

**UNITED STATES DISTRICT COURT
DISTRICT OF RHODE ISLAND**

MARK WUOTILA, Derivatively on)
Behalf of CVS CAREMARK)
CORPORATION,)

Plaintiff,)

v.)

THOMAS M. RYAN, HOWARD A.)
MCLURE, DAVID B. RICKARD,)
JONATHAN C. ROBERTS, KRISTEN E.)
GIBNEY WILLIAMS, EDWIN M.)
BANKS, MARIAN L. HEARD,)
WILLIAM H. JOYCE, RICHARD J.)
SWIFT, TERRENCE MURRAY, SHEL)
Z. ROSENBERG, DAVID W. DORMAN,)
C. DAVID BROWN II, JEAN-PIERRE)
MILLON, and C.A. LANCE PICCOLO,)

Defendants,)

and)

CVS CAREMARK CORPORATION, a)
Delaware corporation,)

Nominal Defendant.)

Case No. 1:09-cv-00620-ML-PAS

**NOTICE OF PENDENCY AND
PROPOSED SETTLEMENT OF
SHAREHOLDER DERIVATIVE ACTION**

TO: ALL HOLDERS OF CVS HEALTH CORPORATION (PREVIOUSLY KNOWN AS CVS CAREMARK CORPORATION) ("CVS" OR "THE COMPANY") COMMON STOCK AS OF MARCH 21, 2016 ("CURRENT CVS SHAREHOLDERS"):

THIS NOTICE RELATES TO THE PENDENCY AND PROPOSED SETTLEMENT OF SHAREHOLDER DERIVATIVE LITIGATION. PLEASE READ THIS NOTICE CAREFULLY AND IN ITS ENTIRETY. IF YOU ARE A CVS SHAREHOLDER, THIS NOTICE CONTAINS IMPORTANT INFORMATION ABOUT YOUR RIGHTS. IF YOU HOLD CVS COMMON STOCK FOR THE BENEFIT OF ANOTHER, PLEASE PROMPTLY TRANSMIT THIS DOCUMENT TO SUCH BENEFICIAL OWNER.

YOU ARE HEREBY NOTIFIED, pursuant to an Order of the U.S. District Court for the District of Rhode Island (the "Court"), that a proposed Settlement has been reached between the Parties to the following shareholder derivative action brought on behalf of CVS: *Wuotila v. Ryan*, Case No. 1:09-cv-00620-ML-PAS (the "Action").

As explained below, the Court will hold a hearing (the "Settlement Hearing") on August 5, 2016 at 10:00 a.m., before the Honorable Mary M. Lisi, District Court Judge, located at Federal Building and Courthouse, One Exchange Terrace, Providence, Rhode Island 02903. The purpose of the Settlement Hearing is to determine whether to approve the Settlement. You have an opportunity to be heard at this hearing.

The terms of the Settlement are set forth in a Stipulation of Settlement dated March 21, 2016 (the "Stipulation"). The Settlement provides for corporate governance reforms that are designed to strengthen the Company's internal controls and protect the Company going forward. If approved by the Court, the Settlement will fully resolve the Action on the terms set forth in the Stipulation and summarized in this Notice, including the dismissal of the Action with prejudice. For a more detailed statement of the matters involved in the Action, the Settlement, and the terms discussed in this notice, the Stipulation may be inspected at the Clerk of the Court's office at the Federal Building and Courthouse for the U.S. District Court for the District of Rhode Island located at One Exchange Terrace, Providence, Rhode Island 02903. The Stipulation is also

available for viewing on the "Investors" section of CVS's website at <http://investors.cvshealth.com/>.

This Notice is not intended to be an expression of any opinion by the Court with respect to the merits of the claims made in the Action, but is merely to advise you of the pendency and Settlement of the Action.

There Is No Claims Procedure. This case was brought to protect the interests of CVS and its shareholders. The Settlement will result in changes to the Company's corporate governance, not in payment to individuals, and accordingly, there will be no claims procedure.

I. THE DERIVATIVE ACTION

The Action is brought by Plaintiff solely on behalf of and for the benefit of CVS and against the Individual Defendants. Plaintiff generally alleges, among other things, that the Individual Defendants breached their fiduciary duties, wasted corporate assets, and were unjustly enriched by making and approving false and misleading statements to the public concerning the Company's financial projections, results, and business operations after the merger between CVS and Caremark Rx Inc., forming CVS Caremark. In particular, the Individual Defendants allegedly directed the Company to make improper statements regarding the success and profitability of the Company's Pharmacy Benefit Manager business. The Complaint further alleges that the Individual Defendants authorized and failed to halt a stock repurchase of the Company's stock at artificially inflated prices while certain of the Company's insiders were selling their personally held shares.

Defendants have denied and continue to deny each and all of the claims and contentions alleged by the Plaintiff in the Action.

