

**UNITED STATES OF AMERICA  
BEFORE FEDERAL TRADE COMMISSION**

	)	
	)	
In the Matter of	)	
	)	
<b>CVS CORPORATION,</b>	)	
a corporation,	)	
	)	File No. 971-0060
and	)	
	)	
<b>REVCO D.S., INC.,</b>	)	
a corporation.	)	
	)	
	)	

**AGREEMENT CONTAINING CONSENT ORDER**

The Federal Trade Commission ("Commission"), having initiated an investigation of the proposed acquisition of Revco D.S., Inc. ("Revco") by CVS Corporation ("CVS"), and it now appearing that CVS and Revco, hereinafter sometimes referred to as "Proposed Respondents," are willing to enter into an agreement containing an Order ("Agreement") to divest certain assets and providing for other relief:

**IT IS HEREBY AGREED** by and between Proposed Respondents, by their duly authorized officers and attorneys, and counsel for the Commission that:

1. Proposed Respondent CVS Corporation is a corporation organized, existing, and doing business under and by virtue of the laws of the State of Delaware, with its office and principal

place of business located at One CVS Drive, Woonsocket, Rhode Island 02895.

2. Proposed Respondent Revco D.S., Inc. is a corporation organized, existing, and doing business under and by virtue of the laws of the State of Delaware, with its office and principal place of business located at 1925 Enterprise Parkway, Twinsburg, Ohio 44087.

3. Proposed Respondents admit all the jurisdictional facts set forth in the draft of complaint here attached.

4. Proposed Respondents waive:

- a. any further procedural steps;
- b. the requirement that the Commission's decision contain a statement of findings of fact and conclusions of law;
- c. all rights to seek judicial review or otherwise to challenge or contest the validity of the Order entered pursuant to this agreement; and
- d. any claim under the Equal Access to Justice Act.

5. This Agreement shall not become part of the public record of the proceeding unless and until it is accepted by the Commission. If this Agreement is accepted by the Commission it, together with the draft of complaint contemplated thereby, will be placed on the public record for a period of sixty (60) days and information in respect thereto publicly released. The Commission thereafter may either withdraw its acceptance of this

Agreement and so notify the Proposed Respondents, in which event it will take such action as it may consider appropriate, or issue and serve its complaint (in such form as the circumstances may require) and decision, in disposition of the proceeding.

6. This Agreement is for settlement purposes only and does not constitute an admission by Proposed Respondents that the law has been violated as alleged in the draft of complaint here attached, or that the facts as alleged in the draft complaint, other than jurisdictional facts, are true.

7. This Agreement contemplates that, if it is accepted by the Commission, and if such acceptance is not subsequently withdrawn by the Commission pursuant to the provisions of Section 2.34 of the Commission's Rules, the Commission may, without further notice to the Proposed Respondents, (1) issue its complaint corresponding in form and substance with the draft of complaint here attached and its decision containing the following Order to divest in disposition of the proceeding, and (2) make information public with respect thereto. When so entered, the Order shall have the same force and effect and may be altered, modified, or set aside in the same manner and within the same time provided by statute for other orders. The Order shall become final upon service. Delivery by the United States Postal Service of the complaint and decision containing the agreed-to Order to Proposed Respondents' addresses as stated in this Agreement shall constitute service. Proposed Respondents waive

any right they may have to any other manner of service. The complaint may be used in construing the terms of the Order, and no agreement, understanding, representation, or interpretation not contained in the Order or the Agreement may be used to vary or contradict the terms of the Order.

8. Proposed Respondents have read the proposed complaint and Order contemplated hereby. Proposed Respondents understand that once the Order has been issued, they will be required to file one or more compliance reports showing that they have fully complied with the Order. Proposed Respondents further understand that they may be liable for civil penalties in the amount provided by law for each violation of the Order after it becomes final.

9. Proposed Respondents shall, within thirty (30) days of the date this Agreement is signed by Proposed Respondents, submit an initial report, pursuant to Section 2.33 of the Commission's Rules, signed by the Proposed Respondents, setting forth in detail the manner in which the Proposed Respondents are complying with the terms of the Asset Maintenance Agreement signed by the Proposed Respondents on May 21, 1997 attached to this Order and made a part hereof as Appendix I), and how they will comply with Paragraph II of the Order when and if entered. Such report will not become part of the public record unless and until the accompanying Agreement and Order are accepted by the Commission for public comment.

**ORDER**

**I.**

**IT IS ORDERED** that, as used in this Order, the following definitions shall apply:

- A. "CVS" means CVS Corporation, its directors, officers, employees, agents and representatives, predecessors, successors, and assigns; its subsidiaries, divisions, groups, and affiliates controlled, directly or indirectly, by CVS, and the respective directors,

Revco pursuant to the Agreement and Plan of Merger dated February 6, 1997.

- F. "J.C. Penney" means J.C. Penney Company, Inc., a corporation organized, existing and doing business under and by virtue of the laws of the State of Delaware, with its principal place of business located at 6501 Legacy Drive, Plano, Texas 75024-3698.
- G. "Eckerd" means Eckerd Corporation, an affiliate of J.C. Penney. Eckerd is a corporation organized, existing and doing business under and by virtue of the laws of the State of Delaware, with its principal place of business located at 8333 Bryan Dairy Road, Largo, Florida 33777.
- H. "Medicine Shoppe" means Medicine Shoppe International, Inc., a corporation organized, existing, and doing business under and by virtue of the laws of the State of Delaware, with its executive offices located at 1100 North Lindbergh, St. Louis, Missouri 63132.
- I. "Pharmacy Operations" means Pharmacy Operations, Inc., a wholly owned subsidiary of Medicine Shoppe. Pharmacy Operations is a corporation organized, existing, and doing business under and by virtue of the laws of the State of Delaware, with offices located at 1100 North Lindbergh, St. Louis, Missouri 63132.

