WALGREEN CO

FORM 10-K
(Annual Report)

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Address	200 WILMOT RD DEERFIELD, IL 60015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended August 31, 2010.

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Transition Period From ____________ to ___________

Commission file number **1-604** .

WALGREEN CO .

(Exact name of registrant as specified in its charter)

Illinois	**36-1924025**
(State of incorporation)	(I.R.S. Employer Identification No.)
200 Wilmot Road, Deerfield, Illinois	60015
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: **(847) 914-2500**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock ($.078125 Par Value)	New York Stock Exchange The NASDAQ Stock Market LLC Chicago Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "large accelerated filer," and "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒	Accelerated filer ☐
Non-accelerated filer ☐	Smaller Reporting Company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of February 28, 2010, the aggregate market value of Walgreen Co. common stock held by non-affiliates (based upon the closing transaction price on the New York Stock Exchange on February 26, 2010) was approximately $34.4 billion. As of September 30, 2010, there were 929,744,049 shares of Walgreen Co. common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Annual Report to Shareholders for the year ended August 31, 2010, to the extent stated in this Form 10-K, are incorporated by reference into Parts I, II and IV of this Form 10-K. Portions of the registrant's Proxy Statement for its Annual Meeting of Shareholders to be held January 12, 2011, are incorporated by reference into Part III of this Form 10-K as indicated herein.

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Item 1. Business

Walgreen Co., together with its subsidiaries, operates the largest drugstore chain in the United States with net sales of $67.4 billion in the fiscal year ended August 31, 2010. We provide our customers with convenient, multichannel access to consumer goods and services, and pharmacy, health and wellness services in communities across America. We offer our products and services through drugstores, as well as through mail, by telephone, and via the Internet.

We sell prescription and non-prescription drugs as well as general merchandise, including household products, convenience foods, personal care, beauty care, candy, photofinishing and seasonal items. Our pharmacy services includes retail, specialty, infusion, medical facility, long- term care and mail service, along with pharmacy benefit solutions and respiratory services. These services help improve health outcomes and manage costs for payers including employers, managed care organizations, health systems, pharmacy benefit managers and the public sector. Our Take Care Health Systems subsidiary is a manager of worksite health centers and in-store convenient care clinics, with more than 700 locations throughout the United States.

Walgreen Co. was incorporated as an Illinois corporation in 1909 as a successor to a business founded in 1901. Our principal executive offices are located at 200 Wilmot Road, Deerfield, Illinois, 60015.

References in this Form 10-K to "Walgreens", the "Company," "we," "us" or "our" refer to Walgreen Co. and its subsidiaries included in the consolidated financial statements, except as otherwise indicated or the context otherwise requires. Our fiscal year ends on August 31, and references herein to "fiscal 2010" refer to our fiscal year ended August 31, 2010.

(a) *General development of business.*

As of August 31, 2010, Walgreens operated 8,046 locations in 50 states, the District of Columbia, Puerto Rico and Guam. In 2010 the Company opened or acquired 670 locations for a net increase of 550 locations after relocations and closings. Total locations do not include 352 convenient care clinics operated by Take Care Health Systems, Inc. within our drugstores.

	Number of Locations		
Location Type	**2010**	**2009**	**2008**
Drugstores	7,562	6,997	6,443
Worksite Facilities	367	377	364
Home Care Facilities	101	105	115
Specialty Pharmacies	14	15	10
Mail Service Facilities	2	2	2
Total	8,046	7,496	6,934

Walgreens goal is to provide the most convenient multichannel access to consumer goods and services, and pharmacy health and wellness services through our 7,562 community based drugstores, as well as through our specialty pharmacy, home infusion, worksite health center and retail clinic businesses. Today, 72.7% of the population lives within five miles of a Walgreens and 5.9 million shoppers visit our stores daily. In addition to store shoppers, Walgreens.com receives approximately 15 million visits per month.

We seek to grow pharmacy market share through new store growth, comparable store sales increases, pharmacy prescription file purchases and strategic acquisitions. As an example, in fiscal 2010 we supplemented organic growth by expanding our presence in the New York metropolitan area through the acquisition of 258 Duane Reade drug stores.

We utilize our extensive retail network as a channel to provide affordable, quality, health and wellness services to our customers and patients, as illustrated by our ability to play a significant role in providing flu vaccinations. Finally, we market Walgreen Co. to employers, governments, managed care organizations and pharmacy benefit managers, expanding beyond our traditional retail consumer model, to contract directly with our payers. W ith more than 70,000 health care providers, Walgreens expects to continue to play a growing role in government and employer efforts to control escalating health care costs.

Prescription sales continue to be a large portion of the Company's business. In fiscal 2010, prescriptions accounted for 65.2% of sales compared to 65.3% in fiscal 2009. Third party sales, where reimbursement is received from managed care organizations, government and private insurance, were 95.3% of fiscal 2010 prescription sales compared to 95.4% in fiscal 2009. Overall, Walgreens filled approximately 695 million prescriptions in 2010, an increase of 6.8% from fiscal 2009. Adjusted to 30 day equivalents, prescriptions filled were 778 million in fiscal 2010, 723 million in fiscal 2009 and 677 million in fiscal 2008. Walgreens continues to gain market share accounting for 19.5% of the U.S. retail prescription drug market in fiscal 2010 compared to 18.9% and 18.2% in fiscal 2009 and 2008, respectively. Walgreens expects to continue to grow pharmacy sales due, in part, to the aging population and the continued development of innovative drugs that improve quality of life and control health care costs.

During fiscal 2010 the Company added $1.0 billion to property and equipment, which included approximately $0.8 billion related to stores, $0.1 billion for distribution centers, and $0.1 billion related to other locations. Capital expenditures for fiscal 2011 are expected to be approximately $1.4 billion, excluding acquisitions and prescription file purchases.

(b) *Financial information about industry segments.*

The Company is principally in the retail drugstore business and its operations are within one reportable segment.

(c) *Narrative description of business.*

(i) Principal products produced and services rendered.

The Company’s drugstores are engaged in the retail sale of prescription and non-prescription drugs and general merchandise. General merchandise includes, among other things, household products, convenience foods, personal care, beauty care, candy, photofinishing and seasonal items. Walgreens offers customers the choice to have prescriptions filled at the drugstore counter, as well as through the mail, and customers may also place orders by telephone and via the Internet.

The estimated contributions of various product classes to sales for each of the last three fiscal years are as follows:

	Percentage		
Product Class	**2010**	**2009**	**2008**
Prescription Drugs	65	65	65
Non-prescription Drugs	10	10	10
General Merchandise	25	25	25
Total Sales	100	100	100

(ii) Status of a product or segment.

Not applicable.

(iii) Sources and availability of raw materials.

Inventories are purchased from numerous domestic and foreign suppliers. The loss of any one supplier or group of suppliers under common control would not have a material effect on the Company’s business.

(iv) Patents, trademarks, licenses, franchises and concessions held.

Walgreens markets products under various trademarks, trade dress and trade names and holds assorted business licenses (such as pharmacy, occupational, and liquor) having various lives, which are necessary for the normal operation of business. The Company also has filed various patent applications relating to its business and products, eight of which have been issued.

(v) Seasonal variations in business.

The business is seasonal in nature, with the second fiscal quarter generating a higher proportion of front-end sales and earnings than other periods. Both prescription and non-prescription drug sales are affected by the timing and severity of the cold/flu season. See the caption "Summary of Quarterly Results (Unaudited)" on page 39 of the Annual Report to Shareholders for the year ended August 31, 2010 ("2010 Annual Report"), which section is incorporated herein by reference.

(vi) Working capital practices.

The Company generally finances its inventory and expansion needs with internally generated funds. See “Management's Discussion and Analysis of Results of Operations and Financial Condition" on pages 18 through 23 of the 2010 Annual Report, which sections are incorporated herein by reference.

Prescription sales represented 65.2% of total Company sales in fiscal 2010 and third party payers covered 95.3% of all prescription sales. The remaining prescription and front-end sales are principally for cash, credit and debit cards. Customer returns are immaterial.

(vii) Dependence upon limited number of customers.

The Company sells to numerous customers including various managed care organizations. No customer accounts for ten percent or more of the Company's consolidated net sales.

(viii) Backlog orders.

Not applicable.

(ix) Government contracts.

The Company fills prescriptions for many state public assistance plans. Revenues from all such plans are approximately 6.2% of total sales.

(x) Competitive conditions.

The drugstore industry is highly competitive. As a volume leader in the retail drug industry and as a retailer of general merchandise, Walgreens competes with various retailers, including chain and independent drugstores, mail order prescription providers, grocery stores, convenient stores, mass merchants and dollar stores. Competition remained keen during the fiscal year with the Company competing on the basis of service, convenience, variety and price. The Company's geographic dispersion tends to offset the impact of temporary economic and competitive conditions in individual markets. The number and location of the Company's drugstores appears under Item 2 - "Properties" in this Form 10-K.

(xi) Research and development activities.

The Company does not engage in any material research and development activities.

(xii) Environmental disclosures.

Federal, state and local environmental protection requirements do not have a material effect upon capital expenditures, earnings or the competitive position of the Company.

(xiii) Number of employees.

At August 31, 2010, the Company employed approximately 244,000 persons, about 67,000 of whom were part-time employees working less than 30 hours per week.

(d) *Financial information about foreign and domestic operations and export sales.*

All the Company sales occurred within the United States, Puerto Rico and Guam. There are no export sales.

(e) *Available information*

We file with the Securities and Exchange Commission ("SEC") our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports, proxy statements and registration statements. You may read and copy any material we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. You may also obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an internet site at http://www.sec.gov that contains reports, proxy and information statements, and other information regarding issuers, including us, that file electronically. We make available free of charge on or through our website at investor.walgreens.com our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we file or furnish them to the SEC. The contents of the Company's website are not, however, a part of this report.

Cautionary Note Regarding Forward Looking Statements

This Annual Report on Form 10-K, the documents incorporated herein by reference and other documents that we file with the Securities and Exchange Commission contain forward-looking statements that are based on current expectations, estimates, forecasts and projections about our future performance, our business, our beliefs and our management's assumptions. In addition, we, or others on our behalf, may make forward-looking statements in press releases or written statements, on the Company's website or in our communications and discussions with investors and analysts in the normal course of business through meetings, webcasts, phone calls and conference calls. Statements that are not historical facts are forward-looking statements, including forward-looking information concerning pharmacy sales trends, prescription margins, number and location of new store openings, outcomes of litigation, the level of capital expenditures, industry trends, demographic trends, growth strategies, financial results, cost reduction initiatives, acquisition synergies, regulatory approvals, and competitive strengths. Words such as "expect," "outlook," "forecast," "would," "could," "should," "project," "intend," "plan," "continue," "believe," "seek," "estimate," "anticipate," "may," "assume," and variations of such words and similar expressions are intended to identify such forward-looking statements, which are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are not guarantees of future performance and involve risks, assumptions and uncertainties, known or unknown to the Company, including, but not limited to, those described in Item 1A "Risk Factors" below and in other reports that we file with the Securities and Exchange Commission. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those indicated or anticipated by such forward-looking statements. Accordingly, you are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date they are made. Except to the extent required by law, we undertake no obligation to update publicly any forward-looking statements after the date they are made, whether as a result of new information, future events, changes in assumptions or otherwise.

Item 1A. Risk Factors

In addition to the other information in this report and our other filings with the SEC, you should carefully consider the risks described below, which could materially and adversely affect our business, financial condition and results of operations. These risks are not the only risks that we face. Our business operations could also be affected by additional factors that are not presently known to us or that we currently consider to be immaterial to our operations.

Reductions in third party reimbursement levels, from private or government plans, for prescription drugs could reduce our margin on pharmacy sales and could have a significant effect on our retail drugstore profits.

The continued efforts of health maintenance organizations, managed care organizations, pharmacy benefit management companies, government entities, and other third party payers to reduce prescription drug costs and pharmacy reimbursement rates, as well as litigation relating to how drugs are priced, may adversely impact our profitability. In addition, some of these entities may offer pricing terms that we may not be willing to accept or otherwise restrict our participation in their networks of pharmacy providers. Certain provisions of the Deficit Reduction Act of 2005 (the DRA) sought to reduce federal spending by altering the Medicaid reimbursement formula for multi-source (i.e., generic) drugs (AMP). Those reductions did not go into effect. The Patient Protection and Affordable Care Act signed into law on March 23, 2010 (the ACA) enacted a modified reimbursement formula for multi-source drugs. The modified formula, when implemented, is expected to reduce Medicaid reimbursements, which could adversely affect our revenues and profits.

We derive a significant portion of our sales from prescription drug sales reimbursed by pharmacy benefit management companies.

We derive a significant portion of our sales from prescription drug sales reimbursed through prescription drug plans administered by pharmacy benefit management (PBM) companies. PBM companies typically administer multiple prescription drug plans that expire at various times and provide for varying reimbursement rates. If our participation in the prescription drug programs administered by one or more of the large PBM companies is restricted or terminated, we expect that our sales would be adversely affected, at least in the short term. If we are unable to replace any such lost sales, either through an increase in other sales or through a resumption of participation in those plans, our operating results may be materially adversely affected.

Our profitability can be adversely affected by a decrease in the introduction of new brand name and generic prescription drugs.

Our sales and profit margins are affected by the introduction of new brand name and generic drugs. New brand name drugs can result in increased drug utilization and associated sales revenues, while the introduction of lower priced generic alternatives typically result in higher gross profit margins. Accordingly, a decrease in the number of significant new drugs or generics successfully introduced could adversely affect our results of operations.

Changes in economic conditions could adversely affect consumer buying practices and reduce our revenues and profitability.

Our performance has been, and may continue to be, adversely impacted by negative changes in national, regional or local economic conditions and consumer confidence. The current economic environment has had a material impact on consumer behavior that could persist even as the economy starts to recover. External factors that affect consumer confidence and over which we exercise no influence include unemployment rates, levels of personal disposable income, national, regional or local economic conditions and acts of war or terrorism. Changes in economic conditions and consumer confidence could adversely affect consumer preferences, purchasing power and spending patterns. A decrease in overall consumer spending as a result of changes in economic conditions could adversely affect our front-end and pharmacy sales and negatively impact our profitability. All these factors could impact our revenues, operating results and financial condition.

The industries in which we operate are highly competitive and further increases in competition could adversely affect us.

In our retail pharmacy business, we face intense competition from local, regional and national companies, including other drug store chains, independent drug stores, mail-order prescription providers and various other retailers such as grocery stores, convenience stores, mass merchants and dollar stores, many of which are aggressively expanding in markets we serve. In the other markets in which we compete, including pharmacy benefit services and health services, we also operate in a highly competitive environment. As competition increases in the markets in which we operate, a significant increase in general pricing pressures could occur, which could require us to reevaluate our pricing structures to remain competitive. Our failure to reduce prices could result in decreased revenue, and reducing prices without also reducing costs could negatively affect profits.

If the merchandise and services that we offer fail to meet customer needs, our sales may be affected.

Our success depends on our ability to offer a superior shopping experience, a quality assortment of available merchandise and superior customer service. We must identify, obtain supplies of, and offer to our customers, attractive, innovative and high-quality merchandise on a continuous basis. Our products and services must satisfy the needs and desires of our customers, whose preferences may change in the future. If we misjudge either the demand for products and services we sell or our customers' purchasing habits and tastes, we may be faced with excess inventories of some products and missed opportunities for products and services we chose not to offer. In addition, our sales may decline or we may be required to sell the merchandise we have obtained at lower prices. This would have a negative effect on our business and results of operations.

Our strategy is dependent, in part, upon the successful implementation of various strategic initiatives.

While our overall business strategy consists of many components and underlying initiatives our long-term financial performance will be impacted by our ability to execute certain key initiatives. If we are unable to effectively execute one or more of these key initiatives, our business, financial condition and results of operations may be materially adversely affected.

Our ability to grow our business may be constrained by our inability to find suitable new store locations at acceptable prices or by the expiration of our current leases.

Our ability to grow our business may be constrained if suitable new store locations cannot be identified with lease terms or purchase prices that are acceptable to us. We compete with other retailers and businesses for suitable locations for our stores. Local land use and other regulations applicable to the types of stores we desire to construct may impact our ability to find suitable locations and influence the cost of constructing our stores. The expiration of leases at existing store locations may adversely affect us if the renewal terms of those leases are unacceptable to us and we are forced to close or relocate stores. Further, changing local demographics at existing store locations may adversely affect revenue and profitability levels at those stores.

Our growth strategy is partially dependent upon acquisitions, some of which may not prove to be successful and carry risks.

We have grown our business, in part, through acquisitions in recent years and expect to continue to acquire drugstore chains, independent drugstores and related businesses in the future. Acquisitions involve numerous risks, including difficulties in integrating the operations and personnel of the acquired companies, distraction of management from overseeing our existing operations, difficulties in entering markets in which we have no or limited direct prior experience, and difficulties in achieving the synergies we anticipated. Acquisitions may also cause us to significantly increase our interest expense, leverage and debt service requirements if we incur additional debt to pay for an acquisition, issue common stock that would dilute our current shareholders' percentage ownership, or incur write-offs and restructuring and other related expenses. No assurance can be given that our acquisitions will be successful and will not materially adversely affect our results of operations.

Various factors could adversely affect our achievement of the cost savings targeted by our Rewiring for Growth restructuring.

On October 30, 2008 we announced our "Rewiring for Growth" initiative (RFG) designed to reduce cost and improve productivity. We also announced a goal of saving pre-tax costs equal to $500 million in FY2010, which we have achieved, and $1 billion in FY2011 through this initiative. While we believe we are on track to achieve the targeted savings, RFG is a multi-faceted initiative, and numerous elements have to remain on track for us to achieve our overall cost-saving goals. A shortfall or delay in a single element of RFG could cause the Company to fall short of the overall goal, unless offset by better-than-expected savings in other areas.

In general, we expect our savings from the components of the RFG initiative to increase in FY2011, but the rate of progress may be uneven and there is no assurance that the savings or net benefits achieved in any specific quarter will exceed the prior quarter results or meet analyst or investor expectations. Because the Company does not give specific earnings guidance, analysts and investors might incorrectly estimate what our selling, general and administrative expenses will be as they try to take into account our RFG cost savings in one or more quarters over the course of FY2011, even if we achieve our targeted savings. If the resulting market expectations exceed our actual results, the perceived earnings disappointment could cause our stock price to drop even if the targeted savings are achieved.

Because our senior management manages the Company with the broader goal of maximizing overall return for our shareholders, the pursuit of other important business objectives could cause us to change, defer or cancel one or more elements of the RFG initiative, which could prevent us from realizing the targeted savings, on the targeted timeframe or at all.

Changes in the health care regulatory environment may adversely affect our business.

The ACA and the Health Care and Education Reconciliation Act of 2010 were signed into law on March 23, 2010 and March 30, 2010, respectively. A number of the provisions of those laws require rulemaking action by governmental agencies to implement, which has not yet occurred. Future rulemaking could increase regulation of pharmacy services, result in changes to pharmacy reimbursement rates, and otherwise change the way we do business. We cannot predict the timing or impact of any future rulemaking, but any such rulemaking could have an adverse impact on our results of operations.

We are subject to governmental regulations and procedures and other legal requirements. A significant change in, or noncompliance with, these regulations, procedures and requirements could have a material adverse effect on profitability.

Our retail drugstore, pharmacy benefit and health services businesses are subject to numerous federal, state and local regulations. Changes in these regulations may require extensive system and operating changes that may be difficult to implement. Untimely compliance or noncompliance with applicable regulations could result in the imposition of civil and criminal penalties that could adversely affect the continued operation of our business, including: suspension of payments from government programs; loss of required government certifications; loss of authorizations to participate in or exclusion from government reimbursement programs, such as the Medicare and Medicaid programs; loss of licenses; or significant fines or monetary penalties, and could adversely affect the continued operation of our business. The regulations to which we are subject include, but are not limited to: federal, state and local registration and regulation of pharmacies; applicable Medicare and Medicaid regulations; the Health Insurance Portability and Accountability Act, or HIPAA; accounting standards; tax laws and regulations; laws and regulations relating to the protection of the environment and health and safety matters, including those governing exposure to, and the management and disposal of, hazardous substances; regulations of the U.S. Food and Drug Administration, the U.S. Federal Trade Commission, the Drug Enforcement Administration, and the Consumer Product Safety Commission, as well as state regulatory authorities, governing the sale, advertisement and promotion of products we sell; anti-kickback laws; false claims laws; laws against the corporate practice of medicine; and federal and state laws governing the practice of the profession of pharmacy. In addition, we are party to a Corporate Integrity Agreement with the U.S. Department of Health and Human Services under which we have agreed to maintain a corporate compliance program. We are also governed by federal and state laws of general applicability, including laws regulating matters of working conditions, health and safety and equal employment opportunity. In addition, we could have exposure if we are found to have infringed another party's intellectual property rights.

Should a product liability issue, recall or personal injury issue arise, inadequate product or other liability insurance coverage or our inability to maintain such insurance may result in a material adverse effect on our business and financial condition.

Products that we sell could become subject to contamination, product tampering, mislabeling, recall or other damage. In addition, errors in the dispensing and packaging of pharmaceuticals could lead to serious injury. Product liability or personal injury claims may be asserted against us with respect to any of the products or pharmaceuticals we sell or services we provide. Our health and wellness business also involves exposure to professional liability claims related to medical care. Should a product or other liability issue arise, the coverage limits under our insurance programs and the indemnification amounts available to us may not be adequate to protect us against claims. We also may not be able to maintain this insurance on acceptable terms in the future. Damage to our reputation in the event of a product liability or personal injury issue or judgment against us or a product recall could have an adverse effect on our business, financial condition or results of operations.

Our credit ratings are important to our cost of capital and lease terms for our stores.

The major credit rating agencies have given us and our corporate debt investment grade credit ratings. These ratings are based on a number of factors, which include our financial strength and financial policies. We aim to maintain our high ratings as they serve to lower our borrowing costs and facilitate our access to a variety of lenders and other creditors, including landlords for our leased stores, on terms that we consider advantageous to our business. Failure to maintain our credit ratings could adversely affect our cost of funds, liquidity, competitive position and access to capital markets.

There are a number of additional business risks which could adversely affect our financial results.

Many other factors could adversely affect our financial results, including:

- If we are unsuccessful in establishing effective advertising, marketing and promotional programs, our sales or sales margins could be negatively affected.
- Our success depends on our continued ability to attract and retain store and management and professional personnel, and the loss of key personnel could have an adverse effect on the results of our operations, financial condition or cash flow.
- We may not be able to successfully and timely implement new computer systems and technology or business processes, or may experience disruptions or delays to the computer systems we depend on to manage our ordering, pricing, point-of-sale, inventory replenishment and other processes, which could adversely impact our operations and our ability to attract and retain customers.
- Changes in accounting standards and the application of existing accounting standards particularly related to the measurement of fair value as compared to carrying value for the Company’s reporting units, including goodwill and intangible assets, may have an adverse effect on the Company’s financial condition and results of operations.
- Severe weather conditions, terrorist activities, health epidemics or pandemics or the prospect of these events can impact our store operations or damage our facilities in affected areas or have an adverse impact on consumer confidence levels and spending in our stores.
- The long-term effects of climate change on general economic conditions and the pharmacy industry in particular are unclear, and changes in the supply, demand or available sources of energy may affect the availability or cost of goods and services, including natural resources, necessary to run our business.
- The products we sell are sourced from a wide variety of domestic and international vendors, and any future inability to find qualified vendors and access products in a timely and efficient manner could adversely impact our business.

Item 1B. **Unresolved Staff Comments**

There are no unresolved staff comments outstanding with the Securities and Exchange Commission at this time.

Item 2. **Properties**

The Company's locations by state for fiscal 2010 and 2009 are listed below.

State	2010	2009	State	2010	2009	State	2010	2009
Alabama	100	99	Louisiana	144	134	Oklahoma	110	109
Alaska	3	3	Maine	13	9	Oregon	70	69
Arizona	254	250	Maryland	58	56	Pennsylvania	132	123
Arkansas	60	55	Massachusetts	180	165	Rhode Island	29	29
California	604	570	Michigan	227	225	South Carolina	109	102
Colorado	168	165	Minnesota	146	138	South Dakota	14	14
Connecticut	121	117	Mississippi	70	70	Tennessee	255	250
Delaware	65	64	Missouri	202	192	Texas	694	679
District of Columbia	1	3	Montana	13	13	Utah	42	39
Florida	850	824	Nebraska	62	59	Vermont	3	4
Georgia	198	190	Nevada	88	84	Virginia	124	109
Hawaii	10	9	New Hampshire	35	33	Washington	129	122
Idaho	40	37	New Jersey	191	175	West Virginia	21	18
Illinois	581	571	New Mexico	66	59	Wisconsin	233	230
Indiana	212	212	New York	501	245	Wyoming	11	8
Iowa	72	72	North Carolina	188	169	Guam	1	1
Kansas	71	63	North Dakota	1	1	Puerto Rico	106	98
Kentucky	100	95	Ohio	268	266	TOTAL	8,046	7,496

The Company owns approximately 20 % of the retail drugstores open at August 31, 2010. The remaining drugstore locations are leased. The leases are for various terms and periods. See Note 3, "Leases" on page 30 of the 2010 Annual Report, which section is incorporated herein by reference. The Company has a moderate expansion program of adding new stores and remodeling and relocating existing stores. Net retail selling space was increased from 79 million square feet at August 31, 2009, to 84 million square feet at August 31, 2010. Not including the conversions associated with our Customer Centric Retailing initiative, approximately 37% of Company stores have been opened or remodeled during the past five years.

The Company's retail store operations are supported by sixteen major distribution centers with a total of approximately 14 million square feet of space in all distribution centers, of which 9 million square feet is owned. The remaining space is leased. All distribution centers are served by modern systems for order processing control, operating efficiencies and rapid merchandise delivery to stores. In addition, the Company uses public warehouses to handle certain distribution needs.

The Company operates 25 principal office facilities containing approximately 3 million square feet of which approximately 2 million square feet is owned and the remainder is leased. The Company operates two mail service facilities containing approximately 237 thousand square feet of which approximately 133 thousand square feet is owned and the remainder is leased.

The Company also owns 37 strip shopping malls containing approximately 2 million square feet of which approximately 776 thousand square feet is leased to others.

Item 3. **Legal Proceedings**

The information in response to this item is incorporated herein by reference to Note 10 "Commitments and Contingencies" on page 35 of the 2010 Annual Report.

Item 4. [Reserved]

Executive Officers of the Registrant

The following table sets forth, for each person serving as an executive officer of Walgreens as of October 25, 2010, the name, age and principal occupations and employment of such person for the past five years. Unless otherwise stated, employment is by Walgreens. Executive officers of Walgreens are elected annually by the Board of Directors and serve until a successor has been duly elected or appointed and qualified or until the officer's death, resignation, or removal. There are no family relationships between any of the Company's executive officers or directors.

Name and Business Experience	Age	Office(s) Held
Gregory D. Wasson President and Chief Executive Officer since February 2009 Director since February 2009 President and Chief Operating Officer – May 2007 to February 2009 Executive Vice President – October 2005 to May 2007 Senior Vice President – February 2004 to October 2005 Vice President – October 2001 to February 2004 President, Walgreens Health Services – March 2002 to May 2007	52	President and Chief Executive Officer
Kermit R. Crawford President, Pharmacy Services since September 2010 Executive Vice President – January 2010 to September 2010 Senior Vice President -- October 2007 to January 2010 Vice President – October 2005 to October 2007 Senior Vice President, Walgreens Health Services – October 2005 to September 2007 Vice President, Walgreens Health Service – September 2004 to October 2005	51	President, Pharmacy Services
Hal F. Rosenbluth President, Health and Wellness since September 2010 Senior Vice President and President, Health and Wellness – August 2008 to September 2010 Vice President – April 2008 to August 2008 Chairman, Take Care Health Systems, Inc. – October 2004 to April 2008 Chairman and Chief Executive Officer, Rosenbluth International through November 2003	58	President, Health and Wellness
Mark A. Wagner President, Community Management since September 2010 Executive Vice President – March 2006 to September 2010 Senior Vice President – February 2002 to March 2006	49	President, Community Management
Dana I. Green Executive Vice President, General Counsel and Corporate Secretary since January 2010 Senior Vice President, General Counsel and Corporate Secretary – January 2005 to January 2010 Senior Vice President – February 2004 to January 2005 Vice President – May 2000 to February 2004	60	Executive Vice President, General Counsel and Corporate Secretary
Wade D. Miquelon Executive Vice President and Chief Financial Officer since July 2009 Senior Vice President and Chief Financial Officer – June 2008 to July 2009 Executive Vice President and Chief Financial Officer, Tyson Foods, Inc. – June 2006 to June 2008 Vice President, Finance, Western Europe, The Procter & Gamble Company – September 2003 to June 2006	45	Executive Vice President and Chief Financial Officer
Sona Chawla Senior Vice President, E-Commerce since July 2008 Vice President, Global Online Business, Dell, Inc. – December 2006 to May 2008 Executive Vice President, Online Sales, Service and Marketing, Wells Fargo & Company – March 2005 to October 2006 Executive Vice President, Web Channel Management, Wells Fargo & Company – June 2003 to February 2005	43	Senior Vice President, E-Commerce
Timothy J. Theriault Senior Vice President since October 2009 President, Corporate and Institutional Services, Northern Trust Corporation – January 2006 to October 2009 President, Worldwide Operations and Technology, Northern Trust Corporation – February 2002 to January 2006	50	Senior Vice President and Chief Information Officer

Kathleen Wilson-Thompson Senior Vice President and Chief Human Resources Officer since January 2010 Senior Vice President, Global Human Resources of Kellogg Company – July 2005 to December 2009	53	Senior Vice President and Chief Human Resources Officer
Kimberly L. Feil Vice President and Chief Marketing Officer since September 2008 Senior Vice President and Chief Marketing Officer, Sara Lee North America – September 2005 to May 2008 Vice President and Senior Marketing Officer, Kimberly-Clark Corporation – February 2005 to September 2005 Chief Executive Officer, Mosaic InfoForce – March 2003 to February 2005	51	Vice President and Chief Marketing Officer
W. Bryan Pugh Vice President, Merchandising since February 2009 Chief Retail Operations Officer, Fresh & Easy Neighborhood Markets, USA, Tesco PLC – March 2005 to December 2008 Chief Operations Officer, Tesco Lotus Stores, Thailand, Tesco PLC – May 2001 to February 2005	47	Vice President, Merchandising
Mia M. Scholz Vice President since October 2007 Controller and Chief Accounting Officer since January 2004 Divisional Vice President – January 2004 to October 2007 Director, Internal Audit – November 1999 to January 2004	44	Vice President, Controller and Chief Accounting Officer

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

The Company's common stock is listed on the New York Stock Exchange, Chicago Stock Exchange and The Nasdaq Stock Market LLC under the symbol WAG. As of September 30, 2010, there were approximately 90,249 record holders of Company common stock.

