

**NOTICE OF PENDENCY AND SETTLEMENT OF
CLASS ACTION; SETTLEMENT
HEARING; AND EXCLUSION PROCEDURES**

Michael Williams and Russell Acosta. v. CVS Drug Stores et al.
Orange County Superior Court, Case No. 05CC03217

TO: All current and former employees of CVS Pharmacy, Inc. ("CVS") who are/ were employed by CVS in a California store that was in operation as of April 27, 2006, and who are/ were employed as a Store Manager at any time from February 16, 2001 through May 10, 2007 ("Plaintiffs").

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THIS NOTICE AFFECTS YOUR RIGHTS. PLEASE READ THIS NOTICE CAREFULLY.

I.

INTRODUCTION

If you are/ were employed by CVS in a California store that was in operation as of April 27, 2006, and you are/ were a Store Manager at any time from February 16, 2001 through May 10, 2007 (the "Class Period"), you are a member of the proposed settlement class in this class action lawsuit (the "Action") and your rights will be affected as set forth in the proposed settlement described in this Notice (the "Settlement"). On September 21, 2006, the Court preliminarily approved the Settlement and conditionally certified a settlement class. You have received this Notice because CVS's records show you are a member of the class of employees employed by CVS in California as a Store Manager at some time during the Class Period.

II.

NATURE OF THE ACTION

On February 16, 2005, a complaint was filed by Michael Williams ("Williams") and Russell Acosta ("Acosta") (collectively, "Named Plaintiffs") in the Orange County Superior Court. The Named Plaintiffs generally allege that CVS misclassified the Plaintiffs as exempt from overtime requirements, and therefore failed to pay Plaintiffs for overtime, that CVS failed to provide meal and rest periods, and that CVS failed to provide itemized wage statements. Named Plaintiffs also allege CVS misclassified Plaintiffs for purposes of federal law and failed to pay Plaintiffs overtime to which they were entitled under the Fair Labor Standards Act ("FLSA"), the federal law that regulates the payment of wages. The Named Plaintiffs further allege these alleged practices constituted unfair competition, and that CVS owes waiting time penalties associated with these allegations (collectively, the "Claims").

III.

POSITIONS OF THE PARTIES

The Named Plaintiffs' contentions are summarized above.

CVS has denied and continues to deny each of the claims and contentions alleged by Plaintiffs in the Action. CVS has repeatedly asserted and continues to assert defenses thereto, and has expressly denied and continues to deny any wrongdoing or legal liability arising out of any of the facts or conduct alleged in the Action. CVS also has denied and continues to deny, inter alia, the allegations that the Plaintiffs have suffered damage; that CVS misclassified any of the Plaintiffs as exempt from overtime requirements; that CVS violated the law with respect to overtime; that CVS violated the law regarding meal and rest periods, that CVS engaged in any unlawful, unfair or fraudulent business practices; that CVS owes any penalties to Plaintiffs; or that the Plaintiffs were harmed by the conduct alleged in the Action. Neither the Settlement discussed here, nor any document referred to herein, nor any action taken to carry out the Settlement, is, shall be, may be construed as, or may be used as an admission, concession or indication by or against CVS of any fault, wrongdoing or liability whatsoever.

Counsel for the Named Plaintiffs and the Plaintiffs ("Class Counsel") have extensively investigated and researched the facts and circumstances underlying the issues raised in the Action, and the law applicable thereto. Class Counsel recognizes the expense and length of continued proceedings necessary to continue the litigation against CVS through trial and through any possible appeals. Class Counsel has also taken into account the uncertainty and the risk of the outcome of further litigation, and the difficulties and delays inherent in such litigation.

Class Counsel is also aware of the burdens of proof necessary to establish liability for the Claims, of CVS's defenses thereto, and of the difficulties in establishing damages for the Plaintiffs. Class Counsel also has taken into account the extensive settlement negotiations conducted by Plaintiffs and CVS (the "Parties"). Based on the

foregoing, Class Counsel believes the proposed Settlement is fair, adequate and reasonable and in the best interests of the Plaintiffs.

CVS is also aware of the inherent risk of any litigation, and has likewise concluded that the further defense of this litigation would be protracted and expensive for all Parties. CVS has, therefore, agreed to settle this Action in the manner and upon the terms set forth in the proposed Settlement, to put to rest all claims that are or could have been asserted against it in the Action.