- J. "Acquirer(s)" means Eckerd, Medicine Shoppe or Pharmacy Operations, and/or the entity or entities approved by the Commission to acquire: the Virginia Assets to be Divested pursuant to Paragraph II.A.1. of this Order; the Revco Pharmacy Assets pursuant to Paragraph II.B.1. or the New York Assets to be Divested pursuant to Paragraph II.B.2. of this Order; the Revco Virginia Assets pursuant to Paragraph III.A. of this Order; or the CVS Binghamton Assets pursuant to Paragraph III.B. of this Order.
- K. "Landlord consents" means all consents from all landlords that are necessary to effect the complete transfer to the Acquirer(s) of the assets required to be divested pursuant to this Order.
- L. "MSA" means Metropolitan Statistical Area, which refers to geographic areas as defined by the United States Department of Commerce, Bureau of the Census.
- M. "Retail Drug Store" means a full-line retail store that carries a wide variety of prescription and nonprescription medicines and miscellaneous items, including, but not limited to, drugs, pharmaceuticals, patent medicines, sundries, tobacco products, and other merchandise.
- N. "Retail Drug Store Assets" means all assets constituting the Retail Drug Store business, excluding

those assets pertaining to either the Revco or CVS trade name, trade dress, trade marks and service marks, and including, but not limited to:

1. leases and properties;
2. zoning approvals and registrations;
3. books, records, reports, dockets and lists relating to the Retail Drug Store business;
4. Retail Drug Store inventory and storage capacity;
5. all records of stock keeping units ("SKUs"), e.g., all forms, package sizes and other units in which prescription drugs are sold and which are used in records of sales;
6. lists of all customers (including third party insurers) and all files of names, addresses, and telephone numbers of the individual customer contacts, and the unit and dollar amounts of sales, by product, to each customer;
7. all pharmacy files, documents, instructions, papers, books, computer files and records and all other records in any media relating to the Retail Drug Store business;
8. all rights, titles and interests in and to the contracts entered into in the ordinary course of business with customers (together with associated bid and performance bonds), suppliers, sales



representatives, distributors, agents, personal property lessors, personal property lessees, licensors, licensees, consignors and consignees, and all names of prescription drug manufacturers and distributors under contract with Revco, at the Acquirer(s)' option;

9. all machinery, fixtures, equipment, vehicles, transportation facilities, furniture, tools and other tangible personal property; and
10. goodwill, tangible and intangible, utilized in Retail Drug Stores.

O. "Revco Pharmacy Business" means Revco's business of selling pharmacy services including prescription drugs at any of the Retail Drug Stores listed in Schedule A of this Order, but does not include Revco's business of selling other products in those Retail Drug Stores.

P. "Revco Pharmacy Assets" means all assets constituting the Revco Pharmacy Business, excluding those assets pertaining to the Revco trade names, trade dress, trade marks and service marks, and including but not limited to:

1. Leases, at Medicine Shoppe's option;

2. zoning approvals and registrations, at Medicine Shoppe's option;
3. books, records, manuals, and operations reports, relating to the Revco Pharmacy Business;
4. inventory instructions, or, at Medicine Shoppe's option, lists of SKUs, i.e., all forms, package sizes and other units in which prescription drugs are sold and which are used in records of sales and inventories;
5. lists of all prescription drug customers, including but not limited to third party insurers, including all files of names, addresses, and telephone numbers of the individual customer contacts, the unit and dollar amounts of sales, by product, to each customer, and store profit and loss statement(s); and
6. goodwill, tangible and intangible, utilized in the sale of prescription drugs.

Q. "Virginia Assets to be Divested" means the Revco Retail Drug Store Assets described in Schedule B of this Order.

R. "Revco Virginia Assets" means all of Revco's Retail Drug Store Assets located in the State of Virginia.

- S. "New York Assets to be Divested" means the Revco Retail Drug Store Assets described in Schedule A of this Order.
- T. "CVS Binghamton Assets" means all of the CVS Retail Drug Store Assets located in the Binghamton, New York MSA.
- U. "Eckerd Agreement" means the Purchase and Sale Agreement between Eckerd and CVS executed on May 16, 1997, for the divestiture by Respondents to Eckerd of the Virginia Assets to be Divested.
- V. "Medicine Shoppe Agreement" means the Purchase and Sale Agreement between Pharmacy Operations or Medicine Shoppe and CVS executed on May 21, 1997, for the divestiture by Respondents to Medicine Shoppe of the Revco Pharmacy Assets to be Divested.

## **II.**

**IT IS FURTHER ORDERED** that:

- A. Respondents shall divest, absolutely and in good faith, the Virginia Assets to be Divested to:
  - 1. Eckerd, in accordance with the Eckerd Agreement dated May 16, 1997, no later than,

- a. ten (10) days after the date on which this Order becomes final, or
- b. four (4) months after acceptance of the Agreement Containing Consent Order by the Commission,

whichever is later; or

2. an Acquirer that receives the prior approval of the Commission and only in a manner that receives the prior approval of the Commission, within three (3) months after the date on which this Order becomes final;

**provided that** the closing date of the Eckerd Agreement or any other agreement pursuant to which the Virginia Assets to be Divested are divested to an Acquirer shall not occur until after Respondents have obtained all required Landlord Consents.

- B. Respondents shall divest, absolutely and in good faith, either:

1. the Revco Pharmacy Assets to Medicine Shoppe or Pharmacy Operations in accordance with the Medicine Shoppe Agreement May 21, 1997, no later than,
  - a. ten (10) days after the date on which this Order becomes final, or

b. four (4) months after acceptance of the Agreement Containing Consent Order by the Commission,

whichever is later; or

2. the New York Assets to be Divested to an Acquirer that receives the prior approval of the Commission and only in a manner that receives the prior approval of the Commission, within three (3) months after the date on which this Order becomes final;

**provided that** the closing date of the Medicine Shoppe Agreement or any other agreement pursuant to which the New York Assets to be Divested are divested to an Acquirer shall not occur until after Respondents have obtained all required Landlord Consents.

