

CtW Investment Group

January 11, 2007

Michael D. Ware
Director and Member of the Audit Committee
Caremark Rx, Inc. Board of Directors
c/o Corporate Secretary
211 Commerce Street, Suite 800
Nashville, Tennessee 37201

Dear Mr. Ware,

We were disappointed by your failure to respond to our December 21 letter in which we urged you to lead the effort to establish a special committee of independent Caremark directors empowered to investigate possible backdating of director and executive stock options. Instead, we received a perfunctory response from Sara J. Finley – Caremark’s Corporate Secretary, Senior Vice President, and Assistant General Counsel – that only reinforced our concern that the board of directors is failing to act independently of management.

This week’s decision by the Caremark board to reject Express Scripts’ higher offer has now placed the independence and integrity of Caremark’s directors under even more intense investor and legal scrutiny. We again urge you to immediately take the steps necessary to restore investor confidence in the Caremark board, including the creation of a special committee of independent directors – such as yourself – who have not received apparently backdated options.

Caremark’s directors may be hoping that concerns over improperly backdated options will soon be moot in light of the Merger Agreement with CVS: as at least two lawsuits have now asserted, that merger agreement appears to indemnify Caremark directors from personal liability arising from their alleged approval of backdated options.

In fact, however, Caremark directors cannot avoid such concerns given that:

1. *Caremark shareholder approval of the CVS Merger Agreement is far from certain.* Investor response to CVS’s offer has been tepid; response to Express Scripts’ subsequent, higher offer has been warmer. After the Caremark board rejected Express Scripts’ offer earlier this week, moreover, Express Scripts announced its intention to solicit proxies against approval of the proposed CVS merger. Thus, the CVS deal will face well-funded opposition by a party with a compelling alternative offer.
2. *The credibility of Caremark’s directors will be among the key factors that Caremark shareholders will consider when voting on the CVS deal.* Investors’ willingness to rely on the board’s recommendation in favor of the CVS deal, despite the lack of a premium and the existence of a higher offer, will depend on whether they believe the board is acting solely in their best interests. Moreover, the CVS deal will create a merged company whose board will have equal numbers of Caremark and CVS members, reinforcing the need for individual Caremark directors to regain credibility.

3. *Caremark shareholders have filed suit in the Delaware Court of Chancery alleging that Caremark's directors have not acted in their best interests during this process.* The lawsuit alleges that the deal improperly benefits various Caremark executives by providing them lucrative windfall payments and positions with the surviving company, that Caremark directors improperly accepted deal protection provisions that act to deter other bidders, and that the Caremark directors may have been motivated to endorse the CVS merger agreement precisely to extinguish their own personal liability.
4. *Caremark's directors will once again find their integrity under scrutiny in the event that the CVS merger is rejected by shareholders and Express Scripts moves forward with its bid.* As you know, Express Scripts has announced its intention to nominate four directors for election at Caremark's upcoming annual meeting in the spring.

A pro-active response to concerns that Caremark's board is not acting in shareholders' interests is essential to restore investor confidence. Unfortunately, in her December 27 response to our letter, Ms. Finley fails even to acknowledge our key finding: that a majority of Caremark's independent directors, including the Chairmen of the Audit, Compensation, and Nominating and Governance committees, all appear to have received backdated stock options. Instead, Ms. Finley merely states "we believe our compensation practices, including those relating to the granting of stock options, are conducted and disclosed in accordance with applicable laws and regulations."

In our view, given the highly improbable timing of Caremark's executive and director option grants, neither shareholders nor Caremark's independent directors should rely solely on inside counsel's opinion regarding the legality of the company's compensation practices. We note that both Ms. Finley and Caremark General Counsel Edward Hardin themselves received questionably timed options in 1998, 1999, and 2001. Moreover, according to both the Tennessee Bar Association website and the Martindale-Hubbell legal directory, it appears that Mr. Hardin is not licensed to practice law in Tennessee. If this is the case, his employment as General Counsel at Caremark would appear to constitute the unauthorized practice of law, further calling into question the propriety of Caremark's compensation practices and overall internal controls.

Finally, we think it appropriate it to advise you that we have invited both CVS and Express Scripts to present their respective Caremark merger proposals at a forum for union-sponsored and public pension funds and other Caremark institutional shareholders early next month. Concerns about the Caremark board's ability to represent shareholders' interests – including the possibility that independent directors improperly benefited from backdated options – are certain to be an important topic of discussion at this forum.

These circumstances underscore the need for the immediate creation of a special committee of independent directors empowered to retain independent counsel and investigate possible backdating. We believe that it is essential to provide shareholders with the assurance that possible wrong-doing by Caremark directors will be fully investigated and not swept under the rug. Given the myriad other concerns surrounding Caremark's board and its decisions over the past few months, we believe that this assurance must be given to shareholders prior to the upcoming vote on the CVS merger.

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We look forward to the board's prompt response. We are also available to meet if you believe you are able to provide a substantive response to our concerns prior to our shareholder forum scheduled for February 7. Please contact my colleague Richard Clayton office at (202) 255-6433 if you would like to arrange a meeting.

Sincerely,

A handwritten signature in black ink, appearing to read "William B. Patterson". The signature is written in a cursive style with some loops and flourishes.

William B. Patterson
Executive Director

CC: Michael D. Ware (Washington, DC office)
Edwin M. Crawford
Edwin M. Banks
C. David Brown II
Colleen Conway-Welch, Ph.D.
Harris Diamond
Kristen E. Gibney Williams
Edward L. Hardin
Roger L. Headrick
Jean-Pierre Millon
C.A. Lance Piccolo