For purposes of the Settlement, the Court has certified a Class consisting of all current and former CVS employees who are/ were employed by CVS in a California store in operation as of April 27, 2006 in a Store Manager position at any time from February 16, 2001 to May 10, 2007.

IV.
THE SETTLEMENT

The following is only a summary of the provisions of the proposed Settlement between the Named Plaintiffs, the Plaintiffs and CVS. The specific and complete terms of the proposed Settlement are described in the Stipulation and Settlement Agreement of Class Action Claims ("Settlement Agreement"), a copy of which is available for your review as set forth at the end of this Notice.

CVS shall make the following Settlement Payments: (1) Settlement Awards to the Settlement Class Members; (2) a Fees Award to Class Counsel; and (3) costs of administration. The Fees Award and costs of administration are explained in Section VI below.

As explained above, all current and former employees of CVS who are/ were employed by CVS in a California store that was in operation as of April 27, 2006, and who are/ were employed as a Store Manager from February 16, 2001 to May 10, 2007 and receive this Notice, are defined as "Plaintiffs." All Plaintiffs are receiving this Notice. All Plaintiffs who do not request to be excluded from the Settlement as set forth in Section VIII below will be "Class Members." As a Class Member, if you wish to participate in the monetary recovery, you must sign and return the enclosed Claim Form/FLSA Consent Form as set forth below in Section V. You will then be a "Settlement Class Member." CVS has agreed to make available a maximum of \$142,000, less attorneys' fees, tax withholdings, incentive awards and costs of administration, for distribution to, or for the benefit of, Settlement Class Members. Each Settlement Class Member will receive payment based on the number of weeks the Settlement Class Member worked as a Store Manager for CVS in California during the Class Period. Each Settlement Class Member's gross payment is called his or her "Gross Settlement Amount." Fifty percent of each Settlement Class Member's Gross Settlement Amount will be considered wages, and fifty percent will be considered miscellaneous income. From the fifty percent considered wages, payroll deductions will be made, for state and federal withholding taxes and any other applicable payroll deductions owed by CVS and the Settlement Class Member as a result of the payment. The amount remaining after these deductions will be the Settlement Class Member's "Net Settlement Amount." The Net Settlement Amount that will be paid to each Settlement Class Member is that Settlement Class Member's "Settlement Award." The Settlement Awards will be paid within 10 days after the Settlement becomes fully final and effective (the "Effective Date" as defined in the Settlement Agreement).

If all Plaintiffs submit valid claims, each Settlement Class Member will receive approximately \$26.68 for each week the Settlement Class Member worked as Store Manager during the Class Period. If fewer than all Plaintiffs submit valid claims, the amount paid for each week worked will be greater.

V.
CLAIM PROCEDURE FOR MONETARY RECOVERY/FLSA
CONSENT PROCEDURE

A. The Settlement of this action includes claims under both California state law and federal law. All Plaintiffs receiving this Notice will be bound by the Settlement as to their state law claims unless they request exclusion as set forth below in Section VIII. However, only Plaintiffs who complete, sign and return the enclosed Claim Form/FLSA Consent Form will become Settlement Class Members and receive payment. Federal law provides that Plaintiffs will not be bound by the Settlement of this action as to their federal claims unless they complete the enclosed Claim Form/FLSA Consent Form. This means that when you complete, sign and return the Claim Form/FLSA Consent Form, you are doing two things: (1) requesting a monetary award and (2) consenting to join the federal action and to be represented by the Named Plaintiffs and their counsel. You therefore have three options:

- If you wish to receive a Settlement Award, you must complete, sign and return the Claim Form/FLSA Consent Form as outlined below in subsection B. This will also indicate your consent to join the FLSA portion of the action. You will be bound by the Settlement as to both your state and federal claims.
- If you do not return the Claim Form/FLSA Consent Form or request exclusion, you will be bound by the Settlement as to your state claims but not as to your federal claims, and you will not receive a Settlement Award.
- If you wish to be excluded from the Settlement, you must follow the procedures outlined below in Section VIII. You will not be bound by the Settlement as to either your state or federal claims, and you will not receive a Settlement Award.