The range of the sales prices of the Company's common stock by quarters during the years ended August 31, 2010, and August 31, 2009, are incorporated herein by reference to the caption "Common Stock Prices" on page 39 of the 2010 Annual Report.

The Company's cash dividends per common share during the two fiscal years ended August 31 are as follows:

Quarter Ended	2010	2009
November	$ .1375	$ .1125
February	.1375	.1125
May	.1375	.1125
August	.1750	.1375
Fiscal Year	$ .5875	$ .4750

The following table provides information about purchases by the Company during the quarter ended August 31, 2010, of equity securities that are registered by the Company pursuant to Section 12 of the Exchange Act:

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced $2,000 Million Share Repurchase Program (2)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (2)
06/01/2010 - 06/30/2010	-	-	-	$ 1,361,819,057
07/01/2010- 07/31/2010	18,684,890	$ 28.5683	18,684,890	$ 820,018,890
08/01/2010-08/31/2010	16,318,495	28.1775	16,318,495	$ 360,001,014
Total	35,003,385	$ 28.3861	35,003,385	$ 360,001,014

(1) No common stock shares were repurchased by the Company in open-market transactions to satisfy the requirements of the Company's employee stock purchase and option plans, as well as the Company's Nonemployee Director Stock Plan.

(2) On October 14, 2009 the Board of Directors approved a share repurchase program (2009 repurchase program). The 2009 repurchase program, which was completed in September 2010, authorized the repurchase of up to $2,000 million of the Company’s common stock prior to the expiration date of the program on December 31, 2013. On October 13, 2010, the Board of Directors approved a new share repurchase program (2011 repurchase program) which allows for the repurchase of up to $1,000 million of the company’s common stock prior to its expiration on December 31, 2012.

Item 6. Selected Financial Data

The information in response to this item is incorporated herein by reference to the caption "Five-Year Summary of Selected Consolidated Financial Data" on page 17 of the 2010 Annual Report.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The information in response to this item is incorporated herein by reference to the caption "Management's Discussion and Analysis of Results of Operations and Financial Condition" on pages 18 through 23 of the 2010 Annual Report.

Item 7A. Qualitative and Quantitative Disclosures about Market Risk

In January 2010, we terminated our five interest rate swap transactions and entered into two new swaps converting our $1,300 million 4.875% fixed rate notes to a floating interest rate tied to the six month in arrears LIBOR plus a constant spread. These financial instruments are sensitive to changes in interest rates. On August 31, 2010, we had $1,045 million in long-term debt obligations that had fixed interest rates. A one percentage point increase or decrease in interest rates would increase or decrease the annual interest expense we recognize and the cash we pay for interest expense by approximately $13 million.

Item 8. Financial Statements and Supplementary Data

See Item 15.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Management conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this Form 10-K. The controls evaluation was conducted under the supervision and with the participation of the Company’s management, including its Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”). Based upon the controls evaluation, our CEO and CFO have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified by the SEC, and that such information is accumulated and communicated to management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

Report on Internal Control Over Financial Reporting

Management's report on internal control over financial reporting and the report of Deloitte & Touche LLP, the Company's independent registered public accounting firm, related to their assessment of the effectiveness of internal control over financial reporting are included in our fiscal 2010 Annual Report and are incorporated in this Item 9A by reference.

Changes in Internal Control over Financial Reporting

In connection with the evaluation pursuant to Exchange Act Rule 13a-15(d) of the Company's internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f)) by the Company's management, including its CEO and CFO, no changes during the quarter ended August 31, 2010 were identified that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

In the second quarter of fiscal 2010 we signed an agreement to outsource select accounting transaction-processing activities. This is part of an ongoing initiative to transform our accounting organization to a new model which includes shared services and multiple centers of excellence. The Company’s management has concluded that the outsourcing agreement has not materially affected, and is not reasonably likely to materially affect, the Company’s internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

Our management, including the CEO and CFO, do not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system’s objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of controls effectiveness to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by Item 10, with the exception of the information relating to the executive officers of the Company, which is presented in Part I above under the heading "Executive Officers of the Registrant," is incorporated herein by reference to the following sections of the Company's 2010 Proxy Statement: Proposal 1, Election of Directors; Information Concerning Corporate Governance, the Board of Directors and its Committees; and Section 16(a) Beneficial Ownership Reporting Compliance.

The Company has adopted an Ethics Policy Statement applicable to all employees, officers and directors that incorporates policies and guidelines designed to deter wrongdoing and to promote honest and ethical conduct and compliance with applicable laws and regulations. The Company has also adopted a Code of Ethics for Financial Executives. This Code applies to and has been signed by the Chief Executive Officer, the Chief Financial Officer and the Controller. The full text of the Ethics Policy Statement and the Code of Ethics for Financial Executives is available at the Company's website, investor.walgreens.com. The Company intends to promptly disclose on its website in accordance with SEC rules changes to or waivers, if any, of the Code of Ethics for Financial Executives or the Ethics Policy Statement for directors and executive officers.

Charters of all committees of the Company's Board of Directors, as well as the Company's Corporate Governance Guidelines and Ethics Policy Statement, are available on the Company's website at investor.walgreens.com or, upon written request, in printed hardcopy form. Written requests should be sent to Walgreen Co., Attention: Shareholder Relations, Mail Stop #2261, 200 Wilmot Road, Deerfield, Illinois 60015.

Item 11. Executive Compensation

The information required by Item 11 is incorporated herein by reference to the following sections of the Company's 2010 Proxy Statement: Director Compensation; and Executive Compensation.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by Item 12 is incorporated herein by reference to the following sections of the Company's 2010 Proxy Statement: Security Ownership of Certain Beneficial Owners; and Management and Equity Plan Information.

Item 13. Certain Relationships and Related Transactions and Director Independence

The information required by Item 13 is incorporated herein by reference to the following sections of the Company's 2010 Proxy Statement: Certain Relationships and Related Party Transactions; and Information Concerning Corporate Governance, the Board of Directors and its Committees.

Item 14. Principal Accounting Fees and Services

The information required by Item 14 is incorporated herein by reference to the following sections of the Company's 2010 Proxy Statement: Independent Registered Public Accounting Firm Fees and Services.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) Documents filed as part of this report:

(1) ***Financial statements.*** The following financial statements, supplementary data, and report of independent public accountants appearing in the 2010 Annual Report are incorporated herein by reference.

	2010 Annual Report Page Number (printed)
Consolidated Statements of Earnings and Shareholders' Equity for the years ended August 31, 2010, 2009 and 2008	24 – 25
Consolidated Balance Sheets at August 31, 2010 and 2009	26
Consolidated Statements of Cash Flows for the years ended August 31, 2010, 2009 and 2008	27
Notes to Consolidated Financial Statements	28 – 38
Management's Report on Internal Control	40
Report of Independent Registered Public Accounting Firm	40

(2) ***Financial statement schedules and supplementary information.*** The following financial statement schedule and related report of the independent registered public accounting firm is included herein.

	10-K Page Number
Schedule II Valuation and Qualifying Accounts	15
Report of Independent Registered Public Accounting Firm	16

Schedules I, III, IV and V are not submitted because they are not applicable or not required or because the required information is included in the Financial Statements in (1) above or notes thereto.

Other Financial Statements -

Separate financial statements of the registrant have been omitted because it is primarily an operating Company, and all of its subsidiaries are included in the consolidated financial statements.

(3) ***Exhibits.*** Exhibits 10.1 through 10.60 constitute management contracts or compensatory plans or arrangements required to be filed as exhibits pursuant to Item 15(b) of this Form 10-K.

The agreements included as exhibits to this report are included to provide information regarding their terms and not intended to provide any other factual or disclosure information about the Company or the other parties to the agreements. The agreements may contain representations and warranties by each of the parties to the applicable agreement that were made solely for the benefit of the other parties to the applicable agreement, and:

- should not in all instances be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate;
- may have been qualified by disclosures that were made to the other party in connection with the negotiation of the applicable agreement, which disclosures are not necessarily reflected in the agreement;
- may apply standards of materiality in a way that is different from what may be viewed as material to you or other investors; and
- were made only as of the date of the applicable agreement or such other date or dates as may be specified in the agreement and are subject to more recent developments.

Accordingly, these representations and warranties may not describe the actual state of affairs as of the date they were made or at any other time.

(b) Exhibits

Exhibit No.	Description	SEC Document Reference
2.1	Agreement and Plan of Merger dated March 14, 2008 by and among Walgreen Co., Putter Acquisition Sub, Inc. and I-trax, Inc.	Incorporated by reference to Exhibit 2.1 to Walgreen Co.'s Current Report on Form 8-K (File No. 1-00604) filed with the SEC on March 17, 2008.
3.1	Articles of Incorporation of Walgreen Co., as amended.	Incorporated by reference to Exhibit 3(a) to Walgreen Co.'s Quarterly Report on Form 10-Q for the quarter ended February 28, 1999 (File No. 1-00604)
3.2	Amended and Restated By-Laws of Walgreen Co., as amended effective as of September 1, 2008.	Incorporated by reference to Exhibit 3.1 to Walgreen Co.'s Current Report on Form 8-K (File No. 1-00604) filed with the SEC on September 5, 2008
4.1*	Form of Indenture between Walgreen Co. and Wells Fargo Bank, National Association.	Incorporated by reference to Exhibit 4.1 to Walgreen Co.'s registration statement on Form S-3ASR (File No. 333-152315) filed with the SEC on July 14, 2008.
4.2	Form of 4.875% Note due 2013.	Incorporated by reference to Exhibit 4.1 to Walgreen Co.'s Current Report on Form 8-K (File No. 1-00604) filed with the SEC on July 17, 2008.
4.3	Form of 5.25% Note due 2019.	Incorporated by reference to Exhibit 4.1 to Walgreen Co.'s Current Report on Form 8-K (File No. 1-00604) filed with the SEC on January 13, 2009.
10.1	Top Management Long-Term Disability Plan.	Incorporated by reference to Exhibit 10 to Walgreen Co.'s Annual Report on Form 10-K for the fiscal year ended August 31, 1990 (File No. 1-00604).
10.2	Executive Short-Term Disability Plan Description.	Incorporated by reference to Exhibit 10 to Walgreen Co.'s Annual Report on Form 10-K for the fiscal year ended August 31, 1990 (File No. 1-00604).
10.3	Walgreen Co. Management Incentive Plan (as amended and restated effective September 1, 2008).	Incorporated by reference to Exhibit 10.3 to Walgreen Co.'s Annual Report on Form 10-K for the fiscal year ended August 31, 2008 (File No. 1-00604).
10.4	Walgreen Co. Long-Term Performance Incentive Plan (amendment and restatement of the Walgreen Co. Restricted Performance Share Plan).	Incorporated by reference to Exhibit 10.1 to Walgreen Co.'s Current Report on Form 8-K (File No. 1-00604) filed with the SEC on January 11, 2007.
10.5	Walgreen Co. Long-Term Performance Incentive Plan Amendment No. 1 (effective January 10, 2007).	Incorporated by reference to Exhibit 10.2 to Walgreen Co.'s Quarterly Report on Form 10-Q for the quarter ended February 28, 2007 (File No. 1-00604).
10.6	Walgreen Co. Executive Stock Option Plan (as amended and restated effective January 13, 2010).	Incorporated by reference to Exhibit 99.1 to Walgreen Co.'s Current Report on Form 8-K (File No. 1-00604) filed with the SEC on January 20, 2010.
10.7	Form of Stock Option Agreement (Grades 12 through 17).	Incorporated by reference to Exhibit 10(e)(ii) to Walgreen Co.'s Annual Report on Form 10-K for the fiscal year ended August 31, 2004 (File No. 1-00604).
10.8	Form of Stock Option Agreement (Grades 18 and above).	Incorporated by reference to Exhibit 10(e)(iii) to Walgreen Co.'s Walgreen Co.'s Annual Report on Form 10-K for the fiscal year ended August 31, 2004 (File No. 1-00604).
10.9	Form of Stock Option Agreement (Grades 12 through 17) (effective September 1, 2008).	Incorporated by reference to Exhibit 10.11 to Walgreen Co.'s Annual Report on Form 10-K for the fiscal year ended August 31, 2008 (File No. 1-00604).
10.10	Form of Stock Option Agreement (Grades 18 and above) (effective September 1, 2008).	Incorporated by reference to Exhibit 10.12 to Walgreen Co.'s Annual Report on Form 10-K for the fiscal year ended August 31, 2008 (File No. 1-00604).
10.11	Form of Restricted Stock Unit Award Agreement (effective September 1, 2010).	Filed herewith.
10.12	Form of Performance Share Contingent Award Agreement (effective September 1, 2008).	Incorporated by reference to Exhibit 10.14 to Walgreen Co.'s Annual Report on Form 10-K for the fiscal year ended August 31, 2008 (File No. 1-00604).
10.13	Form of Restricted Stock Award Agreement (effective June 2008).	Incorporated by reference to Exhibit 10.15 to Walgreen Co.'s Annual Report on Form 10-K for the fiscal year ended August 31, 2008 (File No. 1-00604).
10.14	Walgreen Co. 1986 Director's Deferred Fee/Capital Accumulation Plan.	Incorporated by reference to Exhibit 10 to Walgreen Co.'s Annual Report on Form 10-K for the fiscal year ended August 31, 1986 (File No. 1-00604).
10.15	Walgreen Co. 1987 Director's Deferred Fee/Capital Accumulation Plan.	Incorporated by reference to Exhibit 10 to Walgreen Co.'s Quarterly Report on Form 10-Q for the quarter ended November 30, 1986 (File No. 1-00604).
10.16	Walgreen Co. 1988 Director's Deferred Fee/Capital Accumulation Plan.	Incorporated by reference to Exhibit 10 to Walgreen Co.'s Quarterly Report on Form 10-Q for the quarter ended November 30, 1987 (File No. 1-00604).
10.17	Walgreen Co. 1992 Director's Deferred Retainer Fee/Capital Accumulation Plan.	Incorporated by reference to Exhibit 10 to Walgreen Co.'s Annual Report on Form 10-K for the fiscal year ended August 31, 1992 (File No. 1-00604).
10.18	Walgreen Co. 1986 Executive Deferred Compensation/Capital Accumulation Plan.	Incorporated by reference to Exhibit 10 to Walgreen Co.'s Annual Report on Form 10-K for the fiscal year ended August 31, 1986 (File No. 1-00604).
10.19	Walgreen Co. 1988 Executive Deferred Compensation/Capital Accumulation Plan.	Incorporated by reference to Exhibit 10 to Walgreen Co.'s Quarterly Report on Form 10-Q for the quarter ended November 30, 1987 (File No. 1-00604).
10.20	Amendments to Walgreen Co. 1986 and 1988 Executive Deferred Compensation/ Capital Accumulation Plans.	Incorporated by reference to Exhibit 10 to Walgreen Co.'s Quarterly Report on Form 10-Q for the quarter ended November 30, 1988 (File No. 1-00604).

10.21	Walgreen Co. 1992 Executive Deferred Compensation/Capital Accumulation Plan Series 1.	Incorporated by reference to Exhibit 10 to Walgreen Co.'s Annual Report on Form 10-K for the fiscal year ended August 31, 1992 (File No. 1-00604).
10.22	Walgreen Co. 1992 Executive Deferred Compensation/Capital Accumulation Plan Series 2.	Incorporated by reference to Exhibit 10 to Walgreen Co.'s Annual Report on Form 10-K for the fiscal year ended August 31, 1992 (File No. 1-00604).
10.23	Walgreen Co. 1997 Executive Deferred Compensation/Capital Accumulation Plan Series 1.	Incorporated by reference to Exhibit 10(c) to Walgreen Co.'s Quarterly Report on Form 10-Q for the quarter ended February 28, 1997 (File No. 1-00604).
10.24	Walgreen Co. 1997 Executive Deferred Compensation/Capital Accumulation Plan Series 2.	Incorporated by reference to Exhibit 10(d) to Walgreen Co.'s Quarterly Report on Form 10-Q for the quarter ended February 28, 1997 (File No. 1-00604).
10.25	Walgreen Co. 2001 Executive Deferred Compensation/Capital Accumulation Plan.	Incorporated by reference to Exhibit 10(g) to Walgreen Co.'s Annual Report on Form 10-K for the fiscal year ended August 31, 2001 (File No. 1-00604).
10.26	Walgreen Co. 2002 Executive Deferred Compensation/Capital Accumulation Plan.	Incorporated by reference to Exhibit 10(g) to Walgreen Co.'s Annual Report on Form 10-K for the fiscal year ended August 31, 2002 (File No. 1-00604).
10.27	Walgreen Co. 2006 Executive Deferred Compensation/Capital Accumulation Plan (effective January 1, 2006).	Incorporated by reference to Exhibit 10(b) to Walgreen Co.'s Quarterly Report on Form 10-Q for the fiscal quarter ended November 30, 2005 (File No. 1-00604).
10.28	Share Walgreens Stock Purchase/Option Plan (effective October 1, 1992), as amended.	Incorporated by reference to Exhibit 10(d) to Walgreen Co.'s Quarterly Report on Form 10-Q for the quarter ended February 28, 2003 (File No. 1-00604).
10.29	Share Walgreens Stock Purchase/Option Plan Amendment No. 4 (effective July 15, 2005), as amended.	Incorporated by reference to Exhibit 10(h)(ii) to Walgreen Co.'s Annual Report on Form 10-K for the fiscal year ended August 31, 2005 (File No. 1-00604).
10.30	Share Walgreens Stock Purchase/Option Plan Amendment No. 5 (effective October 11, 2006).	Incorporated by reference to Exhibit 10(b) to Walgreen Co.'s Quarterly Report on Form 10-Q for the quarter ended November 30, 2006 (File No. 1-00604).
10.31	Walgreen Select Senior Executive Retiree Medical Expense Plan.	Incorporated by reference to Exhibit 10(j) to Walgreen Co.'s Annual Report on Form 10-K for the fiscal year ended August 31, 1996 (File No. 1-00604).
10.32	Walgreen Select Senior Executive Retiree Medical Expense Plan Amendment No. 1 (effective August 1, 2002).	Incorporated by reference to Exhibit 10(a) to Walgreen Co.'s Quarterly Report on Form 10-Q for the quarter ended February 28, 2003 (File No. 1-00604).
10.33	Walgreen Co. Profit-Sharing Restoration Plan (as restated effective January 1, 2003).	Incorporated by reference to Exhibit 10(b) to Walgreen Co.'s Quarterly Report on Form 10-Q for the quarter ended May 31, 2003 (File No. 1-00604).
10.34	Walgreen Co. Profit-Sharing Restoration Plan Amendment No. 1 (effective January 1, 2008).	Incorporated by reference to Exhibit 10.36 to Walgreen Co.'s Annual Report on Form 10-K for the fiscal year ended August 31, 2008 (File No. 1-00604)
10.35	Walgreen Co. Profit-Sharing Restoration Plan Amendment No. 2 (effective January 1, 2010).	Incorporated by reference to Exhibit 10.1 to Walgreen Co.'s Quarterly Report on Form 10-Q for the quarter ended February 28, 2010 (File No. 1-00604).
10.36	Walgreen Co. Retirement Plan for Outside Directors.	Incorporated by reference to Exhibit 10 to Walgreen Co.'s Annual Report on Form 10-K for the fiscal year ended August 31, 1989 (File No. 1-00604).
10.37	Walgreen Section 162(m) Deferred Compensation Plan (effective October 12, 1994).	Incorporated by reference to Exhibit 10(d) to Walgreen Co.'s Quarterly Report on Form 10-Q for the quarter ended November 30, 1994 (File No. 1-00604).
10.38	Walgreen Section 162(m) Deferred Compensation Plan Amendment No. 1 (effective July 9, 2003).	Incorporated by reference to Exhibit 10(n) to Walgreen Co.'s Annual Report on Form 10-K for the fiscal year ended August 31, 2003 (File No. 1-00604).
10.39	Walgreen Section 162(m) Deferred Compensation Plan Amendment No. 2 (effective January 1, 2008).	Incorporated by reference to Exhibit 10(a) to Walgreen Co.'s Quarterly Report on Form 10-Q for the quarter ended November 30, 2007 (File No. 1-00604).
10.40	Walgreen Co. Nonemployee Director Stock Plan, as amended and restated (effective January 14, 2004).	Incorporated by reference to Exhibit 10(a) to Walgreen Co.'s Quarterly Report on Form 10-Q for the quarter ended February 29, 2004 (File No. 1-00604).
10.41	Walgreen Co. Nonemployee Director Stock Plan Amendment No. 1 (effective October 12, 2005).	Incorporated by reference to Exhibit 10(a) to Walgreen Co.'s Quarterly Report on Form 10-Q for the quarter ended November 30, 2005 (File No. 1-00604).
10.42	Walgreen Co. Nonemployee Director Stock Plan Amendment No. 2 (effective October 11, 2006).	Incorporated by reference to Exhibit 10(f) to Walgreen Co.'s Quarterly Report on Form 10-Q for the quarter ended November 30, 2006 (File No. 1-00604).
10.43	Walgreen Co. Nonemployee Director Stock Plan Amendment No. 3 (effective September 1, 2009).	Filed herewith.
10.44	Walgreen Co. Broad-Based Stock Option Plan (effective July 10, 2002).	Incorporated by reference to Exhibit 10(p) to Walgreen Co.'s Annual Report on Form 10-K for the fiscal year ended August 31, 2002 (File No. 1-00604).
10.45	Walgreen Co. Broad-Based Employee Stock Option Plan Amendment No. 1 (effective April 1, 2003).	Incorporated by reference to Exhibit 10(c) to Walgreen Co.'s Quarterly Report on Form 10-Q for the quarter ended May 31, 2003 (File No. 1-00604).
10.46	Walgreen Co. Broad-Based Employee Stock Option Plan Amendment No. 2 (effective October 11, 2006).	Incorporated by reference to Exhibit 10(e) to Walgreen Co.'s Quarterly Report on Form 10-Q for the quarter ended November 30, 2006 (File No. 1-00604).
10.47	Form of Memorandum Summarizing Executive Retirement Benefits.	Incorporated by reference to Exhibit 10(a) to Walgreen Co.'s Quarterly Report on Form 10-Q for the fiscal quarter ended February 28, 2005 (File No. 1-00604).
10.48	Form of Change of Control Employment Agreements.	Incorporated by reference to Exhibit 10 to Walgreen Co.'s Current Report on Form 8-K dated October 18, 1988 (File No. 1-00604).

10.49	Amendment to Employment Agreements adopted July 12, 1989.	Incorporated by reference to Exhibit 10 to Walgreen Co.’s Annual Report on Form 10-K for the fiscal year ended August 31, 1989 (File No. 1-00604).
10.50	Separation and Release Agreement entered into between Walgreen Co. and Trent E. Taylor, dated February 27, 2008.	Incorporated by reference to Exhibit 99.1 to Walgreen Co.’s Current Report on Form 8-K (File No. 1-00604) filed with the SEC on March 4, 2008.
10.51	Retirement and Non-Competition Agreement effective as of October 10, 2008 between Jeffrey A. Rein and Walgreen Co.	Incorporated by reference to Exhibit 99.1 to Walgreen Co.’s Current Report on Form 8-K (File No. 1-00604) filed with the SEC on October 17, 2008
10.52	Executive Stock Option Plan – Stock Option Agreement made as of October 10, 2008 between Alan G. McNally and Walgreen Co.	Incorporated by reference to Exhibit 10.8 to Walgreen Co.’s Quarterly Report on Form 10-Q for the fiscal quarter ended November 30, 2008 (File No. 1-00604).
10.53	Long-Term Performance Incentive – Plan Restricted Stock Unit Award Agreement made as of October 10, 2008 between Alan G. McNally and Walgreen Co.	Incorporated by reference to Exhibit 10.9 to Walgreen Co.’s Quarterly Report on Form 10-Q for the fiscal quarter ended November 30, 2008 (File No. 1-00604)
10.54	Form of Amendment to Restricted Stock Unit Award Agreement (effective January 1, 2009).	Incorporated by reference to Exhibit 10.1 to Walgreen Co.’s Quarterly Report on Form 10-Q for the fiscal quarter ended February 28, 2009 (File No. 1-00604).
10.55	Form of Amendment to Change of Control Employment Agreements (effective January 1, 2009).	Incorporated by reference to Exhibit 10.2 to Walgreen Co.’s Quarterly Report on Form 10-Q for the fiscal quarter ended February 28, 2009 (File No. 1-00604)
10.56	Amendment to the Walgreen Co. 1986, 1988, 1992 (Series 1), 1992 (Series 2), 1997 (Series 1), 1997 (Series 2), 2001 and 2002 Executive Deferred Compensation/ Capital Accumulation Plans.	Incorporated by reference to Exhibit 10.3 to Walgreen Co.’s Quarterly Report on Form 10-Q for the fiscal quarter ended February 28, 2009 (File No. 1-00604).
10.57	Separation and Release Agreement effective as of March 31, 2009 between Walgreen Co. and William M. Rudolphsen, filed with the SEC as Exhibit to Walgreen Co.’s, and incorporated by reference herein.	Incorporated by reference to Exhibit 10.1 to Walgreen Co.’s Quarterly Report on Form 10-Q for the fiscal quarter ended May 31, 2009 (File No. 1-00604).
10.58	Amended and Restated Senior Executive Severance Agreement effective as of July 31, 2006 between Medmark, Inc. and Stanley B. Blaylock.	Incorporated by reference to Exhibit 10.1 to Walgreen Co.’s Quarterly Report on Form 10-Q for the fiscal quarter ended November 30, 2009 (File No. 1-00604).
10.59	Separation and Release Agreement, effective April, 2, 2010, between Stanley B. Blaylock and Walgreen Co.	Incorporated by reference to Exhibit 10.1 to Walgreen Co.’s Quarterly Report on Form 10-Q for the fiscal quarter ended May 31, 2010 (File No. 1-00604).
10.60	Voluntary Separation and Release Agreement, dated January 8, 2010, between George Riedl and Walgreen Co.	Filed herewith.
12.	Computation of Ratio of Earnings to Fixed Charges.	Filed herewith.
13.	Portions of the Walgreen Co. Annual Report to Shareholders for the fiscal year ended August 31, 2010.	This report, except for those portions thereof which are expressly incorporated by reference in this Form 10-K, is being furnished for the information of the SEC and is not deemed to be "filed" as a part of the filing of this Form 10-K.
21.	Subsidiaries of the Registrant.	Filed herewith.
23.	Consent of Independent Registered Public Accounting Firm.	Filed herewith.
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith.
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith.
32.1	Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350.	Furnished herewith.
32.2	Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350.	Furnished herewith.
101**	The following financial statements and footnotes from the Walgreen Co. Annual Report on Form 10-K for the year ended August 31, 2010, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Statement of Earnings; (ii) Consolidated Statement of Cash Flows; (iii) Consolidated Balance Sheet; (iv) Consolidated Statement of Shareholders' Equity, and (v) the Notes to Consolidated Financial Statements.	Furnished herewith.

* Other instruments defining the rights of holders of long-term debt of the registrant and its consolidated subsidiaries may be omitted from Exhibit 4 in accordance with Item 601(b)(4)(iii)(A) of Regulation S-K. Copies of such agreements will be furnished to the SEC upon request.

** In accordance with Rule 406T under Regulation S-T, the XBRL-related information in Exhibit 101 to this Annual Report on Form 10-K shall be deemed to be “furnished” and not “filed”.

WALGREEN CO. AND SUBSIDIARIES

SCHEDULE II--VALUATION AND QUALIFYING ACCOUNTS

FOR THE YEARS ENDED AUGUST 31, 2010, 2009 AND 2008

(Dollars in Millions)

Classification	**Balance at Beginning of Period**	**Additions Charged to Costs and Expenses**	**Deductions**	**Balance at End of Period**
Allowances deducted from receivables for doubtful accounts -				
Year Ended August 31, 2010	$ 110	$ 111	$ (117)	$ 104
Year Ended August 31, 2009	$ 96	$ 116	$ (102)	$ 110
Year Ended August 31, 2008	$ 69	$ 88	$ (61)	$ 96

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Walgreen Co.:

We have audited the consolidated financial statements of Walgreen Co. and Subsidiaries (the "Company") as of August 31, 2010 and 2009, and for each of the three years in the period ended August 31, 2010, and the Company's internal control over financial reporting as of August 31, 2010, and have issued our report thereon dated October 26, 2010; such consolidated financial statements and report are included in your 2010 Annual Report to Shareholders and are incorporated herein by reference. Our audits also included the consolidated financial statement schedule of the Company listed in Item 15. This consolidated financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, such consolidated financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ DELOITTE & TOUCHE LLP

Chicago, Illinois
October 26, 2010

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

WALGREEN CO.

