

CVS CORP

Form S-4/A

January 09, 2007

As filed with the Securities and Exchange Commission on January 9, 2007

Registration No. 333-139470

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# SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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AMENDMENT NO. 1  
TO  
**Form S-4**  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933

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## CVS CORPORATION

(Exact Name of Registrant as Specified in Its Charter)

**Delaware**

(State or Other Jurisdiction of  
Incorporation or  
Organization)

**5912**

(Primary Standard Industrial  
Classification Code Number)

**05-0494040**

(I.R.S. Employer  
Identification No.)

**One CVS Drive  
Woonsocket, RI 02895  
(401) 765-1500**

(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

**David B. Rickard  
Executive Vice President and Chief Financial Officer  
CVS Corporation  
One CVS Drive  
Woonsocket, RI 02895  
(401) 765-1500**

(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent For Service)

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*Copies to:*

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Executive Vice President-Strategy and  
Chief Legal Officer  
CVS Corporation  
One CVS Drive  
Woonsocket, RI 02895  
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Assistant General Counsel  
Caremark Rx, Inc.  
211 Commerce Street  
Suite 800  
Nashville, TN 37201  
(615) 743-6600**

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**Approximate date of commencement of proposed sale to the public:** As soon as practicable after the effective date of this registration statement and the effective time of the merger (the "Merger") of Twain MergerSub Corp., a Delaware corporation formed for the purpose of the Merger and a wholly owned subsidiary of CVS Corporation, a Delaware corporation, with and into Caremark Rx, Inc., as described in the Agreement and Plan of Merger, dated as of November 1, 2006, attached as Annex A to the joint proxy statement/prospectus forming part of this registration statement.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box:

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

**CALCULATION OF REGISTRATION FEE**

Title of Each Class of Securities To Be Registered	Amount To Be Registered(1)	Proposed Maximum Offering Price Per Unit	Proposed Maximum Aggregate Offering Price(2)	Registration Fee
Common Stock, par value \$0.01 per share	745,887,633	N/A	\$22,233,705,898	\$

- (1) Represents the maximum number of shares of common stock, with par value \$0.01 per share, of CVS Corporation ( CVS Common Stock ) estimated to be issuable upon completion of the Merger, based on the exchange ratio of 1.670 shares of CVS Common Stock for each share of common stock, par value \$0.001 per share, of Caremark Rx, Inc. ( Caremark Common Stock ) (based on 426,541,731 shares of Caremark Common Stock outstanding on December 14, 2006 and 20,097,600 shares of Caremark Common Stock issuable pursuant to the exercise of Caremark options and warrants outstanding on December 14, 2006).
- (2) Previously paid in connection with the initial filing of this registration statement on December 19, 2006. Estimated solely for the purpose of calculating the amount of the registration fee required by Section 6(b) of the Securities Act of 1933 (the Securities Act ), and calculated pursuant to Rules 457(f)(1) and 457(c) under the Securities Act, the proposed maximum aggregate offering price of the registrant s common stock was calculated based upon the market value of shares of Caremark Common Stock (the securities to be cancelled in the merger) in accordance with Rule 457(c) under the Securities Act as follows: the product of (1) \$49.78 the average of the high and low prices per share of Caremark Common Stock on December 12, 2006 as quoted on the New York Stock Exchange, multiplied by (2) 446,639,331, the sum of the aggregate number of shares of Caremark Common Stock outstanding as of December 14, 2006 and the aggregate number of shares of Caremark Common Stock issuable upon exercise of Caremark options and warrants.

**The Registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.**

The information in this joint proxy statement/prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary joint proxy statement/prospectus is not an offer to sell and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

**SUBJECT TO COMPLETION, DATED JANUARY 9, 2007**

## **MERGER PROPOSED □ YOUR VOTE IS VERY IMPORTANT**

The boards of directors of CVS Corporation and Caremark Rx, Inc. have each approved a merger agreement which provides for the combination of the two companies in a transaction structured as a merger of equals. The boards of directors of CVS and Caremark believe that the combination of the two companies will be able to create substantially more long-term stockholder value than either company could individually achieve. Following the completion of the merger, Caremark will be a wholly owned subsidiary of CVS and Caremark stockholders will own approximately 45.5% of the outstanding common stock of the combined company and CVS stockholders will own approximately 54.5% of the outstanding common stock of the combined company, in each case, on a fully diluted basis. CVS Corporation is referred to as CVS and Caremark Rx, Inc. is referred to as Caremark.

The combined company will be named CVS/Caremark Corporation and the shares of the combined company will be traded on the New York Stock Exchange, or the NYSE, under the symbol □CVS□.

If the merger is completed, Caremark□s stockholders will receive 1.670 shares of common stock of CVS/Caremark, for each share of Caremark common stock that they own immediately before the effective time of the merger. Caremark stockholders will receive cash for any fractional shares which they would otherwise receive in the merger. CVS stockholders will continue to own their existing shares after the merger. CVS common stock is traded on the NYSE under the symbol □CVS□. On ~~2~~2007, the last practicable day before the mailing of this document, the closing price per share of CVS common stock as reported by the NYSE was \$[□].

CVS and Caremark estimate that CVS will issue approximately 712.3 million shares of CVS/Caremark common stock in the merger based on the number of shares of Caremark common stock outstanding on January 5, 2007, and will reserve an additional approximately 33.5 million shares of CVS/Caremark common stock for issuance in connection with CVS/Caremark□s assumption of Caremark□s outstanding options and warrants.

**YOUR VOTE IS IMPORTANT.** The merger cannot be completed unless, among other things, holders of Caremark common stock vote to adopt the merger agreement and approve the merger, and holders of CVS common stock and CVS Series One ESOP Convertible Preference Stock, voting together as a single class, approve the amendments to CVS□ charter and approve the issuance of CVS/Caremark common stock in the merger.

**The CVS board of directors unanimously recommends that CVS stockholders vote □FOR□ the amendments to the CVS charter to increase the authorized number of shares and to change the name of CVS to □CVS/Caremark Corporation□ and □FOR□ the issuance of CVS/Caremark common stock to Caremark stockholders in the merger. The Caremark board of directors unanimously recommends that Caremark stockholders vote □FOR□ the adoption of the merger agreement and the approval of the merger.**

CVS and Caremark will each hold a special meeting of their respective stockholders to vote on these proposals. Whether or not you plan to attend your company□s special meeting, please take the time to vote by completing and mailing the enclosed proxy card or submitting your proxy by telephone or through the Internet, using the procedures in the proxy voting instructions included with your proxy card. Even if you return the proxy, you may attend the special meeting and vote your shares in person.

This document describes the proposed merger and related transactions in more detail. **CVS and Caremark encourage you to read this entire document carefully, including the merger agreement, which is included as Annex A, and the section discussing □Risk Factors□ relating to the merger beginning on page**

25.

CVS and Caremark look forward to the successful combination of the two companies.

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Thomas M. Ryan  
Chairman, President and Chief Executive Officer,  
CVS Corporation

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E. Mac Crawford  
Chairman, President and Chief Executive Officer,  
Caremark Rx, Inc.

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the merger described in this joint proxy statement/prospectus or the CVS/Caremark common stock to be issued pursuant to the merger or determined if this joint proxy statement/prospectus is accurate or adequate. Any representation to the contrary is a criminal offense.**

**This joint proxy statement/prospectus is dated January 9, 2007 and, together with the accompanying proxy card, is first being mailed or otherwise delivered to stockholders of CVS and Caremark on or about [ ], 2007.**

**THIS JOINT PROXY STATEMENT/PROSPECTUS INCORPORATES ADDITIONAL INFORMATION**

This document incorporates by reference important business and financial information about CVS and Caremark from other documents filed with the Securities and Exchange Commission, which is referred to as the SEC, that are not included in or delivered with this joint proxy statement/prospectus. This information is available to you without charge upon your written or oral request. For a list of the documents incorporated by reference into this joint proxy statement/prospectus, see "Where You Can Find More Information" beginning on page 148. You can obtain electronic or hardcopy versions of the documents that are incorporated by reference into this document, without charge, from the Investor Relations section of each company's website or by requesting them in writing or by telephone as set forth below:

if you are a CVS stockholder:

Electronic: [www.cvs.com](http://www.cvs.com) (please see "Financial Information" page or "Contact Us" page in the Investor Relations portion of the site)

By Mail: CVS Corporation  
One CVS Drive  
Woonsocket, RI 02895  
Attention: Investor Relations  
E-mail Address: [investorinfo@cvs.com](mailto:investorinfo@cvs.com)

By Telephone: (800) 201-0938

if you are a Caremark stockholder:

Electronic: [www.caremarkrx.com](http://www.caremarkrx.com) (please see "SEC Filings" page or "Request Document" page in the Investor Relations portion of the site)

By Mail: Caremark Rx, Inc.  
211 Commerce Street, Suite 800  
Nashville, TN 37201  
Attention: Investor Relations  
E-mail Address: [investorinfo@caremark.com](mailto:investorinfo@caremark.com)

By Telephone: (800) 633-9509

**IF YOU WOULD LIKE TO REQUEST DOCUMENTS, PLEASE DO SO BY [ ], 2007 IN ORDER TO RECEIVE THEM BEFORE YOUR SPECIAL MEETING.**

**VOTING ELECTRONICALLY, BY TELEPHONE OR BY MAIL**

CVS stockholders of record on [ ], 2007 may submit their proxies:

- Through the Internet, by visiting the website established for that purpose at [www.proxypush.com/cvs](http://www.proxypush.com/cvs) and following the instructions; or
- By telephone, by calling the toll-free number (866) 509-2156 in the United States, Canada or Puerto Rico on a touch-tone phone and following the recorded instructions; or
- By mail, by marking, signing, and dating your **WHITE** proxy and returning it in the postage-paid envelope provided or pursuant to the instructions set out in the proxy card.

