

CVS CAREMARK CORP  
Form 11-K  
June 24, 2011  
Table of Contents

# SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

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## FORM 11-K

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- x **Annual Report Pursuant to Section 15(d) of the Securities and Exchange Act of 1934**
  
- .. **Transition Report Pursuant to Section 15(d) of the Securities and Exchange Act of 1934**

**For the fiscal year ended December 31, 2010**

**Commission File Number: 001-01011**

**The 401(k) Plan and the Employee Stock Ownership Plan of CVS Caremark Corporation and Affiliated Companies**

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# **CVS Caremark Corporation**

**One CVS Drive**

**Woonsocket, RI 02895**

(Name of issuer and address of principal executive offices of issuer)

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Table of Contents

**THE 401(k) PLAN AND THE EMPLOYEE STOCK OWNERSHIP PLAN  
OF CVS CAREMARK CORPORATION AND AFFILIATED COMPANIES  
YEARS ENDED DECEMBER 31, 2010 AND 2009**

**CONTENTS**

	<b>Page</b>
<u>REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>	2
FINANCIAL STATEMENTS:	
<u>Statements of Net Assets Available for Benefits</u>	3
<u>Statements of Changes in Net Assets Available for Benefits</u>	4
<u>Notes to Financial Statements</u>	5
SUPPLEMENTARY SCHEDULES:	
<u>Schedule H, Line 4a - Schedule of Delinquent Participant Contributions</u>	21
<u>Schedule H, Line 4i - Schedule of Assets (Held at End of Year)</u>	22
<u>SIGNATURE</u>	35
<u>EXHIBIT INDEX</u>	36
Exhibit 23.1 - Consent of Ernst & Young LLP	37

Table of Contents

Report of Independent Registered Public Accounting Firm

The Administrative Committee of

The 401(k) Plan and the Employee Stock Ownership

Plan of CVS Caremark Corporation and Affiliated Companies

We have audited the accompanying statements of net assets available for benefits of The 401(k) Plan and the Employee Stock Ownership Plan of CVS Caremark Corporation and Affiliated Companies (the Plan ) as of December 31, 2010 and 2009, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Plan s internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits as of December 31, 2010 and 2009, and the changes in net assets available for benefits for the years then ended, in conformity with U.S. generally accepted accounting principles.

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedules of delinquent participant contributions for the year ended December 31, 2010 and assets (held at end of year) as of December 31, 2010, are presented for purposes of additional analysis and are not a required part of the financial statements but are supplementary information required by the Department of Labor s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. These supplemental schedules are the responsibility of the Plan s management. The supplemental schedules have been subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole.

/s/ Ernst & Young LLP

Boston, Massachusetts

June 24, 2011



Table of Contents

**THE 401(k) PLAN AND THE EMPLOYEE STOCK OWNERSHIP PLAN  
OF CVS CAREMARK CORPORATION AND AFFILIATED COMPANIES**

Statements of Net Assets Available for Benefits

December 31, 2010 and 2009

	2010	2009
<b>Assets:</b>		
Investments, at fair value (Note 10):		
Cash	\$ 9,742,342	\$
Common collective trust funds (Note 2 (d))	788,193,027	1,105,228,605
Guaranteed investment contracts (Note 2 (d))	308,871,889	
Mutual funds (Note 2 (d))	2,160,422,545	1,562,946,674
Common stock (Note 2 (d))	1,319,512,127	1,339,854,087
Total investments	4,586,741,930	4,008,029,366
<b>Receivables:</b>		
Interest and dividends (Note 2 (i))	2,080,838	2,227,286
Employer contributions (Note 1 (d))	43,031,787	42,042,194
Employee contributions (Note 1 (d))	6,364,320	22,525,321
Notes receivable from participants (Note 4)	137,887,485	121,822,855
Total receivables	189,364,430	188,617,656
<b>Total assets at fair value</b>	<b>4,776,106,360</b>	<b>4,196,647,022</b>
<b>Liabilities:</b>		
Accrued expenses and other liabilities	406,405	1,997,624
<b>Total liabilities</b>	<b>406,405</b>	<b>1,997,624</b>
<b>Net assets available for benefits at fair value</b>	<b>4,775,699,955</b>	<b>4,194,649,398</b>
Adjustments from fair value to contract value for fully benefit-responsive investment contracts	(20,933,427)	75,476
<b>Net assets available for benefits</b>	<b>\$ 4,754,766,528</b>	<b>\$ 4,194,724,874</b>

See accompanying notes to financial statements.

Table of Contents

**THE 401(k) PLAN AND THE EMPLOYEE STOCK OWNERSHIP PLAN  
OF CVS CAREMARK CORPORATION AND AFFILIATED COMPANIES**

Statements of Changes in Net Assets Available for Benefits

Years Ended December 31, 2010 and 2009

	2010	2009
<b>Investment activity:</b>		
Interest and dividend income (Note 2 (i))	\$ 101,303,645	\$ 89,110,408
Transfer in (out) of plan assets (Note 1 (a))	(2,721,793)	730,042,061
Realized and unrealized gains (Notes 3 and 5)	353,061,073	566,101,097
Total investment activity	451,642,925	1,385,253,566
<b>Contributions:</b>		
Employer contributions (Note 1 (d))	155,731,506	156,220,766
Employee contributions (Note 1 (d))	259,633,846	252,807,011
Rollovers	12,437,643	10,456,819
Total contributions	427,802,995	419,484,596
<b>Deductions:</b>		
Benefits paid to participants (Notes 1 (g) and 2 (e))	307,443,630	212,424,650
Administrative expenses (Note 1 (h))	11,960,636	10,671,475
Total deductions	319,404,266	223,096,125
Net increase in net assets for the year	560,041,654	1,581,642,037
Net assets beginning of the year	4,194,724,874	2,613,082,837
Net assets end of the year	\$ 4,754,766,528	\$ 4,194,724,874

See accompanying notes to financial statements.