October 26, 2010	By: /s/ Wade D. Miquelon Wade D. Miquelon	Executive Vice President and Chief Financial Officer

Pursuant to the requirements of the Securities and Exchange Act of 1934 this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Name	Title	Date
/s/ Gregory D. Wasson Gregory D. Wasson	President and Chief Executive Officer (Principal Executive Officer)	October 26, 2010
/s/ Wade D. Miquelon Wade D. Miquelon	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	October 26, 2010
/s/ Mia M. Scholz Mia M. Scholz	Vice President, Controller and Chief Accounting Officer (Principal Accounting Officer)	October 26, 2010
/s/ David J. Brailer David J. Brailer	Director	October 26, 2010
/s/ Steven A. Davis Steven A. Davis	Director	October 26, 2010
/s/ William C. Foote William C. Foote	Director	October 26, 2010
/s/ Mark P. Frissora Mark P. Frissora	Director	October 26, 2010
/s/ Ginger L. Graham Ginger L. Graham	Director	October 26, 2010
/s/ Alan G. McNally Alan G. McNally	Chairman of the Board	October 26, 2010
/s/ Nancy M. Schlichting Nancy M. Schlichting	Director	October 26, 2010
/s/ David Y. Schwartz David Y. Schwartz	Director	October 26, 2010
/s/ Alejandro Silva Alejandro Silva	Director	October 26, 2010
/s/ James A. Skinner James A. Skinner	Director	October 26, 2010

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Exhibit No.	Description
10.11	Form of Restricted Stock Unit Award Agreement (effective September 1, 2010).
10.43	Walgreen Co. Nonemployee Director Stock Plan Amendment No. 3 (effective September 1, 2009).
10.60	Voluntary Separation and Release Agreement, dated January 8, 2010, between George Riedl and Walgreen Co.
12	Computation of Ratio of Earnings to Fixed Charges.
13	Annual Report to shareholders for the fiscal year ended August 31, 2010. This report, except for those portions thereof which are expressly incorporated by reference in this Form 10-K, is being furnished for the information of the Securities and Exchange Commission and is not deemed to be "filed" as a part of the filing of this Form 10-K.
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* In accordance with Rule 406T under Regulation S-T, the XBRL-related information in Exhibit 101 to this Annual Report on Form 10-K shall be deemed to be “furnished” and not “filed”.

WALGREEN CO.
LONG-TERM PERFORMANCE INCENTIVE PLAN
RESTRICTED STOCK UNIT AWARD AGREEMENT

EMPLOYEE:

AWARD DATE:

TOTAL NUMBER OF RESTRICTED STOCK UNITS:

VESTING DATE:

This document (referred to below as the "Agreement" or the "Award Agreement") spells out the terms and conditions of the Restricted Stock Unit Award provided by Walgreen Co. , an Illinois corporation (the "Company"), to the individual employee designated above (the "Employee") pursuant to the Walgreen Co. Long-Term Performance Incentive Plan and related plan documents (the "Plan") on and as of the Award Date designated above. Except as otherwise defined herein, capitalized terms used in this Agreement have the respective meanings set forth in the Plan.

The parties hereto agree as follows:

1. Grant of Restricted Stock Units . Pursuant to the approval and direction of the Compensation Committee of the Company's Board of Directors (the "Committee") under Sections 3.2, 5 and 6 of the Plan, the Company hereby grants to the Employee, the number of restricted stock units specified above (the "Restricted Stock Units"), subject to the terms and conditions of the Plan and this Agreement.

2. Restrictions . The Restricted Stock Units may not be sold, transferred, pledged, assigned or otherwise alienated or hypothecated, whether voluntarily or involuntarily or by operation of law. The Employee shall have no rights in the shares of Company common stock (the "Common Stock") underlying the Restricted Stock Units until the termination of the applicable Period of Restriction (as defined in Section 4 below) or as otherwise provided in the Plan or this Agreement. The Employee shall not have any voting rights with respect to the Restricted Stock Units.

3. Restricted Stock Unit Account and Dividend Equivalents . The Company shall maintain an account (the "Account") on its books in the name of the Employee. Such Account shall reflect the number of Restricted Stock Units awarded to the Employee as well as any additional Restricted Stock Units credited as a result of dividend equivalents, administered as follows:

(a) The Account shall be for recordkeeping purposes only, and no assets or other amounts shall be set aside from the Company's general assets with respect to such Account.

(b) As of each record date with respect to which a cash dividend is to paid with respect to shares of Common Stock, the Company shall credit the Employee's Account with an equivalent amount of Restricted Stock Units based upon the value of Common Stock on such date.

(c) If dividends are paid in the form of shares of Common Stock rather than cash, then the Employee will be credited with one additional Restricted Stock Unit for each share of Common Stock that would have been received as a dividend had the Employee's outstanding Restricted Stock Units been shares of Common Stock.

(d) Additional Restricted Stock Units credited via dividend equivalents shall vest or be forfeited at the same time as the Restricted Stock Units to which they relate.

4. Period of Restriction . Subject to the provisions of the Plan and this Agreement, unless vested or forfeited earlier as described in Section 5, 6, 7 or 8 of this Agreement, as applicable, the Restricted Stock Units awarded hereunder shall become vested and settled as described in Section 9 below, as of the vesting date or dates indicated in the introduction to this Agreement. The period prior to the vesting date with respect each Restricted Stock Unit is referred to as the "Period of Restriction."

5. Vesting upon Termination due to Disability or Death . If, while the Restricted Stock Units are subject to a Period of Restriction, the Employee terminates employment with the Company (or a Subsidiary of the Company if the Employee is then in the employ of such Subsidiary) by reason of Disability (as defined in the Plan) or death, then any portion of the Restricted Stock Units subject to a Period of Restriction shall become fully vested as of the date of employment termination without regard to the Period of Restriction set forth in Section 4 of this Agreement. The term "Subsidiary" is defined in the Plan and means a corporation with respect to which the Company directly or indirectly owns 50% or more of the voting power. Any Restricted Stock Units becoming vested by reason of the Employee's death or Disability shall be settled on the date of the Employee's separation from service (within the meaning of Internal Revenue Code ("Code") Section 409A), or as soon as practicable thereafter, but in no event later than 90 days after such date; provided, however, to the extent required under Code Section 409A, if the Employee is a specified employee (within the meaning of Code Section 409A at the time payment is to be made), payment shall not be made until the date which is six months after the Employee's separation from service.

6. Vesting upon Termination due to Retirement . If, while the Restricted Stock Units are subject to a Period of Restriction, the Employee terminates employment with the Company (or a Subsidiary of the Company if the Employee is then in the employ of such Subsidiary) by reason of Retirement (as defined in the Plan), then a pro-rated portion of the Restricted Stock Units subject to a Period of Restriction shall become fully vested as of the date of employment termination without regard to the Period of Restriction set forth in Section 4 of this Agreement. Such pro-rated portion shall equal the number of Restricted Stock Units, multiplied by a fraction equal to the number of full months completed between the Award Date and the Employee's retirement date, divided by the number of full months from the Award Date through the Vesting Date. The remaining Restricted Stock Units shall be forfeited as of the Employee's termination of employment due to Retirement. Any Restricted Stock Units becoming vested by reason of the Employee's Retirement shall be settled on the date of the Employee's separation from service (within the meaning of Internal Revenue Code Section 409A), or as soon as practicable thereafter, but in no event later than 90 days after such date; provided, however, to the extent required under Code Section 409A, if the Employee is a specified employee (within the meaning of Code Section 409A at the time payment is to be made), payment shall not be made until date which is six months after the Employee's separation from service.

7. Forfeiture upon Termination due to Reason other than Retirement, Disability or Death . If, while the Restricted Stock Units are subject to a Period of Restriction, the Employee's employment with the Company (or a Subsidiary of the Company if the Employee is then in the employ of such Subsidiary) terminates for a reason other than the Employee's Retirement, Disability or death, then the Employee shall forfeit any portion of the Restricted Stock Units that is subject to a Period of Restriction on the date of such employment termination.

8. Vesting upon Change in Control . In the event of a "Change in Control" of the Company, as defined in Section 11.2 of the Plan, pursuant to Section 11.1 of the Plan the Restricted Stock Units shall cease to be subject to the Period of Restriction set forth in Section 4 of this Agreement. If the Change in Control is not also considered a change in control within the meaning of Internal Revenue Code Section 409A, then the Restricted Stock Units shall become vested on the date of the Change in Control, but settlement shall not occur until the earlier of the Participant's separation from service (within the meaning of Code Section 409A), or the vesting date indicated in the introduction to the Agreement.

9. Settlement of Vested Restricted Stock Units . Subject to the requirements of Sections 12 and 13 below, as promptly as practicable after Restricted Stock Units cease to be subject to a Period of Restriction in accordance with Section 4, 5, or 6 of this Agreement, the Company shall transfer to the Employee one share of Common Stock for each Restricted Stock Unit becoming vested at such time net of any applicable tax withholding requirements that are necessary to satisfy withholding taxes in accordance with Section 12 below. The Employee shall have no rights as a stockholder with respect to the Restricted Stock Units awarded hereunder prior to the date of issuance to the Employee of a certificate or certificates for such shares. Certificates for the shares of Common Stock shall be issued and delivered to the Employee, the Employee's legal representative, or a brokerage account for the benefit of the Employee, as the case may be, or such shares may be held in book entry form. Restricted Stock Units payable under this Agreement are intended to be exempt from Internal Revenue Code Section 409A under the exemption for short-term deferrals. Accordingly, and subject to Sections 5 and 6 above, Restricted Stock Units will be settled no later than the 15 th day of the third month following the later of (i) the end of the Employee's taxable year in which the Restricted Stock Units cease to be subject to a Period of Restriction, or (ii) the end of the fiscal year of the Company in which the Restricted Stock Units cease to be subject to a Period of Restriction.

10. Settlement Following Change in Control . Notwithstanding any provision of this Agreement to the contrary, in connection with or after the occurrence of a Change in Control as defined in Section 11.2 of the Plan, the Company may, in its sole discretion, fulfill its obligation with respect to all or any portion of the Restricted Stock Units that cease to be subject to a Period of Restriction in accordance with Section 8 above, by:

(a) delivery of (i) the number of shares of Common Stock that corresponds with the number of Restricted Stock Units that have ceased to be subject to a Period of Restriction or (ii) such other ownership interest as such shares of Common Stock that correspond with the vested Restricted Stock Units may be converted into by virtue of the Change in Control transaction in accordance with Section 9 above;

(b) payment of cash in an amount equal to the fair market value of the Common Stock that corresponds with the number of vested Restricted Stock Units at that time; or

(c) delivery of any combination of shares of Common Stock (or other converted ownership interest) and cash having an aggregate fair market value equal to the fair market value of the Common Stock that corresponds with the number of Restricted Stock Units that have become vested at that time.

11. Adjustment in Capitalization . In the event of any change in the Common Stock of the Company, the provisions of Section 10.2 of the Plan shall govern such that the number of Restricted Stock Units subject to this Agreement shall be equitably adjusted by the Committee.

12. Tax Withholding . Whenever a Period of Restriction applicable to the Employee's rights to some or all of the Restricted Stock Units lapses as provided in Section 4, 5, 6 or 8 of this Agreement, the Company or its agent shall notify the Employee of the related amount of tax that must be withheld under applicable tax laws. Regardless of any action the Company, any Subsidiary of the Company, or the Employee's employer takes with respect to any or all income tax, social security, payroll tax, payment on account or other tax-related withholding ("Tax") that the Employee is required to bear pursuant to all applicable laws, the Employee hereby acknowledges and agrees that the ultimate liability for all Tax is and remains the responsibility of the Employee.

Prior to receipt of any shares that correspond to Restricted Stock Units that vest in accordance with this Agreement, the Employee shall pay or make adequate arrangements satisfactory to the Company and/or any Subsidiary of the Company to satisfy all withholding and payment on account obligations of the Company and/or any Subsidiary of the Company. In this regard, the Company shall sell or arrange for the sale of Common Stock that the Employee is due to acquire to satisfy the withholding obligation for Tax and/or withhold any Common Stock. Finally, the Employee agrees to pay the Company or any Subsidiary of the Company any amount of any Tax that the Company or any Subsidiary of the Company may be required to withhold as a result of the Employee's participation in the Plan that cannot be satisfied by the means previously described. The Company may refuse to deliver Common Stock if the Employee fails to comply with its obligations in connection with the tax as described in this section.

The Company advises the Employee to consult his or her legal and/or tax advisors with respect to the tax consequences for the Employee under the Plan.

13. Securities Laws . This award is a private offer that may be accepted only by an individual who is an employee of the Company or a Subsidiary of the Company and who satisfies the eligibility requirements outlined in the Plan and the Committee's administrative procedures. If a Registration Statement under the Securities Act of 1933, as amended, is not in effect with respect to the shares of Common Stock to be issued pursuant to this Agreement, the Employee hereby represents that he or she is acquiring the shares of Common Stock for investment and with no present intention of selling or transferring them and that he or she will not sell or otherwise transfer the shares except in compliance with all applicable securities laws and requirements of any stock exchange on which the shares of Common Stock may then be listed.

14. No Employment or Compensation Rights . Participation in the Plan is subject to all of the terms and conditions of the Plan and this Agreement. This Agreement shall not confer upon the Employee any right to continuation of employment by the Company or its Subsidiaries, nor shall this Agreement interfere in any way with the Company's or its Subsidiaries' right to terminate Employee's employment at any time. Neither the Plan nor this Agreement forms any part of any contract of employment between the Company or any Subsidiary and the Employee, and neither the Plan nor this Agreement confers on the Employee any legal or equitable rights (other than those related to the Restricted Stock Unit award) against the Company or any Subsidiary or directly or indirectly gives rise to any cause of action in law or in equity against the Company or any Subsidiary.

15. Plan Terms and Committee Authority . This Agreement and the rights of the Employee hereunder are subject to all of the terms and conditions of the Plan, as it may be amended from time to time, as well as to such rules and regulations as the Committee may adopt for administration of the Plan. It is expressly understood that the Committee is authorized to administer, construe and make all determinations necessary or appropriate for the administration of the Plan and this Agreement, all of which shall be binding upon Employee. Any inconsistency between this Agreement and the Plan shall be resolved in favor of the Plan. The Employee hereby acknowledges receipt of a copy of the Plan and this Agreement.

16. Non-Competition, Non-Solicitation and Confidentiality . As a condition to the receipt of this Restricted Stock Unit award, the Employee must agree to the terms and conditions set forth in the Non-Competition, Non-Solicitation and Confidentiality Agreement attached hereto as Exhibit A by executing that Agreement. Failure to execute and return the Non-Competition, Non-Solicitation and Confidentiality Agreement within 120 days of the Award Date shall constitute a decision by the Employee to decline to accept this Restricted Stock Unit award.

17. Amendment or Modification, Waiver . Except as set forth in the Plan, no provision of this Agreement may be amended or waived unless such amendment or waiver is agreed to in writing, signed by the Employee and by a duly authorized officer of the Company. No waiver of any condition or provision of this Agreement shall be deemed a waiver of a similar or dissimilar condition or provision at the same time, any prior time or any subsequent time.

18. Governing Law and Jurisdiction . This Agreement is governed by the substantive and procedural laws of the state of Illinois. The Employee and the Company shall submit to the exclusive jurisdiction of, and venue in, the courts in Illinois in any dispute relating to this Agreement.

****

Please sign the attached Exhibit A to confirm your agreement to be bound by the terms and conditions set forth in Exhibit A, and to acknowledge your receipt of the Plan and this Award Agreement and your acceptance of the Restricted Stock Unit award issued hereunder.

[Missing Graphic Reference]

Very truly yours,

EXHIBIT A

WALGREEN CO. NON-COMPETITION, NON-SOLICITATION AND CONFIDENTIALITY AGREEMENT

This Exhibit forms a part of the Restricted Stock Unit Award Agreement covering Restricted Stock Units awarded to an employee of Walgreen Co. or one of its sul companies (hereinafter referred to as "Employee'' and the "Company").

WHEREAS, the Company develops and/or uses valuable business, technical, proprietary, customer and patient information it protects by limiting its disclosure and by keeping it secret or confidential;

WHEREAS, Employee acknowledges that during the course of employment, he or she has or will receive, contribute, or develop such confidential information; and

WHEREAS, the Company desires to protect from its competitors such confidential information and also desires to protect its legitimate business interests and goodwill in maintaining its employee and customer relationships.

NOW THEREFORE, in consideration of the Restricted Stock Unit award issued to Employee pursuant the Award Agreement to which this is attached as Exhibit A, Employee agrees to the following:

1. **Non-Disclosure And Non-Use .** Employee agrees not to disclose any Confidential Information, as defined below, to any person or entity other than the Company, either during or after Employee's employment, without the Company's prior written consent. Employee further agrees not to use any Confidential Information, either during or at any time after his or her employment, without the Company's prior written consent, except as may be necessary to perform his or her job duties during employment with the Company.

Confidential Information means information not generally known by the public about processes, systems, products, services, including proposed products and services, business information, know-how, or trade secrets of the Company. Confidential Information includes, but is not limited to, the following:

(a) Customer records, identity of vendors, suppliers, or landlords, profit and performance reports, prices, selling and pricing procedures and techniques, and financing methods of the Company;

(b) Customer lists and information pertaining to identities of the customers, their special demands, and their past, current and anticipated requirements for the products or services of the Company;

(c) Specifications, procedures, policies, techniques, manuals, databases and all other information pertaining to products or services of the Company, or of others for which the Company has assumed an obligation of confidentiality;

(d) Business or marketing plans, accounting records, financial statements and information, and projections of the Company;

(e) Software developed or used by the Company;

(f) Information related to the Company's retailing, distribution or administrative facilities; and

(g) Any other information identified or defined as confidential information by Company policy.

2. **Non-Competition and Non-Solicitation .** In order to protect the legitimate business interests and goodwill of the Company, and to protect Confidential Information, Employee covenants and agrees that for the entire period of his or her employment with the Company, and for one year after the termination of such employment by either party for any reason, Employee will not:

(a) contact any Customer of the Company for the benefit of a Competing Business or interfere with, or attempt to disrupt the relationship, contractual, or otherwise, between the Company and any of its Customers.

(b) hire employees of the Company. This restriction includes without limitation a prohibition on directly or indirectly employing, or knowingly permitting any Person or business directly or indirectly controlled by Employee, regardless of whether such Person or business is a Competing Business, from employing, any person who is employed by the Company. For the period following the termination of Employee's employment with the Company, the term "employee" means an individual employed by the Company as of the date of, or within 90 days of, Employee's last day worked for the Company.

(c) solicit employees of the Company. This restriction includes without limitation a prohibition on directly or indirectly (i) interfering with, or attempting to disrupt the relationship, contractual, or otherwise, between the Company and any of its employees, and (ii) soliciting, inducing, or attempting to induce employees of the Company to terminate employment with the Company.

(d) compete with the Company. This restriction includes without limitation a prohibition on directly or indirectly engaging or investing in, owning, managing, operating, financing, controlling, participating in the ownership, management, operation, financing or control of, or being associated or in any manner connected with, any Competing Business, whether as a consultant, independent contractor, agent, employee, officer, partner, director, shareholder (except (i) limited partnership investments in private equity funds which may invest in venture capital-backed companies (where Employee's investment represents less than 1% percent ownership interest of any such company) or (ii) investments of less than 1% ownership interest of the outstanding securities of a corporation or other entity whose securities are listed on a stock exchange or quotation system and such entity files periodic reports with the Securities and Exchange Commission), distributor, representative, or otherwise, alone or in association with any other Person(s). Notwithstanding the foregoing, Employee may render services for a Competing Business if: such service does not conflict with any other restrictions noted in this Paragraph 2; the Competing Business is diversified, and Employee becomes employed in a part of the business that is not in direct or indirect competition with Company; and, prior to the Employee beginning employment with the Competing Business, the Company receives written assurances satisfactory to the Company, from both the Competing Business and Employee, that Employee will not render services directly or indirectly in connection with any product, system, service, or process of any person or organization which is the same as, comparable to, or competes directly or indirectly with a product, system, service, or process of the Company

Employee agrees that the restrictions contained in paragraphs 2(a), 2(b), and 2(c) have no geographic limitation. Employee agrees that the restrictions contained in Paragraph 2(d) are geographically limited to (a) the entirety of the United States and (b) any other country if the Company conducts business within such country at any time during Employee's employment with the Company.

Employee acknowledges that (i) the Company's business is and following the date hereof will be national in scope, (ii) the Company's products and services are and following the date hereof will be marketed throughout the United States and (iii) the Company has competed and following the date hereof will compete with other businesses that are or could be located in any part of the United States. Employee further covenants and agrees that restrictive covenants contained in this Agreement are reasonable and necessary to protect the legitimate business interests of the Company because of the nature and scope of the Company's business.

If a court or arbitrator of competent jurisdiction determines that one or more of the provisions of this Paragraph 2 are invalid, illegal, or unenforceable for any reason, then such provision or provisions shall be deemed to be reduced in scope or length, as the case may be, to the extent required to make this Paragraph enforceable. If Employee violates the provisions of this Paragraph 2, the periods described therein shall be extended by that number of days which equals the aggregate of all days during which at any time any such violations occurred.

For purposes of this Paragraph 2, the following definitions shall apply:

(1) "Competing Business" means any business engaged in by any Person that is in competition with any business engaged in by the Company ("Company Business") during the term of Employee's employment with the Company; provided that the foregoing shall only apply to any Company Business with respect to which Employee possesses Confidential Information and is substantially engaged or provides substantial support during Employee's employment with the Company.

(2) "Customer" means any patient or other customer or prospective customer of any Company business unit with respect to which Employee is substantially engaged or provides substantial support during Employee's employment with the Company.

(3) "Person" means any individual, corporation, partnership, limited liability company or other entity.

For purpose of this Agreement, Employee's effective date of termination of employment with the Company shall mean the later of: the Employee's last day worked for the Company, or the end of any period of severance paid to the Employee, regardless of whether such severance is paid as salary continuation, or in one lump sum. Notwithstanding the foregoing, if the Employee's position is eliminated or otherwise ends in connection with a workforce reduction (including any voluntary separation program), then the restrictions described in Paragraph 2(d) above shall end as of the later of six months following the Employee's last day worked or the end of any severance period.

Notwithstanding the foregoing provisions of this Paragraph 2 and the remainder of this Agreement, the non-competition provisions of Paragraph 2(d) above shall not restrict Employee from performing legal services as a licensed attorney for a Competing Business to the extent that the attorney licensure requirements in the applicable jurisdiction do not permit Employee to agree to the otherwise applicable restrictions of Paragraph 2(d).

3. **Non-Inducement .** Employee agrees that during the term of his or her employment and for one year following the Employee's termination of employment, Employee will not directly or indirectly assist or encourage any Person or entity in carrying out any activity that would be prohibited by the provisions of this Agreement if such activity were carried out by Employee.

4. **Property .** Employee agrees that upon leaving the employment of the Company, he or she will not take with him or her any of the Company's property, including Confidential Information and trade secrets, regardless of the form in which it was held or acquired by Employee, and will immediately return to the Company any and all documents, notes, records, notebooks, mobile telephones, cellular telephones, computers, PDAs (personal digital assistants), portable digital storage devices, and similar repositories of or containing or relating to Confidential Information and Company trade secrets, and including, but not limited to, all copies, notes or abstracts thereof.

5. **Consideration and Acknowledgments .** Employee acknowledges and agrees that the covenants described in Paragraphs 1 through 4 of this Agreement are essential terms, and the underlying restricted stock unit award would not be provided by the Company in the absence of these covenants. Employee further acknowledges that these covenants are supported by adequate consideration as set forth in this Agreement, that full compliance with these covenants will not prevent Employee from earning a livelihood following the termination of his or her employment, and that these covenants do not place undue restraint on Employee and are not in conflict with any public interest. Employee further acknowledges and agrees that Employee fully understands these covenants, has had full and complete opportunity to discuss and resolve any ambiguities or uncertainties regarding these covenants before signing this Agreement, that these covenants are reasonable and enforceable in every respect, and has voluntarily agreed to comply with these covenants for their stated term. Employee agrees that in the event he or she is offered employment with a Competing Business at any time in the future, Employee shall immediately notify the Competing Business of the existence of the covenants set forth in Paragraphs 1 through 4 above.

6. **Enforcement of This Agreement .** Employee acknowledges that compliance with the covenants set forth in Paragraphs 1 through 4 of this Agreement is necessary to enable the Company to maintain its competitive position, and that any actual or threatened breach of these covenants will result in irreparable and continuing damage to the Company for which there will be no adequate remedy at law. In the event of any actual or threatened breach of these covenants, the Company shall be entitled to injunctive relief, including the right to a temporary restraining order, and other relief, including damages, as may be proper along with the Company's attorneys' fees and court costs. The foregoing stipulated damages and remedies of the Company are in addition to, and not to the exclusion of, any other damages the Company may be able to prove. In addition, if any court shall at any time hold these covenants to be unenforceable or unreasonable in scope, territory or period of time, then the scope, territory or period of time of the covenants shall be that determined by the court to be reasonable. Employee consents to the jurisdiction of the Circuit Court of Lake or Cook County, Illinois for purposes of the enforcement of this agreement.

7. **Severability .** If any phrase or provision of this Agreement is declared invalid or unenforceable by a court of competent jurisdiction, such phrase, clause or provision shall be deemed severed from this Agreement, but will not affect the enforceability of any other provisions of this Agreement, which shall otherwise remain in full force and effect. If any restriction or limitation in this Agreement is deemed to be unreasonable, unenforceable or unduly restrictive by a court of competent jurisdiction, it shall not be stricken in its entirety and held totally void and unenforceable, but shall remain effective to the maximum extent permissible as determined by said court.

8. **Entire Agreement .** Except as provided in (1) and (2) below, this Agreement represents the entire agreement between the parties covering confidentiality, non-competition and non-solicitation restrictions, and it supersedes and renders null and void all prior agreements (or any portions thereof), arrangements or communications between the parties covering such restrictions, whether oral or written. In particular, to the extent Employee has signed more than one version of this Agreement in connection with restricted stock unit awards for multiple years, the latest of such executed Agreements shall apply. The terms of this Agreement may not be altered or modified except by written agreement of Employee and the Company. Notwithstanding the foregoing:

(1 **)** to the extent that, pursuant to an employment contract or otherwise, Employee is currently or in the future becomes subject to any similar obligations that are more restrictive in any respects than Employee's obligations under this Agreement, then the more restrictive terms shall govern; and

(2) this Agreement in no way limits or changes the Company's obligations to Employee in regard to severance and any other specified matters under any employment, severance or similar agreement that may now or in the future be in place between the Company (or any predecessor or successor company) and Employee.

9. **Notification .** Employee further agrees that the Company may notify anyone later employing him or her of the existence and provisions of this Agreement.

10. **Successors and Assigns .** This Agreement shall be enforceable by the Company and its successors and permitted assigns.

11. **General .** Employee agrees that:

(a) Waiver of any of the provisions of this Agreement by the Company in any particular instance shall not be deemed to be a waiver of any provision in any other instance and/or of the Company's other rights at law or under this Agreement;

(b) The provisions of this Agreement shall be considered severable;

(c) This Agreement shall accrue to and be binding upon the Company and Employee; and

(d) The captions in this Agreement shall be for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

12. **Governing Law .** The law of the State of Illinois shall govern this Agreement without regard to its choice of law provisions.

By my signature below, I acknowledge receipt of the Restricted Stock Unit Agreement to which this Agreement is attached as Exhibit A, and I and agree to the terms and conditions expressed in this Non-Competition, Non-Solicitation and Confidentiality Agreement.

Employee Name :

PLEASE KEEP THIS COPY FOR YOUR RECORDS

EXHIBIT A

WALGREEN CO. NON-COMPETITION, NON-SOLICITATION AND CONFIDENTIALITY AGREEMENT

This Exhibit forms a part of the Restricted Stock Unit Award Agreement covering Restricted Stock Units awarded to an employee of Walgreen Co. or one of its sul companies (hereinafter referred to as “Employee’’ and the “Company”).

WHEREAS, the Company develops and/or uses valuable business, technical, proprietary, customer and patient information it protects by limiting its disclosure and by keeping it secret or confidential;

WHEREAS, Employee acknowledges that during the course of employment, he or she has or will receive, contribute, or develop such confidential information; and

WHEREAS, the Company desires to protect from its competitors such confidential information and also desires to protect its legitimate business interests and goodwill in maintaining its employee and customer relationships.

NOW THEREFORE, in consideration of the Restricted Stock Unit award issued to Employee pursuant the Award Agreement to which this is attached as Exhibit A, Employee agrees to the following:

1. **Non-Disclosure And Non-Use** . Employee agrees not to disclose any Confidential Information, as defined below, to any person or entity other than the Company, either during or after Employee’s employment, without the Company’s prior written consent. Employee further agrees not to use any Confidential Information, either during or at any time after his or her employment, without the Company’s prior written consent, except as may be necessary to perform his or her job duties during employment with the Company.

Confidential Information means information not generally known by the public about processes, systems, products, services, including proposed products and services, business information, know-how, or trade secrets of the Company. Confidential Information includes, but is not limited to, the following:

(a) Customer records, identity of vendors, suppliers, or landlords, profit and performance reports, prices, selling and pricing procedures and techniques, and financing methods of the Company;

(b) Customer lists and information pertaining to identities of the customers, their special demands, and their past, current and anticipated requirements for the products or services of the Company;

(c) Specifications, procedures, policies, techniques, manuals, databases and all other information pertaining to products or services of the Company, or of others for which the Company has assumed an obligation of confidentiality;

(d) Business or marketing plans, accounting records, financial statements and information, and projections of the Company;

(e) Software developed or used by the Company;

(f) Information related to the Company’s retailing, distribution or administrative facilities; and

(g) Any other information identified or defined as confidential information by Company policy.