B. As a Class Member, if you wish to receive a recovery and consent to join the FLSA action, you must complete, sign and return in a proper and timely fashion the Claim Form/FLSA Consent Form to CVS Settlement Administrator c/o Desmond, Marcello & Amster ("Claims Administrator"), at P.O. Box 451999 Los Angeles, CA 90045, via first class U.S. mail or equivalent, postage paid, postmarked on or before April 24, 2007. Any Claim Form/FLSA Consent Form that is not submitted by first class mail or equivalent, is postmarked after the applicable date, is not completely and legibly filled out, is not addressed to the proper address, or is not signed by the Class Member, will not constitute a valid claim and will be denied unless otherwise ordered by the Court.

The Claims Administrator shall review each Claim Form/FLSA Consent Form received and shall verify each form to reasonably ensure its validity and accuracy as may be reasonably necessary.

Each Class Member who submits a valid Claim Form/FLSA Consent Form shall be paid by check. The checks shall remain valid and negotiable for ninety (90) days from issuance and may thereafter automatically be canceled if not cashed.

VI.
CLASS COUNSEL'S FEES AWARD, CLASS REPRESENTATIVE
INCENTIVE AWARD AND CLAIMS
ADMINISTRATION EXPENSES

As part of the preliminary approval of the Settlement, Initiative Legal Group ("Class Counsel") will request attorneys' fees and costs in the amount of \$28,400 (the "Fees Award"); the Court will determine whether this is reasonable at the Settlement Hearing discussed below in Section IX. Class Counsel shall not be permitted to petition the Court for any additional payments for fees, costs or interest and the award shall be for all claims for attorneys' fees and costs past, present and future incurred in the Action. The Fees Award shall be paid by CVS. As part of the Settlement, you will not be required to pay Class Counsel for their representation of you in the Action.

As part of the preliminary approval of the Settlement, the Court has preliminarily approved an Incentive Award of up to \$10,000 to Williams and Acosta for their time and effort spent pursuing this Action to be paid as part of the settlement and by CVS.

Expenses of the administration of this Settlement will be deducted from the Settlement Amount.

VII.
BINDING EFFECT/RELEASE OF CLAIMS

A. Release Of Claims Affecting All Class Members

All Class Members, *i.e.*, all Plaintiffs who have not validly requested exclusion, will be bound by the terms of the proposed Settlement with regard to their state law claims if it is approved and if the Final Judgment of the Court dismissing the Action is entered and becomes final. If the proposed Settlement is approved, all Class Members will have released the "Released Parties" from the "Released Claims" as defined below and will be permanently barred from suing or otherwise making a claim against any of the Released Parties that is in any way related to the Released Claims. This is more completely set forth as follows:

Release As To All Class Members. As of the Effective Date, the Class Members, including the Named Plaintiffs, release CVS and each of its past, present and future officers, directors, shareholders, employees, agents, principals, heirs, representatives, accountants, auditors, attorneys, consultants, insurers and reinsurers, and its and their respective successors and predecessors in interest, subsidiaries, affiliates, parents and each of their company-sponsored employee benefit plans and all of their respective officers, directors, employees, administrators, fiduciaries, trustees and

agents (the "Released Parties"), from the "Released Claims." For purposes of this Agreement, the "Released Claims" are defined as:

all claims, demands, rights, liabilities, and causes of action of every nature and description whatsoever, known or unknown, arising from or reasonably related to the claims pled in the Complaint, including but not limited to the following: (1) any and all facts, transactions, events, policies, occurrences, acts, disclosures, statements, omissions or failures to act, which are or could be the basis of claims that CVS failed to compensate Plaintiffs for all hours worked in accordance with California law, including claims: (a) that CVS did not pay the Plaintiffs all amounts due for work that was performed by the Plaintiffs for CVS, including but not limited to overtime work and/or off-the-clock work; (b) that CVS did not provide Plaintiffs all meal periods and/or rest breaks required by any applicable laws; and/or (c) that CVS owes wages, commissions, penalties (specifically including but not limited to waiting time penalties and meal/rest period penalties), interest, attorneys' fees or other damages of any kind based on a failure to comply with any state wage and hour laws, at any times on or before the last day of the Class Period (whether based on California state wage and hour law, contract, or otherwise); (d) that CVS did not provide Plaintiffs with an itemized pay statement as required by applicable laws; and/or (2) the causes of action asserted in the Class Action, including any and all claims for alleged failure to pay overtime and/or to provide rest breaks and, as related to the foregoing, for alleged unlawful, unfair and/or fraudulent business practices under California Business and Professions Code § 17200, *et seq.*