Table of Contents

**THE 401(k) PLAN AND THE EMPLOYEE STOCK OWNERSHIP PLAN  
OF CVS CAREMARK CORPORATION AND AFFILIATED COMPANIES**

Notes to Financial Statements

Years Ended December 31, 2010 and 2009

**Note 1 - Plan Description**

The following description of the 401(k) Plan and the Employee Stock Ownership Plan (the ESOP) of CVS Caremark Corporation and Affiliated Companies (the Plan) provides only general information. Participants should refer to the Plan documents for a more complete description of the Plan's provisions.

*(a) Background*

The Plan is a defined contribution plan subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), as amended. The general administration of the Plan and the responsibility for carrying out the provisions of the Plan are maintained by a committee (the Benefit Plans Committee) of not less than three persons appointed by the Board of Directors of CVS Caremark Corporation (CVS Caremark or the Company), the sponsor of the Plan. In accordance with the provisions of the Plan, the Benefit Plans Committee has appointed an administrator (the Administrator) and a trustee (the Trustee). The Administrator maintains participant account records and instructs the Trustee to execute transactions such as benefit payments to participants. The Trustee holds the assets of the Plan and executes transactions at the direction of the Benefit Plans Committee and the Administrator. Effective January 2010, the Benefits Plans Committee further named an Administrative Sub Committee and an Investment Sub Committee and delegated certain fiduciary duties to each of the Committees.

The Plan was established as of January 1, 1989.

Effective April 10, 2002, the 401(k) Profit Sharing Plan of CVS Corporation (the 401(k) Plan) was merged into the Plan, and the plan name was changed from CVS Corporation and Subsidiaries Employee Stock Ownership Plan to The 401(k) Plan and the Employee Stock Ownership Plan of CVS Corporation and Affiliated Companies. All assets and liabilities under the 401(k) Plan as of April 10, 2002 were transferred to the Plan and, as of that date, benefits for the participants and beneficiaries of the 401(k) Plan have been paid from the Plan. See Note 2(a) for further breakdown between ESOP and 401(k) assets.

Effective March 22, 2007, pursuant to the Agreement and Plan of Merger dated as of November 1, 2006, as amended, Caremark Rx, Inc. (Caremark) was merged into a newly formed subsidiary of CVS Caremark Corporation (CVS) with the CVS subsidiary continuing as the surviving entity (the Caremark Merger). Subsequently, the name of this plan was changed from The 401(k) Plan and the Employee Stock



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Ownership Plan of CVS Corporation and Affiliated Companies to The 401(k) Plan and the Employee Stock Ownership Plan of CVS Caremark Corporation and Affiliated Companies. The Plan has not been amended to allow for participation by Caremark employees and as such, the financial statements herein do not reflect any consolidation of benefits as provided to employees by Caremark at the time of the Caremark Merger.

Effective February 21, 2009, the Longs Drug Stores California LLC 401(k) Plan (the Longs Plan ) was merged into the Plan and effective March 10, 2009, the assets of the Longs Plan, both cash and in-kind, were transferred into the Plan. This transfer included \$194,944,787 and \$535,097,274 of cash and in-kind assets, respectively. There are no remaining assets in the Longs Plan.

Table of Contents

**THE 401(k) PLAN AND THE EMPLOYEE STOCK OWNERSHIP PLAN  
OF CVS CAREMARK CORPORATION AND AFFILIATED COMPANIES**

Notes to Financial Statements (Continued)

Years Ended December 31, 2010 and 2009

Effective January 1, 2010, CVS Caremark developed the Intercompany Voluntary Transfer Program, allowing employees who experienced a bona fide transfer within the Company's control group the opportunity to voluntarily transfer their 401(k) assets from their prior business unit's plan to the 401(k) plan sponsored by their current business unit. This offering is made twice a year to eligible employees. The first offering for this program was processed in October 2010 and resulted in a transfer of assets out of the Plan of \$3,181,719 and transfer of assets into the Plan of \$459,926, for a net effect of (\$2,721,793).

**(b) Eligibility**

Employees are eligible to participate in the Plan upon attainment of age 21 and on the earliest of:

- The first payroll period of the first month after completion of 90 continuous days of service as a full-time employee;
- Completion of 12 months of service beginning on the employee's hire date with at least 1,000 hours worked; or
- Completion of at least 1,000 hours of service in the course of one calendar year.

Employees referred to above are defined as regular employees of the Company other than:

- A nonresident alien receiving no United States ( U.S. ) earned income from the Company;
- An individual covered under a collective bargaining agreement (unless the agreement provides for membership);

- A leased employee (as defined in the Internal Revenue Code);
- A temporary employee (as determined by the Company); or
- An independent contractor or consultant (as defined by the Company).

(c) ***Leveraged ESOP Transaction***

On June 23, 1989, the ESOP borrowed \$357,500,000 from qualified lenders at an interest rate of 8.60% for a 20-year term (the ESOP Notes ). The loan to the ESOP was guaranteed by CVS Caremark. The ESOP used the proceeds of the loan to purchase 6,688,494 shares of CVS Caremark Corporation Series One ESOP Convertible Preference Stock ( ESOP Preference Stock ). Each share of ESOP Preference Stock was convertible into shares of CVS Caremark Common Stock at the election of the Plan's Trustee. The conversion rate was 4.628 shares of CVS Caremark Common Stock for each share of ESOP Preference Stock. The annual dividend on the ESOP Preference Stock is \$3.90 per share. Cash dividend payments on unallocated ESOP Preference Stock were used to make debt service payments and are not allocated to participants accounts.