2. **Non-Competition and Non-Solicitation** . In order to protect the legitimate business interests and goodwill of the Company, and to protect Confidential Information, Employee covenants and agrees that for the entire period of his or her employment with the Company, and for one year after the termination of such employment by either party for any reason, Employee will not:

(a) contact any Customer of the Company for the benefit of a Competing Business or interfere with, or attempt to disrupt the relationship, contractual, or otherwise, between the Company and any of its Customers.

(b) hire employees of the Company. This restriction includes without limitation a prohibition on directly or indirectly employing, or knowingly permitting any Person or business directly or indirectly controlled by Employee, regardless of whether such Person or business is a Competing Business, from employing, any person who is employed by the Company. For the period following the termination of Employee's employment with the Company, the term "employee" means an individual employed by the Company as of the date of, or within 90 days of, Employee's last day worked for the Company.

(c) solicit employees of the Company. This restriction includes without limitation a prohibition on directly or indirectly (i) interfering with, or attempting to disrupt the relationship, contractual, or otherwise, between the Company and any of its employees, and (ii) soliciting, inducing, or attempting to induce employees of the Company to terminate employment with the Company.

(d) compete with the Company. This restriction includes without limitation a prohibition on directly or indirectly engaging or investing in, owning, managing, operating, financing, controlling, participating in the ownership, management, operation, financing or control of, or being associated or in any manner connected with, any Competing Business, whether as a consultant, independent contractor, agent, employee, officer, partner, director, shareholder (except (i) limited partnership investments in private equity funds which may invest in venture capital-backed companies (where Employee's investment represents less than 1% percent ownership interest of any such company) or (ii) investments of less than 1% ownership interest of the outstanding securities of a corporation or other entity whose securities are listed on a stock exchange or quotation system and such entity files periodic reports with the Securities and Exchange Commission), distributor, representative, or otherwise, alone or in association with any other Person(s). Notwithstanding the foregoing, Employee may render services for a Competing Business if: such service does not conflict with any other restrictions noted in this Paragraph 2; the Competing Business is diversified, and Employee becomes employed in a part of the business that is not in direct or indirect competition with Company; and, prior to the Employee beginning employment with the Competing Business, the Company receives written assurances satisfactory to the Company, from both the Competing Business and Employee, that Employee will not render services directly or indirectly in connection with any product, system, service, or process of any person or organization which is the same as, comparable to, or competes directly or indirectly with a product, system, service, or process of the Company

Employee agrees that the restrictions contained in paragraphs 2(a), 2(b), and 2(c) have no geographic limitation. Employee agrees that the restrictions contained in Paragraph 2(d) are geographically limited to (a) the entirety of the United States and (b) any other country if the Company conducts business within such country at any time during Employee's employment with the Company.

Employee acknowledges that (i) the Company's business is and following the date hereof will be national in scope, (ii) the Company's products and services are and following the date hereof will be marketed throughout the United States and (iii) the Company has competed and following the date hereof will compete with other businesses that are or could be located in any part of the United States. Employee further covenants and agrees that restrictive covenants contained in this Agreement are reasonable and necessary to protect the legitimate business interests of the Company because of the nature and scope of the Company's business.

If a court or arbitrator of competent jurisdiction determines that one or more of the provisions of this Paragraph 2 are invalid, illegal, or unenforceable for any reason, then such provision or provisions shall be deemed to be reduced in scope or length, as the case may be, to the extent required to make this Paragraph enforceable. If Employee violates the provisions of this Paragraph 2, the periods described therein shall be extended by that number of days which equals the aggregate of all days during which at any time any such violations occurred.

For purposes of this Paragraph 2, the following definitions shall apply:

(1) "Competing Business" means any business engaged in by any Person that is in competition with any business engaged in by the Company ("Company Business") during the term of Employee's employment with the Company; provided that the foregoing shall only apply to any Company Business with respect to which Employee possesses Confidential Information and is substantially engaged or provides substantial support during Employee's employment with the Company.

(2) "Customer" means any patient or other customer or prospective customer of any Company business unit with respect to which Employee is substantially engaged or provides substantial support during Employee's employment with the Company.

(3) "Person" means any individual, corporation, partnership, limited liability company or other entity.

For purpose of this Agreement, Employee's effective date of termination of employment with the Company shall mean the later of: the Employee's last day worked for the Company, or the end of any period of severance paid to the Employee, regardless of whether such severance is paid as salary continuation, or in one lump sum. Notwithstanding the foregoing, if the Employee's position is eliminated or otherwise ends in connection with a workforce reduction (including any voluntary separation program), then the restrictions described in Paragraph 2(d) above shall end as of the later of six months following the Employee's last day worked or the end of any severance period.

Notwithstanding the foregoing provisions of this Paragraph 2 and the remainder of this Agreement, the non-competition provisions of Paragraph 2(d) above shall not restrict Employee from performing legal services as a licensed attorney for a Competing Business to the extent that the attorney licensure requirements in the applicable jurisdiction do not permit Employee to agree to the otherwise applicable restrictions of Paragraph 2(d).

3. **Non-Inducement .** Employee agrees that during the term of his or her employment and for one year following the Employee's termination of employment, Employee will not directly or indirectly assist or encourage any Person or entity in carrying out any activity that would be prohibited by the provisions of this Agreement if such activity were carried out by Employee.

4. **Property .** Employee agrees that upon leaving the employment of the Company, he or she will not take with him or her any of the Company's property, including Confidential Information and trade secrets, regardless of the form in which it was held or acquired by Employee, and will immediately return to the Company any and all documents, notes, records, notebooks, mobile telephones, cellular telephones, computers, PDAs (personal digital assistants), portable digital storage devices, and similar repositories of or containing or relating to Confidential Information and Company trade secrets, and including, but not limited to, all copies, notes or abstracts thereof.

5. **Consideration and Acknowledgments .** Employee acknowledges and agrees that the covenants described in Paragraphs 1 through 4 of this Agreement are essential terms, and the underlying restricted stock unit award would not be provided by the Company in the absence of these covenants. Employee further acknowledges that these covenants are supported by adequate consideration as set forth in this Agreement, that full compliance with these covenants will not prevent Employee from earning a livelihood following the termination of his or her employment, and that these covenants do not place undue restraint on Employee and are not in conflict with any public interest. Employee further acknowledges and agrees that Employee fully understands these covenants, has had full and complete opportunity to discuss and resolve any ambiguities or uncertainties regarding these covenants before signing this Agreement, that these covenants are reasonable and enforceable in every respect, and has voluntarily agreed to comply with these covenants for their stated term. Employee agrees that in the event he or she is offered employment with a Competing Business at any time in the future, Employee shall immediately notify the Competing Business of the existence of the covenants set forth in Paragraphs 1 through 4 above.

6. **Enforcement of This Agreement .** Employee acknowledges that compliance with the covenants set forth in Paragraphs 1 through 4 of this Agreement is necessary to enable the Company to maintain its competitive position, and that any actual or threatened breach of these covenants will result in irreparable and continuing damage to the Company for which there will be no adequate remedy at law. In the event of any actual or threatened breach of these covenants, the Company shall be entitled to injunctive relief, including the right to a temporary restraining order, and other relief, including damages, as may be proper along with the Company's attorneys' fees and court costs. The foregoing stipulated damages and remedies of the Company are in addition to, and not to the exclusion of, any other damages the Company may be able to prove. In addition, if any court shall at any time hold these covenants to be unenforceable or unreasonable in scope, territory or period of time, then the scope, territory or period of time of the covenants shall be that determined by the court to be reasonable. Employee consents to the jurisdiction of the Circuit Court of Lake or Cook County, Illinois for purposes of the enforcement of this agreement.

7. **Severability .** If any phrase or provision of this Agreement is declared invalid or unenforceable by a court of competent jurisdiction, such phrase, clause or provision shall be deemed severed from this Agreement, but will not affect the enforceability of any other provisions of this Agreement, which shall otherwise remain in full force and effect. If any restriction or limitation in this Agreement is deemed to be unreasonable, unenforceable or unduly restrictive by a court of competent jurisdiction, it shall not be stricken in its entirety and held totally void and unenforceable, but shall remain effective to the maximum extent permissible as determined by said court.

8. **Entire Agreement .** Except as provided in (1) and (2) below, this Agreement represents the entire agreement between the parties covering confidentiality, non-competition and non-solicitation restrictions, and it supersedes and renders null and void all prior agreements (or any portions thereof), arrangements or communications between the parties covering such restrictions, whether oral or written. In particular, to the extent Employee has signed more than one version of this Agreement in connection with restricted stock unit awards for multiple years, the latest of such executed Agreements shall apply. The terms of this Agreement may not be altered or modified except by written agreement of Employee and the Company. Notwithstanding the foregoing:

(1 **)** to the extent that, pursuant to an employment contract or otherwise, Employee is currently or in the future becomes subject to any similar obligations that are more restrictive in any respects than Employee's obligations under this Agreement, then the more restrictive terms shall govern; and

(2) this Agreement in no way limits or changes the Company's obligations to Employee in regard to severance and any other specified matters under any employment, severance or similar agreement that may now or in the future be in place between the Company (or any predecessor or successor company) and Employee.

9. **Notification .** Employee further agrees that the Company may notify anyone later employing him or her of the existence and provisions of this Agreement.

10. **Successors and Assigns .** This Agreement shall be enforceable by the Company and its successors and permitted assigns.

11. **General .** Employee agrees that:

(a) Waiver of any of the provisions of this Agreement by the Company in any particular instance shall not be deemed to be a waiver of any provision in any other instance and/or of the Company's other rights at law or under this Agreement;

(b) The provisions of this Agreement shall be considered severable;

(c) This Agreement shall accrue to and be binding upon the Company and Employee; and

(d) The captions in this Agreement shall be for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

12. **Governing Law .** The law of the State of Illinois shall govern this Agreement without regard to its choice of law provisions.

By my signature below, I acknowledge receipt of the Restricted Stock Unit Agreement to which this Agreement is attached as Exhibit A, and I and agree to the terms and conditions expressed in this Non-Competition, Non-Solicitation and Confidentiality Agreement.

Employee Name :

Signature Date

PLEASE RETURN TO MARY CRAIN, WALGREEN CO., FINANCE DEPARTMENT MS #2261, 200 WILMOT ROAD, DEERFIELD, IL 60015

WALGREEN CO.
LONG-TERM PERFORMANCE INCENTIVE PLAN
Beneficiary Designation Form

I, ___________________________________, hereby make the following beneficiary designations under the Walgreen Co. Long-Term Performance Incentive Plan (which includes Restricted Stock Unit Awards and the Performance Share Program, as applicable), such that the balance of any shares issuable to me or cash payable to me under this Plan following my death shall be paid to the following beneficiary or beneficiaries:

Name of Individual or Entity [1]	Social Security or Tax I.D. Number	Relationship
Primary ______________________________	_________________	_______________
Contingent ____________________________	_________________	_______________

If more than one person is named primary beneficiary, I desire that they share equally in shares to be issued or payments to be made under the Plan, unless I have indicated that they are to receive such shares or payments in unequal proportions. Should one or more (but not all) of the above-named primary beneficiaries predecease me or die before receiving all shares or payments due under the Plan, the surviving primary beneficiaries shall share equally in what would have been the deceased beneficiary's share, unless I have indicated to the contrary on an attached sheet.

Should all of the above-named primary beneficiaries predecease me or die before receiving all shares or payments due under the Plan, such shares or payments should be made to the contingent beneficiaries listed above in equal share, unless I have indicated that they are to receive such shares or payments in unequal proportions. Should one or more (but not all) of the above-named contingent beneficiaries predecease me or die before receiving all shares or payments due under the Plan, the surviving contingent beneficiaries shall share equally in what would have been the deceased beneficiary's share, unless I have indicated to the contrary on an attached sheet.

Should all of the above primary and contingent beneficiaries predecease me or die before receiving all shares or payments due under the Plan, any remaining Plan shares or payments shall be made to my estate or the legally established beneficiaries or heirs of my estate.

This beneficiary designation form cancels and supersedes any previous designation that I may have made under this Plan or the Restricted Performance Share Plan, if applicable. The designation is effective as of the date this form is signed by me. I have the right to change this beneficiary designation at any time by filing a new beneficiary designation form.

__________________________________ _______________________
Employee Name Dated

____
Employee Social Security Number

__________________________________ _______________________
Witness Dated

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[1] Attach a separate sheet to name multiple primary or contingent beneficiaries.

Exhibit 10.43

WALGREEN CO. NONEMPLOYEE DIRECTOR STOCK PLAN

AMENDMENT NO. 3

Effective September 1, 2009, Section 6.1 of the Plan is hereby amended in its entirety to read as follows:

> **6.1 Portion of Retainer Paid in Shares.** During the term of this Plan prior to September 1, 2009, Nonemployee Directors shall receive 50% of their Annual Retainer in the form of Shares. For Board service on and after September 1, 2009, the entire Annual Retainer shall be paid in cash.

Effective September 1, 2009, Section 7.2 of the Plan is hereby amended by replacing the words “in the succeeding calendar year” with the words “for fiscal quarters beginning on or after that date” at the end of the first sentence of such Section.

Voluntary Separation and Release Agreement for George Riedl

This Separation and Release Agreement ("Agreement") is entered into between the undersigned employee ("Employee") and Walgreen Co., its parents, subsidiaries, affiliated companies, predecessors, successors and assigns ("Walgreens" or the "Company"), who agree as follows:

1. **Termination Date.** The parties agree that Employee resigns and Employee's employment with the Company is voluntarily terminated effective December 31, 2009, or such other date as designated by the Company and agreed to by Employee prior to execution of this Agreement.

2. **General Waiver & Release.** Employee waives and releases any and all claims, known or unknown, arising on or before the date Employee signs this Agreement, that Employee has or might have against the Company, its parents, subsidiaries, affiliated companies, predecessors, successors, and assigns, as well as all of its and their past and present officers, directors, managers, employees, attorneys, and agents (collectively "Released Parties"), subject only to the exceptions identified in paragraph 3 below. These waived and released claims include but are not limited to: (i) claims that in any way relate to Employee's employment, separation from employment and other dealings of any kind with any Released Party or Parties; (ii) claims of unlawful discrimination, harassment, retaliation or other alleged violations arising under federal, state, local or others laws and regulations, including but not limited to claims arising under the federal Age Discrimination in Employment Act (ADEA); Title VII of the Civil Rights Act of 1964; the Civil Rights Act of 1866; the Employee Retirement Income Security Act (ERISA); the Americans with Disabilities Act (ADA); the Fair Labor Standards Act (FLSA); the Worker Adjustment and Retraining Notification Act (WARN); and the Family and Medical Leave Act (FMLA); (iii) claims of wrongful discharge, emotional distress, defamation, misrepresentation, fraud, detrimental reliance, breach of alleged contractual obligations, promissory estoppel, negligence, assault and battery, and violation of public policy; and (iv) claims for monetary damages, other personal recovery or relief, costs, expenses, and attorneys' fees of any kind.

3. **Claims Not Waived and Released.** The only claims not waived and not released by Employee under paragraph 2 are (i) claims arising after the date that Employee signs this Agreement; (ii) any claim that as a matter of law cannot be waived; and (iii) claims for benefits that are specifically described and provided for in this Agreement.

4. **No Disparagement.** Employee will not make derogatory statements, either written or oral, or otherwise disparage any Released Party or Walgreens products or services, except as may be required to be permitted by law. Nor shall Employee direct, arrange or encourage others to make any such derogatory or disparaging statements on Employee's behalf. The Company's Board of Directors and CEO will not make derogatory statements, either written or oral, about Employee, except as may be required or be permitted by law.

5. **Return of Company Property.** Employee agrees that, no later than his/her Termination Date, Employee will have returned all Company property, except for his cell phone, which Employee is allowed to keep and that no other Company property has been retained by the Employee, regardless of the form in which it was acquired or held by Employee.

6. **Confidential Business Information.** Employee agrees not to use or disclose any Confidential Information, as defined below, to any person or entity other than the Company, either before or after his/her Termination Date, without the Company's prior written consent. Confidential Information means information not generally known by the public about processes, systems, products or services, including proposed products or services, business information, pricing, sales, promotions, financial performance, know-how, or trade secrets of the Company.

7. **Non-Admissions.** Nothing in this Agreement constitutes or shall be portrayed or regarded as an admission of any wrongdoing, fault, violation, liability, or unlawful activity by the Company or any Released Party.

8. **Cooperation.** Subject to paragraph 9 below, and for two years following Employee's Paid Through Date, Employee agrees at all times, upon reasonable notice and in keeping with Employee's then current employment and other obligations, to fully and completely cooperate with the Company and its agents and representatives during and in connection with all litigation, potential litigation, internal or external investigations, and business matters in which the Company is involved or may become involved. If such cooperation is required prior to 12/31/2010, it will be without additional compensation to Employee. After 12/31/2010, Employee will be compensated for time spent as requested and approved by Walgreens at the rate of $250.00 an hour. For any litigation involving Walgreens where Employee is also a named party, such compensation for time shall not apply. Employee will be reimbursed for reasonable travel expenses if travel is requested and approved in advance by Walgreens.

9. **Investigations and Related Proceedings.** Nothing in this Agreement shall affect or interfere with Employee's right to participate, cooperate, initiate or assist in an investigation or proceeding conducted within the Company or by any government agency, oversight board, commission or other regulatory or investigative body.

10. **Non-Competition and Non-Solicitation.** For a period of two years following the Paid Through Date, Employee agrees to the following:

(a) Employee will not be employed by or render services in the areas of marketing, merchandising, or pharmacy to the following organizations (i) CVS/Caremark, (ii) Rite-Aid, (iii) Walmart, (iv) Target, (v) Express Scripts, and (vi) MedCo Health Solutions (hereafter, each a "Competing Business"), in any state in the United States where Walgreens does business. Employment by a product manufacturer that sells it products to a Competing Business is not a restricted activity under this Agreement. Employment by a manufacturer's representative/broker that represents other companies' products or services is not a restricted activity as long as Employee does not directly or indirectly call upon or provide services to a Competing Business.

(b) Employee will not contact any Customer of the Company for the benefit of a Competing Business, or to interfere with, or attempt to disrupt the relationship, contractual, or otherwise between the Company and any of it's Customers.

(c) Employee will not solicit or hire any employees of the Company for a Competing Business. This restriction includes without limitation a prohibition on directly or indirectly (i) interfering with, or attempting to disrupt the relationship, contractual, or otherwise, between the Company and any of its employees and (ii) soliciting, inducing, or attempting to induce employees of the Company to terminate employment with the Company.

For purposes of Section 10, "Customer" means any patient, business, enterprise or other customer or prospective customer of any Company business unit with respect to which Employee is engaged or provides substantial support during Employee's employment with the Company.

11. **Separation Payments.** Walgreens agrees to pay Employee the salary continuation and other benefits as described in the attached Exhibit A ("Separation Payments"). The Separation Payments will be paid per the time periods in Exhibit A. In the event of Employee's death prior to the payment of vacation, severance, bonus and deferred compensation lump sum detailed in Exhibit A, all such remaining payments shall be made to Employee's beneficiary or estate. All other benefits shall be treated pursuant to the terms and conditions of the underlying Company plans and programs.

12. **Consequences of Breach by Employee**. Separation Payments are conditioned on compliance with all Employee commitments set forth in this Agreement. In the event of any breach of this Agreement by Employee, the Company shall be entitled to discontinue and recover all Separation Payments otherwise payable to Employee, except for $200 to be retained by Employee as consideration for enforcement of non-breached provisions of the Agreement. In addition, Employee acknowledges that Section 10 of this Agreement is necessary to enable the Company to maintain its competitive position and any actual or threatened breach of this covenant will result in irreparable and continuing damage to the Company for which there will be no adequate remedy at law. In the event of any actual or threatened breach of these covenants, the Company shall be entitled to injunctive relief, including the right to a temporary restraining order, and other relief, including damages, as may be proper along with the Company's attorney's fees and court costs. The foregoing stipulated damages and remedies of the Company are in addition to, and not to the exclusion of, any other damages the Company may be able to prove.

13. **409A Compliance**. The parties intend that this Agreement will be interpreted so that the pay and benefits provided hereunder will be exempt from or compliant with Section 409A of the Internal Revenue Code of 1986. If Employee or the Company believe that this Agreement, or any portion of the pay or benefits provided hereunder, is not in compliance with any applicable provisions of Section 409A, each party shall advise the other and shall cooperate in good faith to take such steps as necessary, including amending this Agreement, to avoid the imposition of a Section 409A tax without a diminution in the pay or benefits that Employee is entitled to receive hereunder.

14. **Severability**. In the event that any portion of this Agreement is held by a court of competent jurisdiction to be invalid or unenforceable, the invalid or unenforceable

portion shall be construed or modified in a manner that gives force and effect, to the fullest extent possible, to all other portions and provisions of this Agreement. If any invalid or unenforceable portion of any provision in this Agreement cannot be construed or modified to render it valid and enforceable, that portion shall be construed as narrowly as possible and shall be severed from the remainder of this Agreement, and the remainder of this Agreement (including the remainder of the section, paragraph, subparagraph or sentence containing any invalid or unenforceable words) shall remain in effect to the fullest extent possible.

15. **Indemnification** . The officer and director indemnification provisions of the by-laws of Walgreens and any applicable subsidiaries shall continue to apply to Employee after Termination Date to the full extent provided in such by-laws

16. **OWBPA Provisions – Additional Understandings.** In compliance with the Older Workers Benefit Protection Act ("OWBPA"), the Company and Employee agree to the following:

(a) **Understandability** . This Agreement is written in a manner calculated to be understood by the Employee, and Employee understands all terms of this Agreement;

(b) **Age Discrimination (ADEA) Waiver** . This Agreement includes a waiver and release of claims under the Age Discrimination in Employment Act (ADEA) as described in paragraph 2 above;

(c) **No Future Waiver** . This Agreement only waives and releases rights arising prior to the date Employee signs this Agreement;

(d) **Valid Consideration** . In exchange for Employee's release and waiver as part of this Agreement, Employee acknowledges that he/she is receiving severance and benefits that exceed those to which Employee is entitled apart from this Agreement;

(e) **Employee Advised to Consult with an Attorney** . By this Agreement, the Company advises Employee to consult with an attorney before signing this Agreement;

(f) **Period to Consider this Agreement** . Employee has been given a period of 21 calendar days in which to consider this Agreement, and to decide whether s/he wishes to sign it;

(g) **Period to Revoke Agreement** . After Employee signs this Agreement, Employee has 7 calendar days in which Employee can change his or her mind and revoke this Agreement. Walgreens and Employee agree that, to revoke this Agreement, Employee must notify Walgreens in writing that Employee is revoking this Agreement. Any such notice of revocation must be received by Deidra Byrd, Divisional Vice President, Employee Relations, 102 Wilmot Road, Deerfield, Illinois 60015, fax no. (847)315-4699, deidra.byrd@walgreens.com, within the 7-day period; and

(h) **Effective Date** . This Agreement shall not become effective or enforceable until the 7-day revocation period described above has expired with no revocation by Employee.

17. **Signing of Agreement.** Employee represents and acknowledges that this Agreement has not been signed prior to his Termination Date of December 31, 2009.

18. **Governing Law.** The laws of the State of Illinois shall govern the validity, performance, enforcement, interpretation and any other aspect of this Agreement, notwithstanding any state's choice of law provisions to the contrary.

19. **Complete Agreement.** This Agreement constitutes the parties' entire agreement and cancels, supersedes, and replaces any and all prior proposals, understandings, and agreements (written, oral or implied) regarding all matters addressed herein, except Employee shall continue to be bound by all obligations set forth in any prior agreements, undertakings, waivers and assignments involving confidential information, inventions, patents, copyrights, trademarks and other intellectual property, and compliance with laws and policies. The terms of this Agreement may not be altered or modified except by written agreement of the Employee and the Company. In connection with this Agreement's acceptance and execution, neither Employee nor the Company is relying on any representation or promise that is not expressly stated in this Agreement.

THE EMPLOYEE HAS READ EVERYTHING IN THIS SEPARATION AND RELEASE AGREEMENT, UNDERSTANDS IT, AND SIGNS THIS AGREEMENT VOLUNTARILY AND INTENDING TO BE BOUND BY IT.

THIS AGREEMENT SHALL NOT BE SIGNED OR RETURNED BEFORE DECEMBER 31, 2009.

Dated: __________________ ______________________________________
George Riedl

Dated: __________________ ______________________________________
Manager

CH2 20224122.1

Exhibit 12

Walgreen Co. and Subsidiaries
Computation of Ratio of Earnings to Fixed Charges

	8/31/2010	8/31/2009	8/31/2008
Income before income taxes and minority interest	$ 3,373	$ 3,164	$ 3,430
Add:	-		
Minority interest	-	-	-
Fixed charges	1,100	996	842
Less: Capitalized interest	(12)	(16)	(19)
Earnings as defined	$ 4,461	$ 4,144	$ 4,253
Interest expense, net of capitalized interest	$ 90	$ 91	$ 18
Capitalized interest	12	16	19
Portions of rentals representative of the interest factor	998	889	805
Fixed charges as defined	$ 1,100	$ 996	$ 842
Ratio of earnings to fixed charges	4.1	4.16	5.05

WALGREEN CO. AND SUBSIDIARIES
ANNUAL REPORT
FOR THE YEAR ENDED AUGUST, 31, 2010

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Five -Year Summary of Selected Consolidated Financial Data
Walgreen Co. and Subsidiaries
(Dollars in Millions, except per share and location amounts)

Fiscal Year	**2010(1)**	**2009**	**2008**	**2007**	**2006**
Net Sales	$ 67,420	$ 63,335	$ 59,034	$ 53,762	$ 47,409
Cost of sales (2)	48,444	45,722	42,391	38,518	34,240
Gross profit	18,976	17,613	16,643	15,244	13,169
Selling, general and administrative (2) (3)	15,518	14,366	13,202	12,093	10,467
Operating income	3,458	3,247	3,441	3,151	2,702
Other income (expense)	(85)	(83)	(11)	38	52
Earnings Before Income Tax Provision (4)	3,373	3,164	3,430	3,189	2,754
Income tax provision	1,282	1,158	1,273	1,148	1,003
Net Earnings	$ 2,091	$ 2,006	$ 2,157	$ 2,041	$ 1,751
Per Common Share					
Net earnings					
Basic	$ 2.13	$ 2.03	$ 2.18	$ 2.04	$ 1.73
Diluted	2.12	2.02	2.17	2.03	1.72
Dividends declared	.59	.48	.40	.33	.27
Book value	15.34	14.54	13.01	11.20	10.04
Non-Current Liabilities					
Long-term debt	$ 2,389	$ 2,336	$ 1,337	$ 22	$ 3
Deferred income taxes	318	265	150	158	141
Other non-current liabilities	1,735	1,396	1,410	1,285	1,116
Assets and Equity					
Total assets	$ 26,275	$ 25,142	$ 22,410	$ 19,314	$ 17,131
Shareholders' equity	14,400	14,376	12,869	11,104	10,116
Return on average shareholders' equity	14.5%	14.7%	18.0%	19.2%	18.4%
Locations					
Year-end (5)	8,046	7,496	6,934	5,997	5,461

(1) Includes results of Duane Reade operations since the April 9, 2010 acquisition date.
(2) Fiscal 2010 and 2009 included Rewiring for Growth pre-tax restructuring and restructuring related charges of $106 million ($.07 per share, diluted) and $252 million ($.16 per share, diluted), respectively. These charges, included in cost of sales and selling, general and administrative expenses for fiscal 2010 and 2009, were $40 million and $95 million, and $66 million and $157 million, respectively. Fiscal 2010 and 2009 included pre-tax expenses related to Customer Centric Retailing store conversions of $45 million and $5 million, respectively, all of which was included in selling, general and administrative expenses.
(3) Fiscal 2008 included a positive pre-tax adjustment of $79 million ($.05 per share, diluted), which corrected for historically over-accruing the Company’s vacation liability.
(4) Fiscal 2010 included a deferred tax charge of $43 million related to the repeal of a tax benefit for the Medicare Part D subsidy for retiree benefits.
(5) Locations include drugstores, worksite facilities, home care facilities, specialty pharmacies and mail service facilities.

MANAGEMENT 'S DISCUSSION AND ANALYSIS
OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The following discussion and analysis of our financial condition and results of operations should be read together with the financial statements and the related notes included elsewhere herein. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those discussed in forward-looking statements. Factors that might cause a difference include, but are not limited to, those discussed under "Cautionary Note Regarding Forward-Looking Statements" below and in Item 1A (Risk Factors) in our Annual Report on Form 10-K.

Introduction

Walgreens is principally a retail drugstore chain that sells prescription and non-prescription drugs and general merchandise. General merchandise includes, among other things, household items, convenience foods, personal care, beauty care, candy, photofinishing and seasonal items. Customers can have prescriptions filled in retail pharmacies as well as through the mail, and customers may also place orders by telephone and via the Internet. At August 31, 2010, we operated 8,046 locations in 50 states, the District of Columbia, Guam and Puerto Rico. Total locations do not include 352 convenient care clinics operated by Take Care Health Systems, Inc.