The Released Claims include any unknown claims that the Class Members do not know or suspect to exist in their favor at the time of the release, which, if known by them, might have affected their settlement with, and release of, the Released Parties or might have affected their decision not to object to this Settlement. With respect to the Released Claims, the Class Members stipulate and agree that, upon the Effective Date, the Class Members shall be deemed to have, and by operation of the Final Judgment shall have, expressly waived and relinquished, to the fullest extent permitted by law, the provisions, rights and benefits of Section 1542 of the California Civil Code, or any other similar provision under federal or state law, which Section provides:

A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.

The Class Members may hereafter discover facts in addition to or different from those they now know or believe to be true with respect to the subject matter of the Released Claims, but upon the Effective Date, shall be deemed to have, and by operation of the Final Judgment shall have, fully, finally, and forever settled and released any and all of the Released Claims, whether known or unknown, suspected or unsuspected, contingent or non-contingent, which now exist, or heretofore have existed, upon any theory of law or equity now existing or coming into existence in the future, including, but not limited to, conduct that is negligent, intentional, with or without malice, or a breach of any duty, law or rule, without regard to the subsequent discovery or existence of such different or additional facts. Nothing herein shall be construed to release any claims not within the scope of "Released Claims" as defined herein.

The Class Members agree not to sue or otherwise make a claim against any of the Released Parties that is in any way related to the Released Claims.

B. Release Of Claims Affecting Only Class Members Who Return A Claim Form/FLSA Consent Form

All Settlement Class Members, *i.e.*, all Plaintiffs who have submitted a valid Claim Form/FLSA Consent Form, will be bound by the terms of the proposed Settlement with regard to their federal law claims if it is approved and if the Final Judgment of the Court dismissing the Action is entered and becomes final. If the proposed Settlement is approved, all Settlement Class Members will have released the "Released Parties" from the "Released Federal Claims" as defined below and will be permanently barred from suing or otherwise making a claim against any of

the Released Parties that is in any way related to the Released Federal Claims. This is more completely set forth as follows:

all claims, demands, rights, liabilities, and causes of action of every nature and description whatsoever, known or unknown, asserted or that might have been asserted, that arise from or are reasonably related to the claims pled in the Complaint, including but not limited to: (1) any and all facts, transactions, events, policies, occurrences, acts, disclosures, statements, omissions or failures to act, which are or could be the basis of claims that CVS failed to compensate Plaintiffs for all hours worked in accordance with federal law, including claims: (a) that CVS did not pay the Plaintiffs all amounts due for work that was performed by the Plaintiffs for CVS, including but not limited to overtime work and/or off-the-clock work; and/or (b) that CVS owes wages, commissions, penalties, interest, attorneys' fees or other damages of any kind based on a failure to comply with any federal wage and hour laws, at any times on or before the last day of the Class Period (whether based on federal wage and hour law, contract, or otherwise); and/or (2) the causes of action asserted in the Class Action, including any and all claims for alleged failure to pay overtime.

The Released Federal Claims include any unknown claims that the Settlement Class Members do not know or suspect to exist in their favor at the time of the release, which, if known by them, might have affected their settlement with, and release of, the Released Parties or might have affected their decision not to object to this Settlement. With respect to the Released Federal Claims, the Settlement Class Members stipulate and agree that, upon the Effective Date, the Settlement Class Members shall be deemed to have, and by operation of the Final Judgment shall have, expressly waived and relinquished, to the fullest extent permitted by law, the provisions, rights and benefits of Section 1542 of the California Civil Code, or any other similar provision under federal or state law, which Section provides:

A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.

The Settlement Class Members may hereafter discover facts in addition to or different from those they now know or believe to be true with respect to the subject matter of the Released Federal Claims, but upon the Effective Date, shall be deemed to have, and by operation of the Final Judgment shall have, fully, finally, and forever settled and released any and all of the Released Federal Claims, whether known or unknown, suspected or unsuspected, contingent or non-contingent, which now exist, or heretofore have existed, upon any theory of law or equity now existing or coming into existence in the future, including, but not limited to, conduct that is negligent, intentional, with or without malice, or a breach of any duty, law or rule, without regard to the subsequent discovery or existence of such different or additional facts. Nothing herein shall be construed to release any claims not within the scope of "Released Federal Claims" as defined herein.