In accordance with the terms of the loan agreement, the interest rate on the loan was adjusted as of January 1, 1995 in connection with the increase in the Federal income tax rate to 35%. The adjusted interest rate was 8.52%.

As of December 31, 2008, the Plan repaid all outstanding amounts under the terms of the ESOP Notes described above.

Table of Contents

**THE 401(k) PLAN AND THE EMPLOYEE STOCK OWNERSHIP PLAN  
OF CVS CAREMARK CORPORATION AND AFFILIATED COMPANIES**

Notes to Financial Statements (Continued)

Years Ended December 31, 2010 and 2009

On January 30, 2009, pursuant to the Company's Amended and Restated Certificate of Incorporation (the "Charter"), the Company informed the trustee of the ESOP Trust of its intent to redeem for cash all of the outstanding shares of ESOP Preference Stock on February 24, 2009 (the "Redemption Date"). Under the Charter, at any time prior to the Redemption Date, the trustee is afforded the right to convert the ESOP Preference Stock into shares of the Company's Common Stock. The conversion rate at the time of the notice was 4.628 shares of Common Stock for each share of ESOP Preference Stock. The trustee exercised its right of conversion on February 23, 2009, and 3,553,212 shares of ESOP Preference Stock were converted into 16,444,265 shares of CVS Caremark Common Stock at a market value of \$457,479,456.

**(d) Contributions**

Participants may elect to have the Company contribute to their accounts from 1% to 85% of the compensation that would otherwise be due to them, in multiples of 1%, pursuant to a salary reduction agreement. Each participant's total elective deferrals for any calendar year may not exceed 85% of annual compensation or the maximum allowed by the Internal Revenue Code (the "Code"); whichever is less, as specified in the Plan document. The maximum elective deferral allowed by the Code was \$16,500 for 2010 and 2009.

Effective January 1, 2009, on a quarterly basis, the Company matches in cash 100% up to 5% of eligible pre-tax compensation contributed, if the employee is actively employed at that time. Prior to January 1, 2009, the Company matched 100% up to 5% of eligible pre-tax compensation contributed, 50% to the employees' Plan account quarterly and 50% to the employees' ESOP Diversification Account at the end of the year. Shares of ESOP Preference Stock allocated to a participant account were calculated by dividing the greater of \$53.45 (the cash liquidation value as specified in the Plan document) or the market price of CVS Caremark Common Stock at the time of allocation.

All employees at least age 50 that contribute the maximum amount to the Plan are permitted to make additional pre-tax catch-up contributions. Catch-up contributions may be made up to an additional \$5,500 for 2010 and 2009.

**(e) Participant's Account**

Each participant's account is credited with an allocable share of their selected Plan's investments and any unrealized appreciation or depreciation and interest and dividends of those investments. Allocations to individual participant's accounts are based on the number of shares due to each participant as described in Note 1(d) above.

*(f) Vesting*

Participants are 100% vested in participant and Company matching contributions.

Participants whose account balances have been transferred into the Plan from other defined contribution plans maintain at least the degree of vesting in the account they had at the time of the transfer. Notwithstanding the foregoing, participants are fully vested in, and have a nonforfeitable right to (1) their accounts upon death or disability, and (2) any elective deferrals described in Note 1(d).

*(g) Payment of Benefits*

Upon termination of service by the participant, the Administrator will direct the Trustee to pay to the participant their benefit under one or more options, such as a single lump-sum, or in equal annual installments over a period not exceeding fifteen years.

Table of Contents

**THE 401(k) PLAN AND THE EMPLOYEE STOCK OWNERSHIP PLAN  
OF CVS CAREMARK CORPORATION AND AFFILIATED COMPANIES**

Notes to Financial Statements (Continued)

Years Ended December 31, 2010 and 2009

**(h) Administrative Expenses**

Administrative expenses specifically attributable to the Plan and not covered by forfeitures were funded by the Plan for 2010 and 2009. Trustees' fees were paid by the Plan for 2010 and 2009.

**(i) Forfeitures**

On a participant's termination date, any unvested portion of their account is forfeited at the earlier of distribution or five years from the date of termination. If a former participant resumes employment and eligibility in the Plan within five years of termination, any amounts previously forfeited are restored to the participant's account, but remain subject to the vesting provisions of the Plan. Forfeitures during any plan year are applied as follows: (i) to restore amounts previously forfeited by participants but required to be reinstated upon resumption of employment; (ii) to pay administrative expenses of the Plan; or (iii) to reduce future CVS Caremark contributions. If forfeitures for any plan year are insufficient to restore the required forfeitures, CVS Caremark shall contribute the balance required for that purpose.

Cash forfeitures for 2010 and 2009 were \$288,931 and \$260,084, respectively. Cash forfeitures restored to participants upon resumption of employment for 2010 and 2009 were \$1,720 and \$20,902, respectively. The remainder of the forfeitures for each year was applied to the administrative expenses of the plan and to reduce the CVS Caremark contribution.

**(j) Investment Options**

Upon enrollment in the Plan, a participant elects to direct contributions or investment balances to the investment options offered by the plan. Participants may modify investment elections daily thereafter. The Plan's investments are comprised of guaranteed insurance contracts, securities of CVS Caremark and securities of unaffiliated issuers. The securities in unaffiliated issuers include marketable mutual funds and separately managed funds, comprised of marketable securities. The following is a brief explanation of each fund's investment objectives:

Core Equity Fund

The Institutional Vanguard Index Fund seeks to replicate the total return of the Standard & Poors ( S&P ) 500 Composite Stock Index ( S&P 500 ) by investing in stocks that make up the index. The S&P 500 Index consists mainly of large companies and represents approximately 75% of the U.S. stock market value.