C. The purpose of the divestitures described herein is to ensure the continued operation of the divestiture assets as assets engaged in the retail sale of pharmacy services to third party payors, and to remedy any lessening of competition resulting from the Acquisition as alleged in the Commission's complaint.

### III.

**IT IS FURTHER ORDERED** that:

- A. If Respondents fail to divest absolutely and in good faith the Virginia Assets to be Divested pursuant to Paragraph II.A. of this Order, the Commission may appoint a trustee to divest the Revco Virginia Assets.
- B. If Respondents fail to divest absolutely and in good faith either the New York Assets to be Divested or the Revco Pharmacy Assets pursuant to Paragraph II.B. of this Order, the Commission may appoint a trustee to divest the CVS Binghamton Assets.
- C. In the event that the Commission or the Attorney General brings an action pursuant to § 5( 1) of the Federal Trade Commission Act, 15 U.S.C. § 45( 1), or any other statute enforced by the Commission, Respondents shall consent to the appointment of a trustee in such action. Neither the appointment of a trustee nor a decision not to appoint a trustee under this Paragraph shall preclude the Commission or the Attorney General from seeking civil penalties or any other relief available to it, including a court-appointed trustee pursuant to § 5( 1) of the Federal Trade Commission Act, or any other statute enforced by the Commission, for any failure by Respondents to comply with this Order.
- D. The trustee appointed to accomplish any divestiture pursuant to Paragraphs III.A. or III.B. may be the same person. If a trustee is appointed by the Commission or

a court pursuant to Paragraphs III.A. or III.B. of this Order, Respondents shall consent to the following terms and conditions regarding the trustee's powers, duties, authority, and responsibilities:

1. The Commission shall select the trustee(s), subject to the consent of Respondents, which consent shall not be unreasonably withheld. The trustee shall be a person with experience and expertise in acquisitions and divestitures. If Respondents have not opposed, in writing, including the reasons for opposing, the selection of any proposed trustee within ten (10) days after notice by the staff of the Commission to Respondents of the identity of any proposed trustee, Respondents shall be deemed to have consented to the selection of the proposed trustee.
2. Subject to the prior approval of the Commission, the trustee shall have the exclusive power and authority to accomplish the divestitures described in Paragraphs III.A. and III.B.
3. Within ten (10) days after appointment of the trustee, Respondent shall execute a trust agreement that, subject to the prior approval of the Commission, and in the case of a court-

appointed trustee, of the court, transfers to the trustee all rights and powers necessary to permit the trustee to effect each divestiture required by this Order.

4. The trustee shall have twelve (12) months from the date the Commission approves the trust agreement described in Paragraph III.D.3. to accomplish each divestiture, which shall be subject to the prior approval of the Commission. If, however, at the end of the twelve (12) month period, the trustee has submitted a plan for each divestiture required by this Order or believes that each divestiture required by this Order can be achieved within a reasonable time, then that divestiture period may be extended by the Commission, or, in the case of a court-appointed trustee, by the court; provided, however, the Commission may extend the period for each divestiture only two (2) times.
5. The trustee shall have full and complete access to the personnel, books, records and facilities related to the Revco Virginia Assets and the CVS Binghamton Assets or to any other relevant information, as the trustee may request. Respondents shall develop such financial or other information as such trustee may request and shall



cooperate with the trustee. Respondents shall take no action to interfere with or impede the trustee's accomplishment of each divestiture. Any delays in any divestiture caused by Respondents shall extend the time for that divestiture under this Paragraph in an amount equal to the delay, as determined by the Commission or, for a court-appointed trustee, by the court.

6. The trustee shall use his or her best efforts to negotiate the most favorable price and terms available in each contract that is submitted to the Commission, subject to Respondents' absolute and unconditional obligation to make each divestiture required by this Order at no minimum price. Each divestiture shall be made in the manner consistent with the terms of this Order; provided, however, if the trustee receives bona fide offers from more than one acquiring entity, and if the Commission determines to approve more than one such acquiring entity, the trustee shall divest to the acquiring entity or entities selected by Respondents from among those approved by the Commission.
7. The trustee shall serve, without bond or other security, at the cost and expense of Respondents,

on such reasonable and customary terms and conditions as the Commission or a court may set. The trustee shall have the authority to employ, at the cost and expense of Respondents, and at reasonable fees, such consultants, accountants, attorneys, investment bankers, business brokers, appraisers, and other representatives and assistants as are necessary to carry out the trustee's duties and responsibilities. The trustee shall account for all monies derived from each divestiture and all expenses incurred. After approval by the Commission and, in the case of a court-appointed trustee, by the court, of the account of the trustee, including fees for his or her services, all remaining monies shall be paid at the direction of the Respondents, and the trustee's power shall be terminated. The trustee's compensation shall be based at least in significant part on a commission arrangement contingent on the trustee's accomplishing each divestiture required by Paragraphs III.A. and III.B.

8. Respondents shall indemnify the trustee and hold

or in connection with, the performance of the trustee's duties, including all reasonable fees of counsel and other expenses incurred in connection with the preparation for, or defense of any claim, whether or not resulting in any liability, except to the extent that such liabilities, losses, damages, claims, or expenses result from misfeasance, gross negligence, willful or wanton acts, or bad faith by the trustee.