The Parties engaged in arm's-length negotiations concerning the terms and conditions of a potential resolution of the Action with the assistance of mediator Jill Sperber ("Mediator"), to

attempt to resolve the Action. The Parties' settlement discussions were hard-fought, and ultimately resulted in an agreement-in-principle, which in the Mediator's professional opinion, was a resolution of the Action in the Company's best interests.

II. TERMS OF THE SETTLEMENT

The principal terms, conditions, and other matters that are part of the Settlement, which are subject to approval by the Court, are summarized below. This summary should be read in conjunction with, and is qualified in its entirety by reference to, the text of the Stipulation, which has been filed with the Court and is available at <http://investors.cvshealth.com/>.

In connection with the Settlement of the Action, CVS has agreed to adopt and maintain significant corporate governance reforms designed to strengthen the Company's internal controls (the "Corporate Governance Reforms"), which CVS shall maintain for a period of not less than four (4) years should the Settlement be finally approved. Defendants acknowledge and agree that the Action filed by Plaintiff precipitated and was a material factor in the Corporate Governance Reforms agreed to as part of this Settlement. Defendants further acknowledge and agree that the Corporate Governance Reforms that are part of this Settlement confer a substantial benefit to CVS.

The Corporate Governance Reforms, as detailed further below, set forth policies and procedures that are designed to provide, among other things:

- heightened guidelines regarding disclosure obligations;
- improvements in support of compliance;
- a more engaged Board;
- strengthened controls and processes; and
- greater shareholder voice.

HEIGHTENED GUIDELINES REGARDING DISCLOSURE OBLIGATIONS

1. Audit Committee Oversight Over Disclosures: The Audit Committee shall review and approve the Company's disclosure controls and procedures annually. Such procedures shall require that certain key financial disclosure documents, such as annual and quarterly reports, earnings releases on Form 8-K, proxy statements and registration statements, as well as certain other public statements, correspondence, and other materials broadly disseminated to shareholders, including press releases containing financial information or information about material transactions or events, investor presentations, earnings scripts, and financial projections, be reviewed by the Company's disclosure committee, or by a subset of that committee, as may be set forth in said disclosure controls and procedures. Such procedures shall also require that, if an error in the Company's disclosures were discovered, the correction of the error would be addressed through the same disclosure process involving the disclosure committee or a subset of that committee.

IMPROVEMENTS IN SUPPORT OF COMPLIANCE

2. Board Updates: The Nominating and Corporate Governance Committee Charter shall be amended to provide that the Board shall receive regular (and no less than annual) updates with respect to material developments regarding the laws, rules, and regulations that apply to the various aspects of the business of the Company, as well as health care industry trends, as well as the responsibilities of Board members and public company corporate governance.

3. Information Firewall: An information firewall shall exist between CVS/pharmacy providers and the CVS/Caremark Pharmacy Benefit Manager business to separate certain competitively sensitive information that each business possesses, as implemented during the pendency of this Action.

4. Audit Committee Communications with Compliance Officers: The Audit Committee shall meet with the Chief Compliance Officer and the head of the internal audit function quarterly, as implemented during the pendency of this Action.

5. Audit Committee Oversight over Compliance Program: The Audit Committee shall oversee the Company's compliance program, including reviewing federal health care program requirements, as implemented during the pendency of this Action.

A MORE ENGAGED BOARD

6. Board/Committee Meetings: The Board, Audit Committee, Nominating and Corporate Governance Committee, and Management Planning and Development Committee shall meet at least four times per year.

7. Board Independence: As implemented during the pendency of this Action, the positions of Chairman and Chief Executive Officer shall be separate, with the Chairman being independent; or, in the alternative, CVS shall appoint an Independent Lead Director. Either the Independent Chairman or the Independent Lead Director shall convene periodic meetings of the Independent Directors to review issues.

8. New Director Positions/Independence: Two new independent director positions were added in 2015; a substantial majority of directors are now independent and will continue to be independent.

STRENGTHENED CONTROLS AND PROCESSES

9. Stock Repurchases: CVS's outstanding stock repurchase programs shall be reviewed by the Audit Committee on a quarterly basis and evaluated to determine whether it would recommend that the Board consider any modifications thereto.

10. Compensation Recoupment Policy: CVS's compensation recoupment policy, which covers annual and long-term incentive awards granted to executive officers, shall include a three-year look-back period, as revised during the pendency of this Action.

11. Compensation Recoupment for Consent Decree: CVS's compensation recoupment policy shall have an expanded definition of "misconduct," which includes actions precipitating a consent decree if the Company was required to restate its financial statements as a result of the conduct that precipitated the Company entering into the consent decree.

12. Insider Trading: CVS shall maintain its Statement of Company Policy on Securities Trades by Company Personnel, as revised during the pendency of this Action, which among other things, shortened the trading windows for the Company's senior executive officers, increased the use of 10b5-1 plans, refined the list of insiders, and expanded the anti-hedging policy.