Diversified Bond Fund

The PIMCO Total Return Institutional Class Fund is a core bond fund that seeks to outperform the Barclays Capital Aggregate Bond Index. Investments may include government and corporate debt securities, mortgage and other asset-backed securities, money market instruments, and derivatives.

International Equity Fund

The Templeton Foreign Equity Series-Primary Shares Fund seeks long-term growth of capital through participation in stock markets outside the United States. The fund invests mainly in the common stock of companies based in more developed countries, but may also include investments in developing countries. It is benchmarked by the Morgan Stanley Capital International ( MSCI ) Europe, Australasia, and Far East ( EAFE ) Index.

Table of Contents

**THE 401(k) PLAN AND THE EMPLOYEE STOCK OWNERSHIP PLAN  
OF CVS CAREMARK CORPORATION AND AFFILIATED COMPANIES**

Notes to Financial Statements (Continued)

Years Ended December 31, 2010 and 2009

Small Cap Growth Fund

The Vanguard® Explorer Fund Admiral Shares seeks long-term growth of capital and dividend income through participation in the stock market. The fund invests primarily in stocks of relatively small companies, making it a high-risk investment with potential for large rewards. This fund is benchmarked by the Russell 2500 Growth Index.

Global Equity Fund

The American Funds-New Perspective Fund seeks long-term growth of capital by investing in a variety of foreign and domestic companies. The fund tries to outperform the MSCI World Index, which measures the performance of U.S. and international stock markets.

Small Cap Value Fund

This fund is managed by Dimensional Fund Advisors and Lord, Abbett & Co. This blended fund seeks long-term growth by investing primarily in stocks of small to medium-sized companies.

Small Cap Index Fund

The Vanguard Small Cap Index Fund seeks to replicate the total return of the MSCI US Small Cap 1750 Index by investing in the stocks that make up the index. The MSCI US Small Cap 1750 Index consists of smaller U.S. companies.

Mid Cap Index Fund



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The Vanguard Mid Cap Index Fund seeks to replicate the total return of the MSCI US Mid Cap 450 Index by investing in the stocks that make up the index. The MSCI US Mid Cap 450 Index consists of medium-size U.S. companies.

### International Equity Index Fund

The Vanguard Developed Markets Index Fund seeks to replicate the total return of the MSCI EAFE Index by investing in the institutional shares of two other Vanguard funds – the Vanguard European Stock Index Fund and Vanguard Pacific Stock Index Fund. These indexes include common stock of approximately 1,140 companies located in Europe, Australia, Asia and the Far East.

### Conservative Lifestyle Fund

The fund invests in the following Future Fund investment options: Small Cap Growth, Small Cap Value, International Equity, Large Cap Growth, Core Equity, Growth & Income, Diversified Bond, U.S. Bond Index Fund, and Stable Value Fund. This fund has the following composite benchmarks: Russell 1000 Index, Barclays Capital Aggregate Bond Index, S&P 500 Index, 3-Year U.S. Treasury Index, Russell 2000 Index, and the MSCI EAFE Index.

### Moderate Lifestyle Fund

The fund invests in other Future Fund investment options as follows: Small Cap Growth, Small Cap Value, International Equity, Large Cap Growth, Core Equity, Growth & Income, Diversified Bond, U.S. Bond Index Fund, and Stable Value Fund. The composite benchmark has been determined as follows: Russell 1000 Index, Barclays Capital Aggregate Bond Index, S&P 500 Index, MSCI EAFE Index, Russell 2000 Index, and the 3-Year U.S. Treasury Index.

### Aggressive Lifestyle Fund

The fund invests in other Future Fund investment options as follows: Small Cap Growth, Small Cap Value, International Equity, Large Cap Growth, Core Equity, Growth & Income, Diversified Bond, and U.S. Bond Index Fund. This fund has the following composite benchmarks: Russell 1000 Index, Barclays Capital Aggregate Bond Index, S&P 500 Index, MSCI EAFE Index, and the Russell 2000 Index.

Table of Contents

**THE 401(k) PLAN AND THE EMPLOYEE STOCK OWNERSHIP PLAN  
OF CVS CAREMARK CORPORATION AND AFFILIATED COMPANIES**

Notes to Financial Statements (Continued)

Years Ended December 31, 2010 and 2009

CVS Caremark Common Stock Fund

CVS Caremark Common Stock Fund seeks long-term growth and dividend income by purchasing shares of CVS Caremark common stock.

Stable Value Fund

This fund is managed by Galliard Capital Management and seeks to preserve capital while generating a steady rate of return higher than money market funds provide. The fund's investments consist of cash, highly rated insurance company contracts (guaranteed investment contracts (GICs)), other bond investments, and a commingled fund managed by Galliard Capital Management that is further diversified by manager and security type.

Growth and Income Fund

This fund is managed by J&W Seligman, Mellon Capital Management and Barrow, Hanley, Mewhinney & Strauss. This blended fund seeks long-term growth of capital and dividend income through participation in the stock market. This fund invests primarily in the common stock of U.S.-based, well-established, medium- to large-sized companies. This blended fund is benchmarked by the Russell 1000 Value Index (RVI).

Large Cap Growth Fund

This fund seeks long-term growth of capital through participation in the stock market. Investment advisory services are provided by Columbus Circle. The fund invests primarily in the common stock of established large companies that are based in the United States and that represent industries expected to out-perform the stock market as a whole. This fund is benchmarked by the Russell 1000 Growth Index and the S&P 500.

Inflation-Protected Fund

The Vanguard Inflation-Protected Securities Fund Admiral Shares seeks to provide modest income and protection from inflation. This fund invests primarily in high-quality inflation-indexed bonds issued by the U.S. government and corporations.