9. If the trustee ceases to act or fails to act diligently, a substitute trustee shall be appointed in the same manner as provided in this Paragraph.
10. The Commission or, in the case of a court-appointed trustee, the court, may on its own initiative or at the request of the trustee issue such additional orders or directions as may be reasonably necessary or appropriate to accomplish each divestiture required by this Order.
11. The trustee shall also divest such additional ancillary assets and businesses and effect such arrangements as are necessary to assure the marketability and the viability and competitiveness of the Revco Virginia Assets and the CVS Binghamton Assets.

12. The trustee shall have no obligation or authority to operate or maintain the Revco Virginia Assets or the CVS Binghamton Assets.
13. The trustee shall report in writing to Respondents and the Commission every sixty (60) days concerning the trustee's efforts to accomplish each divestiture required by this Order.

#### IV.

**IT IS FURTHER ORDERED** that:

- A. Pending the divestiture of the Virginia Assets to be Divested pursuant to Paragraph II.A. and either the Revco Pharmacy Assets or the New York Assets to be Divested pursuant to Paragraph II.B., the Revco Virginia Assets pursuant to Paragraph III.A., or the CVS Binghamton Assets pursuant to Paragraph III.B., Respondents shall take such actions as are necessary to maintain the viability, marketability and competitiveness of all of these assets, and to prevent the destruction, removal, wasting, deterioration, or impairment of any of these assets except for ordinary wear and tear.

B. Respondents shall comply with all terms of the Asset Maintenance Agreement, attached to this Order and made a part hereof as Appendix I. The Asset Maintenance Agreement shall continue in effect until such time as all the divestitures required by this Order have been accomplished.

**v.**

**IT IS FURTHER ORDERED** that within thirty (30) days after the date this Order becomes final and every thirty (30) days thereafter until Respondents have fully complied with the provisions of Paragraphs II. and III. of this Order, Respondents shall submit to the Commission verified written reports setting forth in detail the manner and form in which it intends to comply, is complying, and has complied with the requirements of this Order. Respondents shall include in their compliance reports, among other things that are required from time to time, a full description of the efforts being made to comply with Paragraphs II. and III. of the Order, including a description of all substantive contacts or negotiations for each divestiture and the identity of all parties contacted. Respoentsentve fítio28

**VI.**

**IT IS FURTHER ORDERED** that Respondents shall notify the Commission at least thirty (30) days prior to any proposed change in the corporate Respondents such as dissolution, assignment, sale resulting in the emergence of a successor corporation, or the creation or dissolution of subsidiaries or any other change in the corporation that may affect compliance obligations arising out of the Order.

**VII.**

**IT IS FURTHER ORDERED** that, for the purpose of determining



Signed this day of \_\_\_\_\_, 1997.

**FEDERAL TRADE COMMISSION  
BUREAU OF COMPETITION**

**CVS CORPORATION**

By:

---

E. Eric Elmore  
Jacqueline K. Mendel  
Attorneys



Revco Store Number 2000  
523 Hooper Road  
Endwell, NY 13760

Revco Store Number 2003  
4700 Vestal Parkway East  
Vestal, NY

Revco Store Number 2007  
1183-85 Vestal Avenue  
Binghamton, NY 13903

Revco Store Number 2002  
133 Front Street  
Vestal, NY 13850

Revco Store Number 2005  
1318 Front Street  
Binghamton, NY 13901

Revco Store Number 2020  
310 Exchange Street  
Endicott, NY 13760

**SCHEDULE B  
REVCO VIRGINIA STORE LISTING**

Revco Store Number 842  
Interstate Rt 40 & 46  
Blackstone, VA 23824

Revco Store Number 1160  
Colonial Square Shopping Center  
12 Colonial Square  
Colonial Heights VA 23834

Revco Store Number 972  
University Square Shopping Center  
20825 Woodpecker Road  
Ettrick, VA 23803

Revco Store Number 998  
5207 Plaza Drive  
Hopewell, VA 23860

Revco Store Number 1473  
Tanbark Plaza Shopping Center  
74 Tanbark Plaza  
Lovingston, VA 22949

Revco Store Number 2522  
Atlee Square Shopping Center  
9159 Atlee Road  
Mechanicsville, VA 23116

Revco Store Number 187  
4310 Westgate Drive  
Petersburg, VA 23803

Revco Store Number 2754  
9100 Pocahontas Trail  
Providence Forge, VA 23140

Revco Store Number 383  
12000 Ridgfield Pkwy.  
Richmond, VA 23233

Revco Store Number 2380  
4408 West Hundred Road  
Chester, VA 23831

Revco Store Number 389  
220 Market Drive  
Emporia, VA 23847

Revco Store Number 4513  
Patrick Henry Center  
1506 S. Main Street  
Farmville, VA 23901

Revco Store Number 4001  
115 Brunswick Square Ct.  
Lawrenceville, VA 23868

Revco Store Number 2519  
7199 Stonewall Pkwy.  
Mechanicsville, VA 23111

Revco Store Number 2517  
Rockwood Square  
10163 Hull Street Road  
Midlothian, VA 23113

Revco Store Number 4504  
2733 S. Crater Road  
Petersburg, VA 23805

Revco Store Number 2755  
New Kent Crossing Shopping Center  
2587 New Kent Hwy.  
Quinton, VA 23141

Revco Store Number 390  
6401 Jahnke Road  
Richmond, VA 23225

Revco Store Number 398  
2805 West Broad Street  
Richmond, VA 23230

Revco Store Number 538  
Meadowwood Square  
5116 Richmond Henrico Turnpike  
Richmond, VA 23227

Revco Store Number 553  
Cary Village Shopping Center  
3142 West Cary Street  
Richmond, VA 23221

Revco Store Number 1313  
6011 Nine Mile  
Richmond, VA 23223

Revco Store Number 1436  
2917 North Avenue  
Richmond, VA 23222

Revco Store Number 4019  
Hungarybrook Shopping Center  
1292 Concord Avenue  
Richmond, VA 23228