	Number of Locations		
Location Type	**2010**	**2009**	**2008**
Drugstores	7,562	6,997	6,443
Worksite Facilities	367	377	364
Home Care Facilities	101	105	115
Specialty Pharmacies	14	15	10
Mail Service Facilities	2	2	2
Total	8,046	7,496	6,934

The drugstore industry is highly competitive. In addition to other drugstore chains, independent drugstores and mail order prescription providers, we compete with various other retailers including grocery stores, convenience stores, mass merchants and dollar stores.

The Company's sales, gross profit margin and gross profit dollars are impacted by both the percentage of prescriptions that we fill that are generic and the rate at which new generic versions are introduced to the market. In general, generic versions of drugs generate lower total sales dollars per prescription, but higher gross profit margins and gross profit dollars, as compared with patent-protected brand name drugs. The positive impact on gross profit margins and gross margin dollars has been significant in the first several months after a generic version of a drug is first allowed to compete with the branded version, which is generally referred to as a "generic conversion." In any given year, the number of blockbuster drugs that undergo a conversion from branded to generic status can increase or decrease, which can have a significant impact on our sales, gross profit margins and gross profit dollars. And, because any number of factors outside of the Company's control or ability to foresee can affect timing for a generic conversion, we face substantial uncertainty in predicting when such conversions will occur and what effect they will have on particular future periods.

The long-term outlook for prescription utilization is strong due in part to the aging population, the increasing utilization of multi-source (i.e., generic) drugs, the continued development of innovative drugs that improve quality of life and control health care costs, and the expansion of health care insurance coverage under the Patient Protection and Affordable Care Act signed into law on March 23, 2010 (the ACA).

Certain provisions of the Deficit Reduction Act of 2005 (the DRA) sought to reduce federal spending by altering the Medicaid reimbursement formula (AMP) for multi-source drugs. Those reductions did not go into effect. The ACA enacted a modified reimbursement formula for multi-source drugs, which, when implemented, is expected to reduce Medicaid reimbursements. Also, in conjunction with a class action settlement with two entities that publish the average wholesale price (AWP) of pharmaceuticals, the methodology used to calculate the AWP, a pricing reference widely used in the pharmacy industry, was changed in a way that reduced the AWP for many brand-name prescription drugs effective September 26, 2009. The Company has reached understandings with most of its third party payers to adjust reimbursements to correct for this change in methodology; however, most state Medicaid programs that utilize AWP as a pricing reference did not take action to make similar adjustments, resulting in reduced Medicaid reimbursement for drugs affected by the change.

Total front-end sales have continued to grow primarily due to new store openings. Total front-end sales continue to be impacted by lower demand for discretionary goods such as household, seasonal and beauty products due to the overall economic conditions and high unemployment rates.

We continue to expand into new markets and increase penetration in existing markets. To support our growth, we are investing in prime locations, technology and customer service initiatives. We continue to expand, focused on retail organic growth; however, consideration is given to retail and other acquisitions that provide unique opportunities and fit our business objectives, such as our recent acquisition of Duane Reade Holdings, Inc., and Duane Reade Shareholders, LLC (Duane Reade), which consisted of 258 Duane Reade stores located in the New York City metropolitan area, as well as the corporate office and two distribution centers. This acquisition increased the Company's presence in the New York metropolitan area.

Restructuring

On October 30, 2008, we announced a series of strategic initiatives, approved by the Board of Directors, to enhance shareholder value. One of these initiatives was a program known as "Rewiring for Growth," which was designed to reduce cost and improve productivity through strategic sourcing of indirect spend, reducing corporate overhead and work throughout our stores, rationalization of inventory categories, and transforming community pharmacy. We expect to complete these initiatives in fiscal 2011.

We have recorded the following pre-tax charges associated with our Rewiring for Growth program in the Consolidated Statements of Earnings (in millions):

	Twelve Months Ended August 31,	
	2010	**2009**
Severance and other benefits	$ 16	$ 74
Project cancellation settlements	-	7
Inventory charges	19	63
Restructuring expense	35	144
Consulting	50	76
Restructuring and restructuring related costs	$ 85	$ 220
Cost of sales	$ 19	$ 63
Selling, general and administrative expenses	66	157
	$ 85	$ 220

Severance and other benefits include the charges associated with employees who were separated from the Company. In the current fiscal year, 193 employees have been separated from the Company. Since inception, a total of 890 employees have been separated from the Company as a result of these initiatives.

Inventory charges relate to on-hand inventory that has been reduced from cost to a selling price below cost. In addition, as a part of our restructuring efforts we sold an incremental amount of inventory below traditional retail prices. The dilutive effect of these sales on gross profit for the year ended August 31, 2010, was $21 million. In the prior fiscal year we reported a dilutive effect on sales of $32 million.

We incurred pre-tax costs of $106 million ($85 million of restructuring and restructuring related costs, $21 million of gross profit dilution) in fiscal 2010. Since inception, we have incurred $358 million ($305 million of restructuring and restructuring related expenses, and $53 million of gross profit dilution). We anticipate approximately $50 million of pre-tax restructuring and restructuring related expenses and gross profit dilution in fiscal 2011.

We have recorded the following balances within the accrued expenses and other liabilities section of our Consolidated Balance Sheets (in millions):

		Severance and Other Benefits
August 31, 2008 Reserve Balance	$	-
Charges		82
Cash Payments		(78)
August 31, 2009 Reserve Balance	$	4
Charges		19
Cash Payments		(23)
August 31, 2010 Reserve Balance	$	-

In fiscal 2010, we realized incremental savings related to the Rewiring for Growth program of approximately $471 million as compared to fiscal 2009. Selling general and administrative expenses realized incremental savings of $391 million, while cost of sales benefited by $80 million. Since inception, we have realized total savings related to Rewiring for Growth of approximately $721 million. Selling, general and administrative expenses realized total savings of $641 million, while cost of sales benefited by approximately $80 million. The savings are primarily the result of expense reduction initiatives, reduced store labor and personnel reductions.

Additionally, as a part of our Customer Centric Retailing (CCR) initiative, we are enhancing the store format to ensure we have the proper assortments, better category layouts and adjacencies, better shelf height and sight lines, and better assortment and brand and private brand layout, all of which are designed to positively enhance the shopper experience and increase customer frequency and purchase size. We expect this format will be rolled out to approximately 5,500 existing stores. At August 31, 2010, in total, we have converted 1,469 stores and opened 345 new stores with the CCR format. We expect to convert approximately 4,000 stores and open approximately 250 new stores with the CCR format in fiscal 2011. Based on our experience with the first 1,469 stores, we expect the total cost, which includes both selling, general and administrative expenses and capital, to be approximately $50 thousand per store. For the fiscal year ended August 31, 2010, we incurred $71 million in total program costs, of which $45 million was included in selling, general and administrative expenses and $26 million in capital costs. In fiscal 2009, we incurred $5 million in program costs, all of which was included in selling, general and administrative expenses.

Operating Statistics

	Percentage Increases/(Decreases)		
Fiscal Year	2010	2009	2008
Net Sales	6.4	7.3	9.8
Net Earnings	4.2	(7.0)	5.7
Comparable Drugstore Sales	1.6	2.0	4.0
Prescription Sales	6.3	7.8	9.7
Comparable Drugstore Prescription Sales	2.3	3.5	3.9
Front-End Sales	6.8	6.3	10.0
Comparable Drugstore Front-End Sales	0.5	(0.5)	4.2
Gross Profit	7.7	5.8	9.2
Selling, General and Administrative Expenses	8.0	8.8	9.2

	Percent to Net Sales		
Fiscal Year	2010	2009	2008
Gross Margin	28.1	27.8	28.2
Selling, General and Administrative Expenses	23.0	22.7	22.4

	Other Statistics		
Fiscal Year	2010	2009	2008
Prescription Sales as a % of Net Sales	65.2	65.3	64.9
Third Party Sales as a % of Total Prescription Sales	95.3	95.4	95.3
Total Number of Prescriptions (in millions)	695	651	617
30-Day Equivalent Prescriptions (in millions) *	778	723	677
Total Number of Locations	8,046	7,496	6,934

* Includes the adjustment to convert prescriptions greater than 84 days to the equivalent of three 30-day prescriptions. This adjustment reflects the fact that these prescriptions include approximately three times the amount of product days supplied compared to a normal prescription.

Results of Operations

Fiscal year 2010 net earnings increased 4.2% to $2,091 million, or $2.12 per share (diluted), versus last year's earnings of $2,006 million, or $2.02 per share (diluted). The net earnings increase was primarily attributable to higher gross margins partially offset by higher selling, general and administrative expenses as a percentage of sales and higher income tax expense primarily related to the ACA. In conjunction with the ACA, one provision of which repealed the tax benefit for the Medicare Part D subsidy for retiree benefits, we recorded a charge of $43 million, or $.04 per share (diluted), in fiscal 2010. The dilutive effect of Duane Reade operations was approximately $.06 per share (diluted), primarily due to costs related to the acquisition. In the fiscal year 2010 we recorded pre-tax Rewiring for Growth expenses of $85 million, or $.06 per share (diluted), and pre-tax margin dilution related to our Rewiring for Growth activities of $21 million, or $.01 per share (diluted). This compares to pre-tax Rewiring for Growth expenses of $220 million, or $.14 per share (diluted), and pre-tax margin dilution $32 million, or $.02 per share (diluted), in fiscal 2009. Expenses associated with converting stores to the CCR format were $45 million in the current fiscal year as compared to $5 million a year ago.

Net sales increased by 6.4% to $67,420 million in fiscal 2010 compared to increases of 7.3% in 2009 and 9.8% in 2008. The impact of the Duane Reade acquisition increased total sales by 1.1% in the current fiscal year. Drugstore sales increases resulted from sales gains in existing stores and added sales from new stores, each of which include an indeterminate amount of market-driven price changes. Sales in comparable drugstores were up 1.6% in 2010, 2.0% in 2009 and 4.0% in 2008. Comparable drugstores are defined as those that have been open for at least twelve consecutive months without closure for seven or more consecutive days and without a major remodel or a natural disaster in the past twelve months. Remodels associated with our CCR initiative are not considered major and therefore do not affect comparable drugstore results. Relocated and acquired stores (including Duane Reade) are not included as comparable stores for the first twelve months after the relocation or acquisition. We operated 8,046 locations (7,562 drugstores) at August 31, 2010, compared to 7,496 (6,997 drugstores) at August 31, 2009, and 6,934 (6,443 drugstores) at August 31, 2008.

Prescription sales increased 6.3% in 2010, 7.8% in 2009 and 9.7% in 2008. The impact of the Duane Reade acquisition increased prescription sales by 0.8% in the current fiscal year. Comparable drugstore prescription sales were up 2.3% in 2010 compared to increases of 3.5% in 2009 and 3.9% in 2008. Prescription sales as a percent of total net sales were 65.2% in 2010, 65.3% in 2009 and 64.9% in 2008. The effect of generic drugs, which have a lower retail price, replacing brand name drugs reduced prescription sales by 2.2% for 2010, 3.0% for 2009 and 3.5% for 2008, while the effect on total sales was 1.3% for 2010, 1.9% for 2009 and 2.2% for 2008. Third party sales, where reimbursement is received from managed care organizations, the government or private insurers, were 95.3% of prescription sales in 2010, 95.4% in 2009 and 95.3% in 2008. The total number of prescriptions filled (including immunizations) was approximately 695 million in 2010, 651 million in 2009 and 617 million in 2008. Prescriptions adjusted to 30-day equivalents were 778 million in 2010, 723 million in 2009 and 677 million in 2008.

Front-end sales increased 6.8% in 2010, 6.3% in 2009 and 10.0% in 2008. The impact of the Duane Reade acquisition increased front-end sales by 1.9% in the current year. Additionally, the increase over the prior year is due, in part, to new store openings and improved sales related to non-prescription drugs, personal care products and convenience foods. Front-end sales were 34.8% of total sales in fiscal 2010, 34.7% in 2009 and 35.1% in 2008. Comparable drugstore front-end sales increased 0.5% in 2010 compared to a decrease of 0.5% and increase of 4.2% in fiscal years 2009 and 2008, respectively. The increase in fiscal 2010 comparable front-end sales was primarily due to non-prescription drugs and convenience foods which were partially offset by decreased sales in household products, seasonal items and photofinishing.

Gross margin as a percent of sales increased to 28.1% in 2010 from 27.8% in 2009. Overall margins were positively impacted by higher front-end margins due to pricing, promotion and other improved efficiencies and lower Rewiring for Growth costs. Retail pharmacy margins benefitted from the positive impact of generic drug introductions but were partially offset by market driven reimbursement rates. Gross margin as a percent of sales was 27.8% in 2009 as compared to 28.2% in 2008. Overall margins were negatively impacted by non-retail businesses, lower front-end margins due to product mix, a higher provision for LIFO and Rewiring for Growth costs. This was partially offset by an improvement in retail pharmacy margins, which were positively influenced by generic drug sales, but to a lesser extent negatively influenced by the growth in third party pharmacy sales.

We use the last-in, first-out (LIFO) method of inventory valuation. The LIFO provision is dependent upon inventory levels, inflation rates and merchandise mix. The effective LIFO inflation rates were 1.70% in 2010, 2.00% in 2009 and 1.28% in 2008, which resulted in charges to cost of sales of $140 million in 2010, $172 million in 2009 and $99 million in 2008. Inflation on prescription inventory was 4.72% in 2010, 2.40% in 2009 and 2.65% in 2008. In fiscal 2010, we experienced deflation in most non-prescription inventories. In fiscal years 2009 and 2008, we experienced deflation in some non-prescription inventories. The anticipated LIFO inflation rate for fiscal 2011 is 1.50%.

Selling, general and administrative expenses were 23.0% of sales in fiscal 2010, 22.7% in fiscal 2009 and 22.4% in fiscal 2008. The increase in fiscal 2010 as compared to fiscal 2009 was attributed to higher occupancy expense, Duane Reade operational expenses and costs associated with the Duane Reade acquisition. These expenses were partially offset by lower Rewiring for Growth costs and advertising expense. Also positively impacting the current year's selling, general and administrative expenses was incremental savings from our Rewiring for Growth activities, primarily from expense reduction initiatives and reduced store payroll. The increase in fiscal 2009 as compared to fiscal 2008 was due to higher Rewiring for Growth expenses and occupancy. Additionally, in fiscal 2008 we recorded a positive adjustment of $79 million, which corrected for historically over-accruing the Company's vacation liability. These items were partially offset by Rewiring for Growth savings, primarily in store payroll.

Selling, general and administrative expenses increased 8.0% in fiscal 2010, 8.8% in fiscal 2009 and 9.2% in fiscal 2008. The combined effect of Duane Reade operations including acquisition costs and Rewiring for Growth costs on the current year is 1.5%. The decrease in the fiscal 2010 rate of growth as compared to fiscal 2009 was attributed to incremental savings from our Rewiring for Growth activities primarily in expense reduction initiatives and lower store payroll, partially offset by new store openings. The reduced rate of growth in fiscal 2009, as compared to fiscal 2008, was attributed to Rewiring for Growth savings, primarily in store payroll. Store level salaries increased at a lower rate of growth than sales, contrary to the prior years where the rate of growth was higher than sales. Partially offsetting the fiscal 2009 decrease was Rewiring for Growth expenses, which increased the rate of growth by 1.2 percentage points. Additionally, fiscal 2008 results included a positive adjustment which corrected for historically over-accruing the Company's vacation liability.

Interest was a net expense of $85 million in fiscal 2010, $83 million in fiscal 2009 and $11 million for fiscal 2008. Interest expense for fiscal 2010, 2009 and 2008 is net of $12 million, $16 million and $19 million, respectively, that was capitalized to construction projects. The increase in net interest expense from fiscal 2008 to fiscal 2009 was due to the issuance of long-term debt.

The effective income tax rate was 38.0% for fiscal 2010, 36.6% for 2009 and 37.1% for 2008. In conjunction with the ACA, one provision of which repealed the tax benefit for the Medicare Part D subsidy for retiree benefits, we recorded a charge of $43 million to deferred taxes in the third quarter of fiscal 2010. Excluding this adjustment, the effective rate for fiscal 2010 was 36.7%. The decrease in the fiscal 2009 effective tax rate as compared to fiscal 2008 is attributed to an increase in federal permanent deductions as compared to the prior year. We anticipate an effective tax rate of approximately 37.0% in fiscal 2011.

Critical Accounting Policies

The consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America and include amounts based on management's prudent judgments and estimates. Actual results may differ from these estimates. Management believes that any reasonable deviation from those judgments and estimates would not have a material impact on our consolidated financial position or results of operations. To the extent that the estimates used differ from actual results, however, adjustments to the statement of earnings and corresponding balance sheet accounts would be necessary. These adjustments would be made in future statements. Some of the more significant estimates include goodwill and other intangible asset impairment, allowance for doubtful accounts, vendor allowances, liability for closed locations, liability for insurance claims, cost of sales and income taxes. We use the following methods to determine our estimates:

Goodwill and other intangible asset impairment – Goodwill and other indefinite-lived intangible assets are not amortized, but are evaluated for impairment annually during the fourth quarter, or more frequently if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. As part of our impairment analysis for each reporting unit, we engaged a third party appraisal firm to assist in the determination of estimated fair value for each unit. This determination included estimating the fair value using both the income and market approaches. The income approach requires management to estimate a number of factors for each reporting unit, including projected future operating results, economic projections, anticipated future cash flows and discount rates. The market approach estimates fair value using comparable marketplace fair value data from within a comparable industry grouping.

The determination of the fair value of the reporting units and the allocation of that value to individual assets and liabilities within those reporting units requires us to make significant estimates and assumptions. These estimates and assumptions primarily include, but are not limited to: the selection of appropriate peer group companies; control premiums appropriate for acquisitions in the industries in which we compete; the discount rate; terminal growth rates; and forecasts of revenue, operating income, depreciation and amortization and capital expenditures. The allocation requires several analyses to determine fair value of assets and liabilities including, among other things, purchased prescription files, customer relationships and trade names. Although we believe our estimates of fair value are reasonable, actual financial results could differ from those estimates due to the inherent uncertainty involved in making such estimates. Changes in assumptions concerning future financial results or other underlying assumptions could have a significant impact on either the fair value of the reporting units, the amount of the goodwill impairment charge, or both.

We also compared the sum of the estimated fair values of the reporting units to the Company's total value as implied by the market value of the Company's equity and debt securities. This comparison indicated that, in total, our assumptions and estimates were reasonable. However, future declines in the overall market value of the Company's equity and debt securities may indicate that the fair value of one or more reporting units has declined below its carrying value.

One measure of the sensitivity of the amount of goodwill impairment charges to key assumptions is the amount by which each reporting unit "passed" (fair value exceeds the carrying amount) or "failed" (the carrying amount exceeds fair value) the first step of the goodwill impairment test. For the reporting units that passed step one, fair value exceeded the carrying amount by 6% to more than 700%. The fair values for two reporting units each exceeded their carrying amounts by less than 10%. Goodwill allocated to these reporting units was $173 million, at May 31, 2010. For each of these reporting units, relatively small changes in the Company's key assumptions may have resulted in the recognition of significant goodwill impairment charges. Our Long Term Care Pharmacy's goodwill was impaired by $16 million as a result of the asset sale agreement with Omnicare which was signed on August 31, 2010.

Generally, changes in estimates of expected future cash flows would have a similar effect on the estimated fair value of the reporting unit. That is, a 1% change in estimated future cash flows would decrease the estimated fair value of the reporting unit by approximately 1%. The estimated long-term rate of net sales growth can have a significant impact on the estimated future cash flows, and therefore, the fair value of each reporting unit. For the two reporting units whose fair values exceeded carrying values by less than 10%, a 1% decrease in the long-term net sales growth rate would have resulted in the reporting units failing the first step of the goodwill impairment test. Of the other key assumptions that impact the estimated fair values, most reporting units have the greatest sensitivity to changes in the estimated discount rate. A 1.0 percentage point increase in estimated discount rates for the two reporting units whose fair value exceeded carrying value by less than 10% would also have resulted in the reporting units failing step one. The Company believes that its estimates of future cash flows and discount rates are reasonable, but future changes in the underlying assumptions could differ due to the inherent uncertainty in making such estimates.

We have not made any material changes to the method of evaluating goodwill and intangible asset impairments during the last three years. Based on current knowledge, we do not believe there is a reasonable likelihood that there will be a material change in the estimates or assumptions used to determine impairment.

Allowance for doubtful accounts – The provision for bad debt is based on both specific receivables and historic write-off percentages. We have not made any material changes to the method of estimating our allowance for doubtful accounts during the last three years. Based on current knowledge, we do not believe there is a reasonable likelihood that there will be a material change in the estimates or assumptions used to determine the allowance.

Vendor allowances – Vendor allowances are principally received as a result of purchases, sales or promotion of vendors' products. Allowances are generally recorded as a reduction of inventory and are recognized as a reduction of cost of sales when the related merchandise is sold. Those allowances received for promoting vendors' products are offset against advertising expense and result in a reduction of selling, general and administrative expenses to the extent of advertising incurred, with the excess treated as a reduction of inventory costs. We have not made any material changes to the method of estimating our vendor allowances during the last three years. Based on current knowledge, we do not believe there is a reasonable likelihood that there will be a material change in the estimates or assumptions used to determine vendor allowances.

Liability for closed locations – The liability is based on the present value of future rent obligations and other related costs (net of estimated sublease rent) to the first lease option date. We have not made any material changes to the method of estimating our liability for closed locations during the last three years. Based on current knowledge, we do not believe there is a reasonable likelihood that there will be a material change in the estimates or assumptions used to determine the liability.

Liability for insurance claims – The liability for insurance claims is recorded based on estimates for claims incurred and is not discounted. The provisions are estimated in part by considering historical claims experience, demographic factors and other actuarial assumptions. We have not made any material changes to the method of estimating our liability for insurance claims during the last three years. Based on current knowledge, we do not believe there is a reasonable likelihood that there will be a material change in the estimates or assumptions used to determine the liability.

Cost of sales – Drugstore cost of sales is derived based on point-of-sale scanning information with an estimate for shrinkage and adjusted based on periodic inventories. Inventories are valued at the lower of cost or market determined by the last-in, first-out (LIFO) method. We have not made any material changes to the method of estimating cost of sales during the last three years. Based on current knowledge, we do not believe there is a reasonable likelihood that there will be a material change in the estimates or assumptions used to determine cost of sales.

Income taxes – We are subject to routine income tax audits that occur periodically in the normal course of business. U.S. federal, state and local and foreign tax authorities raise questions regarding our tax filing positions, including the timing and amount of deductions and the allocation of income among various tax jurisdictions. In evaluating the tax benefits associated with our various tax filing positions, we record a tax benefit for uncertain tax positions using the highest cumulative tax benefit that is more likely than not to be realized. Adjustments are made to our liability for unrecognized tax benefits in the period in which we determine the issue is effectively settled with the tax authorities, the statute of limitations expires for the return containing the tax position or when more information becomes available. Our liability for unrecognized tax benefits, including accrued penalties and interest, is included in other long-term liabilities on our consolidated balance sheets and in income tax expense in our consolidated statements of earnings.

In determining our provision for income taxes, we use an annual effective income tax rate based on full-year income, permanent differences between book and tax income, and statutory income tax rates. The effective income tax rate also reflects our assessment of the ultimate outcome of tax audits. Discrete events such as audit settlements or changes in tax laws are recognized in the period in which they occur. Based on current knowledge, we do not believe there is a reasonable likelihood that there will be a material change in the estimates or assumptions used to determine the amounts recorded for income taxes.

Liquidity and Capital Resources

Cash and cash equivalents were $1,880 million at August 31, 2010, compared to $2,087 million at August 31, 2009. Short-term investment objectives are to minimize risk, maintain liquidity and maximize after-tax yields. To attain these objectives, investment limits are placed on the amount, type and issuer of securities. Investments are principally in U.S. Treasury market funds and Treasury Bills.

Net cash provided by operating activities was $3,744 million at August 31, 2010, compared to $4,111 million a year ago. The decrease from the prior year is primarily attributable to lower working capital improvements. For the year, we generated $306 million in cash flow from working capital improvements, primarily through better accounts payable management. Higher earnings also positively contributed to cash from operations. Last year, cash flows from working capital improvements were $728 million. Cash provided by operations is the principal source of funds for expansion, acquisitions, remodeling programs, dividends to shareholders and share repurchases. In fiscal 2009, we supplemented cash provided by operations with long-term debt.

Net cash used for investing activities was $1,274 million versus $2,776 million last year. In the current year we invested $3,000 million in short-term Treasury Bills, and redeemed $3,500 million. Additions to property and equipment were $1,014 million compared to $1,927 million last year. During the year, we added a total of 670 locations (550 net) compared to 691 last year (562 net). There were 95 owned locations added during the year and 65 under construction at August 31, 2010, versus 183 owned locations added and 42 under construction as of August 31, 2009.

	Drugstores	Worksites	Home Care	Specialty Pharmacy	Mail Service	Total
August 31, 2008	6,443	364	115	10	2	6,934
New/Relocated	556	36	5	5	-	602
Acquired	70	3	11	5	-	89
Closed/Replaced	(72)	(26)	(26)	(5)	-	(129)
August 31, 2009	6,997	377	105	15	2	7,496
New/Relocated	359	24	4	1	-	388
Acquired	281	-	1	-	-	282
Closed/Replaced	(75)	(34)	(9)	(2)	-	(120)
August 31, 2010	7,562	367	101	14	2	8,046

Business acquisitions this year were $779 million versus $405 million in fiscal 2009. Business acquisitions in the current year primarily include the purchase of all 258 Duane Reade stores located in the New York City metropolitan area, as well as the corporate office and two distribution centers for $558 million net of assumed cash of $6 million; and selected other assets (primarily prescription files). Business acquisitions in 2009 included select locations of Drug Fair to our retail drugstore operations; McKesson Specialty and IVPCARE to our specialty pharmacy operations; and selected other assets (primarily prescription files).

Capital expenditures for fiscal 2011 are expected to be approximately $1.4 billion, excluding business acquisitions and prescription file purchases. We expect new drugstore organic growth of between 2.5% and 3.0% in fiscal 2011. During the current fiscal year we added a total of 670 locations, of which 359 were new or relocated drugstores. We are continuing to relocate stores to more convenient and profitable freestanding locations. In addition to new stores, expenditures are planned for distribution centers and technology. The timing and size of any new business ventures or acquisitions that we complete may also impact our capital expenditures.

Net cash used by financing activities was $2,677 million in fiscal 2010. In fiscal 2009, net cash from financing activities provided $309 million. Upon the closing of the Duane Reade acquisition we assumed debt of $574 million. Subsequent to closing, we retired all Duane Reade debt for $576 million. In the prior year we had net proceeds from the issuance of long-term debt of $987 million and repayments of short-term borrowing of $70 million.

On October 14, 2009, our Board of Directors approved a long-term capital policy: to maintain a strong balance sheet and financial flexibility; reinvest in our core strategies; invest in strategic opportunities that reinforce our core strategies and meet return requirements; and return surplus cash flow to shareholders in the form of dividends and share repurchases over the long term. In connection with our capital policy, our Board of Directors authorized a share repurchase program (2009 repurchase program) and set a long-term dividend payout ratio target between 30 and 35 percent. The 2009 repurchase program, which was completed in September 2010, allowed for the repurchase of up to $2,000 million of the Company's common stock prior to its expiration on December 31, 2013. Shares totaling $1,640 million were purchased in conjunction with the 2009 repurchase program during fiscal 2010. On October 13, 2010, our Board of Directors authorized a new share repurchase program (2011 repurchase program) which allows for the repurchase of up to $1,000 million of the Company's common stock prior to its expiration on December 31, 2012. To support the needs of the employee stock plans, we purchased shares totaling $116 million in fiscal 2010, compared to $279 million in fiscal 2009. We had proceeds related to employee stock plans of $233 million during the current fiscal year as compared to $138 million a year ago. Cash dividends paid were $541 million during the current fiscal year versus $446 million a year ago.

We had no commercial paper outstanding at August 31, 2010. In connection with our commercial paper program, we maintain two unsecured backup syndicated lines of credit that total $1,100 million. The first $500 million facility expires on July 20, 2011, and allows for the issuance of up to $250 million in letters of credit, which reduce the amount available for borrowing. The second $600 million facility expires on August 12, 2012. Our ability to access these facilities is subject to our compliance with the terms and conditions of the credit facility, including financial covenants. The covenants require us to maintain certain financial ratios related to minimum net worth and priority debt, along with limitations on the sale of assets and purchases of investments. At August 31, 2010, we were in compliance with all such covenants. The Company pays a facility fee to the financing banks to keep these lines of credit active. At August 31, 2010, there were no letters of credit issued against these facilities and we do not anticipate any future letters of credit to be issued against these facilities.

Our current credit ratings are as follows:

Rating Agency	Long-Term Debt Rating	Commercial Paper Rating	Outlook
Moody's	A2	P-1	Stable
Standard & Poor's	A	A-1	Stable

In assessing our credit strength, both Moody's and Standard & Poor's consider our business model, capital structure, financial policies and financial statements. Our credit ratings impact our borrowing costs, access to capital markets and operating lease costs.

Contractual Obligations and Commitments

The following table lists our contractual obligations and commitments at August 31, 2010 (in millions):

	Payments Due by Period				
	Total	Less Than 1 Year	1-3 Years	3-5 Years	Over 5 Years
Operating leases (1)	$ 36,369	$ 2,263	$ 4,562	$ 4,384	$ 25,160
Purchase obligations (2):					
Open inventory purchase orders	1,802	1,802	-	-	-
Real estate development	370	184	168	18	-
Other corporate obligations	682	368	189	96	29
Long-term debt*(3)	2,352	7	1,304	9	1,032
Interest payment on long-term debt	636	113	232	105	186
Insurance*	558	233	169	77	79
Retiree health*	441	12	26	32	371
Closed location obligations*	151	32	36	23	60
Capital lease obligations*(1)	92	5	8	8	71
Other long-term liabilities reflected on the balance sheet* (4)	860	91	176	149	444
Total	$ 44,313	$ 5,110	$ 6,870	$ 4,901	$ 27,432

*Recorded on balance sheet.