13. Stock Option Grants: CVS's policy on stock option grants, as revised during the pendency of this Action, shall: (i) specifically prohibit option repricing, and (ii) establish pre-determined grant dates for new hire equity awards.

GREATER SHAREHOLDER VOICE

14. Shareholder Meetings: Shareholders shall have the right to call special meetings of shareholders on terms no less restrictive than those currently in the Company's by-laws, as revised during the pendency of this Action.

15. Written Consent: Shareholders shall have the right to act by written consent that is less than unanimous on terms no less restrictive than those currently in the Company's by-laws, as revised during the pendency of this Action.

III. DISMISSAL AND RELEASES

The Settlement is conditioned, among other things, upon entry of an order by the Court approving the Settlement and dismissing the Action with prejudice. The Settlement will not become effective until such dismissal has been entered and has become final and non-appealable (the "Effective Date").

Upon the Effective Date, the Releasing Parties shall be deemed to have, and by operation of the Judgment shall have, fully, finally, and forever settled, released, discharged, extinguished, and dismissed with prejudice the Released Claims (including Unknown Claims) against the Released Persons and any and all claims arising out of, relating to, or in connection with the defense, settlement, or resolution of the Action against the Released Persons; provided, however, that such release shall not affect any claims to enforce the terms of the Stipulation or the Settlement.

Upon the Effective Date, each of the Defendants shall be deemed to have, and by operation of the Judgment shall have, fully, finally, and forever settled, released, discharged, extinguished, and dismissed with prejudice Plaintiff and Plaintiff's Counsel from all claims (including Unknown Claims) arising out of, relating to, or in connection with the institution, prosecution, assertion, settlement, or resolution of the Action or the Released Claims, provided, however, that such release shall not affect any claims to enforce the terms of the Stipulation or the Settlement.

IV. REASONS FOR THE SETTLEMENT

Counsel for the Parties believe that the Settlement is in the best interests of CVS and its shareholders.

A. Why Plaintiff Agreed to Settle

Plaintiff believes that the claims asserted in the Action have merit. However, Plaintiff recognizes and acknowledges the expense and length of continued proceedings necessary to prosecute the Action against the Individual Defendants through trial and through appeals. Plaintiff has also taken into account the uncertain outcome and the risk of any litigation, especially in complex actions such as the Action, as well as the difficulties and delays inherent in such litigation. Plaintiff is also mindful of the inherent problems of proof and possible defenses to the claims asserted in the Action. The Settlement set forth in the Stipulation confers substantial benefits upon CVS and its shareholders, and is in the best interests of CVS and its shareholders.

B. Why Defendants Agreed to Settle

Defendants have denied and continue to deny each and all of the claims and contentions alleged by the Plaintiff in the Action. Nonetheless, Defendants have concluded that it is desirable that the Action be fully and finally settled in the manner and upon the terms and conditions set forth in the Stipulation. Defendants acknowledge and agree that the Action filed by Plaintiff precipitated and was a material factor in the Corporate Governance Reforms agreed to as part of this Settlement. Defendants further acknowledge and agree that the Corporate Governance Reforms that are part of this Settlement confer a substantial benefit to CVS.

V. PLAINTIFF'S ATTORNEYS' FEES AND EXPENSES; AND INCENTIVE AWARD TO PLAINTIFF

After negotiating the Corporate Governance Reforms, Plaintiff's Counsel and CVS, with the assistance of Mediator Sperber, separately negotiated the Fee and Expense Amount that would be paid to Plaintiff's Counsel. As a result of these negotiations, and in light of the substantial benefits conferred upon CVS by Plaintiff's Counsel's efforts, Defendants and their

insurers have agreed to pay the Fee and Expense Amount of \$270,000 for Plaintiff's Counsel's fees and expenses, subject to Court approval (the "Fee and Expense Amount"). Plaintiff's Counsel shall request approval by the Court of the Fee and Expense Amount at the Settlement Hearing. To date, Plaintiff's Counsel have neither received any payment for their services in conducting the Action, nor have Plaintiff's Counsel been reimbursed for their out-of-pocket litigation expenses incurred. Plaintiff's Counsel believe that the Fee and Expense Amount is within the range of fees and expenses awarded to plaintiff's counsel under similar circumstances in litigation of this type. Neither CVS nor its shareholders are personally liable for the Fee and Expense Amount.

The Parties further stipulate that Plaintiff's Counsel may apply to the Court for an Incentive Amount of \$2,000 for Plaintiff, only to be paid upon Court approval, in recognition of Plaintiff's participation and efforts in the prosecution and Settlement of the Action. The failure of the Court to approve any requested Incentive Amount, in whole or in part, shall have no effect on the Settlement set forth in the Stipulation. The Incentive Amount, if approved by the Court, shall be paid to Plaintiff from the Fee and Expense Amount. The Released Persons and each of them shall not be liable for any portion of any Incentive Amount.