Caremark stockholders of record on [ ], 2007 may submit their proxies:

- Through the Internet, by visiting the website established for that purpose at <https://www.proxyvotenow.com/cmz> and following the instructions (please note you must type an [s] after http); or

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- By telephone, by calling the toll-free number (866) 233-5371 in the United States, Canada or Puerto Rico on a touch-tone phone (or (215) 521-1342 from elsewhere), providing the unique 10-digit control number shown on the enclosed **WHITE** proxy card and following the recorded instructions; or
  - By mail, by signing, and dating the enclosed **WHITE** proxy card and returning it in the postage-paid envelope provided or returning it pursuant to the instructions provided in the proxy card.
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***If you are a beneficial owner, please refer to your proxy card or the information forwarded by your bank, broker or other holder of record to see which options are available to you.***



**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS  
To Be Held On [ ], 2007**

Dear Stockholder:

A special meeting of stockholders of CVS Corporation will be held on [ ], 2007 at [ ] a.m., Eastern Time, at CVS corporate headquarters, One CVS Drive, Woonsocket, Rhode Island 02895.

The purpose of the CVS special meeting is to consider and to vote upon the following proposals:

- a proposal to approve the amendments to CVS Amended and Restated Certificate of Incorporation, which is referred to as the CVS charter, effective upon completion of the merger, to increase the authorized number of shares of CVS common stock from 1 billion to 3.2 billion and to change the name of CVS Corporation to CVS/Caremark Corporation;
- a proposal to approve the issuance of shares of CVS/Caremark common stock to stockholders of Caremark Rx, Inc. on the terms and conditions set out in the Agreement and Plan of Merger dated as of November 1, 2006 among CVS, Caremark and Twain Merger Sub Corp., a wholly owned subsidiary of CVS formed for the purpose of the merger; and
- a proposal to approve an adjournment or postponement of the special meeting, including if necessary, to solicit additional proxies in favor of the foregoing proposals if there are not sufficient votes for either of the proposals.

The CVS board of directors has unanimously determined that the amendments to the CVS charter and the share issuance are advisable and in the best interests of CVS and its stockholders and recommends that CVS stockholders vote **FOR** the amendments to the CVS charter, **FOR** the issuance of CVS/Caremark common stock to Caremark stockholders in the merger and **FOR** the adjournment or postponement of the special meeting, including if necessary, to solicit additional proxies in favor of the amendments and issuance.

CVS and Caremark cannot complete the merger unless:

- the proposed amendments to the CVS charter are approved by holders of CVS common stock and holders of CVS Series One ESOP Convertible Preference Stock, voting together as a single class, representing at least a majority of the aggregate votes entitled to be cast by all such holders; and
- the issuance of shares of CVS/Caremark common stock to Caremark stockholders in the merger is approved by holders of CVS common stock and CVS Series One ESOP Convertible Preference Stock, voting together as a single class, representing at least a majority of the votes cast in person or by proxy at such meeting, so long as the total number of votes cast on the proposal represents over 50% of the total number of votes entitled to be cast by holders of the outstanding CVS common stock and CVS Series One ESOP Convertible Preference Stock, voting together as a single class.

**Your failure to vote will have the same effect as a vote against the approval of the CVS charter amendments and will make it more difficult to obtain the necessary quorum for purposes of approving the share issuance. Therefore, your vote is very important.**

The close of business on [ ], 2007 has been fixed as the record date, which is referred to as the CVS record date, for the determination of CVS stockholders entitled to notice of, and to vote at, the CVS special meeting or any adjournments or postponements of the CVS special meeting. Only holders of CVS common stock and holders of CVS Series One ESOP Convertible Preference Stock of record at the close of business on [ ], 2007 are entitled

to notice of, and to vote at, the CVS special meeting or any adjournments or postponements of the CVS special meeting. All CVS Series One ESOP Convertible Preference Stock, which is referred to as the CVS ESOP preference stock, is held by the Bank of New York, as Trustee under the 401(k) Plan and the Employee Stock Ownership Plan of CVS Corporation and Affiliated Companies, which is referred to as the CVS Plan. The CVS Plan consists of both a 401(k) Plan and an Employee Stock Ownership Plan. Each participant in the CVS Plan instructs the trustee of the CVS Plan how to vote his or her shares of (i) CVS ESOP preference stock and (ii) CVS common stock held in the CVS Plan. Unallocated shares of CVS ESOP preference stock and CVS common stock held in the CVS Plan and shares of CVS ESOP preference stock and CVS common stock held in the CVS Plan with respect to which the trustee of the CVS Plan receives no timely voting instructions will be voted by the trustee of the CVS Plan in the same proportion as it votes all the shares as to which such trustee has received timely voting instructions. A list of the holders of CVS common stock entitled to vote at the CVS special meeting will be available for examination by any CVS stockholder, for any purpose germane to the CVS special meeting, at CVS's principal executive offices at One CVS Drive, Woonsocket, Rhode Island 02895, for ten days before the CVS special meeting, between the hours of 9:00 a.m. and 3:00 p.m., and at the CVS special meeting during the entire time of the meeting.

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We direct your attention to the joint proxy statement/prospectus accompanying this notice for a more complete statement regarding the matters proposed to be acted upon at the meeting. **We encourage you to read the entire joint proxy statement/prospectus carefully, including the merger agreement, which is included as Annex A to the joint proxy statement/prospectus, and the section discussing Risk Factors beginning on page 25.**

SO THAT YOUR SHARES WILL BE REPRESENTED WHETHER OR NOT YOU ATTEND THE CVS SPECIAL MEETING, PLEASE VOTE AS SOON AS POSSIBLE BY MAIL, BY TELEPHONE OR THROUGH THE INTERNET. INSTRUCTIONS ON THESE DIFFERENT WAYS TO VOTE YOUR PROXY ARE FOUND ON THE ENCLOSED **WHITE** PROXY FORM. YOU MAY REVOKE YOUR PROXY AT ANY TIME BEFORE IT IS VOTED AT THE CVS SPECIAL MEETING. **REMEMBER, YOUR VOTE IS IMPORTANT, SO PLEASE ACT TODAY!**

By Order of the Board of Directors,

Thomas M. Ryan  
*Chairman, President and Chief Executive Officer*

, 2007

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**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS  
To Be Held On [ ], 2007**

Dear Caremark Stockholder:

Caremark is pleased to invite you to attend a special meeting of the stockholders of Caremark Rx, Inc. which will be held on [ ], 2007 at [ ] a.m., Central Time, at Caremark's corporate headquarters at 211 Commerce Street, Suite 800, Nashville, Tennessee 37201.

The purpose of the Caremark special meeting is to consider and to vote upon the following proposals:

- a proposal to adopt the Agreement and Plan of Merger dated as of November 1, 2006 among CVS Corporation, Caremark and Twain MergerSub Corp., a wholly owned subsidiary of CVS formed for the purpose of the merger, a copy of which is attached as Annex A to the joint proxy statement/prospectus, and to approve the merger contemplated by the merger agreement, pursuant to which Caremark will become a wholly owned subsidiary of CVS Corporation (which will be renamed CVS/Caremark Corporation); and
- a proposal to approve an adjournment or postponement of the Caremark special meeting, including if necessary, to solicit additional proxies in favor of the adoption of the merger agreement and the approval of the merger if there are not sufficient votes for that proposal.

The Caremark board of directors has unanimously determined that the merger agreement and the transactions contemplated by it, including the merger, are advisable and in the best interests of Caremark and its stockholders, unanimously approved and adopted the merger agreement and the transactions contemplated by it, including the merger, and recommends that the Caremark stockholders vote **[ ]FOR** the adoption of the merger agreement and the approval of the merger and **[ ]FOR** the adjournment or postponement of the Caremark special meeting, including if necessary, to solicit additional proxies in favor of such adoption and approval.

CVS and Caremark cannot complete the merger unless the proposal to adopt the merger agreement and to approve the merger is approved by holders of a majority of the outstanding shares of Caremark common stock entitled to vote at the Caremark special meeting.

**Your failure to vote will have the same effect as a vote against the adoption of the merger agreement and the approval of the merger. Therefore, your vote is very important.**

The close of business on [ ], 2007 has been fixed as the record date, which is referred to as the Caremark record date, for the determination of Caremark stockholders entitled to notice of, and to vote at, the Caremark special meeting or any adjournments or postponements of the Caremark special meeting. Only holders of record of Caremark common stock at the close of business on the Caremark record date are entitled to notice of, and to vote at, the Caremark special meeting. A complete list of stockholders entitled to vote at the Caremark special meeting will be available for examination by any of Caremark's stockholders at Caremark's headquarters at 211 Commerce Street, Suite 800, Nashville, Tennessee 37201 for purposes pertaining to the Caremark special meeting, during normal business hours, for a period of 10 days before the Caremark special meeting, and at the time and place of the Caremark special meeting.

We direct your attention to the joint proxy statement/prospectus accompanying this notice for more detailed information regarding the matters proposed to be acted upon at the Caremark special meeting. **You are encouraged to read the entire joint proxy statement/prospectus carefully, including the merger agreement, which is included as Annex A to the joint proxy statement/prospectus, and [ ]Risk Factors** beginning on page 25 of the joint proxy statement/prospectus.