The Settlement Class Members agree not to sue or otherwise make a claim against any of the Released Parties that is in any way related to the Released Federal Claims.

VIII.

PROCEDURE FOR EXCLUSION

Plaintiffs may exclude themselves from the Settlement as to their state law claims by mailing to the Claims Administrator, via first class U.S. mail or equivalent, postage paid, postmarked on or before April 24, 2007, a completed Exclusion Form expressing their desire to be excluded from the Williams et. al. v. CVS Drug Stores et. al. litigation Settlement as to their state law claims in the litigation. If you wish to request exclusion from the Settlement as to your state law claims in this class action lawsuit, your Exclusion Form must include your name (and former names, if any), current address, telephone number, the last four digits of your social security number, and the dates of your employment by CVS. In addition, it must be postmarked on or before April 24, 2007. Requests for exclusion that do not include all required information, or that are not submitted on a timely basis, will be deemed null, void and ineffective. Persons who are eligible to and do submit valid and timely requests for exclusion from the Settlement as to their state law claims will not receive Settlement Awards, and will not be bound by the terms of the proposed Settlement as to their state law claims, if it is approved, or the Final Judgment in this Action.

IX.

SETTLEMENT HEARING/OBJECTIONS TO THE PROPOSED SETTLEMENT

A hearing (the "Settlement Hearing") will be held before the Honorable Jonathan H. Cannon May 10, 2007 at 1:30 p.m. at the Superior Court of California for the County of Orange, 700 Civic Center Drive West, Santa Ana, CA 92701 (the "Court"), to determine whether the proposed Settlement of the Action is fair, adequate and reasonable and should be approved by the Court and whether the Action should be dismissed on the merits with prejudice. The hearing may be adjourned by the Court from time to time as the Court may without further notice direct.

Any Class Member may appear in person or through counsel at the Settlement Hearing and be heard as to why the proposed Settlement of the Action should not be approved as fair, adequate and reasonable, or why a Final Judgment dismissing the Action against CVS with prejudice should or should not be entered. No Class Member, however, shall be heard or entitled to object and no papers or briefs submitted by any such person shall be received or considered by the Court unless written notice of intention to appear at the Settlement Hearing, together with copies of all papers and briefs proposed to be submitted to the Court at the Settlement Hearing, shall have been filed with the Court and have been served personally on or before April 24, 2007, or if by mail then postmarked no later than April 24, 2007, upon all of the following:

Mark Yablonovich
Marc Primo
Shawn Westrick
Initiative Legal Group
1875 Century Park East, Suite 1800
Los Angeles, CA 90067

Douglas R. Hart
Jennifer B. Zargarof
Sheppard, Mullin, Richter & Hampton LLP
333 South Hope Street, 48th Floor
Los Angeles, CA 90071-1448

Any member of the Settlement Class who does not make and serve his or her written objections in the manner provided above shall be deemed to have waived such objections and shall be foreclosed from making any objections (by appeal or otherwise) to the proposed Settlement.

Any Class Member who is satisfied with the proposed Settlement need not appear at the Settlement Hearing.

X.

EXAMINATION OF PAPERS AND INQUIRIES

The foregoing is only a summary of the Action and the proposed Settlement and does not purport to be comprehensive. For a more detailed statement of the matters involved in the Action and the proposed Settlement, you may refer to the pleadings, the Stipulation and Settlement Agreement of Class Action Claims, and other papers filed in the Action, which may be inspected at the Office of the Clerk of the Superior Court of California for the County of Orange, 700 Civic Center Drive West, Santa Ana, CA 92701, during regular business hours of each Court day.

All inquiries by Plaintiffs regarding this Notice and/or the Settlement should be directed to counsel for the Settlement Class, Mark Yablonovich of Initiative Legal Group, 1875 Century Park East, Suite 1800, Los Angeles, CA 90067.

PLEASE DO NOT CONTACT THE CLERK OF THE COURT, THE JUDGE, CVS, OR CVS' ATTORNEYS WITH INQUIRIES.

Dated: February 23, 2007

JONATHAN H. CANNON
JUDGE, SUPERIOR COURT OF CALIFORNIA FOR THE
COUNTY OF ORANGE