Revco Store Number 4578  
Quiocassin Station  
8920 Quiocassin Road  
Richmond, VA 22560

Revco Store Number 4562  
While Oak Shopping Center  
1840 Tappahannock Blvd.  
Tappahannock, VA 22560

Revco Store Number 4387  
Pantops Center  
540 Pantops Center  
Charlottesville, VA 22911

Revco Store Number 505  
7127 Staples Mill Road  
Richmond, VA 23228

Revco Store Number 551  
326 East Broad Street  
Richmond, VA 23219

Revco Store Number 1158  
Glen Lea Shopping Center  
3824 Mechanicsville Pike  
Richmond, VA 23223

Revco Store Number 1319  
Willow Place Shopping Center  
5440 West Broad  
Richmond, VA 23230

Revco Store Number 2551  
Robious Hall Shopping Center  
10030 Robious Road  
Richmond, VA 23235

Revco Store Number 4391  
Irongate Village Shopping Center  
6423 Iron Bridge Road  
Richmond, VA 23234

Revco Store Number 4585  
1102 Courthouse Road  
Richmond, VA 23236

Revco Store Number 4000  
West Point Square  
100 Winter Street Unit 105  
West Point, VA 23181

Revco Store Number 194  
1367 Kempsville Road  
Chesapeake, VA 23320

Revco Store Number 313  
Liberty Plaza  
1800 Liberty Street  
Chesapeake, VA 23324

Revco Store Number 1140  
Poplar Hill Plaza  
3138 Western Branch Blvd.  
Chesapeake, VA 23321

Revco Store Number 4003  
Las Gaviotas Shopping Center  
1245 Cedar Road, Suite B  
Chesapeake, VA 23320

Revco Store Number 4420  
Centersville Crv25-14. TD

Revco Store Number 350  
4321 Indian River Road  
Chesapeake, VA 23325

Revco Store Number 1186  
Wilson Village Shopping Center  
328 Battlefield Blvd. S.  
Chesapeake, VA 23320

Revco Store Number 4020  
Taylor Road Plaza  
3325 Taylor Road, Suite 118  
Chesapeake, VA 23321

Revco Store Number 4530

Revco Store Number 621  
Newport Square Shopping Center  
846 Newport Square Shop Center  
Newport News, VA 23601

Revco Store Number 1143  
14865 Warwick Blvd.  
Newport News, VA 23608

Revco Store Number 2589  
Southeast Shopping Center  
2305 Jefferson Avenue  
Newport News, VA 23607

Revco Store Number 4501  
10451 Jefferson Avenue  
Newport News, VA 23605

Revco Store Number 431  
Southern Shopping Center  
No. 2 Southern S/C  
Norfolk, VA 23505

Revco Store Number 500  
Colley Village Shopping Center  
2301 Colley Avenue  
Norfolk, VA 23517

Revco Store Number 595  
742-A West 21st Street  
Norfolk, VA 23517

Revco Store Number 715  
1101 East Little Creek Road  
Norfolk, VA 23518

Revco Store Number 1029  
The Monticello Building  
258 Granby Street  
Norfolk, VA 23510

Revco Store Number 1096  
Newmarket Plaza Shopping Center  
605 Newmarket Drive Newmarket  
Plaza  
Newport News, VA 23605

Revco Store Number 1613  
13271 Warwick Blvd.  
Newport News, VA 23602

Revco Store Number 4022  
Richneck Center  
12917 Jefferson Avenue  
Newport News, VA 23602

Revco Store Number 117  
Downtown Plaza Shopping Center  
32 Downtown Plaza S/C  
Norfolk, VA 23510

Revco Store Number 493  
Midtown Shopping Center  
7628 Granby Street  
Norfolk, VA 23505

Revco Store Number 550  
6204-H N. Military Hwy.  
Norfolk, VA 23518

Revco Store Number 703  
Sewells Point Shopping Center  
2330 Azalea Garden Road  
Norfolk, VA 23513

Revco Store Number 882  
Ocean View Shopping Center  
163 West Ocean View Avenue  
Norfolk, VA 23503

Revco Store Number 1068  
Suburban Park Shopping Center  
7526 Granby Street  
Norfolk, VA 23505

Revco Store Number 1097  
1853 East Little Creek Road  
Norfolk, VA 23518

Revco Store Number 2574  
890 Kempsville Road  
Norfolk, VA 23502

Revco Store Number 750  
5788 Churchland Blvd.  
Portsmouth, VA 23703

Revco Store Number 1061  
3531 Airline Blvd.  
Portsmouth, VA 23701

Revco Store Number 2704  
2004 Victory Blvd.  
Portsmouth, VA 23702

Revco Store Number 835  
Smithfield Plaza Shopping Center  
1280 Smithfield Plaza  
Smithfield, VA 23430

Revco Store Number 1376  
571 East Constance Road  
Suffolk, VA 23434

Revco Store Number 100  
1949 Lynnhaven Parkway  
Virginia Beach, VA 23456

Revco Store Number 113  
1577 General Booth Blvd.  
Virginia Beach, VA 23454

Revco Store Number 341  
6531 College Park Square  
Virginia Beach, VA 23464

Revco Store Number 2375  
3212 Tidewater Road  
Norfolk, VA 23509

Revco Store Number 4009  
475 Wythe Creek Road  
Poquoson, VA 23662

Revco Store Number 871  
3116 High Street  
Portsmouth, VA 23707

Revco Store Number 1113  
326 High Street  
Portsmouth, VA 23704

Revco Store Number 4327  
Manor Village Shopping Center  
6219 Portsmouth Blvd.  
Portsmouth, VA 23701

Revco Store Number 1112  
Holland Plaza Shopping Center  
1240 Holland Road  
Suffolk, Va 23434