(1) Amounts for operating leases and capital leases do not include certain operating expenses under these leases such as common area maintenance, insurance and real estate taxes. These expenses for the fiscal year ended August 31, 2010, were $375 million.
(2) Purchase obligations include agreements to purchase goods or services that are enforceable and legally binding and that specify all significant terms, including open purchase orders.
(3) Total long-term debt on the Consolidated Balance Sheet includes a $51 million fair market value adjustment and $8 million of unamortized discount.
(4) Includes $76 million ($31 million due in 1-3 years, $33 million due in 3-5 years and $12 million due over 5 years) of unrecognized tax benefits recorded under ASC Topic 740.

The expected timing of payments of the obligations above is estimated based on current information. Timing of payments and actual amounts paid may be different, depending on the time of receipt of goods or services, or changes to agreed-upon amounts for some obligations.

Off-Balance Sheet Arrangements

We do not have any unconsolidated special purpose entities and, except as described herein, we do not have significant exposure to any off-balance sheet arrangements. The term "off balance sheet arrangement" generally means any transaction, agreement or other contractual arrangement to which an entity unconsolidated with us is a party, under which we have: (i) any obligation arising under a guarantee contract, derivative instrument or variable interest; or (ii) a retained or contingent interest in assets transferred to such entity or similar arrangement that serves as credit, liquidity or market risk support for such assets.

Letters of credit are issued to support purchase obligations and commitments (as reflected on the Contractual Obligations and Commitments table) as follows (in millions):

Insurance	$ 233
Inventory obligations	185
Real estate development	19
Total	$ 437

We have no off-balance sheet arrangements other than those disclosed on the Contractual Obligations and Commitments table and a credit agreement guaranty on behalf of SureScripts-RxHub, LLC. This agreement is described more fully in Note 10 in the Notes to Consolidated Financial Statements.

Both on-balance sheet and off-balance sheet financing alternatives are considered when pursuing our capital structure and capital allocation objectives.

Recent Accounting Pronouncements

In June 2009, the Financial Accounting Standards Board (FASB) issued Accounting Standards Codification (ASC) Topic 810, Consolidation (formerly SFAS No. 167, *Amendments to FASB Interpretation No. 46(R))* , which amends the consolidation guidance applicable to variable interest entities. The amendments will significantly affect the overall consolidation analysis under ASC Topic 810. The application of the new provisions under this topic, which will be effective for the first quarter of fiscal 2011, is not expected to have a material impact on the Company's Consolidated Balance Sheet or Consolidated Statement of Earnings.

Cautionary Note Regarding Forward-Looking Statements

This report and other documents that we file with the Securities and Exchange Commission contain forward-looking statements that are based on current expectations, estimates, forecasts and projections about our future performance, our business, our beliefs and our management's assumptions. Statements that are not historical facts are forward-looking statements, including forward-looking information concerning pharmacy sales trends, prescription margins, number and location of new store openings, outcomes of litigation, the level of capital expenditures, industry trends, demographic trends, growth strategies, financial results, cost reduction initiatives, acquisition synergies, regulatory approvals, and competitive strengths. Words such as "expect," "outlook," "forecast," "would," "could," "should," "project," "intend," "plan," "continue," "believe," "seek," "estimate," "anticipate," "may," "assume," and variations of such words and similar expressions are often used to identify such forward-looking statements, which are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are not guarantees of future performance and involve risks, assumptions and uncertainties, including, but not limited to, those described in Item 1A "Risk Factors" in our Form 10-K and in other reports that we file or furnish with the Securities and Exchange Commission. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those indicated or anticipated by such forward-looking statements. Accordingly, you are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date they are made. Except to the extent required by law, we undertake no obligation to update publicly any forward-looking statements after the date they are made, whether as a result of new information, future events, changes in assumptions or otherwise.

Consolidated Statements of Earnings
Walgreen Co. and Subsidiaries
For the years ended August 31, 2010, 2009 and 2008
(In millions, except per share amounts)

	2010	2009	2008
Net sales	$ 67,420	$ 63,335	$ 59,034
Cost of sales	48,444	45,722	42,391
Gross Profit	18,976	17,613	16,643
Selling, general and administrative expenses	15,518	14,366	13,202
Operating Income	3,458	3,247	3,441
Interest expense, net	(85)	(83)	(11)
Earnings Before Income Tax Provision	3,373	3,164	3,430
Income tax provision	1,282	1,158	1,273
Net Earnings	$ 2,091	$ 2,006	$ 2,157
Net earnings per common share - basic	$ 2.13	$ 2.03	$ 2.18
Net earnings per common share - diluted	2.12	2.02	2.17
Average shares outstanding	981.7	990.0	990.6
Dilutive effect of stock options	6.2	1.3	4.9
Average shares outstanding assuming dilution	987.9	991.3	995.5

The accompanying Notes to Consolidated Financial Statements are integral parts of these statements.

Consolidated Statements of Shareholders' Equity
Walgreen Co. and Subsidiaries
For the years ended August 31, 2010, 2009 and 2008
(In millions, except shares and per share amounts)

Shareholders' Equity	Common Stock Shares	Common Stock Amount	Paid-In Capital	Employee Stock Loan Receivable	Retained Earnings	Accumulated Other Comprehensive Income(Loss)	Treasury Stock Amount
Balance, August 31, 2007	991,141,357	$ 80	$ 559	$ (52)	$ 12,027	$ (4)	$ (1,506)
Net earnings	-	-	-	-	2,157	-	-
Cash dividends declared ($.3975 per share)	-	-	-	-	(394)	-	-
Treasury stock purchases	(8,000,000)	-	-	-	-	-	(294)
Employee stock purchase and option plans	6,034,861	-	(55)	-	-	-	249
Stock-based compensation	-	-	71	-	-	-	-
Employee stock loan receivable	-	-	-	16	-	-	-
ASC 740 adoption impact	-	-	-	-	2	-	-
Additional minimum postretirement liability, net of $2 tax benefit	-	-	-	-	-	13	-
Balance, August 31, 2008	989,176,218	80	575	(36)	13,792	9	(1,551)
Net earnings	-	-	-	-	2,006	-	-
Cash dividends declared ($.4750 per share)	-	-	-	-	(471)	-	-
Treasury stock purchases	(10,270,000)	-	-	-	-	-	(279)
Employee stock purchase and option plans	9,655,172	-	(48)	-	-	-	297
Stock-based compensation	-	-	78	-	-	-	-
Employee stock loan receivable	-	-	-	(104)	-	-	-
Additional minimum postretirement liability, net of $29 tax benefit	-	-	-	-	-	28	-
Balance, August 31, 2009	988,561,390	80	605	(140)	15,327	37	(1,533)
Net earnings	-	-	-	-	2,091	-	-
Cash dividends declared ($.5875 per share)	-	-	-	-	(570)	-	-
Treasury stock purchases	(55,716,733)	-	-	-	-	-	(1,756)
Employee stock purchase and option plans	5,760,396	-	(5)	-	-	-	188
Stock-based compensation	-	-	84	-	-	-	-
Employee stock loan receivable	-	-	-	53	-	-	-
Additional minimum postretirement liability, net of $34 tax expense	-	-	-	-	-	(61)	-
Balance, August 31, 2010	938,605,053	$ 80	$ 684	$ (87)	$ 16,848	$ (24)	$ (3,101)

The accompanying Notes to Consolidated Financial Statements are integral parts of these statements.

Consolidated Balance Sheets
Walgreen Co. and Subsidiaries
At August 31, 2010 and 2009
(In millions, except shares and per share amounts)

Assets	2010	2009
Current Assets		
Cash and cash equivalents	$ 1,880	$ 2,087
Short-term investments	-	500
Accounts receivable, net	2,450	2,496
Inventories	7,378	6,789
Other current assets	214	177
Total Current Assets	11,922	12,049
Non-Current Assets		
Property and equipment, at cost, less accumulated depreciation and amortization	11,184	10,802
Goodwill	1,887	1,461
Other non-current assets	1,282	830
Total Non-Current Assets	14,353	13,093
Total Assets	$ 26,275	$ 25,142
Liabilities and Shareholders' Equity		
Current Liabilities		
Short-term borrowings	$ 12	$ 15
Trade accounts payable	4,585	4,308
Accrued expenses and other liabilities	2,763	2,406
Income taxes	73	40
Total Current Liabilities	7,433	6,769
Non-Current Liabilities		
Long-term debt	2,389	2,336
Deferred income taxes	318	265
Other non-current liabilities	1,735	1,396
Total Non-Current Liabilities	4,442	3,997
Commitments and Contingencies (see Note 10)		
Shareholders' Equity		
Preferred stock, $.0625 par value; authorized 32 million shares; none issued	-	-
Common stock, $.078125 par value; authorized 3.2 billion shares; issued 1,025,400,000 shares in 2010 and 2009	80	80
Paid-in capital	684	605
Employee stock loan receivable	(87)	(140)
Retained earnings	16,848	15,327
Accumulated other comprehensive (loss) income	(24)	37
Treasury stock at cost, 86,794,947 shares in 2010 and 36,838,610 shares in 2009	(3,101)	(1,533)
Total Shareholders' Equity	14,400	14,376
Total Liabilities and Shareholders' Equity	$ 26,275	$ 25,142

The accompanying Notes to Consolidated Financial Statements are integral parts of these statements.

Consolidated Statements of Cash Flows
Walgreen Co. and Subsidiaries
For the years ended August 31, 2010, 2009 and 2008
(In millions)

	2010	2009	2008
Cash Flows from Operating Activities			
Net earnings	$ 2,091	$ 2,006	$ 2,157
Adjustments to reconcile net earnings to net cash provided by operating activities –			
Depreciation and amortization	1,030	975	840
Deferred income taxes	63	260	(61)
Stock compensation expense	84	84	68
Income tax savings from employee stock plans	3	1	3
Other	57	12	11
Changes in operating assets and liabilities -			
Accounts receivable, net	124	6	(365)
Inventories	(307)	533	(412)
Other assets	50	7	(24)
Trade accounts payable	167	11	550
Accrued expenses and other liabilities	262	66	84
Income taxes	10	105	80
Other non-current liabilities	110	45	108
Net cash provided by operating activities	3,744	4,111	3,039
Cash Flows from Investing Activities			
Purchases of short-term investments – held to maturity	(3,000)	(2,600)	-
Proceeds from short-term investments – held to maturity	3,500	2,100	-
Additions to property and equipment	(1,014)	(1,927)	(2,225)
Proceeds from sale of assets	51	51	17
Business and intangible asset acquisitions, net of cash received	(779)	(405)	(620)
Other	(32)	5	10
Net cash used for investing activities	(1,274)	(2,776)	(2,818)
Cash Flows from Financing Activities			
Net payment from short-term borrowings	-	(70)	(802)
Net proceeds from issuance of long-term debt	-	987	1,286
Payments of long-term debt	(576)	-	(28)
Stock purchases	(1,756)	(279)	(294)
Proceeds related to employee stock plans	233	138	210
Cash dividends paid	(541)	(446)	(376)
Other	(37)	(21)	(29)
Net cash (used for) provided by financing activities	(2,677)	309	(33)
Changes in Cash and Cash Equivalents			
Net (decrease) increase in cash and cash equivalents	(207)	1,644	188
Cash and cash equivalents, September 1	2,087	443	255
Cash and cash equivalents, August 31	$ 1,880	$ 2,087	$ 443

The accompanying Notes to Consolidated Financial Statements are integral parts of these statements.

Notes to Consolidated Financial Statements

(1) Summary of Major Accounting Policies

Description of Business
The Company is principally in the retail drugstore business and its operations are within one reportable segment. At August 31, 2010, there were 8,046 drugstore and other locations in 50 states, the District of Columbia, Guam and Puerto Rico. Prescription sales were 65.2% of total sales for fiscal 2010 compared to 65.3% in 2009 and 64.9% in 2008.

Basis of Presentation
The consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany transactions have been eliminated. The consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America and include amounts based on management's prudent judgments and estimates. Actual results may differ from these estimates.

The Company follows the guidance of Accounting Standards Codification (ASC) Topic 855, Subsequent Events, which requires a review of subsequent events through the date the financial statements are issued.

Cash and Cash Equivalents
Cash and cash equivalents include cash on hand and all highly liquid investments with an original maturity of three months or less. Credit and debit card receivables from banks, which generally settle within two business days, of $80 million and $70 million were included in cash and cash equivalents at August 31, 2010 and 2009, respectively. Also included in cash and cash equivalents at August 31, 2010, was $600 million in U.S. Treasury Bills.

The Company's cash management policy provides for controlled disbursement. As a result, the Company had outstanding checks in excess of funds on deposit at certain banks. These amounts, which were $235 million at August 31, 2010, and $336 million at August 31, 2009, are included in trade accounts payable in the accompanying Consolidated Balance Sheets.

Financial Instruments
The Company had $185 million and $69 million of outstanding letters of credit at August 31, 2010 and 2009, respectively, which guarantee foreign trade purchases. Additional outstanding letters of credit of $233 million and $265 million at August 31, 2010 and 2009, respectively, guarantee payments of insurance claims. The insurance claim letters of credit are annually renewable and will remain in place until the insurance claims are paid in full. Letters of credit of $19 million and $13 million were outstanding at August 31, 2010, and August 31, 2009, respectively, to guarantee performance of construction contracts. The Company pays a facility fee to the financing bank to keep these letters of credit active. The Company had real estate development purchase commitments of $370 million and $383 million at August 31, 2010 and 2009, respectively.

In January 2010, the Company terminated all of its existing one-month future LIBOR interest rate swaps. Upon termination the Company received payment from its counterparty which consisted of accrued interest and an amount representing the fair value of its swaps. The related fair value benefit attributed to the Company’s debt will be amortized over the life of the debt. The Company then entered into six-month LIBOR in arrears swaps with two counterparties. These swaps are accounted for according to ASC Topic 815, Derivatives and Hedging (formerly Statement of Financial Accounting Standard (SFAS) No. 133, *Accounting for Derivative Instruments and Hedging Activities* and SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities)* . The swaps are measured at fair value in accordance with ASC Topic 820, Fair Value Measurement and Disclosures (formerly SFAS No. 157, *Fair Value Measurements)* . See Notes 8 and 9 for additional disclosure regarding financial instruments.

Inventories
Inventories are valued on a lower of last-in, first-out (LIFO) cost or market basis. At August 31, 2010 and 2009, inventories would have been greater by $1,379 million and $1,239 million, respectively, if they had been valued on a lower of first-in, first-out (FIFO) cost or market basis. Inventory includes product costs, inbound freight, warehousing costs and vendor allowances.

Cost of Sales
Cost of sales is derived based upon point-of-sale scanning information with an estimate for shrinkage and is adjusted based on periodic inventories. In addition to product costs, cost of sales includes warehousing costs, purchasing costs, freight costs, cash discounts and vendor allowances.

Selling, General and Administrative Expenses
Selling, general and administrative expenses mainly consist of store salaries, occupancy costs, and expenses directly related to stores. Other administrative costs include headquarters’ expenses, advertising costs (net of advertising revenue) and insurance.

Vendor Allowances
Vendor allowances are principally received as a result of purchases, sales or promotion of vendors' products. Allowances are generally recorded as a reduction of inventory and are recognized as a reduction of cost of sales when the related merchandise is sold. Those allowances received for promoting vendors' products are offset against advertising expense and result in a reduction of selling, general and administrative expenses to the extent of advertising costs incurred, with the excess treated as a reduction of inventory costs.

Property and Equipment
Depreciation is provided on a straight-line basis over the estimated useful lives of owned assets. Leasehold improvements and leased properties under capital leases are amortized over the estimated physical life of the property or over the term of the lease, whichever is shorter. Estimated useful lives range from 10 to 39 years for land improvements, buildings and building improvements; and 3 to 12 1/2 years for equipment. Major repairs, which extend the useful life of an asset, are capitalized; routine maintenance and repairs are charged against earnings. The majority of the business uses the composite method of depreciation for equipment. Therefore, gains and losses on retirement or other disposition of such assets are included in earnings only when an operating location is closed, completely remodeled or impaired. Fully depreciated property and equipment are removed from the cost and related accumulated depreciation and amortization accounts. Property and equipment consists of (in millions):

	2010	2009
Land and land improvements		
Owned locations	$ 3,135	$ 2,976
Distribution centers	103	106
Other locations	233	241
Buildings and building improvements		
Owned locations	3,442	3,189
Leased locations (leasehold improvements only)	1,099	887
Distribution centers	592	619
Other locations	343	331
Equipment		
Locations	4,126	4,177
Distribution centers	1,106	1,068
Other locations	410	355
Capitalized system development costs	333	295
Capital lease properties	97	46
	15,019	14,290
Less: accumulated depreciation and amortization	3,835	3,488
	$ 11,184	$ 10,802

Depreciation expense for property and equipment was $804 million in fiscal 2010, $787 million in fiscal 2009 and $697 million in fiscal 2008.

The Company capitalizes application stage development costs for significant internally developed software projects, including upgrades to merchandise ordering systems, a store point of sale system, a workload balancing system, and an advertising system. These costs are amortized over a five-year period. Amortization was $44 million in fiscal 2010, $40 million in fiscal 2009 and $36 million in fiscal 2008. Unamortized costs at August 31, 2010 and 2009, were $244 million and $202 million, respectively.

Goodwill and Other Intangible Assets
Goodwill represents the excess of the purchase price over the fair value of assets acquired and liabilities assumed. The Company accounts for goodwill and intangibles under ASC Topic 350, Intangibles – Goodwill and Other (formerly SFAS No. 142, *Goodwill and Other Intangible Assets)* , which does not permit amortization, but requires the Company to test goodwill and other indefinite-lived assets for impairment annually or whenever events or circumstances indicate impairment may exist.

Revenue Recognition
The Company recognizes revenue at the time the customer takes possession of the merchandise. Customer returns are immaterial. Sales taxes are not included in revenue.

The services the Company provides to our pharmacy benefit management (PBM) clients include: plan set-up, claims adjudication with network pharmacies, formulary management, and reimbursement services. Through its PBM, the Company acts as an agent in administering pharmacy reimbursement contracts and does not assume credit risk. Therefore, revenue is recognized as only the differential between the amount receivable from the client and the amount owed to the network pharmacy. We act as an agent to our clients with respect to administrative fees for claims adjudication. Those service fees are recognized as revenue.

Gift Cards
The Company sells Walgreens gift cards to retail store customers and through its website. The Company does not charge administrative fees on unused gift cards and most gift cards do not have an expiration date. Income from gift cards is recognized when (1) the gift card is redeemed by the customer; or (2) the likelihood of the gift card being redeemed by the customer is remote ("gift card breakage") and there is no legal obligation to remit the value of unredeemed gift cards to the relevant jurisdictions. The Company's gift card breakage rate is determined based upon historical redemption patterns. Gift card breakage income, which is included in selling, general and administrative expenses, was not significant in fiscal 2010, 2009 or 2008.

Impaired Assets and Liabilities for Store Closings
The Company tests long-lived assets for impairment whenever events or circumstances indicate that a certain asset may be impaired. Store locations that have been open at least five years are reviewed for impairment indicators at least annually. Once identified, the amount of the impairment is computed by comparing the carrying value of the assets to the fair value, which is based on the discounted estimated future cash flows. Impairment charges included in selling, general and administrative expenses were $17 million in fiscal 2010, $10 million in fiscal 2009 and $12 million in fiscal 2008.

The Company also provides for future costs related to closed locations. The liability is based on the present value of future rent obligations and other related costs (net of estimated sublease rent) to the first lease option date. The reserve for store closings was $151 million, $99 million and $69 million in fiscal 2010, 2009 and 2008, respectively. See Note 3 for additional disclosure regarding the Company's reserve for future costs related to closed locations.

Insurance
The Company obtains insurance coverage for catastrophic exposures as well as those risks required by law to be insured. It is the Company's policy to retain a significant portion of certain losses related to workers' compensation, property, comprehensive general, pharmacist and vehicle liability. Liabilities for these losses are recorded based upon the Company's estimates for claims incurred and are not discounted. The provisions are estimated in part by considering historical claims experience, demographic factors and other actuarial assumptions.

Pre-Opening Expenses
Non-capital expenditures incurred prior to the opening of a new or remodeled store are expensed as incurred.

Advertising Costs
Advertising costs, which are reduced by the portion funded by vendors, are expensed as incurred. Net advertising expenses, which are included in selling, general and administrative expenses, were $271 million in fiscal 2010, $334 million in fiscal 2009 and $341 million in fiscal 2008. Included in net advertising expenses were vendor advertising allowances of $197 million in fiscal 2010, $174 million in fiscal 2009 and $180 million in fiscal 2008.

Stock-Based Compensation Plans
In accordance with ASC Topic 718, Compensation – Stock Compensation (formerly SFAS No. 123(R), *Share-Based Payment)* , the Company recognizes compensation expense on a straight-line basis over the employee's vesting period or to the employee's retirement eligible date, if earlier.

Total stock-based compensation expense for fiscal 2010, 2009 and 2008 was $84 million, $84 million and $68 million, respectively. The recognized tax benefit was $29 million, $29 million and $23 million for fiscal 2010, 2009 and 2008, respectively.

Unrecognized compensation cost related to non-vested awards at August 31, 2010, was $89 million. This cost is expected to be recognized over a weighted average of three years.

Income Taxes
The Company accounts for income taxes according to the asset and liability method. Under this method, deferred tax assets and liabilities are recognized based upon the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured pursuant to tax laws using rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rate is recognized in income in the period that includes the enactment date. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts more likely than not to be realized.

In determining the Company's provision for income taxes, an annual effective income tax rate based on full-year income, permanent differences between book and tax income, and statutory income tax rates is used. The effective income tax rate also reflects the Company's assessment of the ultimate outcome of tax audits. Discrete events such as audit settlements or changes in tax laws are recognized in the period in which they occur.

The Company is subject to routine income tax audits that occur periodically in the normal course of business. U.S. federal, state and local and foreign tax authorities raise questions regarding the Company's tax filing positions, including the timing and amount of deductions and the allocation of income among various tax jurisdictions. In evaluating the tax benefits associated with its various tax filing positions, the Company records a tax benefit for uncertain tax positions using the highest cumulative tax benefit that is more likely than not to be realized. Adjustments are made to its liability for unrecognized tax benefits in the period in which the Company determines the issue is effectively settled with the tax authorities, the statute of limitations expires for the return containing the tax position or when more information becomes available. The Company's liability for unrecognized tax benefits, including accrued penalties and interest, is included in other long-term liabilities on the Consolidated Balance Sheets and in income tax expense in the Consolidated Statements of Earnings.

Earnings Per Share
The dilutive effect of outstanding stock options on earnings per share is calculated using the treasury stock method. Stock options are anti-dilutive and excluded from the earnings per share calculation if the exercise price exceeds the market price of the common shares. Outstanding options to purchase common shares of 30,661,551 in 2010, 44,877,558 in 2009 and 12,962,745 in 2008 were excluded from the earnings per share calculations.

Interest Expense
The Company capitalized $12 million, $16 million and $19 million of interest expense as part of significant construction projects during fiscal 2010, 2009 and 2008,

respectively. Interest paid, which is net of capitalized interest, was $89 million in fiscal 2010 and fiscal 2009 and $11 million in fiscal 2008.

Accumulated Other Comprehensive Income (Loss)
The Company follows ASC topic 715, Compensation – Retirement Benefits (Formerly SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans—an Amendment of FASB Statements No. 87, 88, 106 and 132(R)*). The amount included in accumulated other comprehensive income related to the Company's postretirement plan was a loss of $57 million pre-tax ($24 million after-tax) at August 31, 2010 compared to income of $37 million pre-tax ($37 million after-tax) at August 31, 2009. The minimum postretirement liability totaled $441 million and $328 million at August 31, 2010 and 2009, respectively.

New Accounting Pronouncements
In June 2009, the Financial Accounting Standards Board (FASB) issued ASC Topic 810, Consolidation (formerly SFAS No. 167, *Amendments to FASB Interpretation No. 46(R))* , which amends the consolidation guidance applicable to variable interest entities. The amendments will significantly affect the overall consolidation analysis under ASC Topic 810. The application of the new provisions under this topic, which will be effective for the first quarter of fiscal 2011, is not expected to have a material impact on the Company's Consolidated Balance Sheet or Consolidated Statement of Earnings.

(2) Restructuring

On October 30, 2008, the Company announced a series of strategic initiatives, approved by the Board of Directors, to enhance shareholder value. One of these initiatives was a program known as "Rewiring for Growth", which was designed to reduce cost and improve productivity through strategic sourcing of indirect spend, reducing corporate overhead and work throughout the Company's stores, rationalization of inventory categories, and transforming community pharmacy. The Company expects to complete these initiatives in fiscal 2011.

The following pre-tax charges associated with Rewiring for Growth have been recorded in the Consolidated Statements of Earnings (in millions):

	Twelve Months Ended August 31, 2010	2009
Severance and other benefits	$ 16	$ 74
Project cancellation settlements	-	7
Inventory charges	19	63
Restructuring expense	35	144
Consulting	50	76
Restructuring and restructuring related costs	$ 85	$ 220
Cost of sales	$ 19	$ 63
Selling, general and administrative expenses	66	157
	$ 85	$ 220

Severance and other benefits include the charges associated with employees who were separated from the Company. In the current fiscal year, 193 employees have been separated from the Company. Since inception, a total of 890 employees have been separated from the Company as a result of these initiatives.

Inventory charges relate to on-hand inventory that has been reduced from cost to selling price below cost.

We have recorded the following balances in accrued expenses and other liabilities on our Consolidated Balance Sheets (in millions):

	Severance and Other Benefits
August 31, 2008 Reserve Balance	$ -
Charges	82
Cash Payments	(78)
August 31, 2009 Reserve Balance	$ 4
Charges	19
Cash Payments	(23)
August 31, 2010 Reserve Balance	$ -

Additionally, as a part of the Company's Customer Centric Retailing (CCR) initiative, it is enhancing the store format to ensure that it has the proper assortments, better category layouts and adjacencies, better shelf height and sight lines, and better assortment and brand and private brand layout, all of which are designed to positively enhance the shopper experience and increase customer frequency and purchase size. The Company expects this format will be rolled out to approximately 5,500 existing stores. At August 31, 2010, in total, the Company has converted 1,469 stores and opened 345 new stores with the CCR format. The Company expects to convert approximately 4,000 stores and open approximately 250 new stores with the CCR format in fiscal 2011. Based on its experience with the first 1,469 stores, the Company expects the total cost, which includes both selling, general and administrative expenses and capital, to be approximately $50 thousand per store. For the fiscal year ended August 31, 2010, the Company incurred $71 million in total program costs, of which $45 million was included in selling, general and administrative expenses and $26 million in capital costs. The Company incurred $5 million in program costs, all of which was included in selling, general and administrative expenses, in fiscal 2009.

(3) Leases

The Company owns 20.2% of its operating locations; the remaining locations are leased premises. Initial terms are typically 20 to 25 years, followed by additional terms containing cancellation options at five-year intervals, and may include rent escalation clauses. The commencement date of all lease terms is the earlier of the date the Company becomes legally obligated to make rent payments or the date the Company has the right to control the property. Additionally, the Company recognizes rent expense on a straight-line basis over the term of the lease. In addition to minimum fixed rentals, most leases provide for contingent rentals based upon a portion of sales.

Minimum rental commitments at August 31, 2010, under all leases having an initial or remaining non-cancelable term of more than one year are shown below (in millions):

	Capital Lease	Operating Lease
2011	$ 8	$ 2,301
2012	7	2,329
2013	6	2,296
2014	7	2,248
2015	6	2,188
Later	89	25,428
Total minimum lease payments	$ 123	$ 36,790

The capital lease amount includes $31 million of executory costs and imputed interest. Total minimum lease payments have not been reduced by minimum sublease rentals of approximately $23 million on leases due in the future under non-cancelable subleases.

The Company provides for future costs related to closed locations. The liability is based on the present value of future rent obligations and other related costs (net of estimated sublease rent) to the first lease option date. In fiscal 2010 and 2009, the Company recorded charges of $90 million and $67 million, respectively, for facilities that were closed or relocated under long-term leases. These charges are reported in selling, general and administrative expenses on the Consolidated Statements of Earnings.

The changes in reserve for facility closings and related lease termination charges include the following (in millions):

	Twelve Months Ended August 31	
	2010	2009
Balance – beginning of period	$ 99	$ 69
Provision for present value of non-cancellable lease payments of closed facilities	77	38
Assumptions about future sublease income, terminations, and changes in interest rates	(9)	8
Interest accretion	22	21
Cash payments, net of sublease income	(45)	(37)
Reserve acquired through acquisition	7	-
Balance – end of period	$ 151	$ 99

The Company remains secondarily liable on 28 assigned leases. The maximum potential undiscounted future payments are $33 million at August 31, 2010. Lease option dates vary, with some extending to 2027.

Rental expense was as follows (in millions):

	2010	2009	2008
Minimum rentals	$ 2,218	$ 1,973	$ 1,784
Contingent rentals	9	11	13
Less: Sublease rental income	(9)	(9)	(10)
	$ 2,218	$ 1,975	$ 1,787

(4) Acquisitions

On April 9, 2010, the Company completed the stock acquisition of Duane Reade Holdings, Inc., and Duane Reade Shareholders, LLC (Duane Reade), which consisted of 258 Duane Reade stores located in the New York City metropolitan area, as well as the corporate office and two distribution centers. Total purchase price was $1,132 million, which included the assumption of debt. Included in the purchase price is a fair market value adjustment to increase debt assumed by $81 million. This acquisition increased the Company's presence in the New York metropolitan area.