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SO THAT YOUR SHARES WILL BE REPRESENTED WHETHER OR NOT YOU ATTEND THE CAREMARK SPECIAL MEETING, PLEASE VOTE AS SOON AS POSSIBLE BY (1) ACCESSING THE INTERNET WEBSITE SPECIFIED ON YOUR **WHITE** PROXY CARD; (2) CALLING THE TOLL-FREE NUMBER SPECIFIED ON YOUR **WHITE** PROXY CARD; OR (3) SIGNING, DATING AND MAILING THE ENCLOSED **WHITE** PROXY CARD SO THAT YOUR SHARES MAY BE REPRESENTED AT THE CAREMARK SPECIAL MEETING. YOU MAY REVOKE YOUR PROXY AT ANY TIME BEFORE IT IS VOTED AT THE CAREMARK SPECIAL MEETING BY FOLLOWING THE PROCEDURES SET FORTH IN THE ACCOMPANYING JOINT PROXY STATEMENT/PROSPECTUS. **REMEMBER, YOUR VOTE IS IMPORTANT, SO PLEASE ACT PROMPTLY.**

By Order of the Board of Directors,

E. Mac Crawford  
*Chairman, President and Chief Executive Officer*

[ ], 2007

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**TABLE OF CONTENTS**

	<u>Page</u>		<u>Page</u>
QUESTIONS AND ANSWERS ABOUT THE MERGER SUMMARY	1	MATERIAL FEDERAL INCOME TAX CONSEQUENCES OF THE MERGER	93
The Companies	6	General	93
The Merger	6	U.S. Federal Income Tax Consequences to Caremark Stockholders	94
SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA OF CVS	7	U.S. Federal Income Tax Consequences to CVS Stockholders	94
SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA OF CAREMARK	18	REGULATORY AND OTHER APPROVALS REQUIRED FOR THE MERGER	95
SUMMARY UNAUDITED PRO FORMA FINANCIAL DATA	20	U.S. Antitrust Filing	95
COMPARATIVE PER SHARE INFORMATION. COMPARATIVE PER SHARE MARKET PRICE AND DIVIDEND INFORMATION	21	THE COMPANIES	97
RISK FACTORS	22	CVS	97
Risks Related to the Merger	22	Caremark	97
Risks Related to CVS, Caremark and the Combined Company	23	THE MERGER AGREEMENT	99
CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS	25	Explanatory Note Regarding Summary of Merger Agreement and Representations and Warranties in the Merger Agreement.	99
THE MERGER	25	Structure of the Merger	99
Structure of the Merger	29	Timing of Closing	99
Merger Consideration	35	Merger Consideration	99
Background of the Merger	37	Exchange of Shares	100
Rationale for the Merger	37	Fractional Shares	100
CVS Reasons for the Merger	37	Caremark Stock Options	100
Recommendations of the CVS Board of Directors	37	Listing of CVS/Caremark Stock	101
CVS Projections	46	CVS Governance and Related Matters	101
Opinions of Financial Advisors to the CVS Board of Directors	49	Representations and Warranties	101
Interests of CVS Executive Officers and Directors in the Merger	49	Certain Covenants	103
Caremark Reasons for the Merger	51	Conditions to Completion of the Merger	107
Recommendations of the Caremark Board of Directors	51	Termination	108
Caremark Projections	51	Termination Fees	109
Opinions of Financial Advisors to Caremark	52	Other Expenses	110
Interests of Caremark Executive Officers and Directors in the Merger	52	Amendments; Waivers	110
Accounting Treatment	69	THE CVS SPECIAL MEETING	111
Board of Directors and Management of CVS/Caremark Following the Merger; Headquarters	69	Date, Time and Place	111
	73	Purpose of the CVS Special Meeting	111
	73	Board Recommendations	111
	74	CVS Record Date; Shares Entitled to Vote	111
	74	Quorum Requirement	112
	81	Stock Ownership of CVS Executive Officers and Directors	112
	89	Votes Required to Approve CVS Proposals	113
	89	Voting of Proxies	113
	89	Revocation of Proxies	114
	89	Solicitation of Proxies	115

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Repurchases of Caremark Common Stock	90	Householding	115
Federal Securities Laws Consequences; Stock		THE CAREMARK SPECIAL MEETING	116
Transfer Restriction Agreements	90	Date, Time and Place	116
No Appraisal Rights	90	Purpose of the Caremark Special Meeting	116
Caremark Warrants	91	Board Recommendations	116
Merger-Related Litigation	91		

to	Caremark Record Date; Shares Entitled		Authorized Capital Stock	123
	Vote	116	CVS Common Stock	123
	Quorum Requirement	116	CVS Preferred Stock and Preference	
	Stock Ownership of Caremark Executive		Stock	124
	Officers and Directors	117	Transfer Agent and Registrar	125
	Votes Required to Approve Caremark		Stock Exchange Listing; Delisting and	
	Proposals	117	Deregistration of Caremark	
	Voting of Proxies	117	Common	
	Revocation of Proxies	118	Stock	125
	Solicitation of Proxies	119	COMPARISON OF STOCKHOLDER RIGHTS	126
	Householding	119	UNAUDITED PRO FORMA CONDENSED	
CVS CHARTER AMENDMENT		120	COMBINED FINANCIAL INFORMATION	138
Increase of Authorized Common Stock	120		Notes to Unaudited Pro Forma	
Name Change	120		Condensed	
CVS BYLAWS AMENDMENT	121		Combined Financial Statements	142
Corporate Governance	121		LEGAL MATTERS	147
Chairman of the Board	121		INDEPENDENT REGISTERED PUBLIC	
Chief Executive Officer	121		ACCOUNTING FIRM	147
Headquarters	122		FUTURE STOCKHOLDER PROPOSALS	147
Other Changes to Bylaws	122		CVS	147
Amendments	122		Caremark	147
DESCRIPTION OF CVS CAPITAL STOCK	123		WHERE YOU CAN FIND MORE	
			INFORMATION	148
			PART II INFORMATION NOT REQUIRED IN	
			PROSPECTUS	II-1
LIST OF ANNEXES				
Annex A	Agreement and Plan of Merger			
Annex B	CVS Charter Amendment			
Annex C	Amended and Restated CVS Bylaws			
Annex D	Opinion of Evercore Group L.L.C.			
Annex E	Opinion of Lehman Brothers Inc.			
Annex F	Opinion of UBS Securities LLC			
Annex G	Opinion of J.P. Morgan Securities Inc.			



## QUESTIONS AND ANSWERS ABOUT THE MERGER

**Q: *What will happen in the transaction?***

**A:** CVS and Caremark are proposing to combine the two companies in a merger of equals transaction. In the merger, a wholly owned subsidiary of CVS that was formed for the purpose of the merger will be merged with and into Caremark, and Caremark will survive the merger as a wholly owned subsidiary of CVS. The combined company will be named CVS/Caremark Corporation. Caremark stockholders will have their shares of Caremark common stock converted into newly issued shares of common stock of CVS/Caremark Corporation, and CVS stockholders will retain their existing shares of CVS common stock and CVS Series One ESOP Convertible Preference Stock, which is referred to as CVS ESOP preference stock. CVS and Caremark expect that, upon completion of the merger, approximately 45.5% of the outstanding common stock of the combined company on a fully diluted basis will be held by former Caremark stockholders, and approximately 54.5% of the outstanding common stock of the combined company on a fully diluted basis will be held by former CVS stockholders.

In the merger, CVS's Amended and Restated Certificate of Incorporation, which is referred to as the CVS charter, will be amended to increase the number of authorized shares of CVS common stock from 1 billion to 3.2 billion and to change CVS's name to CVS/Caremark Corporation. These changes are described under the section entitled "CVS Charter Amendment" beginning on page 120.

**Q: *What will I receive in the merger?***

**A:** *CVS Stockholders.* Each share of CVS common stock and CVS ESOP preference stock held by CVS stockholders immediately before the merger will continue to represent one share of CVS/Caremark common stock and one share of ESOP preference stock of the combined company, as applicable, after the effective time of the merger. In other words, CVS stockholders will receive no consideration in the merger.

*Caremark Stockholders.* For each share of Caremark common stock held, Caremark stockholders will have the right to receive 1.670 shares of CVS/Caremark common stock. At the effective time of the merger, each share of Caremark common stock will be cancelled and converted automatically into the right to receive 1.670 shares of CVS/Caremark common stock. Caremark stockholders will receive cash for any fractional shares of CVS/Caremark common stock that they would otherwise receive in the merger. The amount of cash for fractional shares will be calculated by multiplying the fraction of a share of CVS/Caremark common stock to which the Caremark stockholder would be entitled to receive in the merger by the closing sale price of a share of CVS/Caremark common stock on the first trading day immediately following the effective time of the merger.

**Q: *When and where are the CVS and Caremark special meetings?***

**A:** *CVS Special Meeting.* A special meeting of CVS stockholders, which is referred to as the CVS special meeting, will be held on [ ], 2007 at [ ] a.m., Eastern Time, at CVS's corporate headquarters, One CVS Drive, Woonsocket, Rhode Island 02895, to consider and vote on proposals related to the merger.

*Caremark Special Meeting.* A special meeting of Caremark stockholders, which is referred to as the Caremark special meeting, will be held on [ ], 2007 at [ ] a.m., Central Time, at Caremark's corporate headquarters, at 211 Commerce Street, Suite 800, Nashville, Tennessee 37201 to consider and vote on proposals related to the merger.

**Q: *What stockholder votes are required?***

**A:** CVS stockholders are being asked to approve two separate proposals that are necessary to complete the merger. The completion of the merger requires:

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- the approval of the amendments to the CVS charter by holders of CVS common stock and CVS ESOP preference stock, voting together as a single class, representing a majority of the votes entitled to be cast by such holders on the proposal; and
-

- the approval of the issuance of shares of CVS/Caremark common stock to Caremark stockholders in the merger by holders of CVS common stock and CVS ESOP preference stock, voting together as a single class, representing a majority of the votes cast in person or by proxy at the CVS special meeting, provided that the total number of votes cast on the proposal represents over 50% of the total number of votes entitled to be cast by holders of the outstanding CVS common stock and CVS ESOP preference stock, voting together as a single class, which is referred to as the 50% "vote cast" quorum requirement.

**The CVS board of directors recommends that CVS stockholders vote "FOR" the amendments of the CVS charter to increase the number of authorized shares of CVS common stock and to rename the combined company CVS/Caremark Corporation and "FOR" the issuance of CVS/Caremark common stock in connection with the merger.**

Caremark stockholders are being asked to adopt the merger agreement and approve the merger, which requires the approval of holders of a majority of the outstanding shares of Caremark common stock entitled to vote at the Caremark special meeting.