U.S. Bond Index Fund

The Vanguard Total Bond Market Index Fund Institutional Shares seeks to replicate the total return of Barclays Capital U.S. Aggregate Float Adjusted Index by investing in bonds that make up that index.

**Note 2 - Summary of Significant Accounting Policies**

*(a) Basis of Presentation*

The net assets available for 401(K) Plan and ESOP benefits, on an accrual basis, according to the accounts of employees with rights to allocated stock are reflected in the Statements of Net Assets Available for Benefits as of December 31, 2010 and 2009.

Table of Contents

**THE 401(k) PLAN AND THE EMPLOYEE STOCK OWNERSHIP PLAN  
OF CVS CAREMARK CORPORATION AND AFFILIATED COMPANIES**

Notes to Financial Statements (Continued)

Years Ended December 31, 2010 and 2009

The following table presents the changes in net assets available for the 401(k) Plan and ESOP benefits separately, on an accrual basis, according to:

- The accounts of employees with rights to allocated stock (Allocated); and
- Stock not yet allocated to employees (Unallocated). As of December 31, 2010, all stock was allocated.

	December 31, 2010		December 31, 2009		
	Total	Allocated	Unallocated	Unallocated	Total
<b>Investment activity:</b>					
Interest and dividend income	\$ 101,303,645	\$ 89,110,408		\$ 89,110,408	\$ 89,110,408
Transfer in (out) of plan assets	(2,721,793)	730,042,061			730,042,061
Realized and unrealized gains	353,061,073	566,101,097			566,101,097
Total investment activity	451,642,925	1,385,253,566			1,385,253,566
<b>Contributions:</b>					
Employer contributions	155,731,506	156,222,097	(1,331)		156,220,766
Employee contributions	259,633,846	252,807,011			252,807,011
Rollovers	12,437,643	10,456,819			10,456,819
Total contributions	427,802,995	419,485,927	(1,331)		419,484,596
<b>Deductions:</b>					
Benefits paid to participants	307,443,630	212,424,650			212,424,650
Administrative expenses	11,960,636	10,671,475			10,671,475
Total deductions	319,404,266	223,096,125			223,096,125
Net increase (decrease) in net assets for the year	560,041,654	1,581,643,368	(1,331)		1,581,642,037
Net assets beginning of the year	4,194,724,874	2,613,081,506	1,331		2,613,082,837
Net assets end of the year	\$ 4,754,766,528	\$ 4,194,724,874	\$ 1,331	\$ 1,331	\$ 4,194,724,874

Table of Contents

**THE 401(k) PLAN AND THE EMPLOYEE STOCK OWNERSHIP PLAN  
OF CVS CAREMARK CORPORATION AND AFFILIATED COMPANIES**

Notes to Financial Statements (Continued)

Years Ended December 31, 2010 and 2009

**(b) Recently Adopted Accounting Pronouncements**

In September 2010, the FASB issued Accounting Standards Update ( ASU ) 2010-25, *Reporting Loans to Participants by Defined Contribution Pension Plans*, ( ASU 2010-25 ). ASU 2010-25 requires participant loans to be measured at their unpaid principal balance plus any accrued but unpaid interest and classified as notes receivable from participants. Previously, loans were measured at fair value and were classified as investments. ASU 2010-25 is effective for fiscal years ending after December 15, 2010 and is required to be applied retrospectively. The adoption of ASU 2010-25 did not change the value of loans to participants from the amount previously reported as of December 31, 2009. In connection with the adoption of ASU 2010-25 in 2010, loans to participants as of December 31, 2009 have been reclassified from investments to receivables and are presented as notes receivable from participants as of December 31, 2009.

In January 2010, the FASB issued guidance which expanded the required disclosures about fair value measurements. In particular, this guidance requires (i) separate disclosure of the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements along with the reasons for such transfers, (ii) information about purchases, sales, issuances and settlements to be presented separately in the reconciliation for Level 3 fair value measurements, (iii) expanded fair value measurement disclosures for each class of assets and liabilities and (iv) disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements that fall in either Level 2 or Level 3. This guidance is effective for annual reporting periods beginning after December 15, 2009 except for (ii) above which is effective for fiscal years beginning after December 15, 2010. The adoption of this guidance did not have a material impact on the Statement of Net Assets Available for Benefits or the Statement of Changes in Net Assets Available for Benefits.

**(c) Recent Accounting Pronouncement Not Yet Effective**

In May 2011, the FASB issued Accounting Standards Update 2011-04, *Amendments to Achieve Common Fair Value Measurements and Disclosure Requirements in U.S. GAAP and IFRSs*, ( ASU 2011-04 ). ASU 2011-04 amended Accounting Standards Codification ( ASC ) 820, *Fair Value Measurements and Disclosures*, ( ASC 820 ) to converge the fair value measurement guidance in US GAAP and International Financial Reporting Standards (IFRSs). Some of the amendments clarify the application of existing fair value measurement requirements, while other amendments change a particular principle in ASC 820. In addition, ASU 2011-04 requires additional fair value disclosures. The amendments are to be applied prospectively and are effective for annual periods beginning after December 15, 2011. Plan management is currently evaluating the effect the provisions of ASU 2011-04 will have on the Plan's financial statements.

**(d) Investment Valuation**

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The value of the investments held at December 31, 2010 and 2009 is based on their fair value. Shares of mutual funds are valued at quoted market prices, which represent the net asset values of shares held by the Plan at year end. CVS Caremark common stock and common stock owned directly in the Small Cap Value Fund, Growth and Income Fund, and the Large Cap Growth Fund, separately managed funds, are valued based upon quoted market prices.

The fair value of the Plan's common collective trust funds represents the net asset value of the underlying investments.

