

SETTLEMENT AGREEMENT

I. PARTIES

This Settlement Agreement (Agreement) is entered into among the United States of America, acting through the United States Department of Justice and on behalf of the United States Drug Enforcement Administration ("DEA") (collectively the "United States"), and Walgreen Arizona Drug Co., an Arizona corporation, on its behalf as well as on behalf of its wholly owned retail pharmacy operating under the name Walgreens #05090 (collectively "Walgreens") (hereafter referred to as "the Parties"), through their authorized representatives.

II. RECITALS

A. Walgreens #05090 is a retail pharmacy located in Show Low, Arizona and is in the business of dispensing branded and generic prescription drugs, including controlled substances.

B. Walgreens #05090 is registered with the DEA and is assigned a unique DEA registration number to dispense controlled substances as required by the Controlled Substances Act, 21 U.S.C. Sections 801, *et seq.* ("the CSA").

C. Walgreens #05090 is required to operate in accordance with the statutory and regulatory provisions of the CSA.

D. The DEA is the Department of Justice component agency primarily responsible for administering the CSA and is vested with the responsibility of investigating CSA violations.

E. The United States contends that it has certain civil claims, as specified in Paragraph F below, against Walgreens for engaging in the following conduct: Between January 2003 and October 2004, Walgreens #05090 (1) dispensed controlled substances for certain prescriptions written by Dr. Kevin Brockbank that were outside the usual course of professional practice and (2) failed to maintain complete and accurate records of prescriptions written by Dr. Kevin Brockbank ("Covered Conduct").

F. At all times relevant to the Covered Conduct, the CSA (21 U.S.C. § 842(c)(1)), authorized the imposition of a civil penalty of up to \$25,000 for each violation of the Section, except that violations of § 842(a)(5) (record keeping and reporting violations) are subject to a civil penalty of

up to \$10,000 for each violation.

G. By entering into this Agreement, Walgreens does not admit to the violations alleged as a result of any DEA investigation, or to any violation of law, liability, fault, misconduct, or wrongdoing. Walgreens cooperated with the United States by voluntarily providing information during the course of the investigation.

H. To avoid the delay, expense, inconvenience, and uncertainty of litigation of these claims, the Parties reach a full and final settlement pursuant to the Terms and Conditions below.

I. This Agreement is neither an admission of liability by Walgreens nor a concession by the United States that its claims are not well founded. In consideration of the mutual promises, covenants, and obligations set forth in this Agreement, the Parties agree as follows:

III. TERMS AND CONDITIONS

A. Walgreens agrees to pay to the United States Five Hundred Thousand Dollars (\$500,000) (the "Settlement Amount") within 30 days of the Effective Date of this Agreement. Payment shall be by electronic funds transfer according to instructions provided by the United States.

B. Walgreens acknowledges that its DEA registered pharmacy is required to comply with the controlled substance record keeping and reporting requirements of the CSA. Walgreens represents that it has provided its pharmacy personnel at Walgreens #05090 with appropriate training on these requirements and will otherwise maintain good-faith measures to detect and prevent diversion.

C. Subject to the exceptions in Paragraph D, below, in consideration of the obligations of Walgreens set forth in this Agreement, conditioned upon Walgreens' full payment of the Settlement Amount, the United States (on behalf of itself, its officers, agents, agencies, and departments) agrees to release Walgreens, its officers, directors, agencies, employees,

servants, and agents from any claims for civil penalties arising under the CSA (21 U.S.C. § 842 (c)) for the Covered Conduct.

D. Notwithstanding any term of this Agreement, specifically reserved and excluded from the scope and terms of this Agreement as to any entity or person (including Walgreens) are the following:

1. Any civil, criminal, or administrative liability arising under Title 26, U.S. Code (Internal Revenue Code);
2. Any criminal liability;
3. Any liability to the United States (or its agencies) for any conduct other than the Covered Conduct; and
4. Any liability based upon such obligations as are created by this Agreement.

E. Nothing in this Paragraph or any other provision of this Agreement constitutes an agreement by the United States concerning the characterization of the Settlement Amount for purposes of the Internal Revenue laws, Title 26 of the United States Code.

F. Walgreens fully and finally releases the United States, its agencies, employees, servants, and agents from any claims (including attorney's fees, costs, and expenses of every kind and however denominated) that Walgreens has asserted, could have asserted, or may assert in the future against the United States, its agencies, employees, servants, and agents, related to the Covered Conduct and the United States' investigation and prosecution thereof.

G. This Agreement is intended only for the benefit of the Parties. The Parties do not release any claims against any other person or entity.

H. Each Party to this Agreement shall bear its own legal and other costs incurred in connection with this matter, including the preparation and performance of this Agreement.

I. Walgreens represents that this Agreement is freely and voluntarily entered into without any degree of duress or compulsion whatsoever.

J. This Agreement is governed by the laws of the United States. The Parties agree that the exclusive jurisdiction and venue for any dispute arising between and among the Parties under this Agreement is the United States District Court for the District of Arizona.

K. This Agreement constitutes the complete agreement between the Parties. This Agreement may not be amended except by written consent of the Parties.

L. This Agreement may be executed in counterparts, each of which constitutes an original and all of which constitute one and the same Agreement.

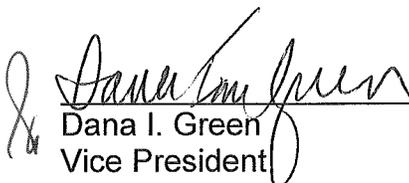
M. This Agreement is binding on Walgreens' successors, transferees, heirs, and assigns.

N. All parties agree that this Agreement is a public document and may be subject to disclosure under the Freedom of Information Act ("FOIA") and that neither party is prohibited from disclosing information about this Agreement to the public.

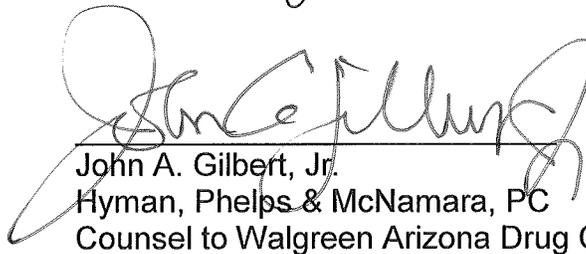
O. This Agreement is effective on the date of signature of the last signatory to the Agreement. Facsimiles of signatures shall constitute acceptable, binding signatures for purposes of this Agreement. The United States agrees to notify Walgreens immediately when the final signatory has executed this Agreement.

ON BEHALF OF WALGREEN ARIZONA DRUG CO.:

DATED: 7/27/11


Dana I. Green
Vice President

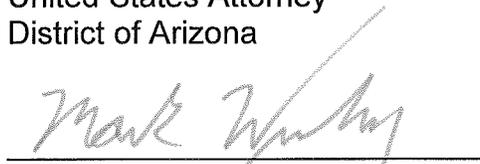
DATED: 8/1/11


John A. Gilbert, Jr.
Hyman, Phelps & McNamara, PC
Counsel to Walgreen Arizona Drug Co.

ON BEHALF OF THE UNITED STATES:

UNITED STATES OF AMERICA
DENNIS K. BURKE
United States Attorney
District of Arizona

DATED: 8/2/11


Mark J. Wenker
Assistant United States Attorney