The preliminary allocation of the purchase price of Duane Reade was accounted for under the purchase method of accounting with the Company as the acquirer in accordance with ASC Topic 805, Business Combinations . Goodwill, none of which is deductible for tax purposes, and other intangible assets recorded in connection with the acquisition totaled $418 million and $438 million, respectively. Goodwill consists of expected purchasing synergies, consolidation of operations and reductions in selling, general and administrative expenses. Intangible assets consist of $297 million of favorable lease interests (10-year weighted average useful life), $74 million in customer relationships (10-year useful life), $38 million in trade name (5-year useful life) and $29 million in other intangible assets (10-year useful life).

Assets acquired and liabilities assumed in the transaction were recorded at their acquisition date fair values while transaction costs associated with the acquisition were expensed as incurred. The Company's allocation was based on an evaluation of the appropriate fair values and represented management's best estimate based on available data. The final purchase accounting has not yet been completed. Any adjustments to the preliminary purchase price allocation are not expected to be material. The preliminary estimated fair values of assets acquired and liabilities assumed on April 9, 2010, are as follows (in millions):

Accounts receivable	$ 52
Inventory	232
Other current assets	23
Property and equipment	219
Other non-current assets	4
Intangible assets	438
Goodwill	418
Total assets acquired	1,386
Liabilities assumed	254
Debt assumed	574
Net cash paid	$ 558

We assumed federal net operating losses of $261 million and state net operating losses of $252 million, both which begin to expire in 2018, in conjunction with the Duane Reade acquisition.

The unaudited pro forma consolidated statements of earnings for fiscal 2010 and fiscal 2009 (assuming the acquisition of Duane Reade as of the beginning of each fiscal period) are as follows (in millions, except per share amounts):

	Twelve Months Ended August 31,	
	2010	2009
Net sales	$ 68,603	$ 65,161
Net earnings	2,084	1,997
Net earnings per common share:		
Basic	2.12	2.02
Diluted	2.11	2.01

These pro forma statements have been prepared for comparative purposes only and are not intended to be indicative of what the Company's results would have been had the acquisition occurred at the beginning of the periods presented or the results which may occur in the future.

The Company incurred $71 million in costs related to the acquisition, all of which was included in selling, general and administrative expenses. Actual results from Duane Reade operations included in the Consolidated Statements of Earnings since the date of acquisition are as follows (in millions, except per share amounts):

	Twelve Months Ended August, 31, 2010
Net sales	$ 732
Net loss	(56)
Net earnings per common share:	
Basic	(0.06)
Diluted	(0.06)

The aggregate purchase price of all business and intangible asset acquisitions, excluding Duane Reade, was $221 million in fiscal 2010. These acquisitions added $34 million to goodwill and $156 million to intangible assets, primarily prescription files. The remaining fair value relates to immaterial amounts of tangible assets, less liabilities assumed. Operating results of the businesses acquired have been included in the Consolidated Statements of Earnings from their respective acquisition dates forward. Pro forma results of the Company, assuming all of the acquisitions had occurred at the beginning of each period presented, would not be materially different from the results reported.

(5) Goodwill and Other Intangible Assets

Goodwill and other indefinite-lived intangible assets are not amortized, but are evaluated for impairment annually during the fourth quarter, or more frequently if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. As part of the Company's impairment analysis for each reporting unit, the Company engaged a third party appraisal firm to assist in the determination of estimated fair value for each unit. This determination included estimating the fair value using both the income and market approaches. The income approach requires management to estimate a number of factors for each reporting unit, including projected future operating results, economic projections, anticipated future cash flows and discount rates. The market approach estimates fair value using comparable marketplace fair value data from within a comparable industry grouping.

The determination of the fair value of the reporting units and the allocation of that value to individual assets and liabilities within those reporting units requires the Company to make significant estimates and assumptions. These estimates and assumptions primarily include, but are not limited to: the selection of appropriate peer group companies; control premiums appropriate for acquisitions in the industries in which the Company competes; the discount rate; terminal growth rates; and forecasts of revenue, operating income, depreciation and amortization and capital expenditures. The allocation requires several analyses to determine fair value of assets and liabilities including, among other things, purchased prescription files, customer relationships and trade names. Although the Company believes its estimates of fair value are reasonable, actual financial results could differ from those estimates due to the inherent uncertainty involved in making such estimates. Changes in assumptions concerning future financial results or other underlying assumptions could have a significant impact on either the fair value of the reporting units, the amount of the goodwill impairment charge, or both. The Company also compared the sum of the estimated fair values of its reporting units to the total value as implied by the market value of its equity and debt securities. This comparison indicated that, in total, its assumptions and estimates were reasonable. However, future declines in the overall market value of the Company's equity and debt securities may indicate that the fair value of one or more reporting units has declined below its carrying value.

One measure of the sensitivity of the amount of goodwill impairment charges to key assumptions is the amount by which each reporting unit "passed" (fair value exceeds the carrying amount) or "failed" (the carrying amount exceeds fair value) the first step of the goodwill impairment test. For the reporting units that passed step one, fair value exceeded the carrying amount by 6% to more than 700%. The fair values for two reporting units each exceeded their carrying amounts by less than 10%. Goodwill allocated to these reporting units was $173 million, at May 31, 2010. For each of these reporting units, relatively small changes in the Company's key assumptions may have resulted in the recognition of significant goodwill impairment charges. The Company's Long Term Care Pharmacy's goodwill was impaired by $16 million as a result of the asset sale agreement with Omnicare which, was signed on August 31, 2010.

Generally, changes in estimates of expected future cash flows would have a similar effect on the estimated fair value of the reporting unit. That is, a 1% change in estimated future cash flows would decrease the estimated fair value of the reporting unit by approximately 1%. The estimated long-term rate of net sales growth can have a significant impact on the estimated future cash flows, and therefore, the fair value of each reporting unit. For the two reporting units whose fair values exceeded carrying values by less than 10%, a 1% decrease in the long-term net sales growth rate would have resulted in the reporting units failing the first step of the goodwill impairment test. Of the other key assumptions that impact the estimated fair values, most reporting units have the greatest sensitivity to changes in the estimated discount rate. A 1.0 percentage point increase in estimated discount rates for the two reporting units whose fair value exceeded carrying value by less than 10% would also have resulted in the reporting units failing step one. The Company believes that its estimates of future cash flows and discount rates are reasonable, but future changes in the underlying assumptions could differ due to the inherent uncertainty in making such estimates.

Changes in the carrying amount of goodwill consist of the following activity (in millions):

	2010	2009
Net book value – September 1		
Goodwill	$ 1,473	$ 1,450
Accumulated impairment losses	(12)	(12)
Total	1,461	1,438
Acquisitions	442	23
Impairment charges	(16)	-
Net book value – August 31	$ 1,887	$ 1,461

The carrying amount and accumulated amortization of intangible assets consists of the following (in millions):

	2010	2009
Gross Intangible Assets		
Purchased prescription files	$ 749	$ 578
Tenancy rights	377	69
Purchasing and payer contracts	280	266
Trade name	44	26
Other amortizable intangible assets	103	62
Total gross intangible assets	1,553	1,001
Accumulated amortization		
Purchased prescription files	(293)	(206)
Tenancy rights	(38)	(19)
Purchasing and payer contracts	(68)	(46)
Trade name	(3)	(11)
Other amortizable intangibles	(37)	(22)
Total accumulated amortization	(439)	(304)
Total intangible assets, net	$ 1,114	$ 697

Amortization expense for intangible assets was $182 million in fiscal 2010, $148 million in fiscal 2009 and $107 million in fiscal 2008. The weighted-average amortization period for purchased prescription files was six years for fiscal 2010 and fiscal 2009. The weighted-average amortization period for purchasing and payer contracts was 13 years for fiscal 2010 and fiscal 2009. The weighted-average amortization period for trade names was five years for fiscal 2010 and three years for fiscal 2009. Trade names include $6 million of indefinite life assets. The weighted-average amortization period for other intangible assets was 10 years for fiscal 2010 and 10 years for fiscal 2009.

Expected amortization expense for intangible assets recorded at August 31, 2010, is as follows (in millions):

2011	2012	2013	2014	2015
$ 204	$ 185	$ 159	$ 124	$ 64

(6) Income Taxes

The provision for income taxes consists of the following (in millions):

2010	2009	2008

Current provision -			
Federal	$ 1,129	$ 807	$ 1,201
State	90	91	133
	1,219	898	1,334
Deferred provision -			
Federal	62	243	(59)
State	1	17	(2)
	63	260	(61)
	$ 1,282	$ 1,158	$ 1,273

The difference between the statutory federal income tax rate and the effective tax rate is as follows:

	2010	2009	2008
Federal statutory rate	35.0%	35.0%	35.0%
State income taxes, net of federal benefit	2.2	2.2	2.4
Medicare Part D Subsidy	1.3	0.0	0.0
Other	(0.5)	(0.6)	(0.3)
Effective income tax rate	38.0%	36.6%	37.1%

The deferred tax assets and liabilities included in the Consolidated Balance Sheets consist of the following (in millions):

	2010	2009
Deferred tax assets -		
Postretirement benefits	$ 179	$ 170
Compensation and benefits	228	170
Insurance	190	195
Accrued rent	176	147
Tax benefits	138	25
Stock compensation	133	110
Inventory	59	41
Other	123	90
	1,226	948
Deferred tax liabilities -		
Accelerated depreciation	1,050	913
Inventory	356	319
Intangible assets	117	32
Other	45	39
	1,568	1,303
Net deferred tax liabilities	$ 342	$ 355

Income taxes paid were $1,195 million, $768 million and $1,235 million during the fiscal years ended August 31, 2010, 2009 and 2008, respectively.

ASC Topic 740 provides guidance regarding the recognition, measurement, presentation and disclosure in the financial statements of tax positions taken or expected to be taken on a tax return, including the decision whether to file or not to file in a particular jurisdiction. All unrecognized benefits at August 31, 2010, and August 31, 2009, were classified as long-term liabilities on our consolidated balance sheet.

The following table provides a reconciliation of the total amounts of unrecognized tax benefits for fiscal 2010 (in millions):

	2010	2009	2008
Balance at beginning of year	$ 128	$ 64	$ 55
Gross increases related to tax positions in a prior period	12	38	7
Gross decreases related to tax positions in a prior period	(57)	(5)	(21)
Gross increases related to tax positions in the current period	37	38	28
Settlements with taxing authorities	(21)	(1)	(3)
Lapse of statute of limitations	(6)	(6)	(2)
Balance at end of year	$ 93	$ 128	$ 64

At August 31, 2010, and August 31, 2009, $57 million and $43 million, respectively, of unrecognized tax benefits would favorably impact the effective tax rate if recognized.

The Company recognizes interest and penalties in income tax provision in its Consolidated Statements of Earnings. At August 31, 2010, and August 31, 2009, the Company had accrued interest and penalties of $20 million and $18 million, respectively.

The Company files a consolidated U.S. federal income tax return, as well as income tax returns in various states. It is no longer subject to U.S. federal income tax examinations for years before fiscal 2008, except for one issue related to fiscal 2006 and 2007 currently in appeals. With few exceptions, it is no longer subject to state and local income tax examinations by tax authorities for years before fiscal 2005. The Company anticipates that the Internal Revenue Service (IRS) will complete its audit of fiscal years 2008 and 2009 in fiscal 2012.

It is reasonably possible that the amount of the unrecognized tax benefit with respect to certain unrecognized tax positions will increase or decrease during the next 12 months; however, the Company does not expect the change to have a material effect on its results of operations or our financial position.

(7) Short-Term Borrowings and Long-Term Debt

Short-term borrowings and long-term debt consists of the following at August 31 (in millions):

	2010	2009
Short-Term Borrowings -		
Commercial paper	$ -	$ -
Current maturities of loans assumed through the purchase of land and buildings; various interest rates from 5.00% to 8.75%; various maturities from 2011 to 2035	7	10
Other	5	5
Total short-term borrowings	$ 12	$ 15
Long-Term Debt -		
4.875% unsecured notes due 2013 net of unamortized discount and interest rate swap fair market value adjustment (see Note 8)	$ 1,348	$ 1,294

5.250% unsecured notes due 2019 net of unamortized discount	995	995
Loans assumed through the purchase of land and buildings; various interest rates from 5.00% to 8.75%; various maturities from 2011 to 2035	53	57
	2,396	2,346
Less current maturities	(7)	(10)
Total-long term debt	$ 2,389	$ 2,336

The Company had no commercial paper issued through fiscal 2010. In fiscal 2009, the Company issued commercial paper to support working capital needs. Short-term borrowings under the commercial paper program had the following characteristics (in millions):

	2010	2009
Balance outstanding at fiscal year-end	$ -	$ -
Maximum outstanding at any month-end	-	1,068
Average daily short-term borrowings	-	272
Weighted-average interest rate	-	1.51%

In connection with its commercial paper program the Company maintains two unsecured backup syndicated lines of credit that total $1,100 million. The first $500 million facility expires on July 20, 2011, and allows for the issuance of up to $250 million in letters of credit, which reduces the amount available for borrowing. The second $600 million facility expires on August 12, 2012. The Company's ability to access these facilities is subject to our compliance with the terms and conditions of the credit facilities, including financial covenants. The covenants require the Company to maintain certain financial ratios related to its minimum net worth and priority debt, along with limitations on the sale of assets and purchases of investments. At August 31, 2010, the Company was in compliance with all such covenants. The Company pays a facility fee to the financing banks to keep these lines of credit active. At August 31, 2010, there were no letters of credit issued against these credit facilities and the Company does not anticipate any future letters of credit to be issued against these facilities.

On July 17, 2008, the Company issued notes totaling $1,300 million bearing an interest rate of 4.875% paid semiannually in arrears on February 1 and August 1 of each year. The notes will mature on August 1, 2013. The Company may redeem the notes, at any time in whole or from time to time in part, at its option at a redemption price equal to the greater of: (1) 100% of the principal amount of the notes to be redeemed; or (2) the sum of the present values of the remaining scheduled payments of principal and interest thereon (not including any portion of such payments of interest accrued as of the date of redemption), discounted to the date of redemption on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate, plus 30 basis points, plus accrued interest on the notes to be redeemed to, but excluding, the date of redemption. If a change of control triggering event occurs, unless the Company has exercised its option to redeem the notes, it will be required to offer to repurchase the notes at a purchase price equal to 101% of the principal amount of the notes plus accrued and unpaid interest to the date of redemption. The notes are unsecured senior debt obligations and rank equally with all other unsecured senior indebtedness. The notes are not convertible or exchangeable. Total issuance costs relating to this offering were $9 million, which included $8 million in underwriting fees. The fair value of the notes as of August 31, 2010, was $1,446 million. Fair value for these notes was determined based upon quoted market prices.

On January 13, 2009, the Company issued notes totaling $1,000 million bearing an interest rate of 5.25% paid semiannually in arrears on January 15 and July 15 of each year, beginning on July 15, 2009. The notes will mature on January 15, 2019. The Company may redeem the notes, at any time in whole or from time to time in part, at its option at a redemption price equal to the greater of: (1) 100% of the principal amount of the notes to be redeemed; or (2) the sum of the present values of the remaining scheduled payments of principal and interest thereon (not including any portion of such payments of interest accrued as of the date of redemption), discounted to the date of redemption on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate, plus 45 basis points, plus accrued interest on the notes to be redeemed to, but excluding, the date of redemption. If a change of control triggering event occurs, unless the Company has exercised its option to redeem the notes, it will be required to offer to repurchase the notes at a purchase price equal to 101% of the principal amount of the notes plus accrued and unpaid interest to the date of redemption. The notes are unsecured senior debt obligations and rank equally with all other unsecured senior indebtedness of the Company. The notes are not convertible or exchangeable. Total issuance costs relating to this offering were $8 million, which included $7 million in underwriting fees. The fair value of the notes as of August 31, 2010, was $1,167 million. Fair value for these notes was determined based upon quoted market prices.

(8) Financial Instruments

The Company uses a derivative instrument to manage its interest rate exposure associated with some of its fixed-rate borrowings. The Company does not use derivative instruments for trading or speculative purposes. All derivative instruments are recognized in the Consolidated Balance Sheets at fair value. The Company designates interest rate swaps as fair value hedges of fixed-rate borrowings. For derivatives designated as fair value hedges, the change in the fair value of both the derivative instrument and the hedged item are recognized in earnings in the current period. At the inception of a hedge transaction, the Company formally documents the hedge relationship and the risk management objective for undertaking the hedge. In addition, it assesses both at inception of the hedge and on an ongoing basis whether the derivative in the hedging transaction has been highly effective in offsetting changes in fair value of the hedged item and whether the derivative is expected to continue to be highly effective. The impact of any ineffectiveness is recognized currently in earnings.

Counterparties to derivative financial instruments expose the Company to credit-related losses in the event of nonperformance, but the Company currently does not expect any counterparties to fail to meet their obligations, given their high credit ratings.

Fair Value Hedges

For derivative instruments that are designated and qualify as fair value hedges, the gain or loss on the derivative, as well as the offsetting gain or loss on the hedged item attributable to the hedged risk, are recognized in current earnings.

On January 27, 2010, the Company terminated all of its existing one-month future LIBOR swaps. Upon termination, the Company received payment from its counterparty that consisted of accrued interest and an amount representing the fair value of our swaps. The related fair value benefit attributed to the Company's debt will be amortized over the life of the debt. Then, the Company entered into six-month LIBOR in arrears swaps with two counterparties.

The notional amounts of derivative instruments outstanding at August 31, 2010 and 2009, were as follows (in millions):

	2010	2009
Derivatives designated as hedges:		
Interest rate swaps	$ 1,300	$ 1,300

The changes in fair value of the notes attributable to the hedged risk are included in long-term debt on the Consolidated Balance Sheets (see Note 7) and amortized through maturity. At August 31, 2010 and 2009, the Company had net unamortized fair value changes of $51 million and $2 million, respectively.

The fair value and balance sheet presentation of derivative instruments at August 31, 2010, were as follows (in millions):

	Location in Consolidated Balance Sheet	2010	2009
Liability derivatives designated as hedges:			
Interest rate swaps	Accrued expenses and other liabilities	$ -	$ 2
Asset derivatives designated as hedges:			
Interest rate swaps	Other non-current assets	$ 44	$ -

Gains and losses relating to the ineffectiveness of the Company's derivative instruments are recorded in interest expense on the Consolidated Statement of Earnings. The amount recorded for the year ended August 31, 2010, was a $1 million gain. In the prior fiscal year, the ineffective component was not material.

(9) Fair Value Measurements

ASC Topic 820, Fair Value Measurements and Disclosures (formerly SFAS No. 157, *Fair Value Measurements)* , defines fair value as the price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. In addition it establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels:

Level 1 - Quoted prices in active markets that are accessible at the measurement date for identical assets and liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.
Level 2 - Observable inputs other than quoted prices in active markets.
Level 3 - Unobservable inputs for which there is little or no market data available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

Assets and liabilities measured at fair value on a recurring basis were as follows (in millions):

	August 31, 2010	Level 1	Level 2	Level 3
Assets:				
Interest rate swaps	$ 44	-	$ 44	-

	August 31, 2009	Level 1	Level 2	Level 3
Liabilities:				
Interest rate swaps	$ 2	-	$ 2	-

Interest rate swaps are valued using six-month LIBOR in arrears rates. See Note 8 for additional disclosure regarding financial instruments.

Assets measured at fair value on a non-recurring basis were as follows (in millions):

	August 31, 2010	Level 1	Level 2	Level 3
Assets:				
Goodwill	$ 3	-	-	$ 3

Goodwill for the Company's Long-Term Care Pharmacy with a carrying value of $19 million was written down to its implied fair value of $3 million. The impairment resulted in a $16 million charge and added a $6 million deferred tax asset. The determination of fair value was based on an asset sale agreement with Omnicare which was signed on August 31, 2010. See Note 5 for further discussion on the impairment.

The Company's debt instruments are not reported at fair value in the Consolidated Balance Sheets and as a result, it will continue to report under the guidance of ASC Topic 825, Financial Instruments (formerly SFAS No. 107, *Disclosures about Fair Value of Financial Instruments),* which requires the Company to disclose the fair value of its debt in the footnotes.

(10) Commitments and Contingencies

The Company is involved in legal proceedings, including those described below, and is subject to investigations, inspections, audits, inquiries and similar actions by governmental authorities, arising in the normal course of the Company's business. Although the outcome of these legal proceedings and other matters cannot be forecast with certainty, management believes the final disposition of these matters will not have a material adverse effect on the Company's business or consolidated financial position.

On April 16, 2008, the Plumbers and Steamfitters Local No. 7 Pension Fund filed a putative class action suit against the Company and its former and current chief executive officers in the United States District Court for the Northern District of Illinois. The plaintiffs amended the complaint on October 16, 2008, which upon the Company's motion the District Court dismissed on September 24, 2009. Subsequently, the plaintiffs moved for the District Court to reconsider the dismissal and to allow plaintiffs leave to further amend the complaint. The District Court granted plaintiffs' motion on November 11, 2009. The second amended complaint was then filed on behalf of purchasers of Company common stock during the period between June 25, 2007 and October 1, 2007. As in the first amended complaint, the second amended complaint charges the Company and its former and current chief executive officers with violations of Section 10(b) of the Securities Exchange Act of 1934, claiming that the Company misled investors by failing to disclose (i) declining rates of growth in generic drug sales and (ii) increasing selling, general and administrative expenses in the fourth quarter of 2007, which allegedly had a negative impact on earnings. On February 1, 2010, the Company filed a motion to dismiss the second amended complaint. On September 29, 2010, the District Court dismissed the second amended complaint with prejudice. The plaintiffs have until October 29, 2010, to appeal the District Court's dismissal.

On August 31, 2009, a Walgreen Co. shareholder named Dan Himmel filed a lawsuit, purportedly on the Company's behalf, against several current and former officers and directors (each, an "Individual Defendant"). The case is captioned *Himmel v. Wasson, et. al.* and was filed in the Circuit Court of Lake County, Illinois. The allegations in the lawsuit are similar to the securities fraud lawsuit described above. Himmel alleges that the Company's management: (i) knew, or was reckless in not knowing, that selling, general and administrative expenses in the fourth quarter of 2007 were too high, in light of decreased profits from generic drug sales; (ii) knew, or was reckless in not knowing, that the Company would not realize gross profits near what many Wall Street analysts were predicting; and (iii) the directors and officers had a duty both to prevent the drop in gross profits and to disclose the expected drop to the public and failed to do either. The Company's investigation to date suggests that the allegations are without merit, and that the Individual Defendants acted in good faith, exercised prudent business judgment and acted in a manner that they reasonably believed to be in the Company's best interests during the period at issue. The Company intends to vigorously contest the allegations. The Individual Defendants' time to file a responsive pleading to the complaint was extended by agreement until 30 days after the District Court in the Plumbers case rules on the pending motion to dismiss, which ruling was issued on September 29, 2010.

The Company guarantees a credit agreement on behalf of SureScripts-RxHub, LLC, which provides electronic prescription data services. This credit agreement, for which SureScripts-RxHub, LLC is primarily liable, has an expiration date of June 30, 2011. The liability was $10 million at August 31, 2010 and 2009. The maximum amount of future payments that could be required under the guaranty is $25 million, of which $13 million may be recoverable from another guarantor. In addition, under certain circumstances the Company may be required to provide an additional guarantee of up to $10 million, of which $8 million may be recoverable from other guarantors. This guarantee arose as a result of a business decision between parties to ensure that the operations of SureScripts-RxHub, LLC would have additional support to access financing. Should SureScripts-RxHub, LLC default or become unable to pay its debts, the Company would be required to fulfill our portion of this guarantee.

(11) Capital Stock

On October 14, 2009, the Board of Directors approved a long-term capital policy. The Company's long-term capital policy is to maintain a strong balance sheet and financial flexibility; reinvest in its core strategies; invest in strategic opportunities that reinforce its core strategies and meet return requirements; and return surplus cash flow to shareholders in the form of dividends and share repurchases over the long term. In connection with the Company's capital policy, its Board of Directors authorized a share repurchase program (2009 repurchase program) and set a long-term dividend payout ratio target between 30 and 35 percent. The 2009 repurchase program, which was completed in September 2010, allowed for the repurchase of up to $2,000 million of the Company's common stock prior to its expiration on December 31, 2013. Shares totaling $1,640 million were purchased in conjunction with the 2009 repurchase program during fiscal 2010. On October 13, 2010, the Board of Directors authorized a new share repurchase program (2011 repurchase program) which allows for the repurchase of up to $1,000 million of the Company's common stock prior to its expiration on December 31, 2012. In addition, the Company continues to repurchase shares to support the needs of the employee stock plans. Shares totaling $116 million were purchased to support the needs of the employee stock plans during the current fiscal year as compared to $280 million last year. At August 31, 2010, 74,459,975 shares of common stock were reserved for future issuances under the Company's various employee benefit plans.

(12) Stock Compensation Plans

The Walgreen Co. Stock Purchase/Option Plan (Share Walgreens) provides for the granting of options to purchase common stock over a 10-year period to eligible non-executive employees upon the purchase of Company shares, subject to certain restrictions. Employees may purchase the Company shares through cash purchases or loans. The option price is the closing price of a share of common stock on the grant date. Options may be granted under this Plan until September 30, 2012, for an aggregate of 42,000,000 shares of common stock. At August 31, 2010, there were 12,982,618 shares available for future grants. The options granted during fiscal 2010 and 2009 have a three-year vesting period while the options granted during fiscal 2008 have a two-year vesting period.

The Walgreen Co. Executive Stock Option Plan provides for the granting of options to eligible key employees to purchase common stock over a 10-year period, at a price not less than the fair market value on the date of the grant. Under this Plan, options may be granted until January 13, 2020, for an aggregate of 63,400,000 shares of common stock. At August 31, 2010, 26,890,772 shares were available for future grants. The options granted during fiscal 2010, 2009 and 2008 have a three-year vesting period.

The Walgreen Co. Broad Based Employee Stock Option Plan provides for the granting of options to eligible non-executive employees to purchase common stock over a ten-year period, at a price not less than the fair market value on the date of the grant. Under this Plan, on March 11, 2003, substantially all non-executive employees, in conjunction with the opening of the Company's 4,000th store, were granted a stock option to purchase 100 shares. The Plan authorized the grant of an aggregate of 15,000,000 shares of common stock. At August 31, 2010, 7,744,190 shares were available for future grants. The options vested and became exercisable on March 11, 2006, and any unexercised options will expire on March 10, 2013, subject to earlier termination if the optionee’s employment ends.

The Walgreen Co. 1982 Employees Stock Purchase Plan permits eligible employees to purchase common stock at 90% of the fair market value at the date of purchase. Employees may make purchases by cash, loans or payroll deductions up to certain limits. The aggregate number of shares that may be purchased under this Plan is 94,000,000. At August 31, 2010, 19,498,137 shares were available for future purchase.

The Walgreen Co. Long-Term Performance Incentive Plan (amended and restated Restricted Performance Share Plan) was approved by the shareholders on January 10, 2007. The Plan offers performance-based incentive awards and equity-based awards to key employees. The awards are subject to restrictions as to continuous employment except in the case of death, normal retirement or total and permanent disability. Restrictions generally lapse over a multiyear period from the date of grant. The Long-Term Performance Incentive Plan was authorized to grant an aggregate of 10,000,000 shares of common stock. As of August 31, 2010, 7,344,258 shares were available for future issuance under the Long-Term Performance Incentive Plan. Compensation expense related to the Restricted Performance Share Plan is recognized on a straight-line basis over the employee’s vesting period or to the employee’s retirement eligible date, if earlier. Compensation expense related to the Plan was $3 million in fiscal 2010. This compares to $6 million in fiscal 2009 and no expense in fiscal 2008.

In fiscal 2009, the Company introduced the Restricted Stock Unit and Performance Share Plans under the Long-Term Performance Incentive Plan. In accordance with ASC Topic 718, Compensation – Stock Compensation (formerly SFAS No. 123(R)), compensation expense is recognized on a straight-line basis based on a three-year cliff vesting schedule for the annual restricted stock units and straight line over a three-year vesting schedule for the performance shares. The Company recognized $18 million and $12 million of expense related to these plans in fiscal years 2010 and 2009, respectively.

The Walgreen Co. Nonemployee Director Stock Plan provides that each nonemployee director receives an equity grant of shares each year on November 1. Effective November 1, 2009, the value of the annual stock grant made to directors on each November 1 increased from $120,000 to $155,000. The number of shares granted is determined by dividing $155,000 by the price of a share of common stock on November 1. Each nonemployee director may elect to receive this annual share grant in the form of shares or deferred stock units. Each nonemployee director received a grant of 4,097 shares in fiscal 2010, 4,713 shares in fiscal 2009 and 3,075 shares in fiscal 2008. New directors in any of the fiscal years were given a prorated amount. Effective November 1, 2009, the payment of the annual retainer was changed to be paid only in the form of cash, which may still be deferred. Previously, the annual retainer was paid one-half in cash and one-half in Walgreen Co. common stock.

A summary of information relative to the Company’s stock option plans follows:

Options	**Shares**	**Weighted-Average Exercise Price**	**Weighted-Average Remaining Contractual Term (Years)**	**Aggregate Intrinsic Value (in millions)**
Outstanding at August 31, 2009	48,533,570	$ 34.35	6.03	$ 143
Granted	7,519,162	34.63		
Exercised	(4,424,890)	30.22		
Expired/Forfeited	(2,520,639)	35.02		
Outstanding at August 31, 2010	49,107,203	34.75	6.03	16
Vested or expected to vest at August 31, 2010	48,486,791	34.81	6.03	16
Exercisable at August 31, 2010	22,852,753	37.52	3.50	-

The intrinsic value for options exercised in fiscal 2010, 2009 and 2008 was $29 million, $6 million and $42 million, respectively. The total fair value of options vested in fiscal 2010, 2009 and 2008 was $53 million, $56 million and $46 million, respectively.