Table of Contents

**THE 401(k) PLAN AND THE EMPLOYEE STOCK OWNERSHIP PLAN  
OF CVS CAREMARK CORPORATION AND AFFILIATED COMPANIES**

Notes to Financial Statements (Continued)

Years Ended December 31, 2010 and 2009

The Plan invests in fully benefit-responsive GICs. These investment contracts are recorded at fair value; however, since these contracts are fully benefit-responsive, an adjustment is reflected in the Statements of Net Assets Available for Benefits to present these investments at contract value. Contract value is the relevant measurement attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. The contract value of the fully benefit-responsive investment contracts represents contributions plus earnings, less participant withdrawals and administrative expenses.

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the Statements of Net Assets Available for Benefits.

*(e) Benefits Paid*

Distribution of benefits are recorded when paid.

*(f) Use of Estimates*

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets available for benefits during the reporting period. Actual results could differ from those estimates.

*(g) Accrual Basis of Accounting*

The Plan utilizes the accrual basis of accounting.

**(h) Purchase and Sale of Securities**

Purchases and sales of securities are made on a trade-date basis.

**(i) Investment Income**

Dividend and interest income is recorded when earned.



Table of Contents

**THE 401(k) PLAN AND THE EMPLOYEE STOCK OWNERSHIP PLAN  
OF CVS CAREMARK CORPORATION AND AFFILIATED COMPANIES**

Notes to Financial Statements (Continued)

Years Ended December 31, 2010 and 2009

**Note 3 - Fair Value Measurements**

The Plan uses the three-level hierarchy for the recognition and disclosure of fair value measurements. The categorization of assets and liabilities within this hierarchy is based upon the lowest level of the input that is significant to the measurement of fair value. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of the fair value hierarchy consist of the following:

- **Level 1** Inputs to the valuation methodology are unadjusted quoted prices in active markets for identical assets or liabilities that the Plan has the ability to access at the measurement date.
- **Level 2** Inputs to the valuation methodology are quoted prices for similar assets and liabilities in active markets, quoted prices in markets that are not active or inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the instrument.
- **Level 3** Inputs to the valuation methodology are unobservable inputs based upon management's best estimate of inputs market participants could use in pricing the asset or liability at the measurement date, including assumptions about risk.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2010 and 2009.

*Common collective trust funds:* Valued at the net asset value ( NAV ) as permitted by practical expedient and reported by the respective funds at each valuation date. The use of NAV is deemed appropriate as these types of investments do not have finite lives or significant restrictions on redemptions.

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*GICs:* Valued at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations, and adjusting for the credit-worthiness of the issuer, if necessary.

*Mutual funds:* Valued at the NAV of shares held by the plan at year end which are reported on an active market.

*Common stock:* Valued at the closing price reported on the active market on which the individual securities are traded.

*Notes receivable from participants:* Valued at amortized cost, which approximates fair value.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The market value of CVS Caremark Common Stock was \$34.77 and \$32.21 per share at December 31, 2010 and 2009, respectively.

Table of Contents

**THE 401(k) PLAN AND THE EMPLOYEE STOCK OWNERSHIP PLAN  
OF CVS CAREMARK CORPORATION AND AFFILIATED COMPANIES**

Notes to Financial Statements (Continued)

Years Ended December 31, 2010 and 2009

The following tables set forth by level, within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2010 and 2009:

	Investments at estimated fair value at December 31, 2010			Total
	Investments at fair value as determined by quoted prices in active markets (Level I)	Valuation techniques based on observable market data (Level II)	Valuation techniques incorporating information other than observable market data (Level III)	
Cash	\$ 9,742,342			\$ 9,742,342
Common collective trust funds		788,193,027		788,193,027
Guaranteed investment contracts			308,871,889	308,871,889
Mutual funds:				
Small cap equity	267,217,460			267,217,460
Mid cap equity	114,578,874			114,578,874
Large cap equity	548,432,281			548,432,281
International	702,660,573			702,660,573
Bond	527,533,357			527,533,357
Total mutual funds	2,160,422,545			2,160,422,545
Common stock:				
Small Cap Equity	621,263,446			621,263,446
Large Cap Equity	92,528,091			92,528,091
CVS Caremark Common Stock Fund	605,720,590			605,720,590
Total common stock	1,319,512,127			1,319,512,127
Total investments	\$ 3,489,677,014	\$ 788,193,027	\$ 308,871,889	\$ 4,586,741,930

Table of Contents

**THE 401(k) PLAN AND THE EMPLOYEE STOCK OWNERSHIP PLAN  
OF CVS CAREMARK CORPORATION AND AFFILIATED COMPANIES**

Notes to Financial Statements (Continued)

Years Ended December 31, 2010 and 2009

	Investments at estimated fair value at December 31, 2009				Total			
	Investments at fair value as determined by quoted prices in active markets (Level I)	Valuation techniques based on observable market data (Level II)	Valuation techniques incorporating information other than observable market data (Level III)					
Common collective trust funds	\$	\$	700,498,315	\$	404,730,290	\$	1,105,228,605	
Mutual funds:								
Small cap equity		120,552,933					120,552,933	
Mid cap equity		49,176,344					49,176,344	
Large cap equity		438,618,714					438,618,714	
International		557,876,580					557,876,580	
Bond		396,722,103					396,722,103	
Total mutual funds		1,562,946,674					1,562,946,674	
Common stock:								
Small Cap Equity		547,515,428					547,515,428	
Large Cap Equity		153,192,086					153,192,086	
CVS Caremark Common Stock Fund		639,146,573					639,146,573	
Total common stock		1,339,854,087					1,339,854,087	
Total investments	\$	2,902,800,761	\$	700,498,315	\$	404,730,290	\$	4,008,029,366

**Level 3 Gains and Losses**

The table below sets forth a summary of changes in the fair value of the Plan's level 3 assets for the year ended December 31, 2010 and 2009.