Revco Store Number 4385  
Suffolk Shopping Center  
1405 North Main Street  
Suffolk, VA 23434

Revco Store Number 109  
4221 Pleasant Valley Road  
Virginia Beach, VA 23464

Revco Store Number 116  
Linkhorn Shopping Center  
980 Laskin Road  
Virginia Beach, VA 23451

Revco Store Number 344  
3333 Virginia Beach Blvd.  
Virginia Beach, VA 23452

Revco Store Number 374  
Fairfield Shopping Center  
5232 Fairfield S/C  
Virginia Beach, VA 23464

Revco Store Number 464  
Kemps River Crossing  
1309 Fordham Drive  
Virginia Beach, VA 23464

Revco Store Number 787  
1075 Independence Blvd.  
Virginia Beach, VA 23455

Revco Store Number 883  
880 S. Military Hwy.  
Virginia Beach, VA 23464

Revco Store Number 1183  
5610 Princess Anne Road  
Virginia Beach, VA 23462

Revco Store Number 1200  
3600 South Plaza Trail  
Virginia Beach, VA 23452

Revco Store Number 1656  
Virginia Beach Blvd. and Dorset  
Street  
Virginia Beach, VA 23462

Revco Store Number 4406  
1012 Fallbrook Bend  
Virginia Beach, VA 23455

Revco Store Number 4555  
Birdneck Shopping Center  
1077 Virginia Beach Blvd.  
Virginia Beach, VA 23451

Revco Store Number 440  
Holland Shopping Center  
4324 Holland Road  
Virginia Beach, VA 23452

Revco Store Number 603  
Hilltop North Shopping Center  
750 Hilltop North S/C  
Virginia Beach, VA 23451

Revco Store Number 881  
Birchwood Mall  
3756 Virginia Beach Blvd.  
Virginia Beach, VA 23452

Revco Store Number 1188  
Pembroke Meadows Shopping Center  
748 Independence Blvd.  
Virginia Beach, VA 23455

Revco Store Number 1110  
2356-C Virginia Beach Blvd.  
Virginia Beach, VA 23454

Revco Store Number 1396  
Great Neck Shopping Center  
1216 Great Neck Village S/C  
Virginia Beach, VA 23454

Revco Store Number 2725  
2005 Sandbridge Road #101  
Virginia Beach, VA 23456

Revco Store Number 45542  
Shipp's Corner Shopping Center  
3208 Holland Road, Suite 11  
Virginia Beach, VA 23456

Revco Store Number 4599  
Lake Shores Plaza Shopping Center  
5193 Shore Drive #109  
Virginia Beach, VA 23455

Revco Store Number 382  
Governor's Green Shopping Center  
4511-K John Tyler Hwy.  
Williamsburg, VA 23185

Revco Store Number 2573  
124 Waller Mill Road

Revco Store Number 1147  
James-York Shopping Center  
701 Merrimac Trail  
Williamsburg, VA 23185

Revco Store Number 1625  
Shoppes at Yorktown



APPENDIX I

UNITED STATES OF AMERICA  
BEFORE FEDERAL TRADE COMMISSION

---

)  
)  
In the Matter of )  
)  
**CVS CORPORATION,** )  
a corporation, )  
)File No. 971-0060  
and )  
)  
**REVCO D.S., INC.,** )  
a corporation. )  
)  
)  

---

**ASSET MAINTENANCE AGREEMENT**

This Asset Maintenance Agreement ("Agreement") is by and between CVS Corporation ("CVS"), a corporation organized, existing, and doing business under and by virtue of the laws of the State of Delaware, with its office and principal place of business located at One CVS Drive, Woonsocket, Rhode Island 02895; Revco D.S., Inc. ("Revco"), a corporation organized, existing, and doing business under and by virtue of the laws of the State of Delaware, with its office and principal place of business located at 1925 Enterprise Parkway, Twinsburg, Ohio 44087 (collectively "Proposed Respondents"); and the Federal Trade Commission ("Commission"), an independent agency of the United States Government, established under the Federal Trade

Commission Act of 1914, 15 U.S.C. § 41, et seq. (collectively "the Parties").

#### **PREMISES**

**WHEREAS**, CVS has proposed to acquire all of the outstanding voting securities of and to merge (through a wholly-owned subsidiary) with Revco D.S., Inc., pursuant to an agreement and plan of merger dated February 6, 1997 ("the proposed Acquisition"); and

**WHEREAS**, the Commission is now investigating the proposed Acquisition to determine if it would violate any of the statutes the Commission enforces; and

**WHEREAS**, if the Commission accepts the attached Agreement Containing Consent Order ("Consent Order"), the Commission is required to place it on the public record for a period of sixty (60) days for public comment and may subsequently either withdraw such acceptance or issue and serve its Complaint and its Decision and final Order in disposition of the proceeding pursuant to the provisions of Section 2.34 of the Commission's Rules; and

**WHEREAS**, the Commission is concerned that if an agreement is not reached preserving the status quo ante of the Revco Virginia Assets, the Virginia Assets to be Divested, the Revco Pharmacy Assets, the New York Assets to be Divested, and the CVS Binghamton Assets as described in the attached Consent Order (hereinafter sometimes referred to as "Assets") during the period prior to their divestiture, any divestiture resulting from any administrative proceeding challenging the legality of the

Acquisition might not be possible, or might produce a less than effective remedy; and

**WHEREAS**, the Commission is concerned that prior to any divestitures to the Acquirer(s) approved by the Commission, it may be necessary to preserve the continued viability and competitiveness of the Assets; and

**WHEREAS**, the purpose of this Agreement and of the Consent Order is to preserve the Assets pending the divestitures to the Acquirer(s) approved by the Commission under the terms of the Order, in order to remedy any anticompetitive effects of the proposed Acquisition; and

**WHEREAS**, Proposed Respondents entering into this Agreement shall in no way be construed as an admission by Proposed Respondents that the proposed Acquisition is illegal; and

**WHEREAS**, Proposed Respondents understand that no act or transaction contemplated by this Agreement shall be deemed immune or exempt from the provisions of the antitrust laws or the Federal Trade Commission Act by reason of anything contained in this Agreement.

