

CVS CORP

Form S-4/A

January 16, 2007

As filed with the Securities and Exchange Commission on January 16, 2007

Registration No. 333-139470

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 2
TO
Form S-4
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

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)

Copies to:

**Douglas A. Sgarro, Esq.
Executive Vice President-Strategy and
Chief Legal Officer
CVS Corporation
One CVS Drive
Woonsocket, RI 02895
(401) 765-1500**

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450 Lexington Avenue
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Senior Vice President, Secretary and
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

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and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

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. o

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)	Regis
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 16, 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. Caremark stockholders will also receive a one-time special cash dividend in the amount of \$2.00 per share of Caremark common stock held by each such holder on a record date to be set by the Caremark board of directors, which dividend will be conditioned on the completion of the merger and will be paid at or immediately following the effective time of 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 January 12, 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 \$31.94.

CVS and Caremark estimate that CVS will issue approximately 712.4 million shares of CVS/Caremark common stock in the merger based on the number of shares of Caremark common stock outstanding on January 15, 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 27.**

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

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

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 [], 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 158. 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:

if you are a Caremark stockholder:

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

Electronic: www.caremarkrx.com (please see "SEC Filings" page or "Request Document" 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

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

By Telephone: (800) 201-0938

By Telephone: (800) 633-9509

IF YOU WOULD LIKE TO REQUEST DOCUMENTS, PLEASE DO SO BY FEBRUARY 12, 2007 IN ORDER TO RECEIVE THEM BEFORE YOUR SPECIAL MEETING.

VOTING ELECTRONICALLY, BY TELEPHONE OR BY MAIL

CVS stockholders of record on January 19, 2007 may submit their proxies:

- Through the Internet, by visiting the website established for that purpose at 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 January 15, 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.

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 February 23, 2007**

Dear Stockholder:

A special meeting of stockholders of CVS Corporation will be held on February 23, 2007 at 11:00 a.m., Eastern Time, at CVS's 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's 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 MergerSub 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 January 19, 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 January 19, 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

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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.

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 27.**

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

January __, 2007

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

To Be Held On February 20, 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 February 20, 2007 at 1:00 p.m., Central Time, at the Hilton Nashville Downtown at 121 Fourth Avenue South, 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, as amended by Amendment No.1 to the merger agreement dated January 16, 2007, 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 January 15, 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 27 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

January __, 2007

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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, Caremark will be merged with and into a wholly owned subsidiary of CVS that was formed for the purpose of the merger with the CVS subsidiary surviving the merger and remaining a wholly owned subsidiary of CVS. Immediately following the merger, CVS Corporation will be renamed "CVS/Caremark Corporation" and Twain MergerSub LLC will be renamed "Caremark Rx, L.L.C.". 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' 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' name to CVS/Caremark Corporation. These changes are described under the section entitled "CVS Charter Amendment" beginning on page 127.

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: *Will I receive the Caremark special cash dividend?*

A: CVS has granted a waiver to Caremark from the restrictions set forth in the merger agreement to permit Caremark to pay a one-time, special cash dividend to holders of Caremark common stock (on a record date to be set by the Caremark board of directors) in the amount of \$2.00 per share of Caremark common stock held by each such holder on such record date, which dividend shall be declared prior to the Caremark special meeting, but shall only become payable upon or after the effective time of the merger, and such payment shall be conditioned upon the completion of the merger. You can find further details regarding this dividend in the section entitled "The Merger" Caremark Special Cash Dividend" beginning on page 40.

Q: *What is the accelerated share repurchase transaction?*

A: CVS and Caremark have agreed that as promptly as practicable after the closing of the merger, CVS/Caremark will execute an accelerated share repurchase transaction on customary terms, whereby CVS/Caremark will retire 150 million shares of its common stock (approximately 9.8% of the combined company's pro-forma outstanding shares after giving effect to the merger). To implement this transaction,

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CVS/Caremark will enter into an agreement with one or more financial institutions to purchase shares of common stock from each of them and pay each of them for the shares to be retired. The effect of this transaction and the related borrowing by the combined

company to finance the transaction will be the immediate reduction of shares outstanding by 150 million shares and an increase in the combined company's funded debt by approximately \$4.8 billion. CVS has received commitments for such financing. It is anticipated that the agreement with the financial institutions will provide for a purchase price adjustment mechanism customary for such a transaction. The purchase price adjustment under such agreement may be subject to limits on the amounts that may be owed by CVS/Caremark or the financial institutions or both.

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 February 23, 2007 at 11:00 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 February 20, 2007 at 1:00 p.m., Central Time, at the Hilton Nashville Downtown at 121 Fourth Avenue South, 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:

- 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

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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
- 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 104 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 121. 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 125.

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 118 and "The Caremark

Special Meeting beginning on page 123.

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:

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- 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 MeetingVotes Required to Approve CVS Proposals beginning on page 120 if you are a CVS stockholder, and The Caremark Special MeetingVotes Required to Approve Caremark Proposals beginning on page 124 if you are a Caremark stockholder.

Q: *What do I do now?*

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;
- 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 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 27 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 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 114.

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
Phone Number: (800) 201-0938
E-mail Address: investorinfo@cvs.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:

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

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, 20th Floor
New York, NY 10022
Phone Number: Stockholders: (877) 750-9498 (toll-free)
Banks and Brokers: (212) 750-5833 (collect)