	Level 3 Assets GICs Year Ended December 31,			
	2010	2009		
Balance, beginning of year	\$	404,730,290	\$	488,833,048
Unrealized losses relating to instruments still held at the reporting date		(40,143,584)		(11,603,899)
Purchases, sales, issuances and settlements, net		(55,714,817)		(72,498,859)
Balance, end of year	\$	308,871,889	\$	404,730,290



Table of Contents

**THE 401(k) PLAN AND THE EMPLOYEE STOCK OWNERSHIP PLAN  
OF CVS CAREMARK CORPORATION AND AFFILIATED COMPANIES**

Notes to Financial Statements (Continued)

Years Ended December 31, 2010 and 2009

**Note 4 Notes Receivable from Participants**

Participants may obtain bona fide loans from the Plan, utilizing funds accumulated in their accounts. The minimum amount which may be borrowed is \$1,000. Participants can borrow up to 50% of their vested account balance but not more than \$50,000, less their highest outstanding loan balance during the previous twelve months. The loans are repaid to the Plan through after-tax payroll deductions. The term of the loan is selected at the discretion of the participant, but may not exceed five years for a general loan and twenty-five years for a home purchase loan. Interest on loans is equal to the Prime Rate as of the prior month end plus 1%.

**Note 5 - Investment Policy**

At December 31, 2010 and 2009, most of the Plan's 401(k) related assets were allocated among the investment options discussed in Note 1(j) based on employees' elections. The investment options are recommended by independent investment managers and approved by the Benefit Plans Investment Sub-Committee. Employee contributions that are waiting to be processed are temporarily invested in common collective trust funds. These common collective trust funds are also used to account for and administer notes receivable from participants. The note repayments and interest earned are allocated to each of the investment funds based upon the participants' contribution election percentages.

During 2010 and 2009, the Plan's investments, including investments purchased, sold, as well as held during the year appreciated (depreciated) in fair value as follows:

Asset Category	2010	2009
Common collective trust funds	\$ 4,747,826	\$ 116,793
Mutual funds	214,753,616	339,988,884
Common stock	133,559,631	186,602,089
Preference shares		39,393,331
	\$ 353,061,073	\$ 566,101,097

**Note 6 - Plan Termination and Related Commitments**

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Although it has not expressed any intention to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. If the Company terminates the Plan, all participants in the Plan become fully vested.

### **Note 7 - Federal Income Taxes**

The Plan has received a determination letter from the Internal Revenue Service dated June 17, 2004, stating that the Plan is qualified under Section 401(a) of the Code and, therefore, the related trust is exempt from taxation. Subsequent to this determination by the Internal Revenue Service, the Plan was amended and restated. The plan sponsor has submitted a request for a new determination letter. Once qualified, the Plan is required to operate in conformity with the Code to maintain its qualification. The plan administrator has indicated that it will take the necessary steps, if any, to bring the Plan's operations into compliance with the Code.

Table of Contents

**THE 401(k) PLAN AND THE EMPLOYEE STOCK OWNERSHIP PLAN  
OF CVS CAREMARK CORPORATION AND AFFILIATED COMPANIES**

Notes to Financial Statements (Continued)

Years Ended December 31, 2010 and 2009

Accounting principles generally accepted in the United States require plan management to evaluate uncertain tax positions taken by the Plan. The financial statement effects of a tax position are recognized when the position is more likely than not, based on the technical merits, to be sustained upon examination by the IRS. The plan administrator has analyzed the tax positions taken by the Plan, and has concluded that as of December 31, 2010, there are no uncertain positions taken or expected to be taken. The Plan has recognized no interest or penalties related to uncertain tax positions. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The plan administrator believes it is no longer subject to income tax examinations for years prior to 2007.

**Note 8 - Transactions with Parties-In-Interest**

Certain Plan investments are investment funds managed by The Bank of New York Mellon. The Bank of New York Mellon is the Trustee as defined by the Plan, and therefore, these transactions qualify as party-in-interest transactions.

**Note 9 - Reconciliation of Financial Statements to Form 5500**

The following is a reconciliation of the net assets available for benefits per the financial statements to the Form 5500 as of December 31, 2010 and 2009:

	2010		2009
Net assets available for benefits per the financial statements	\$ 4,754,766,528	\$	4,194,724,874
Employer contributions receivable			(149,811)
Adjustment from fair value to contract value for fully benefit responsive investment contracts	20,933,427		(75,476)
Net assets available for benefits per the Form 5500	\$ 4,775,699,955	\$	4,194,499,587

**Note 10 - Investments**



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The following table presents investments of the Plan at fair value that represent 5% or more of the total fair value of the Plan's assets.

	<b>2010</b>	<b>2009</b>
CVS Caremark Corporation Common Stock	\$ 606,920,155	\$ 646,867,418
EB Temporary Investment Fund II	541,932,540	
Vanguard Institutional Index Fund	548,432,281	438,618,714
PIMCO Total Return Institutional Class Fund	336,902,577	396,722,103
Templeton Foreign Equity Series-Primary Shares Fund	278,649,571	263,934,817
Vanguard Developed Markets Index Fund Institutional Shares	242,364,541	
State Street Stable Fixed Income Fund for Employee Benefit Trusts		678,381,033
Merrill Lynch Retirement Preservation Trust		328,873,368

Table of Contents

**THE 401(k) PLAN AND THE EMPLOYEE STOCK OWNERSHIP PLAN  
OF CVS CAREMARK CORPORATION AND AFFILIATED COMPANIES**

Notes to Financial Statements (Continued)

Years Ended December 31, 2010 and 2009

**Note 11 Guaranteed Investment Contracts**

The Plan invests in fully benefit-responsive GICs. The issuer maintains the contributions in a general account. The account is credited with participant contributions plus earnings and charged for participant withdrawals and administrative expenses. The issuer is contractually obligated to repay the principal and a specified interest rate that is guaranteed to the Plan. The crediting interest rate is fixed at the time the contract is entered into with the issuer and does not reset. For the year ended December 31, 2010, the average yield of the GIC based upon underlying earnings and credited to participant accounts was 2.2%.