**The Caremark board of directors recommends that Caremark stockholders vote "FOR" the adoption of the merger agreement and approval of the merger.**

**Q: *Why is my vote important?***

**A:** In order to complete the merger, Caremark stockholders must adopt the merger agreement and approve the merger, and CVS stockholders must approve the issuance of CVS/Caremark common stock to Caremark stockholders in the merger and the amendments to the CVS charter to increase the number of authorized shares of CVS common stock and to rename the combined company CVS/Caremark Corporation.

If you are a CVS stockholder and you abstain from voting or do not vote (either in person or by proxy), or fail to direct your broker how to vote, it will have the same effect as a vote "AGAINST" the proposal to approve the amendments to the CVS charter. If you abstain or do not vote (either in person or by proxy), or fail to direct your broker how to vote, it will have no effect in determining whether the issuance of shares of CVS/Caremark common stock to Caremark stockholders in the merger will be approved, but will not be considered to be a "vote cast" for purposes of this proposal, making it more difficult to satisfy the 50% "vote cast" quorum requirement for the proposal.

If you are a Caremark stockholder and you abstain from voting or do not vote (either in person or by proxy), or fail to direct your broker how to vote, it will have the same effect as a vote "AGAINST" the proposal to adopt the merger agreement and to approve the merger.

**Q: *Are the issuance of CVS/Caremark common stock in the merger and the CVS charter amendments each conditioned upon each other?***

**A:** Yes. The proposal to amend the CVS charter and the proposal to issue shares of CVS/Caremark common stock to Caremark stockholders in the merger are each conditioned upon the approval of the other and the approval of each such proposal is a condition to completion of the merger. Neither the issuance of CVS/Caremark common stock in connection with the merger nor the amendments of the CVS charter will take place unless both of these proposals are approved by the CVS stockholders and the merger is completed. Therefore, the completion of the merger cannot proceed without the approval of both proposals.

**Q: *What do I do if I want to change my vote?***

**A:** You can change your vote at any time before your proxy is voted at your stockholders' meeting. You can do this in one of four ways:

- you can send a signed notice of revocation;
- you can grant a new, valid proxy bearing a later date;
- you can vote again by telephone or through the Internet; or

2

- if you are a holder of record, you can attend the applicable special meeting and vote in person, but your attendance alone will not revoke any proxy that you have previously given.

If you choose either of the first two methods, you must send your notice of revocation or your new proxy to your company's Corporate Secretary at the address under "The Companies" beginning on page 97 no later than the beginning of the applicable special meeting. If you are a CVS stockholder, you can find further details on how to revoke your proxy in "The CVS Special Meeting" Revocation of Proxies" beginning on page 114. If you are a Caremark stockholder, you can find further details on how to revoke your proxy in "The Caremark Special Meeting" Revocation of Proxies" beginning on page 118.

**Q: If my shares are held in "street name" by my broker, will my broker vote my shares for me?**

**A:** No. Your broker is not permitted to decide how your shares should be voted. Your broker will only vote your shares on a proposal if you provide your broker with voting instructions on that proposal. You should instruct your broker to vote your shares by following the directions that your broker provides you. Please check the voting information form used by your broker to see if it offers telephone or Internet voting.

A broker non-vote occurs when a beneficial owner fails to provide voting instructions to his or her broker as to how to vote the shares held by the broker in street name and the broker does not have discretionary authority to vote without instructions. Brokers do not have discretionary authority to vote on any of the Caremark proposals or CVS proposals. By signing your proxy card and returning it to your broker without specific instructions as to any proposal, your shares represented by that proxy will be voted in favor of that proposal. Any shares you beneficially own not identified as represented by that proxy will be considered broker non-votes. See "The CVS Special Meeting" beginning on page 111 and "The Caremark Special Meeting" beginning on page 116.

**Q: What if I fail to instruct my broker with respect to those items that are necessary to consummate the merger?**

**A:** If you are a CVS stockholder:

- with respect to the proposal to amend the CVS charter, a broker non-vote will be counted towards a quorum at the CVS special meeting, but will have the same effect as a vote "AGAINST" the proposal to amend the CVS charter; and
- with respect to the proposal to issue shares of CVS/Caremark common stock to Caremark stockholders in the merger, a broker non-vote will not be considered a "vote cast" for purposes of satisfying the applicable quorum requirement, making it more difficult to obtain the necessary quorum. However, if the quorum requirement is satisfied, a broker non-vote will have no effect on the proposal to issue shares of CVS/Caremark common stock to Caremark stockholders in the merger.

If you are a Caremark stockholder, a broker non-vote will be counted towards a quorum at the Caremark special meeting, but will have the same effect as a vote "AGAINST" the proposal to adopt the merger agreement and approve the merger.

For additional information, see "The CVS Special Meeting" Votes Required to Approve CVS Proposals" beginning on page 113 if you are a CVS stockholder, and "The Caremark Special Meeting" Votes Required to Approve Caremark Proposals" beginning on page 117 if you are a Caremark stockholder.

**Q: What do I do now?**

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**A:** Carefully read and consider the information contained in and incorporated by reference into this document, including its annexes.

In order for your shares to be represented at your stockholders' meeting:

- you can vote by telephone or through the Internet by following the instructions included on your **WHITE** proxy card;

3

- you can indicate on the enclosed **WHITE** proxy card how you would like to vote and sign and return the proxy card in the accompanying pre-addressed postage paid envelope; or
- you can attend your special meeting in person.

**Q: *Should I send in my stock certificates now?***

**A:** No. Caremark stockholders should not send in their stock certificates at this time. If the merger proceeds, CVS's exchange agent will send former Caremark stockholders a letter of transmittal explaining what they must do to exchange their Caremark stock certificates or transfer uncertificated shares for the merger consideration payable to them.

CVS stockholders will retain their current stock certificates after the merger and should not send in their stock certificates.

**Q: *Can I dissent and require appraisal of my shares?***

**A:** No. Under Delaware law, CVS and Caremark stockholders have no right to an appraisal of the value of their shares in connection with the merger.

**Q: *Are there risks involved in undertaking the merger?***

**A:** Yes. In evaluating the merger, CVS and Caremark stockholders should carefully consider the factors discussed in "Risk Factors" beginning on page 25 and other information about CVS and Caremark included in the documents incorporated by reference into this document.

**Q: *When do you expect to complete the merger?***

**A:** CVS and Caremark are working to complete the merger as quickly as practicable. However, CVS and Caremark cannot assure you when or if the merger will be completed. Completion of the merger is subject to satisfaction or waiver of the conditions specified in the merger agreement, including receipt of the necessary approvals of CVS's and Caremark's stockholders at their respective special meeting and any necessary regulatory approvals. It is possible that factors outside the control of both companies could result in the merger being completed later than expected. Although the exact timing of completion of the merger cannot be predicted with certainty, CVS and Caremark anticipate completing the merger in the first quarter of 2007. See "The Merger Agreement" "Conditions to Completion of the Merger" beginning on page 107.

**Q: *Do the Caremark stockholders have to vote on the merger with CVS at the Caremark special meeting if Caremark has changed its recommendation of the merger with CVS?***

**A:** Yes, unless CVS terminates the merger agreement before the Caremark special meeting, Caremark stockholders will be asked to vote on the merger with CVS even if Caremark has changed its recommendation of the merger with CVS consistent with the terms of the merger agreement.

**Q: *Whom should I call with questions?***

**A:** *CVS Stockholders.* If you have additional questions about the merger, you should contact:

CVS Corporation  
One CVS Drive  
Woonsocket, RI 02895  
Attention: Investor Relations

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Phone Number: (800) 201-0938

E-mail Address: [investorinfo@cvr.com](mailto:investorinfo@cvr.com)

If you would like additional copies of this document, or if you have questions about the merger or need assistance voting your shares, you should contact:

4

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Morrow & Co., Inc.  
470 West Avenue  
Stamford, CT 06902  
Phone Number: (800) 245-1502 (toll-free)

*Caremark Stockholders.* If you have additional questions about the merger, you should contact:

Caremark Rx, Inc.  
211 Commerce Street, Suite 800  
Nashville, TN 37201  
Attention: Investor Relations  
Phone Number: (800) 633-9509  
E-mail Address: [investorinfo@caremark.com](mailto:investorinfo@caremark.com)

If you would like additional copies of this document, have questions about the merger or need assistance voting your shares, you should contact:

Innisfree M&A Incorporated  
501 Madison Avenue, 20<sup>th</sup> Floor  
New York, NY 10022  
Phone Number: Stockholders: (877) 750-9498 (toll-free)  
Banks and Brokers: (212) 750-5833 (collect)

## SUMMARY

*This summary highlights information contained elsewhere in this document. It does not contain all of the information that may be important to you. You are urged to read carefully this entire document, including the attached annexes, and the other documents to which this document refers you in order for you to fully understand the proposed merger. See [Where You Can Find More Information] beginning on page 148. Each item in this summary refers to the page of this document on which that subject is discussed in more detail.*

### The Companies

#### CVS Corporation (see page 97)

One CVS Drive  
Woonsocket, Rhode Island 02895  
(401) 765-1500  
<http://investor.cvs.com><sup>1</sup>

CVS is a leader in the retail drug industry in the U.S. operating approximately 6200 retail and specialty pharmacy stores in 43 states and the District of Columbia, which is more stores than any other pharmacy chain. CVS currently operates in 71 of the top 100 U.S. drugstore markets and holds the number one or number two market share in 50 of these markets. CVS serves the healthcare needs of its customers through a number of distribution channels, including CVS/pharmacy stores, CVS.com (its online pharmacy), MinuteClinic, its retail-based health clinic subsidiary, and PharmaCare, its pharmacy benefit management, mail services and specialty pharmacy subsidiary.

#### Caremark Rx, Inc. (see page 97)

211 Commerce Street, Suite 800  
Nashville, Tennessee 37201  
(615) 743-6600  
<http://www.caremark.com><sup>2</sup>

Caremark Rx, Inc. is a leading pharmaceutical services company in the United States. Caremark's operations are conducted primarily through its subsidiaries, Caremark Inc. and CaremarkPCS (f/k/a AdvancePCS) and involve the design and administration of programs aimed at reducing the costs and improving the safety, effectiveness and convenience of prescription drug use. Caremark's customers are primarily employers, insurance companies, unions, government employee groups, managed care organizations and other sponsors of health benefit plans and individuals throughout the United States. In addition, Caremark, through its SilverScript insurance subsidiary is a national provider of drug benefits to eligible beneficiaries under the federal government's Medicare Part D program.

