceeding in conjunction with any United States Attorney’s Office or the U.S. Department of Justice, Civil or Criminal Division, based in whole or in part on the Released Conduct. Notwithstanding the release by DEA contained in this Paragraph, DEA reserves the right to seek to admit evidence of the Covered Conduct in any other administrative proceedings. Further, nothing in this Paragraph shall prohibit any other agency within the Department of Justice, any State attorney general, or any other law enforcement, administrative, or regulatory agency of the United States or any State or political subdivision thereof (“law enforcement agency”), from initiating administrative, civil, or criminal proceedings with respect to the Covered Conduct except as provided in the NPA and Civil Settlement Agreement. DEA shall, as obligated in fulfilling its statutory duties, assist and cooperate with any law enforcement agency that initiates an investigation, action, or proceeding, involving the Covered Conduct. At CVS/pharmacy’s request, DEA agrees to disclose the terms of this Agreement to any other law enforcement agency and will represent that CVS/pharmacy’s compliance with this Agreement adequately addressed the allegations raised in the administrative proceedings by DEA as defined in the Covered Conduct.

6. Release by CVS/pharmacy. CVS/pharmacy fully and finally releases the United States of America, its agencies, employees, servants, and agents from any claims (including attorney’s fees, costs, and expenses of every kind and however denominated) which CVS/pharmacy has asserted, could have asserted, or may assert in the future against the United States, its agencies, employees, servants, and agents, related to the Covered Conduct and the United States’ investigation and prosecution thereof.
7. Reservation of Claims. Notwithstanding any term of this Agreement, specifically reserved and excluded from the scope and terms of this Agreement as to any entity or person (including CVS/pharmacy) are the following:
 - a. Any civil, criminal, or administrative liability arising under Title 26, U.S. Code (Internal Revenue Code);
 - b. Any liability to the United States (or its agencies) for any conduct other than the Released Conduct except as provided for in the NPA and the Civil Settlement Agreement; and
 - c. Any liability based upon such obligations as are created by this Agreement.
8. Binding on Successors. This Agreement shall inure to the benefit of and is binding on CVS/pharmacy, and its respective successors, heirs, transferees and assigns.
9. Costs. Each Party to this Agreement shall bear its own legal and other costs incurred in connection with this matter, including the preparation and performance of this Agreement.

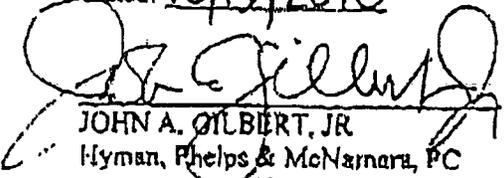
10. No Additional Releases. This Agreement is intended to be for the benefit of the Parties only and by this instrument the Parties do not release any claims against any other person or entity other than as described in paragraphs III.5 and III.6.
11. Effect of Agreement. This Agreement, together with the NPA and the Civil Settlement Agreement, constitute the complete agreement between the Parties. All material representations, understandings, and promises of the Parties are contained in this Agreement, and each of the parties expressly agrees and acknowledges that, other than those statements expressly set forth in this Agreement, it is not relying on any statement, whether oral or written, of any person or entity with respect to its entry into this Agreement or to the consummation of the transactions contemplated by this Agreement. Any modifications to this Agreement shall be set forth in writing and signed by all Parties. CVS/pharmacy represents that this Agreement is entered into with advice of counsel and knowledge of the events described herein. CVS/pharmacy further represents that this Agreement is voluntarily entered into in order to avoid litigation, without duress or compulsion.
12. Term of Agreement. This Agreement shall remain in effect for a period of five years from the Effective Date.
13. Execution in Counterparts. This Agreement may be executed in counterparts, each of which constitutes an original, and all of which constitute one and the same agreement.
14. Breach of Agreement. DEA understands that isolated or inadvertent instances of non-compliance by CVS/pharmacy employees will not constitute a breach of this Agreement.
15. Authorizations. The individuals signing this Agreement on behalf of CVS/pharmacy represent and warrant that they are authorized by CVS/pharmacy to execute this Agreement. The individuals signing this Agreement on behalf of DEA represent and warrant that they are signing this Agreement in their official capacities and that they are authorized by DEA to execute this Agreement.

IN WITNESS WHEREOF, the Parties hereto have duly executed this Administrative Memorandum of Agreement.

CVS PHARMACY, INC.