Certain events limit the ability of the Plan to transact at contract value with the GIC issuers. Such events may include (i) amendments to the plan documents (including complete or partial plan termination or merger with another plan), (ii) changes to the plan's prohibition on competing investment options or deletion of equity wash provisions, (iii) bankruptcy of the plan sponsor or other plan sponsor events (for example, divestitures or spin-offs of a subsidiary) that cause a significant withdrawal from the Plan, or (iv) the failure of the trust to qualify for exemption from federal income taxes or any required prohibited transaction exemption under ERISA. The plan administrator does not believe that the occurrence of any such events that would limit the Plan's ability to transact at contract value with participants is probable.

GICs generally do not permit issuers to terminate the agreement prior to the scheduled maturity date. The issuer may be in default if it breaches a material obligation under the investment contract, makes a material misrepresentation, has a decline in its long term credit rating below a threshold set forth in the contract, or is acquired or reorganized and the successor issuer does not satisfy the investment or credit guidelines applicable to issuers. If, in the event of default of an issuer, the Plan was unable to obtain a replacement investment contract, withdrawing participants may experience losses if the value of the Plan's assets no longer covered by the contract is below contract value. The Plan may seek to add additional issuers over time to diversify the Plan's exposure to such risk, but there is no assurance the Plan may be able to do so. The combination of the default of an issuer and an inability to obtain a replacement agreement could render the Plan unable to achieve its objective of maintaining a stable contract value. The terms of an investment contract generally provide for settlement of payments only upon termination of the contract or total liquidation of the covered investments. If the contract terminates due to issuer default (other than a default occurring because of a decline in its rating), the issuer will generally be required to pay to the Plan the excess, if any, of contract value over market value on the date of termination. Contract termination also may occur by either party upon election and notice. As GICs are fully benefit-responsive, contract value is the relevant measurement attribute for that portion of the net assets available for benefits attributable to the GIC. Participants may ordinarily direct the withdrawal or transfer of all or a portion of their investment at contract value.

Table of Contents

Supplemental Schedules

20

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Table of Contents

**THE 401(k) PLAN AND THE EMPLOYEE STOCK OWNERSHIP PLAN  
OF CVS CAREMARK CORPORATION AND AFFILIATED COMPANIES**

**Plan Number: 017**

**EIN: 05-0494040**

Schedule H, Line 4a Schedule of Delinquent Participant Contributions

December 31, 2010

Participant Contributions Transferred Late to Plan  Check here If Late Participant Loan Repayments are included: <input type="checkbox"/>	Total that Constitute Nonexempt Prohibited Transactions			Total Fully Corrected Under VFCP and PTE 2002-51
	Contributions Not Corrected	Contributions Corrected Outside VFCP	Contributions Pending Correction in VFCP	
		\$ 10,272(1)		

(1) Represents delinquent participant contributions from various 2010 pay periods.

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Table of Contents

**THE 401(k) PLAN AND THE EMPLOYEE STOCK OWNERSHIP PLAN  
OF CVS CAREMARK CORPORATION AND AFFILIATED COMPANIES**

**Plan Number: 017**

**EIN 05-0494040**

Schedule H, Line 4i Schedule of Assets (Held at End of Year)

December 31, 2010

<b>Fund</b>	<b>Par value/ number of shares</b>	<b>Identity of issue</b>	<b>Description</b>	<b>Current value**</b>
International Equity Fund	13,897,734	Templeton Foreign Equity Series-Primary Shares Fund	Mutual Fund	\$ 278,649,571
Core Equity Fund	4,768,562	Vanguard Institutional Index Fund	Mutual Fund	548,432,281
Small Cap Growth Fund	1,755,707	Vanguard Explorer Fund	Mutual Fund	119,107,194
Small Cap Index Fund	1,632,149	Vanguard Small Cap Index Fund	Mutual Fund	56,749,822
Mid Cap Index Fund	5,627,646	Vanguard Mid Cap Index Fund	Mutual Fund	114,578,874
International Equity Index Fund	24,285,024	Vanguard Developed Markets Index Fund Institutional Shares	Mutual Fund	242,364,541
U.S. Bond Index Fund	17,336,289	Vanguard Total Bond Market Index Fund	Mutual Fund	183,764,664
Inflation-Protected Bond Fund	268,838	Vanguard Inflation-Protected Securities Admiral Fund	Mutual Fund	6,866,115
Diversified Bond Fund	31,050,929	PIMCO Total Return Institutional Class Fund	Mutual Fund	336,902,577
Global Equity Fund	6,353,496	American Funds-New Perspective Fund	Mutual Fund	181,646,462
CVS Caremark Common Stock Fund	17,420,782	* CVS Caremark Common Stock	CVS Caremark Corporation Common Stock	605,720,590
	5,770,054	* EB Temporary Investment Fund II	Common Collective Trust Fund	5,770,054
		CVS Caremark Common Stock Fund Subtotal		611,490,644
	2,123,339	* EB Temporary Investment Fund II	Common Collective Trust	2,123,339



Table of Contents

**THE 401(k) PLAN AND THE EMPLOYEE STOCK OWNERSHIP PLAN  
OF CVS CAREMARK CORPORATION AND AFFILIATED COMPANIES**