Caremark operates a national retail pharmacy network with over 60,000 participating pharmacies (including CVS/pharmacy stores), 7 mail service pharmacies, 21 specialty mail service pharmacies and the industry's only repackaging plant regulated by the Food & Drug Administration. Through its Accordant disease management offering, Caremark also provides disease management programs for 27 conditions. Twenty-one of these programs are accredited by the National Committee for Quality Assurance.

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1 The information contained on CVS's website is expressly not incorporated by reference into this document.

2 The information contained on Caremark's website is expressly not incorporated by reference into this document.



## **The Merger**

The Agreement and Plan of Merger, dated as of November 1, 2006, among CVS, Caremark and Twain MergerSub Corp., which is referred to as the merger agreement, is attached as Annex A to this document. Caremark and CVS encourage you to read carefully the merger agreement in its entirety because it is the principal legal agreement that governs the merger.

### **Structure of the Merger (see page 37)**

Subject to the terms and conditions of the merger agreement and in accordance with Delaware law, at the effective time of the merger, Twain MergerSub Corp., a wholly owned subsidiary of CVS formed for the purpose of the merger, will merge with and into Caremark. After the merger is completed, Caremark will be a wholly owned subsidiary of CVS, and the combined company will change its name to CVS/Caremark Corporation. Accordingly, after the effective time of the merger, shares of Caremark common stock will no longer be publicly traded.

### **Merger Consideration (see page 99)**

*Caremark Stockholders.* As a result of the merger, Caremark stockholders will be entitled to receive, for each share of Caremark common stock that they own, 1.670 shares of CVS/Caremark common stock. The number of shares of CVS/Caremark common stock delivered in respect of each share of Caremark common stock in the merger is referred to as the exchange ratio. The combined company will not issue any fractional shares of CVS/Caremark common stock in the merger. Instead, Caremark stockholders will receive cash for any fractional shares of CVS/Caremark common stock that they otherwise would receive in the merger. The amount of cash for fractional shares will be calculated by multiplying the fraction of a share of CVS/Caremark common stock to which the Caremark stockholder would be entitled to receive in the merger by the closing sale price of a share of CVS/Caremark common stock on the first trading day immediately following the effective time of the merger. The CVS/Caremark common stock received based on the exchange ratio, together with any cash received in lieu of fractional shares, is referred to as the merger consideration. For more information about fractional share treatment, please see "The Merger Agreement" "Fractional Shares" beginning on page 100 and for more information about the treatment of Caremark options, please see "The Merger Agreement" "Caremark Stock Options" beginning on page 100.

*CVS Stockholders.* CVS stockholders will continue to own their existing shares of CVS common stock and CVS ESOP preference stock after the merger. Each share of CVS common stock or CVS ESOP preference stock will represent one share of common stock or ESOP preference stock, respectively, in the combined company. CVS stockholders should not send in their stock certificates in connection with the merger.

### **Ownership of the Combined Company After the Merger**

The combined company will issue approximately 712.3 million shares of CVS/Caremark common stock to Caremark stockholders in the merger based on the number of shares of Caremark common stock outstanding on January 5, 2007. At the completion of the merger, it is expected that there will be outstanding approximately 1.56 billion shares of common stock of the combined company. The shares of CVS/Caremark common stock issued to Caremark stockholders in the merger will represent approximately 45.5% of the outstanding common stock of the combined company immediately after the merger on a fully diluted basis including shares reserved for issuance upon exercise of options and warrants. Shares of CVS/Caremark common stock held by CVS stockholders will represent approximately 54.5% of the outstanding common stock of the combined company immediately after the merger on a fully diluted basis.

### **Comparative Market Prices and Share Information (see page 22 and page 23)**

CVS common stock is listed on the NYSE under the symbol "CVS". Caremark common stock is listed on the NYSE under the symbol "CMX". The following table sets forth the closing sale prices of CVS common stock as reported on the NYSE and the closing sale prices of Caremark common stock as reported on the New York Stock

Exchange, each on October 31, 2006, the last trading day before CVS and Caremark announced the transaction, and

on [ ], 2007. This table also shows the implied value of a Caremark common share, which was calculated by multiplying the closing price of CVS common stock on those dates by the exchange ratio of 1.670.

	<u>CVS Common Stock</u>	<u>Caremark Common Stock</u>	<u>Implied Value of Caremark Common Stock</u>
October 31, 2006	\$31.38	\$49.23	\$52.40
[ ], 2007	\$[ ]	\$[ ]	\$[ ]

The market prices of CVS common stock and Caremark common stock will fluctuate before the special meetings and before the merger is completed. Therefore, you should obtain current market quotations for CVS common stock and Caremark common stock.

### Recommendations to Stockholders

*Recommendations to CVS Stockholders.* The CVS board of directors has unanimously determined that the merger agreement and the merger and other transactions contemplated therein, including the issuance of CVS/Caremark common stock and the amendments to CVS' charter are advisable and in the best interests of CVS and its stockholders. The CVS board of directors recommends that CVS stockholders vote:

- **FOR** the amendments to the CVS charter to change CVS' name to CVS/Caremark Corporation and to increase the authorized number of shares of CVS common stock from 1 billion to 3.2 billion shares;
- **FOR** the issuance of CVS/Caremark common stock to Caremark stockholders in the merger; and
- **FOR** the adjournment or postponement of the special meeting, including if necessary, to solicit additional proxies in favor of the foregoing proposals.

For additional information see "The CVS Special Meeting" Board Recommendations beginning on page 111.

*Recommendations to Caremark Stockholders.* The Caremark board of directors has unanimously determined that the merger agreement and the merger contemplated by the merger agreement are advisable and in the best interests of Caremark and its stockholders. The Caremark board of directors recommends that Caremark stockholders vote:

- **FOR** the adoption of the merger agreement and approval of the merger; and
- **FOR** the adjournment or postponement of the special meeting, including if necessary, to solicit additional proxies in favor of the foregoing proposals.

For additional information see "The Caremark Special Meeting" Board Recommendations beginning on page 116.

### Opinions of Financial Advisors (see pages 52 and 74)

CVS. In connection with the merger, the CVS board of directors received separate oral opinions, which were followed later by the delivery of separate written opinions from CVS' financial advisors, Evercore Group L.L.C., which is referred to as Evercore, and Lehman Brothers Inc., which is referred to as Lehman Brothers, as to the fairness, from a financial point of view and as of the date of such opinions, of the exchange ratio provided for in the merger to CVS. The written opinions of Evercore and Lehman Brothers, each dated November 1, 2006, are attached to this document as Annex D and Annex E, respectively. CVS stockholders are encouraged to read these opinions carefully in their entirety for a description of the assumptions made, procedures followed, matters

considered and qualifications and limitations on the review undertaken. **Evercore's and Lehman Brothers' opinions as to the fairness, from a financial point of view, of the exchange ratio to CVS were provided to the CVS board of directors in connection with its evaluation of the exchange ratio from a financial point of view, do not address any other aspect of the merger and do not constitute a recommendation to any stockholder as to how to vote or act with respect to the merger.**

*Caremark*. In connection with the merger, the Caremark board of directors received separate oral opinions, which were followed later by the delivery of separate written opinions from Caremark's financial advisors, UBS Securities LLC, which is referred to as UBS, and J.P. Morgan Securities Inc., which is referred to as JPMorgan, as to the fairness, from a financial point of view and as of the date of such opinions, of the exchange ratio provided for in the merger. The written opinions of UBS and JPMorgan, each dated November 1, 2006, are attached to this document as Annex F and Annex G, respectively. Holders of Caremark common stock are encouraged to read these opinions carefully in their entirety for a description of the assumptions made, procedures followed, matters considered and limitations on the review undertaken. **UBS and JPMorgan's opinions as to the fairness, from a financial point of view, of the exchange ratio were provided to the Caremark board of directors in connection with its evaluation of the exchange ratio from a financial point of view, do not address any other aspect of the merger and do not constitute a recommendation to any stockholder as to how to vote or act with respect to the merger.**

#### **Treatment of Caremark Options (see page 100)**

At the effective time of the merger, each outstanding option to purchase shares of Caremark common stock, which is referred to as a Caremark option, will be converted into an option to purchase shares of CVS/Caremark common stock on the same terms and conditions as were applicable before the merger except that each option will allow the holder thereof to purchase a number of shares of CVS/Caremark common stock equal to (1) the number of shares of Caremark common stock subject to the Caremark option before the completion of the merger multiplied by (2) 1.670, rounded down to the nearest whole share. In addition, at the effective time of the merger, each option to purchase shares of the combined company common stock will have an exercise price per share equal to (1) the aggregate exercise price required to purchase all shares of Caremark common stock subject to the Caremark option before the completion of the merger divided by (2) the number of shares of CVS/Caremark common stock subject to the option after completion of the merger, rounded up to the nearest whole cent.

#### **Interests of CVS and Caremark's Executive Officers and Directors in the Merger (see pages 69 and 81)**

When you consider the CVS and Caremark board of directors' respective recommendations that stockholders vote in favor of the proposals described in this document, you should be aware that (1) some Caremark executive officers and directors may have interests that may be different from, or in addition to, Caremark stockholders' interests, including but not limited to, their receipt of severance benefits under existing Caremark employment arrangements, entry into employment arrangements with the combined company, accelerated vesting of Caremark options and participation in various benefits plans and (2) some CVS executive officers and directors may have interests that may be different from, or in addition to, CVS stockholders' interests.

#### **No Appraisal or Dissenters' Rights (see page 90)**

Under Delaware law, CVS and Caremark stockholders have no right to an appraisal of the value of their shares in connection with the merger.