VI. THE SETTLEMENT HEARING AND YOUR RIGHT TO BE HEARD

The Settlement Hearing will be held on August 5, 2016 at 10:00 a.m., before the Honorable Mary M. Lisi, District Court Judge, located at Federal Building and Courthouse, One Exchange Terrace, Providence, Rhode Island 02903. The Settlement Hearing may be continued by the Court at the Settlement Hearing, or at any adjourned session thereof without further notice.

At the Settlement Hearing, the Court will consider whether to grant final approval to the Settlement, the Fee and Expense Amount, and the Incentive Amount. You have the right, but are

not required to appear in person or through counsel at the Settlement Hearing to object to the terms of the proposed Settlement or otherwise present evidence or argument that may be proper and relevant. However, you shall not be heard, and no papers, briefs, or other documents by you shall be considered by the Court (unless the Court in its discretion shall thereafter otherwise direct, upon application of such person and for good cause shown), unless not later than fourteen (14) calendar days prior to the Settlement Hearing, you file with the Court:

(a) a written notice of objection with your name, address, and telephone number, along with a representation as to whether you intend to appear at the Settlement Hearing;

(b) competent evidence that you held shares of CVS common stock as of March 21, 2016, and that you continue to hold shares of CVS common stock as of the date of the Settlement Hearing;

(c) a statement of your objections to any matters before the Court, the grounds therefor, or the reasons for your desiring to appear and be heard, as well as all documents or writings you desire the Court to consider; and

(d) the identities of any witnesses you plan on calling at the Settlement Hearing, along with a summary description of their likely testimony.

In addition, on or before the date of such filing, you must also serve the same documents on the following counsel (delivered by hand or sent by First-Class Mail):

Counsel for Plaintiff:

ROBBINS ARROYO LLP
Kevin A. Seely, Esq.
600 B Street, Suite 1900
San Diego, CA 92101

Counsel for Defendants:

WILLIAMS & CONNOLLY LLP
Margaret A. Keeley, Esq.
725 12th Street NW
Washington, DC 20005

The written objections and copies of any papers and briefs in support thereof to be filed in Court shall be delivered by hand or sent by First-Class Mail to:

Clerk of the Court
U.S. District Court for the District of Rhode Island
Federal Building and Courthouse
One Exchange Terrace
Providence, RI 02903

If you fail to object in the manner provided herein, you shall be deemed to have waived your right to object and shall forever be foreclosed from making any objection to the fairness, adequacy, or reasonableness of the Settlement as incorporated in the Stipulation, to the Fee and Expense Amount to Plaintiff's Counsel, and the Incentive Amount, unless otherwise ordered by the Court, but you shall otherwise be bound by the Judgment to be entered and the releases to be given.

VII. CONDITIONS FOR SETTLEMENT

The Settlement is conditioned upon the occurrence of certain events described in the Stipulation, which requires, among other things: (a) approval of the Corporate Governance Reforms set forth above by the CVS Board (which is to occur within thirty (30) calendar days of the issuance of a Judgment approving the Settlement of the Action, or at the next meeting of the CVS Board, whichever is later); (b) Court approval of the method and form of providing the Notice and Summary Notice to CVS shareholders and entry by the Court of the Preliminary Approval Order; (c) final approval of the Settlement by the Court following notice to CVS shareholders; (d) entry by the Court of the Judgment and the dismissal with prejudice of the

Action; and (e) the passing of the date upon which the Judgment becomes Final. If, for any reason, any one of the conditions described in the Stipulation is not met and the entry of the Judgment does not occur, the Stipulation might be canceled and terminated and, if terminated, will become null and void; and the Parties to the Stipulation will be restored to their respective positions as of the Execution Date of the Stipulation.

VIII. HOW TO OBTAIN ADDITIONAL INFORMATION

This Notice summarizes the Stipulation. It is not a complete statement of the events of the Action or the Stipulation.

There is additional information concerning the Settlement available in the Stipulation, which may be inspected during business hours at the Clerk of the Court's office at the Federal Building and Courthouse for the U.S. District Court for the District of Rhode Island located at One Exchange Terrace, Providence, Rhode Island 02903, and viewed on the "Investors" section of CVS's website at <http://investors.cvshealth.com/>.

For more information concerning the Settlement, you may also call or write to: Robbins Arroyo LLP, c/o Darnell Donahue, Client Relations, 600 B Street, Suite 1900, San Diego, California 92101, Telephone: (619) 525-3990.

**PLEASE DO NOT CALL, WRITE, OR OTHERWISE DIRECT
QUESTIONS TO THE COURT REGARDING THIS NOTICE.**