

CtW Investment Group

February 26, 2007

Dear Caremark shareholder:

On February 23, the Delaware Court of Chancery buttressed investors' concerns that Caremark's directors repeatedly failed to maximize shareholder value during merger discussions with CVS. In a stinging rebuke to the Caremark board, Chancellor William B. Chandler, III expressed "suspicions regarding the integrity of the process underlying these merger negotiations" (p. 26) and noted that Caremark's public filings "suggest a certain indifference on behalf of the Caremark board and supine acceptance of any additional consideration that might descend like manna from heaven from CVS." (pp. 27-28)

While Chancellor Chandler declined to pre-empt Caremark shareholders' right to make an informed judgment on the CVS merger proposal, he enjoined the shareholder vote for a second time—this time until 20 days after Caremark corrected misleading disclosures about shareholders' appraisal rights and fee arrangements with its financial advisors. Rather than take the Court's censure as a cue to go back to the drawing board and run a process that truly maximizes shareholder value, the Board chose to respond with the minimum disclosure required on February 24 in order to rush into a special shareholder meeting on March 16.

We therefore reiterate our recommendation that Caremark shareholders reject this merger by voting the company's white proxy card AGAINST proposal No. 1 at Caremark's rescheduled special meeting on March 16. A "no" vote will hold the Caremark Board accountable for its half-hearted negotiations; following such a vote, the Caremark Board should finally obtain full value for the company by initiating a fair and thorough auction process.

Chancellor Chandler's opinion in *LAMPERS et al. v. Crawford et al.*, C.A. No. 2635-N (Del. Ch. Feb. 23, 2007) bolsters our concern that Caremark's board engaged in a conflicted process inadequate to secure maximum shareholder value:

- He concluded that "Caremark shareholders should not be denied their appraisal rights simply because their directors are willing to collude with a favored bidder to 'launder' a cash payment" into a so-called 'special dividend.' (p. 37)
- Regarding Caremark's assertion that the CVS proposal constitutes a 'change of control' for certain legal purposes but not others, he observed: "It is an unfortunate and disappointing spectacle . . . to watch a board of directors insist that it simultaneously deserves the protection of the business judgment rule because the company is not changing hands, while a massive personal windfall is bestowed because it is. As Alice's cantankerous egg [Humpty Dumpty] puts it, 'When I make a word do a lot of work like that . . . I always pay it extra.'" (p. 7, n. 6)
- He rejected Caremark's effort to defend the deal protections in the CVS agreement as unexceptional, finding that "Particularly with respect to the termination fee, this argument by custom fails to convince." (pp. 11-12, n. 10)

**This is not a proxy solicitation and no proxy cards will be accepted.
Please DO NOT send your proxy card to the CtW Investment Group.**

Chancellor Chandler also reinforced our longstanding concern that Caremark's directors may have favored this deal as a way to escape liability for options backdating. Despite Caremark and CVS' previous claims to the contrary, Chandler's opinion indicated that Delaware law may enable a post-merger CVS/Caremark to grant the Caremark directors greater indemnification against liability for approving and receiving backdated options than could a stand-alone Caremark. (p. 8-9, n. 8) As noted in earlier letters to the company and to shareholders, our own analysis has indicated a high probability that even Caremark's non-employee directors have accepted backdated options as compensation.

When added to Caremark's February 12 disclosure that CVS has agreed to pay directors' and officers' liability insurance premiums of up to 450% of Caremark's current premiums, Chancellor Chandler's legal analysis should be cause for alarm not only for Caremark shareholders—who may lose standing to pursue options backdating claims if this merger is completed—but also for CVS shareholders who may be left holding the bag if and when damages are awarded in a future Caremark backdating case.

Our earlier decision to oppose the CVS merger proposal—based not only on such process and valuation concerns, but also on our skepticism about the projected strategic benefits of this combination—followed six weeks of communications with the Caremark board to address our concerns. That process culminated in a February 2 forum we hosted in which institutional shareholders holding roughly 46% of Caremark's shares met with Express Scripts' CEO George Paz, and then with CVS CEO Tom Ryan and Caremark CEO Mac Crawford jointly. Our opposition is not an endorsement of the Express Scripts proposal: in fact, we have significant concerns with that proposal as well, per our January 9 letter to CVS and Express Scripts.

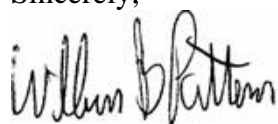
The CtW Investment Group works with pension funds sponsored by unions affiliated with Change to Win, a federation of unions representing nearly 6 million members. These funds are substantial long-term shareholders with an estimated 1.5 million shares of Caremark common stock. In addition, public pension funds in which members of CtW unions participate own an estimated 18.7 million Caremark shares.

Summary

The Caremark board has squandered yet another opportunity to maximize shareholder value. We recommend that shareholders respond by voting the company's white proxy card AGAINST proposal number 1 on March 16.

Please contact Michael Garland at 212-290-0308 to discuss these issues further and visit www.ctwinvestmentgroup.com/maximizecaremarkvalue for additional information and updates.

Sincerely,



William B. Patterson
Executive Director

**This is not a proxy solicitation and no proxy cards will be accepted.
Please DO NOT send your proxy card to the CtW Investment Group.**