#### **Material Federal Income Tax Consequences of the Merger (see page 93)**

A Caremark stockholder's receipt of CVS/Caremark common stock in the merger will generally be tax-free for U.S. federal income tax purposes, except for taxes that may result from any receipt of cash in lieu of a fractional share of CVS/Caremark common stock. There will be no U.S. federal income tax consequences to a holder of CVS common stock as a result of the Merger.

***The U.S. federal income tax consequences described above may not apply to some holders of Caremark common stock, including some types of holders specifically referred to on page 93. Accordingly, please consult your tax advisor for a full understanding of the particular tax consequences of the merger to you.***





**Accounting Treatment (see page 89).**

CVS/Caremark will account for the merger under the purchase method of accounting for business transactions. In accordance with accounting principles generally accepted in the U.S., which is referred to as U.S. GAAP, CVS will be considered the acquiror of Caremark for accounting purposes.

**Regulatory Approvals (see page 95)**

The merger is subject to review by the U.S. Federal Trade Commission, the U.S. Department of Justice and state antitrust authorities pursuant to applicable federal and state antitrust laws. Under the provisions of the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations thereunder, which is referred to as the HSR Act, the merger cannot be completed until the companies have made required notifications, given certain information and materials to the Federal Trade Commission and to the Antitrust Division of the U.S. Department of Justice and a required waiting period has expired or been terminated. CVS and Caremark filed the required notification and report forms with the Antitrust Division and the Federal Trade Commission on November 20, 2006. On December 20, 2006, the initial waiting period required under the HSR Act expired without a request for additional information from the Federal Trade Commission. CVS and Caremark have been informed that Arizona, California, Florida, Illinois, Louisiana, Maine, Massachusetts, Missouri, Nebraska, New York, Ohio, Pennsylvania, Rhode Island, Virginia and the District of Columbia are reviewing the merger from an antitrust perspective. CVS and Caremark have cooperated and will continue to cooperate with these states in their review.

As described further under "Risk Factors", Caremark's and CVS's businesses are subject to numerous federal, state and local laws and regulations including, but not limited to, healthcare regulatory laws and regulations applicable to the following: the licensure and regulation of pharmacies and pharmacists and other healthcare professionals; Medicare, Medicaid and other government reimbursement programs; the Health Insurance Portability and Accountability Act, or HIPAA; the storage, advertisement, promotion, sale and distribution of controlled substances and other products; and the like. Certain of these healthcare regulatory laws and regulations may require filings or approvals in connection with the completion of the merger; however, it is not expected that (1) any such filings or approvals would delay the merger or (2) the failure to make any such filings or obtain any such approvals prior to the merger would have a material adverse effect on either of CVS or Caremark.

**Listing of CVS/Caremark Common Stock (see page 101)**

CVS has agreed to use its commercially reasonable efforts to cause the shares of CVS/Caremark common stock to be issued in the merger and the shares of CVS/Caremark common stock to be reserved for issuance upon exercise of the Caremark stock options and warrants to be approved for listing on the NYSE. It is also a condition to the merger that the shares of CVS/Caremark common stock issuable in the merger be approved for listing on the NYSE on or prior to the effective time of the merger.

**Conditions to Completion of the Merger (see page 107)**

CVS and Caremark will be required to complete the merger only if specific conditions, including the following, are satisfied or waived:

- approval of (1) the amendment of the CVS charter to increase its authorized shares and (2) the issuance of shares of CVS/Caremark common stock to Caremark stockholders in the merger, in each case, by the requisite vote of the CVS stockholders;
- the adoption of the merger agreement and the approval of the merger by the requisite vote of the Caremark stockholders;

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- absence of any applicable law prohibiting or preventing the completion of the merger;
- expiration or termination of the waiting period (and any extension thereof) applicable to the merger under the HSR Act;

- the effectiveness of, and the absence of any stop order with respect to, the registration statement on Form S-4 of which this document forms a part;
- approval for listing on the NYSE, subject to official notice of issuance, of the shares of CVS/Caremark common stock issuable in the merger to Caremark's stockholders;
- receipt of all required approvals of any governmental authority, subject to certain exceptions as described herein (see "The Merger Agreement" Conditions to Completion of the Merger beginning on page 107);
- absence of legal prohibitions issued or deemed applicable to the merger that would reasonably be expected to (1) materially and adversely diminish the benefits expected to be derived by the parties on the date of the merger agreement from the combination of CVS and Caremark via the merger (such combined business to be taken as a whole), in such a manner that either CVS or Caremark would not have entered into the merger agreement in the face of such materially and adversely diminished benefits, or (2) otherwise have a material adverse effect (see "The Merger Agreement" Representations and Warranties beginning on page 101 for a definition of material adverse effect) after the effective time of the merger on CVS/Caremark and its subsidiaries, taken as a whole;
- CVS having taken all actions necessary to cause the amended charter and amended bylaws of the combined company to be effective at the effective time of the merger and to ensure that the CVS/Caremark board of directors is comprised in the manner contemplated by the merger agreement;
- receipt of opinions of CVS and Caremark's counsel that the merger will qualify as a tax-free reorganization;
- the representations and warranties made by each party being true in all respects (but without regard to materiality qualifications or references to material adverse effect that may be contained in any representation or warranty) as of the effective time of the merger (except for representations and warranties expressly made as of a specific date, the accuracy of which will be determined as of such specified date), except where failure of such representations and warranties to be true would not reasonably be expected to have, whether individually or in the aggregate, a material adverse effect on the party making the representation or warranty; and
- each party having performed in all material respects the obligations required to be performed by it at or before the effective time of the merger.

#### **Termination of the Merger Agreement (see page 108)**

The merger agreement may be terminated at any time before the effective time of the merger by mutual written consent of CVS and Caremark.

The merger agreement may also be terminated prior to the effective time of the merger by either CVS or Caremark if:

- the merger has not been completed by November 1, 2007, unless the only reason that the merger has not occurred by November 1, 2007 is that the waiting period applicable to the merger under the HSR Act has not expired or been terminated, in which case the termination date will be extended to May 1, 2008;
- there is a permanent legal prohibition to completing the merger; or
- Caremark stockholders or CVS stockholders fail to give the necessary approval at their special meetings or any adjournments or postponements thereof.



The merger agreement may also be terminated prior to the effective time of the merger by CVS if:

- the Caremark board of directors has made a change in recommendation (see "The Merger Agreement" Certain Covenants" No Solicitation" beginning on page 103);
- there has been a willful or material breach by Caremark of its obligations under the no solicitation covenant in the merger agreement (see "The Merger Agreement" Certain Covenants" No Solicitation" beginning on page 103);
- for any reason Caremark fails to call and hold a meeting of the Caremark stockholders to consider the adoption of the merger agreement and approval of the merger as required by the merger agreement; or
- Caremark has breached any of its representations or warranties or failed to perform any of its covenants or agreements set forth in the merger agreement, if such breach or failure to perform would result in the failure to satisfy the closing condition of the merger relating to the accuracy of the representations and warranties or compliance with covenants contained in the merger agreement by November 1, 2007 (or, May 1, 2008, if extended as permitted in the merger agreement).

The merger agreement may also be terminated prior to the effective time of the merger by Caremark if:

- the CVS board of directors has made a change in recommendation (see "The Merger Agreement" Certain Covenants" No Solicitation" beginning on page 103);
- there has been a willful or material breach by CVS of its obligations under the no solicitation covenant in the merger agreement (see "The Merger Agreement" Certain Covenants" No Solicitation" beginning on page 103);
- for any reason CVS fails to call and hold a meeting of the CVS stockholders to consider the approval of the amendments to the CVS charter and the issuance of shares of CVS/Caremark common stock to Caremark stockholders in the merger as required by the merger agreement; or
- CVS has breached any of its representations or warranties or failed to perform any of its covenants or agreements set forth in the merger agreement, if such breach or failure to perform would result in the failure to satisfy the closing condition of the merger relating to the accuracy of the representations and warranties or compliance with covenants contained in the merger agreement by November 1, 2007 (or, May 1, 2008, if extended as permitted in the merger agreement).

#### **Termination Fees and Expenses (see page 109)**

*Termination Fee Payable by CVS.* CVS has agreed to pay a fee of \$675 million to Caremark if the merger agreement is terminated under any of the following circumstances:

- the CVS board of directors makes a change in recommendation;
- CVS willfully and materially breaches certain obligations not to solicit acquisition proposals or fails to call a stockholders' meeting to vote on the proposals to amend the CVS charter and issue CVS/Caremark common stock to Caremark stockholders in the merger; or
- the merger is not consummated by November 1, 2007 (or, May 1, 2008, if extended as permitted in the merger agreement) or CVS' stockholders fail to approve the proposals to amend the CVS charter and to issue CVS/Caremark common stock to Caremark stockholders in the merger, in each case, only if (1) a third party has made an acquisition proposal before the CVS special meeting and (2) within 12 months of

the termination of the merger agreement, CVS enters into an alternative transaction.

*Termination Fee Payable by Caremark.* Caremark has agreed to pay a fee of \$675 million to CVS if the merger agreement is terminated under any of the following circumstances:

- the Caremark board of directors makes a change in recommendation;
- Caremark willfully and materially breaches certain obligations not to solicit acquisition proposals or fails to call a stockholders' meeting to vote on the merger agreement and merger; or
- the merger is not consummated by November 1, 2007 (or, May 1, 2008, if extended as permitted in the merger agreement) or Caremark's stockholders fail to adopt the merger agreement and to approve the merger, in each case, only if (1) a third party has made an acquisition proposal before the Caremark special meeting and (2) within 12 months of the termination of the merger agreement, Caremark enters into an alternative transaction.

#### **Headquarters (see page 122)**

The combined company's corporate headquarters will be located in Woonsocket, Rhode Island. The headquarters of the combined company's pharmacy services business will be located in Nashville, Tennessee.

#### **Executive Officers (see page 121)**

CVS and Caremark have agreed that E. Mac Crawford will be the chairman of the CVS/Caremark board of directors and Thomas M. Ryan will be the chief executive officer and a director of CVS/Caremark. A vote of three-quarters of the board of directors will be required to remove Mr. Ryan as CVS/Caremark's chief executive officer prior to January 2010.