**NOW, THEREFORE**, in consideration of the Commission's agreement that at the time it accepts the Consent Order for public comment it will grant early termination of the Hart-Scott-Rodino waiting period, the Parties agree as follows:

**TERMS OF AGREEMENT**

1. Proposed Respondents agree to execute, and upon its issuance to be bound by, the attached Consent Order. The Parties further agree that each term defined in the attached Consent Order shall have the same meaning in this Agreement.

2. Proposed Respondents agree that from the date Proposed Respondents sign this Agreement until the earlier of the dates listed in subparagraphs 2.a. and 2.b., Proposed Respondents will comply with the provisions of this Agreement:

- a. three (3) business days after the Commission withdraws its acceptance of the Consent Order pursuant to the provisions of Section 2.34 of the Commission's Rules; or
- b. the date the divestitures as set out in the Consent Order have been completed.

3. Proposed Respondents shall maintain the viability and marketability of the Assets, and shall not cause the wasting or deterioration of the Assets, nor shall they sell, transfer, encumber or otherwise impair their marketability or viability.

4. Proposed Respondents shall maintain the competitiveness of the Assets. This includes, but is not limited to, maintaining promotions and discount policies, and continuing specific store services (such as, for example, hours of operation and operation of specific departments). In particular, Proposed Respondents shall continue to offer to customers who obtain pharmacy services at the Assets the same type and quality of pharmacy services that

are offered at the Proposed Respondents' retail drug stores that are not subject to the Consent Order's divestiture provisions.

5. Should the Commission seek in any proceeding to compel Proposed Respondents to divest themselves of the Assets or to seek any other injunctive or equitable relief, Proposed Respondents shall not raise any objection based upon the expiration of the applicable Hart-Scott-Rodino Antitrust Improvements Act waiting period or the fact that the Commission has not sought to enjoin the proposed Acquisition. Proposed Respondents also waive all rights to contest the validity of this Agreement.

6. For the purpose of determining or securing compliance with this Agreement, subject to any legally recognized privilege, and upon written request with five (5) days' notice to Proposed Respondents and to their principal office(s), Proposed Respondents shall permit any duly authorized representative or representatives of the Commission:

a. access during the office hours of Proposed Respondents, in the presence of counsel, to inspect and copy all books, ledgers, accounts, correspondence, memoranda and other records and documents in the possession or under the control of Proposed Respondents relating to compliance with this Agreement; and

b. to interview officers or employees of Proposed Respondents, who may have counsel present, regarding any such matters.

7. This Agreement shall not be binding until approved by the Commission.



**UNITED STATES OF AMERICA  
BEFORE FEDERAL TRADE COMMISSION**

In the Matter of	)	
	)	
<b>CVS CORPORATION,</b>	)	
a corporation,	)	
	)	<b>Docket No. C-</b>
and	)	
	)	
<b>REVCO D.S., INC.,</b>	)	
a corporation.	)	

**COMPLAINT**

The Federal Trade Commission ("Commission"), having reason to believe that CVS Corporation, through a wholly-owned subsidiary, North Acquisition Corp., has agreed to acquire Revco D.S., Inc., all corporations subject to the jurisdiction of the Commission, in violation of Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18, and Section 5 of the Federal Trade Commission Act ("FTC Act"), 15 U.S.C. § 45; and it appearing to the Commission that a proceeding in respect thereof would be in the public interest, hereby issues its Complaint, stating its charges as follows:

**I. DEFINITION**

1. For the purposes of this complaint, "MSA" means Metropolitan Statistical Area as defined by the United States Department of Commerce, Bureau of the Census.

**II. RESPONDENTS**

2. Respondent CVS Corporation ("CVS") is a corporation organized, existing, and doing business under and by virtue of the laws of the State of Delaware, with its office and principal place of business located at One CVS Drive, Woonsocket, Rhode Island 02895.

3. Respondent Revco D.S., Inc. ("Revco") is a corporation organized, existing, and doing business under and by virtue of the laws of the State of Delaware, with its office and principal place of business located at 1925 Enterprise Parkway, Twinsburg, Ohio 44087.



4. For purposes of this proceeding, Respondents are, and at all times relevant herein have been, engaged in commerce as “commerce” is defined in Section 1 of the Clayton Act, as amended, 15 U.S.C. § 12, and are corporations whose businesses are in or affecting commerce as “commerce” is defined in Section 4 of the FTC Act, as amended, 15 U.S.C. § 44.

### **III. THE ACQUISITION**

5. On February 6, 1997, CVS, through a wholly-owned subsidiary, North Acquisition Corp., entered into an Agreement and Plan of Merger to acquire and merge with Revco (“the Acquisition”).

### **IV. THE RELEVANT MARKETS**

6. For purposes of this Complaint, the relevant line of commerce in which to analyze the effect of the Acquisition is the retail sale of pharmacy services to third-party payors such as insurance carriers, health maintenance organizations, preferred provider organizations, and corporate employers. Pharmacy services refers to the filling of prescription drugs and related pharmacy service benefits. Third-party payors offer retail pharmacy service benefits to their beneficiaries, typically through intermediaries known as pharmacy benefit management firms or PBMs, who create and administer retail pharmacy networks on behalf of third-party payors, so that the beneficiaries of these third-party payors may go to any pharmacy participating in the retail pharmacy network to have their prescriptions filled.

7. For purposes of this Complaint, the relevant sections of the country in which to analyze the effect of the Acquisition are:

- a. the State of Virginia; and
- b. the Binghamton, New York MSA.