Cash received from the exercise of options in fiscal 2010 was $134 million compared to $24 million in the prior year. The related tax benefit realized was $11 million in fiscal 2010 compared to $2 million in the prior year. The Company has a practice of repurchasing shares on the open market to satisfy share-based payment arrangements and expects to repurchase approximately four million shares during fiscal 2011.

A summary of information relative to the Company’s restricted stock awards follows:

Nonvested Shares	**Shares**	**Weighted-Average Grant-Date Fair Value**
Nonvested at August 31, 2009	186,279	$ 39.39
Granted	-	-
Forfeited	(17,582)	41.09
Vested	(71,987)	41.44
Nonvested at August 31, 2010	96,710	$ 37.53

A summary of information relative to the Company’s restricted stock unit plan follows:

Outstanding Shares	**Shares**	**Weighted-Average Grant-Date Fair Value**
Outstanding at August 31, 2009	455,090	$ 34.72
Granted	768,957	34.28
Forfeited	(56,945)	34.91
Vested	(18,938)	35.80
Outstanding at August 31, 2010	1,148,164	$ 34.40

A summary of information relative to the Company’s performance share plan follows:

Outstanding Shares	**Shares**	**Weighted-Average Grant-Date Fair Value**

Outstanding at August 31, 2009	450,548	$	36.43
Granted	635,157		34.04
Forfeited	(89,084)		35.13
Vested	-		-
Outstanding at August 31, 2010	996,621	$	35.02

The fair value of each option grant was determined using the Black-Scholes option pricing model with weighted-average assumptions used in fiscal 2010, 2009 and 2008:

	2010	2009	2008
Risk-free interest rate (1)	3.14%	3.47%	4.41%
Average life of option (years) (2)	7.3	6.8	7.2
Volatility (3)	28.01%	34.00%	27.61%
Dividend yield (4)	1.91%	2.30%	.81%
Weighted-average grant-date fair value granted at market price	$ 9.80	$ 9.14	$ 16.11

(1) Represents the U.S. Treasury security rates for the expected term of the option.
(2) Represents the period of time that options granted are expected to be outstanding. The Company analyzed separate groups of employees with similar exercise behavior to determine the expected term.
(3) Volatility was based on historical and implied volatility of the Company's common stock.
(4) Represents the Company's cash dividend for the expected term.

(13) Retirement Benefits

The principal retirement plan for employees is the Walgreen Profit-Sharing Retirement Trust, to which both the Company and participating employees contribute. The Company's contribution, which has historically related to pre-tax income and a portion of which is in the form of a guaranteed match, is determined annually at the discretion of the Board of Directors. The profit-sharing provision was $300 million in fiscal 2010, $282 million in fiscal 2009 and $305 million in fiscal 2008. The Company's contributions were $293 million in fiscal 2010, $301 million in fiscal 2009 and $261 million in fiscal 2008.

The Company provides certain health insurance benefits for retired employees who meet eligibility requirements, including age, years of service and date of hire. The costs of these benefits are accrued over the service life of the employee. The postretirement health benefit plans are not funded. In May 2009, the postretirement health benefit plans were amended to change eligibility requirements. As a result of this amendment we recognized curtailment income of $16 million in fiscal 2009. Additionally in fiscal 2009, the Company recognized a special retirement benefit expense of $4 million related to accelerating eligibility for certain employees who elected special early retirement as a part of its Rewiring for Growth program.

Components of net periodic benefit costs (in millions):

	2010	2009	2008
Service cost	$ 11	$ 12	$ 14
Interest cost	20	26	24
Amortization of actuarial loss	7	4	5
Amortization of prior service cost	(10)	(6)	(4)
Special retirement benefit	-	4	-
Curtailment gain	-	(16)	-
Total postretirement benefit cost	$ 28	$ 24	$ 39

Change in benefit obligation (in millions):

	2010	2009
Benefit obligation at September 1	$ 328	$ 371
Service cost	11	12
Interest cost	20	26
Amendments	-	(106)
Special termination benefits	-	4
Actuarial loss	92	31
Benefit payments	(14)	(13)
Participants contributions	4	3
Benefit obligation at August 31	$ 441	$ 328

Change in plan assets (in millions):

	2010	2009
Plan assets at fair value at September 1	$ -	$ -
Plan participants contributions	4	3
Employer contributions	10	10
Benefits paid	(14)	(13)
Plan assets at fair value at August 31	$ -	$ -

Funded status (in millions):

	2010	2009
Funded status	$ (441)	$ (328)
Unrecognized actuarial gain	-	-
Unrecognized prior service cost	-	-
Accrued benefit cost at August 31	$ (441)	$ (328)

Amounts recognized in the Consolidated Balance Sheets (in millions):

	2010	2009
Current liabilities (present value of expected 2011 net benefit payments)	$ (11)	$ (11)
Non-current liabilities	(430)	(317)
Net liability recognized at August 31	$ (441)	$ (328)

Amounts recognized in accumulated other comprehensive (income) loss (in millions):

	2010	2009
Prior service credit	$ (131)	$ (141)
Net actuarial loss	188	104

Amounts expected to be recognized as components of net periodic costs for fiscal year 2011 (in millions):

	2011
Prior service credit	$ (10)
Net actuarial loss	14

The measurement date used to determine postretirement benefits is August 31.

The discount rate assumption used to compute the postretirement benefit obligation at year-end was 4.95% for 2010 and 6.15% for 2009. The discount rate assumption used to determine net periodic benefit cost was 6.15%, 7.50% and 6.50% for fiscal years ending 2010, 2009 and 2008, respectively.

Future benefit costs were estimated assuming medical costs would increase at a 7.50% annual rate, gradually decreasing to 5.25% over the next nine years and then remaining at a 5.25% annual growth rate thereafter. A one percentage point change in the assumed medical cost trend rate would have the following effects (in millions):

	1% Increase	1% Decrease
Effect on service and interest cost	$ (3)	$ 2
Effect on postretirement obligation	(22)	15

Estimated future benefit payments and federal subsidy (in millions):

	Estimated Future Benefit Payments	Estimated Federal Subsidy
2011	$ 13	$ 1
2012	14	1
2013	15	2
2014	17	2
2015	19	2
2016-2020	136	18

The expected benefit to be paid net of the estimated Federal subsidy during fiscal year 2011 is $12 million.

(14) Supplementary Financial Information

Non-cash transactions in fiscal 2010 include a $95 million increase in the retiree medical benefit liability, $29 million in dividends declared and $44 million in accrued liabilities related to the purchase of property and equipment. Non-cash transactions in fiscal 2009 include $25 million in dividends declared and $20 million in accrued liabilities related to the purchase of property and equipment.

Included in the Consolidated Balance Sheets captions are the following assets and liabilities (in millions):

	2010	2009
Accounts receivable -		
Accounts receivable	$ 2 ,554	$ 2,606
Allowance for doubtful accounts	(104)	(110)
	$ 2,450	$ 2,496
Other non-current assets -		
Intangible assets, net (see Note 5)	$ 1,114	$ 697
Other	168	133
	$ 1,282	$ 830
Accrued expenses and other liabilities -		
Accrued salaries	$ 781	$ 687
Taxes other than income taxes	419	408
Insurance	233	164
Profit Sharing	197	192
Other	1,133	955
	$ 2,763	$ 2,406
Other non-current liabilities -		
Postretirement health care benefits	$ 430	317
Accrued rent	384	319
Insurance	330	330
Other	591	430
	$ 1,735	$ 1,396

Summary of Quarterly Results (Unaudited)
(In millions, except per share amounts)

	Quarter Ended				
	November	February	May	August	Fiscal Year
Fiscal 2010					
Net Sales	$ 16,364	$ 16,987	$ 17,199	$ 16,870	$ 67,420
Gross Profit	4,538	4,897	4,749	4,792	18,976
Net Earnings	489	669	463	470	2,091
Per Common Share -					
Basic	$ .49	$ .68	$ .47	$ .49	$ 2.13
Diluted	.49	.68	.47	.49	2.12
Cash Dividends Declared Per Common Share	$ .1375	$ .1375	$ .1375	$ .1750	$ .5875
Fiscal 2009					
Net Sales	$ 14,947	$ 16,475	$ 16,210	$ 15,703	$ 63,335
Gross Profit	4,151	4,657	4,459	4,346	17,613
Net Earnings	408	640	522	436	2,006

Per Common Share -					
Basic	$ .41	$ .65	$ .53	$ .44	$ 2.03
Diluted	.41	.65	.53	.44	2.02
Cash Dividends Declared Per Common Share	$ .1125	$ .1125	$ .1125	$ .1375	$ .4750

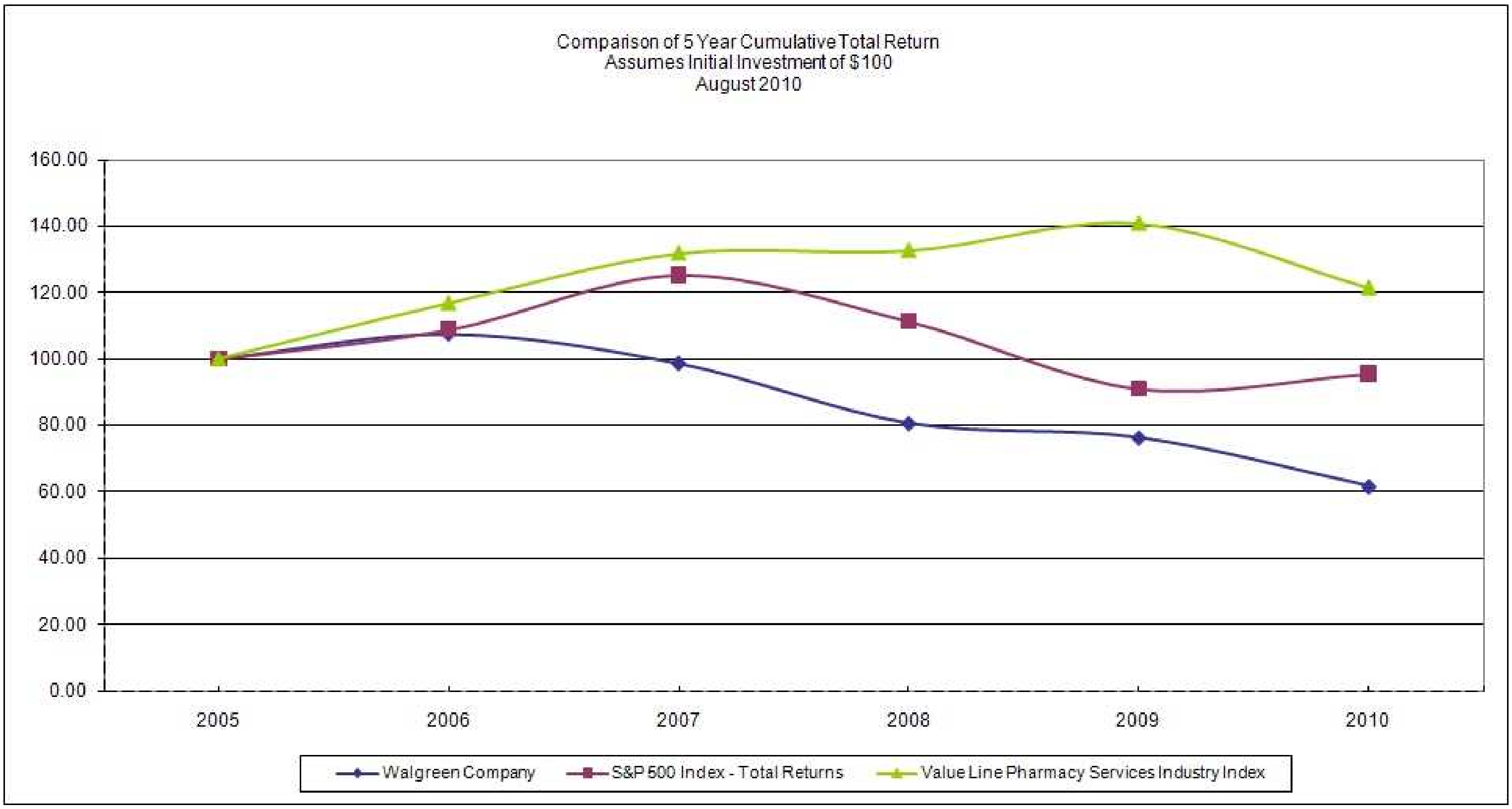
Common Stock Prices

Below is the Consolidated Transaction Reporting System high and low sales price for each quarter of fiscal 2010 and 2009.

		Quarter Ended				
		November	February	May	August	Fiscal Year
Fiscal 2010	High	$ 40.37	$ 39.37	$ 37.83	$ 32.82	$ 40.37
	Low	33.55	33.29	31.92	26.36	26.36
Fiscal 2009	High	$ 36.04	$ 27.81	$ 31.27	$ 33.88	$ 36.04
	Low	21.03	22.78	21.32	28.57	21.03

Comparison of Five-Year Cumulative Total Return

The following graph compares the five-year cumulative total return of the Company's common stock with the S&P 500 Index and the Value Line Pharmacy Services Industry Index. The graph assumes a $100 investment made August 31, 2005, and the reinvestment of all dividends. The historical performance of our common stock is not necessarily indicative of future stock performance.



	Value of Investment at August 31,					
	2005	2006	2007	2008	2009	2010
Walgreen Co.	$ 100.00	$ 107.39	$ 98.59	$ 80.56	$ 76.21	$ 61.60
S&P 500 Index	100.00	108.87	125.35	111.40	91.05	95.54
Value Line Pharmacy Services Industry Index	100.00	116.82	131.84	132.71	140.88	121.43

This performance graph and accompanying disclosure is not soliciting material, is not deemed filed with the SEC, and is not incorporated by reference in any of the Company’s filings under the Securities Act or the Exchange Act, irrespective of the timing of and any general incorporation language in such filing.

Management's Report on Internal Control

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on our evaluation, management concluded that our internal control over financial reporting was effective as of August 31, 2010. Deloitte & Touche LLP, the Company's independent registered public accounting firm, has audited our internal control over financial reporting, as stated in its report which is included herein.

/s/ Gregory D. Wasson
Gregory D. Wasson
President and Chief Executive Officer

/s/ Wade D. Miquelon
Wade D. Miquelon
Executive Vice President and Chief Financial Officer

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Walgreen Co.:

We have audited the accompanying consolidated balance sheets of Walgreen Co. and Subsidiaries (the “Company”) as of August 31, 2010 and 2009, and the related consolidated statements of earnings, shareholders’ equity, and cash flows for each of the three years in the period ended August 31, 2010. We also have audited the Company’s internal control ove financial reporting as of August 31, 2010, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company’s management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control. Our responsibility is to express a opinion on these financial statements and an opinion on the Company’s internal control over financial reporting 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 and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial stateme assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company’s internal control over financial reporting is a process designed by, or under the supervision of, the company’s principal executive and principal financial officers, or perso performing similar functions, and effected by the company’s board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financia reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions c the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally acce accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatem due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to futu periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deterio

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Walgreen Co. and Subsidiaries as of August 31, 2010 and 2009, and the results of their operations and their cash flows for each of the three years in the period ended August 31, 2010, in conformity with accounting principles gener accepted in the United States of America. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of August 31, 2(based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

/s/ DELOITTE & TOUCHE LLP

Chicago, Illinois
October 26, 2010

WALGREEN CO. AND SUBSIDIARIES
ANNUAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2010

As of August 31, 2010 Walgreen Co., (Registrant) had the following subsidiaries:

NAME	STATE OR COUNTRY OF INCORPORATION
Walgreen Arizona Drug Co. (1)	Arizona
Home I.V. Inc. (8)	California
North County Home I.V., Inc. (11)	California
Option Care, Inc. (9)	California
Walgreens China Business Trust (35)	China
Freedom Oxygen, Inc. (8)	Colorado
American Occupational Health Management, Inc. (24)	Delaware
Collins I.V. Care, LLC (8)	Delaware
Dependicare Home Health, LLC (8)	Delaware
Duane Reade, Inc. (33)	Delaware
Duane Reade Holdings, Inc (33)	Delaware
DRI-I, Inc. (34)	Delaware
Duane Reade International, LLC (34)	Delaware
Duane Reade Realty, Inc. (34)	Delaware
First RX Specialty and Mail Services, LLC (31)	Delaware
Happy Harry’s Inc. (2)	Delaware
Happy Harry’s Discount Drug Stores, Inc. (2)	Delaware
HHDH, Inc. (2)	Delaware
I-Trax Health Management Solutions, Inc. (23)	Delaware
Laurel Mountain Medical Supply, LLC (30)	Delaware
Walgreens Specialty Pharmacy Holdings, Inc. (3)	Delaware
Walgreens Specialty Pharmacy, LLC. (3)	Delaware
MedNow Infusion, LLC (18)	Delaware
Meridian COMP of New York, Inc. (24)	Delaware
Mosso's Medical Supply Company, LLC (8)	Delaware
Option Care Enterprises, Inc. (7)	Delaware
Option Care Home Health, L.L.C. (8)	Delaware
Option Care Nevada, LLC (8)	Delaware
Walgreens Infusion Services, Inc. (7)	Delaware
Optionet, Inc. (9)	Delaware
Salient Medical Centers, L.L.C. (8)	Delaware
Take Care Employer Solutions, LLC (23)	Delaware
Take Care Health Systems, Inc.	Delaware
Take Care Health Systems, LLC (6)	Delaware
Ultra Care, LLC (8)	Delaware
Walgreens Venture Capital, LLC	Delaware
Walgreens Store No. 3332, LLC	Delaware
Walgreens Store No. 4650, LLC	Delaware
Walgreens Store No. 4651, LLC	Delaware
Walgreens Store No. 5576, LLC	Delaware
Walgreens Store No. 5838, LLC	Delaware
Waltrust Properties, Inc. (1)	Delaware
Whole Health Management, LLC (29)	Delaware
Cypress Home Medical, Inc. (8)	Florida
Walgreen of Hawaii, LLC	Hawaii
Walgreen of Maui, Inc.	Hawaii
Walgreens (Hong Kong) Limited	Hong Kong
Bond Drug Company of Illinois, LLC (1)	Illinois
Bowen Development Company	Illinois
Deerfield Funding Corporation	Illinois
East-West Distributing Co.	Illinois
Walgreens Long-Term Care Pharmacy, LLC	Illinois
The 1901 Group, LLC	Illinois
WagBeau LLC	Illinois
Walgreen Medical Supply, LLC (22)	Illinois
Walgreen Mercantile Corporation	Illinois
Walgreen National Corporation	Illinois
Walgreen Realty Resources LLC (5)	Illinois
Walgreens Health Initiatives, Inc. (4)	Illinois
Walgreens Home Care, Inc. (8)	Illinois
Walgreens Mail Service, Inc.	Illinois
Walgreens Pharmacy Services Eastern, LLC (20)	Illinois
Walgreens Pharmacy Services Midwest, LLC (19)	Illinois
Walgreens Pharmacy Services Southern, LLC (20)	Illinois
Walgreens Pharmacy Services Western, LLC (20)	Illinois
Walgreens Pharmacy Services WHS, LLC (21)	Illinois
Walgreens Specialty Pharmacy, LLC	Illinois
Walgreens Store No. 3680, LLC	Illinois
Walgreens Store No. 7839, LLC	Illinois
Walgreens.com, Inc.	Illinois
Salient Business Solutions, Ltd. (16)	India
CHDM, LLC (26)	Indiana
TSL, Inc. (8)	Indiana
Walgreens-Option Care, Inc. (8)	Kentucky

Walgreen Louisiana Co., Inc.	Louisiana
Full Road Holdings, Ltd. (15)	Mauritius
Healthcare Options of Minnesota, Inc. (8)	Minnesota
Rehab Options, Inc. (8)	Missouri
Walgreen Hastings Co. (1)	Nebraska
Home Health of Option Care, Inc. (9)	Nevada
Hunterdon Infusion Services, L.L.C. (14)	New Jersey
Trinity Home Care, LLC (10)	New Jersey
Corporate Health Dimensions, Inc. (24)	New York
Duane Reade (13)	New York
Option Care of New York, Inc. (9)	New York
Pro Fitness Health Solutions, LLC (23)	New York
Springville Pharmacy Infusion Therapy, Inc. (8)	New York
Walgreen Eastern Co., Inc. (1)	New York
Cape Fear Home Health Service, Inc. (8)	North Carolina
Carolina I.V. Services, Inc. (8)	North Carolina
OCNC, LLC (28)	North Carolina
Option Home Health, Inc. (8)	Ohio
University Option Care, LLC (17)	Ohio
Medicenter, Inc. (24)	Oklahoma
Option Care at Legacy, LLC (17)	Oregon
I.V. Associates, Inc. (8)	Pennsylvania
Option Care Enterprises, Inc. (8)	Pennsylvania
Walgreen of Puerto Rico, Inc.	Puerto Rico
Walgreen of San Patricio, Inc.	Puerto Rico
Walgreens (Singapore) PTE, Ltd. (32)	Singapore
Walgreens Infusion and Respiratory Services, LLC (17)	Tennessee
Corinthian Care Group, LLC (8)	Texas
Healthworks Medgroup of San Antonio, Inc. (27)	Texas
Green Hills Insurance Company, A Risk Retention Group (25)	Vermont
Maximum Health Care Concepts, Inc. (8)	Washington
Option Care Home Health, L.L.C. (12)	Washington
Option Home Health – Private Duty, Inc. (8)	Washington
Option Home Health Care Services, Inc (8)	Washington
S & G Health Care Management Services, Inc. (8)	Washington
Spokane Health Care Associates, Inc. (8)	Washington
Walgreen Oshkosh, Inc.	Wisconsin

(1) Walgreens Hastings Co. is a direct parent of Walgreen Arizona Drug Co. Walgreen Arizona Drug Co. is a direct parent of Walgreen Eastern Co. Walgreen Eastern Co is a direct parent of Bond Drug Company of Illinois, LLC. Bond Drug Company of Illinois, LLC is a direct parent of Waltrust Properties, Inc. Waltrust Properties, Inc. is a real estate investment trust. A minority interest in Waltrust Properties, Inc. is held by outside preferred shareholders.
(2) Happy Harry's Discount Drug Stores, Inc. (a Delaware Corporation) is a direct parent of Happy Harry's Inc. Happy Harry's Inc. is a direct parent of HHDH Corp. (a Delaware Corporation).
(3) Walgreens Specialty Pharmacy Holdings, Inc. (a Delaware Corporation) is a direct parent of Walgreens Specialty Pharmacy, LLC (a Delaware LLC).
(4) Walgreen Health Initiatives, Inc. is a direct parent of a New York inactive subsidiary and Walgreen Pharmacy Services WHS, LLC (an Illinois LLC).
(5) Walgreen Realty Resources LLC is a direct parent of Walgreen Market Strategies LLC (an Illinois LLC).
(6) Take Care Health Systems, LLC (a Delaware LLC) is a direct Subsidiary of Take Care Health Systems, Inc. (a Delaware Corporation).
(7) Walgreens Infusion Services, Inc. (a Delaware Corporation) is a direct parent of Option Care Enterprises, Inc. (a Delaware Corporation). Option Care Enterprises, Inc. (a Delaware Corporation) is a direct parent of various subsidiaries (see footnote #8). Walgreens Infusion Services, Inc. (a Delaware Corporation) is a direct parent of various subsidiaries (see footnote # 9).
(8) Subsidiary of Option Care Enterprises, Inc. (a Delaware Corporation).
(9) Subsidiary of Walgreens Infusion Services, Inc. (a Delaware Corporation).
(10) Trinity Home Care, LLC (a Delaware LLC) is a direct subsidiary of Option Care of New York, Inc. (a New York Corporation).
(11) 13% of North County Home I.V., Inc is owned by Option Care Enterprises, Inc. (a Delaware Corporation) and 87% by Rehab Options, Inc.
(12) 50% owned by Option Care Enterprises, Inc. (a Delaware Corporation) and 50% owned by Option Care, Inc. (a California Corporation).
(13) Duane Reade (A New York General Partnership) is 99% owned by Duane Reade, Inc. (a Delaware Corporation) and 1% owned by DRI-I, Inc. (a Delaware Corporation).
(14) 50% owned by Option Care Enterprises, Inc. (a Pennsylvania Corporation).
(15) Foreign subsidiary of Walgreens Infusion Services, Inc. (a Delaware Corporation).
(16) 30% owned by Full Road Holdings, Ltd. (a Mauritius Entity).
(17) 50% owned by Option Care Enterprises, Inc. (a Delaware Corporation).
(18) 51% owned by Option Care Enterprises, Inc. (a Delaware Corporation).
(19) 97% owned by Bond Drug Company of Illinois, LLC; 2% owned by Walgreens Louisiana Co., Inc.; 1% owned by Happy Harry's, Inc.
(20) Subsidiary of Walgreens Pharmacy Services Midwest, LLC (an Illinois LLC).
(21) Subsidiary of Walgreens Health Initiatives, Inc. (an Illinois Corporation).
(22) Subsidiary of Walgreens Mail Services, Inc. (an Illinois Corporation).
(23) Subsidiary of Take Care Health Systems, Inc. (a Delaware Corporation).
(24) Subsidiary of Take Care Employer Solutions, LLC. (a Delaware LLC).
(25) 99.96% owned by Take Care Employer Solutions, LLC. (a Delaware LLC) and .01% is owned by Take Care Health Systems, Inc. (a Delaware Corporation).
(26) 99% owned by Medicenter, Inc. (an Oklahoma Corporation); 1% owned by Corporate Health Dimensions, Inc. (a New York Corporation).
(27) Corporate Health Dimensions, Inc. (a New York Corporation) is a direct parent of Healthworks Medgroup of San Antonio, Inc. (a Texas Corporation).
(28) 50% owned by Cape Fear Home Health Service, Inc. (a North Carolina Corporation) and 50% owned by Carolina I.V. Services, Inc. (a North Carolina Corporation).
(29) Whole Health Management LLC (a Delaware LLC) is a direct subsidiary of Take Care Health Systems, Inc. (a Delaware Corporation).
(30) Subsidiary of Mosso's Medical Supply Company, LLC (a Delaware LLC)
(31) 25% owned by Walgreen Co.
(32) Walgreens (Singapore) PTE, Ltd. (a Singapore Entity) is a wholly owned by Walgreens China Business Trust (a China Entity).
(33) Duane Reade Holdings, Inc. (a Delaware Corporation) is a direct parent of Duane Reade, Inc. (a Delaware Corporation). Duane Reade, Inc. (a Delaware Corporation) is a direct parent of various subsidiaries (see footnote 34).
(34) Subsidiary of Duane Reade, Inc. (a Delaware Corporation).
(35) Walgreens China Business Trust (a China Entity) is 10% owned by Walgreen Mercantile Corporation (an Illinois Corporation) and 90% owned by East-West Distributing Co. (an Illinois Corporation).

The registrant also wholly owns inactive subsidiaries which are not included in the above list. All wholly owned subsidiaries are included in the consolidated financial statements.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 2-79977, 2-79978, 33-49676, 333-19467, 333-19501, 333-106967, 333-107841, 333-112343, 333-132272, 333-167836 and 333-164382 on Form S-8 and No. 333-152315 on Form S-3 of our reports dated October 26, 2010, relating to the financial statements and financial statement schedule of Walgreen Co. and Subsidiaries, and the effectiveness of Walgreen Co. and Subsidiaries' internal control over financial reporting, appearing in or incorporated by reference in the Annual Report on Form 10-K of Walgreen Co. and Subsidiaries for the year ended August 31, 2010.

/s/ DELOITTE & TOUCHE LLP

Chicago, Illinois
October 26, 2010

EXHIBIT 31.1

CERTIFICATION

I, Gregory D. Wasson, Chief Executive Officer, certify that:

1. I have reviewed this annual report on Form 10-K of Walgreen Co.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Gregory D. Wasson Chief Executive Officer Date: October 26, 2010

Gregory D. Wasson

EXHIBIT 31.2

CERTIFICATION

I, Wade D. Miquelon, Chief Financial Officer, certify that:

1. I have reviewed this annual report on Form 10-K of Walgreen Co.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) for the registrant and have:
    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Wade D. Miquelon Chief Financial Officer Date: October 26, 2010

Wade D. Miquelon

Exhibit 32.1

CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)

In connection with the Annual Report of Walgreen Co., an Illinois corporation (the "Company"), on Form 10-K for the year ended August 31, 2010 as filed with the Securities and Exchange Commission (the "Report"), I, Greg D. Wasson, Chief Executive Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Gregory D. Wasson
Gregory D. Wasson
Chief Executive Officer
Dated: October 26, 2010

A signed original of this written statement required by Section 906 has been provided to Walgreen Co. and will be retained by Walgreen Co. and furnished to the Securities and Exchange Commission or its staff upon request.

CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)

In connection with the Annual Report of Walgreen Co., an Illinois corporation (the "Company"), on Form 10-K for the year ended August 31, 2010 as filed with the Securities and Exchange Commission (the "Report"), I, Wade D. Miquelon, Chief Financial Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Wade D. Miquelon
Wade D. Miquelon
Chief Financial Officer
Dated: October 26, 2010

A signed original of this written statement required by Section 906 has been provided to Walgreen Co. and will be retained by Walgreen Co. and furnished to the Securities and Exchange Commission or its staff upon request.