Certain current executive officers of CVS and Caremark will have executive officer positions with the combined company after the merger.

#### **Governance After the Merger (see page 121)**

In connection with the merger, the parties have reached certain agreements regarding the governance of CVS/Caremark, including the following:

- After the merger, the board of directors of the combined company will be comprised of an equal number of directors to be selected by each of CVS and Caremark. Commencing with the first annual meeting of CVS/Caremark stockholders after the effective time of the merger, composition of the CVS/Caremark board of directors and its committees will be determined by the nomination and election process provided for in the amended CVS charter, amended CVS bylaws and Delaware law.
- The CVS/Caremark board of directors will have a standing audit committee; management, planning and development committee; nominating and corporate governance committee and executive committee. At the effective time of the merger, the chairman of the CVS/Caremark audit committee will be selected by the members of the CVS/Caremark board of directors designated by Caremark and the chairman of each of the management, planning and development committee and the nominating and corporate governance committee will be selected by the members of the CVS/Caremark board of directors designated by CVS.
- At the effective time of the merger, the executive committee of the CVS/Caremark board of directors will consist of four directors: the chairman of the combined company's board of directors, its chief executive officer, one director selected by the members of the CVS/Caremark board of directors designated by CVS and one director selected by the members of the CVS/Caremark board of directors designated by Caremark.



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- Prior to the first annual meeting of CVS/Caremark stockholders after the effective time of the merger a director designated to the CVS/Caremark board of directors by CVS, referred to as a CVS-designated director, may only be removed by a majority vote of the other CVS-designated directors, and any vacancy

on the CVS/Caremark board of directors resulting from the death, removal or resignation of any CVS-designated director may only be filled by the remaining CVS-designated directors.

- Prior to the first annual meeting of CVS/Caremark stockholders after the effective time of the merger, a director designated to the CVS/Caremark board of directors by Caremark, referred to as a Caremark-designated director, may only be removed by a majority vote of the other Caremark-designated directors, and any vacancy on the CVS/Caremark board of directors resulting from the death, removal or resignation of any Caremark-designated director may only be filled by the remaining Caremark-designated directors.

### **CVS Bylaws Amendment (see page 121)**

In connection with entering into the merger agreement, the CVS board of directors approved amendments to the CVS bylaws, which will become effective only upon the effective time of the merger. The amendments to the CVS bylaws will:

- increase the size of the CVS board of directors to an even number to be agreed by CVS and Caremark before the effective time of the merger (as described above under "Governance After the Merger");
- increase the number of directors comprising a quorum of the combined company's board of directors from one-third to a majority of the total number of CVS/Caremark directors; and
- give effect to the governance provisions described above under "Governance After the Merger".

In addition, the CVS bylaws amendment will provide that the following decisions by the CVS/Caremark board of directors will require a three-quarters vote:

- the removal of Thomas M. Ryan as chief executive officer of CVS/Caremark prior to January 2010 (as described above under "Executive Officers");
- any decision to change the headquarters of the combined company's pharmacy services business from Nashville, Tennessee prior to the third anniversary of the effective time of the merger; and
- any amendment to the provisions of the bylaws with respect to the two immediately preceding bullets or the provisions of the bylaws giving effect to the matters described above under "Governance After the Merger".

### **Special Meetings of CVS and Caremark Stockholders**

#### **CVS Special Meeting (see page 111)**

*Meeting.* The CVS special meeting will be held on [ ], 2007, at [ ] a.m., Eastern Time, at CVS corporate headquarters, One CVS Drive, Woonsocket, Rhode Island 02895. At the CVS special meeting, CVS stockholders will be asked:

- to approve the amendments of the CVS charter, effective upon completion of the merger, to increase the authorized number of shares of CVS common stock from 1 billion to 3.2 billion shares and to change CVS name to "CVS/Caremark Corporation";
- to approve the issuance of CVS/Caremark common stock to Caremark stockholders in the merger; and

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- to approve an adjournment or postponement of the special meeting, including if necessary, to solicit additional proxies in favor of the foregoing proposals.

*Record Date; Votes.* CVS has fixed the close of business on [ ], 2007 as the record date, which is referred to as the CVS record date, for determining the CVS stockholders entitled to receive notice of and to vote at the CVS special meeting. Only holders of record of CVS common stock and CVS ESOP preference stock on the CVS record

date are entitled to receive notice of and vote at the CVS special meeting, and any adjournment or postponement thereof.

Each share of CVS common stock is entitled to one vote and each share of CVS ESOP preference stock is entitled to the number of votes equal to the number of shares of CVS common stock into which that share of CVS ESOP preference stock is entitled to be converted on the CVS record date, rounded up to the nearest tenth of a share. Each share of CVS ESOP preference stock is currently entitled to 4.6 votes at the CVS special meeting (subject to adjustment before the CVS special meeting in the case of certain dilutive events). On the CVS record date, there were [ ] shares of CVS common stock and [ ] shares of CVS ESOP preference stock (representing [ ] votes in the aggregate) entitled to vote at the CVS special meeting.

*Required Vote.* The CVS proposals require different percentages of votes for approval:

- the approval of the amendments of the CVS charter requires the affirmative vote of at least a majority of the votes represented by the outstanding CVS common stock and CVS ESOP preference stock entitled to vote at the CVS special meeting, voting together as a single class;
- the approval of the issuance of shares of CVS/Caremark common stock to Caremark stockholders in the merger requires the affirmative vote of holders of CVS common stock and CVS ESOP preference stock, voting together as a single class, representing a majority of the votes cast in person or represented by proxy at the CVS special meeting, provided that the total number of votes cast on the proposal represents over 50% of the total number of votes of the CVS common stock and CVS ESOP preference stock entitled to be cast at the CVS special meeting; and
- the approval of an adjournment or postponement of the CVS special meeting, including, if necessary, to solicit additional proxies if there are not sufficient votes for each of the foregoing proposals, requires the affirmative vote of holders of CVS common stock and CVS ESOP preference stock, voting together as a single class, representing a majority of the votes cast in person or represented by proxy at the CVS special meeting and entitled to vote on the proposal.

**Each of the first two proposals listed above relating to the merger (i.e., the amendments of the CVS charter and the CVS/Caremark common stock issuance) are conditioned on one another and the approval of each of these proposals is a condition to completion of the merger. Neither the amendments of the CVS charter nor the issuance of CVS/Caremark common stock in the merger will take place unless both of these proposals are approved by the CVS stockholders and the merger is completed. Therefore, the completion of the merger cannot proceed without the approval of both proposals.**

*Failure to Vote; Abstentions.* If you abstain from voting on the proposal to amend the CVS charter or the proposal to adjourn or postpone the meeting it will have the same effect as a vote "AGAINST" that proposal. If you abstain from voting on the proposal to issue shares of CVS/Caremark common stock, the abstention will have no effect in determining the outcome of the vote, assuming a quorum is present. If you fail to vote your CVS common stock, including broker non-votes, (1) on the proposal to amend the CVS charter it will have the same effect as a vote "AGAINST" that proposal and (2) on either the proposal to issue CVS/Caremark common stock in the merger or to adjourn or postpone the CVS special meeting, it will have no effect in determining the outcome of the applicable vote. For more information regarding the effect of abstentions, a failure to vote or broker non-votes, see "The CVS Special Meeting" Votes Required to Approve CVS Proposals beginning on page 113.

Each participant in the CVS Plan instructs the trustee of the CVS Plan how to vote his or her shares of (1) CVS ESOP preference stock and (2) CVS common stock held in the CVS Plan. Unallocated shares of CVS ESOP preference stock and CVS common stock held in the CVS Plan and shares of CVS ESOP preference stock and CVS common stock held in the CVS Plan for which no voting instruction is timely received by the trustee of the CVS Plan will be voted by such trustee in the same proportion as such trustee votes all the shares of CVS ESOP preference stock and CVS common stock held in the CVS Plan as to which it has received timely voting instructions.

*Revocation of Proxies.* You have the power to revoke your proxy at any time before the proxy is voted at the CVS special meeting. You can revoke your proxy in one of four ways:

- you can send a signed notice of revocation;
- you can grant a new, valid proxy bearing a later date;
- you can revoke the proxy in accordance with the telephone or Internet voting procedures described in the proxy voting instructions attached to the proxy card; or
- if you are a holder of record, you can attend the CVS special meeting and vote in person which will automatically cancel any proxy previously given, but your attendance alone will not revoke any proxy that you have previously given.

If you choose either of the first two methods, you must submit your notice of revocation or your new proxy to CVS' Corporate Secretary at the CVS address under "The Companies" beginning on page 97 no later than the beginning of the CVS special meeting.

*Stock Ownership of CVS Directors and Executive Officers.* On [ ] 2007, the CVS record date, directors and executive officers of CVS and their respective affiliates owned and were entitled to vote [ ] shares of CVS common stock, or approximately [ ]% of the shares of CVS common stock outstanding on that date. To CVS' knowledge, the directors and executive officers of CVS and their respective affiliates intend to vote their shares of CVS common stock in favor of all CVS proposals at the CVS special meeting.

### **Caremark Special Meeting (see page 116)**

*Meeting.* The Caremark special meeting will be held on [ ], 2007, at [ ] a.m. Central Time, at Caremark's corporate headquarters at 211 Commerce Street, Suite 800, Nashville, Tennessee 37201. At the Caremark special meeting, Caremark stockholders will be asked:

- to adopt the merger agreement and approve the merger, pursuant to which Caremark will become a wholly owned subsidiary of CVS; and
- to approve an adjournment or postponement of the Caremark special meeting, including if necessary, to solicit additional proxies in favor of the adoption of the merger agreement and approval of the merger if

there are not sufficient votes for such proposal.

*Record Date; Votes.* Caremark has fixed the close of business on [ ], 2007 as the record date, which is referred to as the Caremark record date, for determining the Caremark stockholders entitled to receive notice of and to vote at the Caremark special meeting. Only holders of record of Caremark common stock on the Caremark record date are entitled to receive notice of and vote at the Caremark special meeting, and any adjournment or postponement thereof.