8. The relevant markets set forth in Paragraphs 6 and 7 are highly concentrated, whether measured by Herfindahl-Hirschmann Indices (“HHI”) or two-firm and four-firm concentration ratios.

9. Entry into the relevant markets is difficult or unlikely to occur at a sufficient scale to deter or counteract the effect of the Acquisition described in Paragraph 5.

10. CVS and Revco are actual competitors in the relevant markets.

## V. EFFECT OF THE ACQUISITION

11. The effect of the Acquisition may be substantially to lessen competition and to tend to create a monopoly in the relevant markets in violation of Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18, and Section 5 of the Federal Trade Commission Act, 15 U.S.C. § 45, in the following ways, among others:

- a. by eliminating direct actual competition between CVS and Revco in the relevant markets;
- b. by increasing the likelihood that CVS will unilaterally exercise market power in the relevant markets; and
- c. by increasing the likelihood of collusion in the relevant markets.

12. All of the above increase the likelihood that firms in the relevant markets will increase prices and restrict output both in the near future and in the long term.

## VI. VIOLATIONS CHARGED

13. The acquisition agreement described in Paragraph 5 constitutes a violation of Section 5 of the FTC Act, as amended, 15 U.S.C. § 45.

14. The Acquisition described in paragraph 5, if consummated, would constitute a violation of Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18, and Section 5 of the FTC Act, as amended, 15 U.S.C. § 45.

IN WITNESS WHEREOF, the Federal Trade Commission has caused this Complaint to be signed by the Secretary and its official seal to be affixed, at Washington, D.C. this \_\_\_\_ day of \_\_\_\_\_ A.D. 1997.

By the Commission.

Donald S. Clark  
Secretary

SEAL

## **Analysis of Proposed Consent Order To Aid Public Comment**

The Federal Trade Commission ("Commission") has accepted, subject to final approval, an agreement containing a proposed Consent Order from CVS Corporation and Revco D.S. Inc. (collectively, "the respondents") under which the respondents would be required to divest a total of 114 Revco retail drug stores in the state of Virginia to Eckerd Corporation, a subsidiary of J.C. Penney Company, or to another Commission-approved purchaser, and certain pharmacy assets related to six Revco retail drug stores in the Binghamton, New York metropolitan area to Medicine Shoppe, a subsidiary of Cardinal Health, or another Commission-approved purchaser. The agreement is designed to remedy the anticompetitive effects resulting from CVS's proposed acquisition of Revco.

The proposed Consent Order has been placed on the public record for sixty days for reception of comments by interested persons. Public comment is invited regarding all aspects of the agreement including the proposed divestitures to Eckerd Corporation and Medicine Shoppe. Comments received during this period will become part of the public record. After sixty days, the Commission will again review the agreement and the comments received and will decide whether it should withdraw from the agreement or make final the agreement's proposed Order.

The proposed complaint alleges that the proposed acquisition, if consummated, would violate Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18, and Section 5 of the FTC Act, as amended, 15 U.S.C. § 45, in the market for the retail sale of pharmacy services to third-party payors in the State of Virginia and the Binghamton, New York, metropolitan area.

The retail sale of pharmacy services to third-party payors refers to prescription drugs sold by retail outlets such as drug store chains, independent drug stores, food stores and mass merchandise stores to third-party payors, which include insurance carriers, health maintenance organizations, preferred provider organizations, and corporate employers. Third-party payors provide retail pharmacy service benefits to their beneficiaries, typically through intermediaries known as pharmacy benefit management ("PBM") firms that create and administer retail pharmacy networks on behalf of third-party payors, whereby third-party payor beneficiaries may go to any pharmacy participating in the network to have prescriptions filled. In establishing these pharmacy networks, third-party payors generally rely on competition among large pharmacy chains to keep the cost of pharmacy services competitive. In markets where only a small number of pharmacy chains compete, third-party payors may pay higher rates for pharmacy services. Where a single pharmacy chain controls a large share of pharmacy locations in a given area, the chain is able to extract higher prices.

For purposes of assessing competitive harm in the market for the retail sale of pharmacy services to third-party payors, both states and metropolitan statistical areas may be appropriate

the complaint alleges that third-party payors would be unable cost-effectively to assemble pharmacy networks that did not include CVS or Revco stores, and therefore, CVS would be able to increase prices for the retail sale of pharmacy services to third-party payors. The complaint also alleges that timely entry in the market for the retail sale of pharmacy services to third-party payors in these geographic markets on the scale necessary to offset the competitive harm resulting from the combination of CVS and Revco is unlikely.

The proposed Consent Order would remedy the alleged violations by requiring divestitures to restore the lost competition that would result from the acquisitions. Under the proposed Consent Order, the respondents would be required to divest 114 Revco drug stores in Virginia to Eckerd or to a Commission-approved purchaser. The proposed Consent Order also requires the respondents to divest either specific pharmacy assets related to six Revco drug stores in the Binghamton, New York, metropolitan area to Medicine Shoppe International, Inc., or its subsidiary, Pharmacy Operations, Inc., or six Revco drug stores in the Binghamton, New York, area to a Commission-approved purchaser. The respondents have ten days from the date the Order becomes final or four months after the Commission accepts the Agreement Containing Consent Order for public comment, whichever is later, to accomplish each divestiture to the named purchaser. Alternatively, if the respondents do not divest to Eckerd or Medicine Shoppe, they must divest to alternative Commission-approved buyers three months from the date the Order becomes final.

The proposed Order requires that the assets being divested in Virginia and Binghamton, New York, each go to a single purchaser in order to ensure competition by recreating a chain of

sufficient size and coverage to serve as an alternative anchor pharmacy chain for a PBM retail pharmacy network.

Under the proposed Order, if either divestiture is not accomplished within the required