SCOTT E. BAKER
Executive Vice President, Internal Operations & Real Estate
CVS Pharmacy, Inc

Dated: 10/13/2010

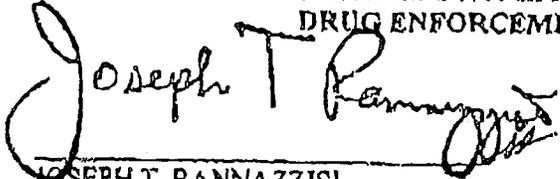

JOHN A. GILBERT, JR.
Hyman, Phelps & McNamara, PC
Attorneys for CVS Pharmacy, Inc.

Dated: 10/13/10

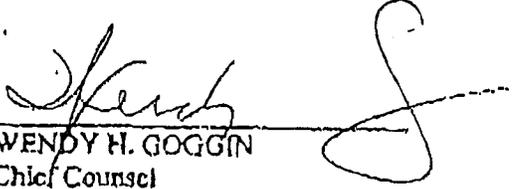

CATHERINE M. O'NEIL
King & Spalding
Attorneys for CVS Pharmacy, Inc.

Dated: 10/13/2010

THE UNITED STATES DEPARTMENT OF JUSTICE
DRUG ENFORCEMENT ADMINISTRATION


JOSEPH T. RANNAZZISI
Deputy Assistant Administrator
Office of Diversion Control

Dated: OCT 13 2010


WENDY H. GOGGIN
Chief Counsel

Dated: 10/13/10

APPENDIX D

LIST OF 48 CVS/PHARMACY STORES

1. CVS 9679, Alhambra, CA 91081
2. CVS 9645, Rosemead, CA 91770
3. CVS 9686, Los Angeles, CA 90019
4. CVS 9495, Compton, CA 90220
5. CVS 9781, Los Angeles, CA 90035
6. CVS 4792, Van Nuys, CA 91405
7. CVS 9579, Long Beach, CA 90807
8. CVS 9580, Los Angeles, CA 90016
9. CVS 9791, Alhambra, CA 91803
10. CVS 9630, Van Nuys, CA 91411
11. CVS 8875, Los Angeles, CA 90023
12. CVS 6755, Long Beach, CA 90805
13. CVS 9707, Sherman Oaks, CA 91403
14. CVS 9789, Mission Hills, CA 91345
15. CVS 8879, Los Angeles, CA 90034
16. CVS 9590, Long Beach, CA 90805
17. CVS 9501, South Gate, CA 90280
18. CVS 9850, North Hollywood, CA 91601
19. CVS 8853, Los Angeles, CA 90002
20. CVS 9755, Hollywood, CA 90028
21. CVS 9675, Studio City, CA 91604
22. CVS 9643, Sun Valley, CA 91352
23. CVS 9507, Los Angeles, CA 90059
24. CVS 9787, Glendale, CA 91204
25. CVS 9661, Los Angeles, CA 90036
26. CVS 9639, El Monte, CA 91732
27. CVS 9596, Huntington Park, CA 90255
28. CVS 9566, Long Beach, CA 90802
29. CVS 9655, Granada Hills, CA 91344
30. CVS 9625, Arleta, CA 91331
31. CVS 9642, Northridge, CA 91324
32. CVS 9617, Monterey Park, CA 91754
33. CVS 9669, Los Angeles, CA 90039
34. CVS 8841, Norwalk, CA 90650
35. CVS 9594, Compton, CA 90220
36. CVS 9609, El Monte, CA 91733
37. CVS 8867, Downey, CA 90240
38. CVS 3986, Downey, CA 90241
39. CVS 9652, West Hollywood, CA 90069
40. CVS 8858, Bell, CA 90201

41. CVS 5837, Buena Park, CA 90620
42. CVS 9569, Fountain Valley, CA 92708
43. CVS 9598, Fullerton, CA 92831
44. CVS 9560, Anaheim, CA 92804
45. CVS 8862, Garden Grove, CA 92840
46. CVS 8808, North Las Vegas, NV 89030
47. CVS 8809, Las Vegas, NV 89103
48. CVS 8824, Las Vegas, NV 89110

APPENDIX E

CVS EXECUTIVES DEFINED

CVS Executives includes the following CVS employees:

1. President, CVS/pharmacy
2. Executive Vice President, Internal Operations, CVS/pharmacy
3. Senior Vice President, East Division, Operations, CVS/pharmacy
4. Senior Vice President, West Division, Operations, CVS/pharmacy
5. Vice President, Store Operations, CVS/pharmacy
6. Vice President, Pharmacy Operations, CVS/pharmacy
7. Vice President, Loss Prevention, CVS/pharmacy
8. Senior Vice President and Chief Compliance Officer, CVS Caremark Corporation
9. Senior Vice President and General Counsel, CVS Caremark Corporation
10. Area Vice Presidents, West Division, CVS/pharmacy
11. Area Vice Presidents, East Division, CVS/pharmacy