Each share of Caremark common stock is entitled to one vote. On the Caremark record date, there were [ ] shares of Caremark common stock entitled to vote at the Caremark special meeting.

*Required Vote.* The proposals require different percentages of votes in order to approve them:

- The adoption of the merger agreement and the approval of the merger require the affirmative vote of holders of a majority of the outstanding shares of Caremark common stock entitled to vote at the Caremark special meeting.
- The approval of an adjournment or postponement of the Caremark special meeting, including if necessary, to solicit additional proxies in favor of such adoption and approval requires the affirmative vote of holders of Caremark common stock representing a majority of the voting power of such shares present in person or represented by proxy at the Caremark special meeting and entitled to vote on the proposal.

**Adoption of the merger agreement and approval of the merger by Caremark stockholders is a condition to completion of the merger.**

*Failure to Vote; Abstentions.* If you abstain from voting on any proposal it will have the same effect as a vote [AGAINST] that proposal. If you fail to vote, including broker non-votes, (1) on the proposal to adopt the merger agreement and approve the merger, it will have the same effect as a vote [AGAINST] that proposal and (2) on the proposal to adjourn or postpone the Caremark special meeting, it will have no effect in determining the outcome of the applicable vote. For more information regarding the effect of abstentions, a failure to vote or broker non-votes, see [The Caremark Special Meeting]Votes Required to Approve Caremark Proposals] beginning on page 117.

*Revocation of Proxies.* You have the power to revoke your proxy at any time before the proxy is voted at the Caremark special meeting. You can revoke your proxy in one of four ways:

- you can send a signed notice of revocation;
- you can grant a new, valid proxy bearing a later date;
- you can revoke the proxy in accordance with the telephone or Internet voting procedures described in the proxy voting instructions attached to the proxy card; or
- if you are a holder of record, you can attend the Caremark special meeting and vote in person which will automatically cancel any proxy previously given, but your attendance alone will not revoke any proxy that you have previously given.

If you choose either of the first two methods, you must submit your notice of revocation or your new proxy to Caremark's Corporate Secretary at the Caremark address under [The Companies] beginning on page 97 no later than the beginning of the Caremark special meeting.

*Stock Ownership of Directors and Executive Officers.* On [ ]2007, the Caremark record date, directors and executive officers of Caremark and their respective affiliates owned and were entitled to vote [ ] shares of

Caremark common stock, or approximately [ ]% of the shares of Caremark common stock outstanding on that date. To Caremark's knowledge, the directors and executive officers of Caremark and their respective affiliates intend to vote their shares of Caremark common stock in favor of both Caremark proposals at the Caremark special meeting.



**SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA OF CVS**

The following tables set forth the selected historical consolidated financial and operating data for CVS. The selected consolidated financial and operating data as of and for the fifty-two week periods ended December 31, 2005, January 1, 2005, December 28, 2002, December 29, 2001 and the fifty-three week period ended January 3, 2004 have been derived from CVS's consolidated financial statements. You should not take historical results as necessarily indicative of the results that may be expected for any future period. The selected consolidated financial and operating data as of and for the nine months ended September 30, 2006 and October 1, 2005 have been derived from CVS's unaudited consolidated condensed financial statements. The results for the nine months ended September 30, 2006 are not necessarily indicative of results that may be expected for the entire fiscal year.

You should read this selected consolidated financial and operating data in conjunction with CVS's Annual Report on Form 10-K for the fiscal year ended December 31, 2005 and CVS's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2006.

	Nine Months Ended		2005		2004	
	9/30/06	10/01/05	(52 weeks)	(52 weeks)	(52 weeks)	(52 weeks)
(\$ in millions, except per share amounts)						
<b>Historical Consolidated Statement of Operations Data:</b>						
Net revenues	\$ 31,747.5	\$ 27,274.2	\$ 37,006.2	\$ 30,594.3	\$ 31,747.5	\$ 27,274.2
Gross profit(1)	8,573.7	7,199.2	9,901.2	8,031.2	8,573.7	7,199.2
Selling, general & administrative(2)	6,349.5	5,349.6	7,292.6	6,079.7	6,349.5	5,349.6
Depreciation and amortization(2)(3)	531.9	433.2	589.1	496.8	531.9	433.2
Merger, restructuring and other nonrecurring charges and gains	□	□	□	□	□	□
Operating profit(4)	1,692.3	1,416.4	2,019.5	1,454.7	1,692.3	1,416.4
Other expense (income), net	134.7	83.6	110.5	58.3	134.7	83.6
Income tax provision(5)	605.9	514.5	684.3	477.6	605.9	514.5
Net earnings(6)	\$ 951.7	\$ 818.3	\$ 1,224.7	\$ 918.8	\$ 951.7	\$ 818.3
<b>Historical Per Common Share Data(7):</b>						
Net earnings(6)						
Basic	\$ 1.15	\$ 1.00	\$ 1.49	\$ 1.13	\$ 1.15	\$ 1.00
Diluted	1.11	0.97	1.45	1.10	1.11	0.97
Cash dividends per common share	\$ 0.11625	\$ 0.10875	\$ 0.145	\$ 0.1325	\$ 0.11625	\$ 0.10875
<b>Historical Consolidated Balance Sheet Data:</b>						
Total assets	\$ 21,127.4	\$ 15,225.9	\$ 15,283.4	\$ 14,546.8	\$ 21,127.4	\$ 15,225.9
Long term debt	3,279.9	1,627.9	1,594.1	1,925.9	3,279.9	1,627.9
Total stockholders' equity	9,434.4	7,955.6	8,331.2	6,987.2	9,434.4	7,955.6

(1) Gross profit includes the pre-tax effect of \$5.7 million (\$3.6 million after-tax) non-recurring charge in 2001 related to the markdown of certain inventory contained in the stores as part of a strategic restructuring program.

(2) In 2004, CVS conformed its accounting for operating leases and leasehold improvements to the views expressed by the Office of the Chief Accountant of the Securities and Exchange Commission to the American Institute of Certified Public Accountants on February 7, 2005. As a result, CVS recorded a non-cash pre-tax adjustment of \$9.0 million (\$5.4 million after-tax) to selling, general and administrative expenses and \$56.9 million (\$35.1 million after tax) to depreciation and amortization, which represents the

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cumulative effect of the adjustment for a period of approximately 20 years. Since the effect of this non-cash adjustment was not material to any previously reported fiscal year, the cumulative effect was recorded in the fourth quarter of 2004.

- (3) As a result of adopting SFAS No. 142, "Goodwill and Other Intangible Assets" at the beginning of fiscal 2002, CVS no longer amortizes goodwill and other indefinite-lived intangible assets. Goodwill amortization totaled \$31.4 million pre-tax (\$28.2 million after-tax) in 2001.
- (4) Operating profit includes the pre-tax effect of the charges discussed in Note (1) above and the following merger, restructuring, and other nonrecurring charges and gains: (i) in 2004, \$65.9 million (\$40.5 million after-tax) relating to conforming CVS' accounting for operating leases and leasehold improvements and (ii) in 2001, \$346.8 million (\$226.9 million after-tax) related to restructuring and asset impairment costs associated with the strategic restructuring and \$3.5 million (\$2.1 million after-tax) non-recurring gain resulting from the net effect of the \$50.3 million of settlement proceeds received from various lawsuits against certain manufacturers of brand name prescription drugs

which was offset by our contribution of \$46.8 million of these settlement proceeds to the CVS Charitable Trust, Inc. to fund future charitable giving.

- (5) Income tax provision includes the effect of the following: (i) in 2005, a \$52.6 million reversal of previously recorded tax reserves through the tax provision principally based on resolving certain state tax matters, and (ii) in 2004, a \$60.0 million reversal of previously recorded tax reserves through the tax provision principally based on finalizing certain tax return years and on a 2004 court decision relevant to the industry.
- (6) Net earnings and net earnings per common share include the after-tax effect of the charges and gains discussed in Notes (1), (2), (3), (4) and (5) above.
- (7) On May 12, 2005, the CVS board of directors authorized a two-for-one common stock split, which was effected in the form of a dividend by the issuance of one additional share of CVS common stock for each share of CVS common stock outstanding. These shares were distributed on June 6, 2005 to stockholders of record as of May 23, 2005. All prior periods have been restated to reflect the effect of the two-for-one stock split.

**SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA OF CAREMARK**

The following tables set forth the selected historical consolidated financial and operating data for Caremark. The selected consolidated financial and operating data as of and for the fiscal years ended December 31, 2005, 2004, 2003, 2002 and 2001 have been derived from Caremark's consolidated financial statements. You should not take historical results as necessarily indicative of the results that may be expected for any future period. The selected consolidated financial and operating data as of and for the nine months ended September 30, 2006 and 2005 have been derived from Caremark's unaudited consolidated condensed financial statements. The results for the nine months ended September 30, 2006 are not necessarily indicative of results that may be expected for the entire fiscal year.

You should read this selected consolidated financial and operating data in conjunction with Caremark's Annual Report on Form 10-K for the fiscal year ended December 31, 2005 and Caremark's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2006.

<b>Nine Months Ended September 30,</b>		<b>Year Ended December 31,</b>				
<b>2006</b>	<b>2005</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002(1)</b>	<b>2001</b>

(\$ in millions, except per share amounts )

**Historical  
Consolidated  
Statement of**

**Operations Data:**

Net revenues	\$ 27,480.8	\$ 24,623.5	\$ 32,991.3	\$ 25,801.1	\$ 9,067.3	\$ 6,805.3	\$ 5,614.0
Income from continuing operations	772.5	641.7	932.4	600.3	290.8	828.8	190.5
Loss from discontinued operations	□	□	□	□	□	(37.5)	□
Net earnings	\$ 772.5	\$ 641.7	\$ 932.4	\$ 600.3	\$ 290.8	\$ 791.3	\$ 190.5

**Historical Per  
Common Share**