

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, 2002.

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

(State of incorporation)

36-1924025

(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) 940-2500

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

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
<u>Common Stock (\$.078125 Par Value)</u>	<u>New York Stock Exchange</u> <u>Chicago Stock Exchange</u>
<u>Preferred Share Purchase Rights</u>	<u>New York Stock Exchange</u> <u>Chicago Stock Exchange</u>

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

Indicate by check mark whether the registrant (1) has filed all reports required by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days.

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. []

As of October 31, 2002, there were 1,024,908,276 shares of Walgreen Co. common stock, par value \$.078125 per share, issued and outstanding and the aggregate market value of such common stock held by non-affiliates (based upon the closing transaction price on the New York Stock Exchange) was approximately \$34,245,758,000.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Annual Report to Shareholders for the year ended August 31, 2002, only to the extent expressly so stated herein, are incorporated by reference into parts I, II and IV of Form 10-K. Portions of the registrant's proxy statement for its 2002 annual meeting of shareholders to be held January 8, 2003, are incorporated by reference into part III of Form 10-K.

PART I

Item 1. Business

(a) General development of business.

Walgreen Co. (The "company" or "Walgreens"), the nation's largest drugstore chain, recorded its 28 th year of consecutive sales and earnings growth. During the year, the company opened 471 stores while 108 were closed. All but 15 involved relocations to more convenient and profitable freestanding locations. The total number of stores at August 31, 2002 was 3,880 located in 43 states and Puerto Rico. In addition, the company operates three mail service facilities. The company plans to operate more than 7,000 stores by 2010.

To support store expansion, two new distribution centers were opened, one in West Palm Beach (Jupiter), Florida, and the other in the Dallas metropolitan area. A new distribution center is under construction in Northern Ohio, which is projected to open during 2003, while another is planned for Southern California with a projected opening date of 2004.

Prescription sales continue to become a larger portion of the company's business. This year prescriptions accounted for 59.8% of sales compared to 57.5% last year. Third party sales were 89.8% of prescription sales compared to 88.4% a year ago. Pharmacy sales trends are expected to continue primarily because of increased penetration in existing markets, availability of new drugs and demographic changes such as the aging population. There have been recent moves to reduce state Medicaid reimbursement levels below cost. The company continues to evaluate these reimbursement rates on a case by case basis.

During the past year the company entered into two sale-leaseback transactions that involved 86 drugstore locations and generated proceeds of \$302 million.

During fiscal year 2002 the company spent \$934.4 million on capital expenditures, which includes approximately \$667.7 million related to stores, \$217.1 million for distribution centers, and \$49.6 million related to other corporate items. Capital expenditures for fiscal 2003 are expected to exceed \$1 billion.

In October, the company announced that L. Daniel Jorndt will retire as Chairman of the Board of Directors effective January 8, 2003. David W. Bernauer, currently President and Chief Executive Officer, will become Chief Executive Officer and Chairman of the Board of Directors. Jeffrey A. Rein, Executive Vice President of Marketing, will become President and Chief Operating Officer.

(b) Financial information about industry segments.

The company's primary business is the operation of retail drugstores.

(c) Narrative description of business.

(i) Principal products produced and services rendered.

The drugstores are engaged in the retail sale of prescription and nonprescription drugs and carry additional product lines such as general merchandise, cosmetics, toiletries, household items, food and beverages. Customer prescription purchases can be made at the drugstores as well as through the mail, by telephone and on the internet.

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

<u>Product Class</u>	<u>Percentage</u>		
	<u>2002</u>	<u>2001</u>	<u>2000</u>
Prescription Drugs	60%	58%	55%
Nonprescription Drugs *	11	12	11
General Merchandise *	<u>29</u>	<u>30</u>	<u>34</u>
Total Sales	<u>100%</u>	<u>100%</u>	<u>100%</u>

* Estimates based, in part, on store scanning information.

(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 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 (pharmacy, occupational, liquor, etc.) having various lives, which are necessary for the normal operation of business. The company also owns various pending patent applications relating to its business and products.

(v) Seasonal variations in business.

The non-pharmacy business is seasonal in nature, with

Christmas generating a higher proportion of sales and earnings than other periods. See the note "Summary of Quarterly Results (Unaudited)" on Page 29 of the Annual Report to Shareholders for the year ended August 31, 2002 ("2002 Annual Report"), which is incorporated herein by reference.

(vi) Working capital practices.

The company generally finances its inventory and expansion needs with internally generated funds. During fiscal 2002 the company obtained funds through the placement of commercial paper. See the note "Short-Term Borrowings" on page 27 and "Management's Discussion and Analysis of Financial Condition" on pages 20 and 21 of the 2002 Annual Report, which sections are incorporated herein by reference. Short-term borrowings may not be necessary in fiscal 2003.

Due to the nature of the retail drugstore business 89.8% of all prescription sales are now covered by third party payers. Prescription sales represent 59.8% of total store sales. The remainder of store sales are principally for cash. Customer returns are immaterial.

(vii) Dependence upon limited number of customers.

Sales are to numerous customers which include various managed care organizations; therefore, the loss of any one customer or a group of customers under common control would not have a material effect on the business. No customer accounts for ten percent or more of the company's consolidated sales.

(viii) Backlog orders.

Not applicable.

(ix) Government contracts.

The company fills prescriptions for many state welfare plans. Revenues from all such plans are less than 7% of total sales.

(x) Competitive conditions.

The drug store industry is highly competitive. As one of the volume leaders in the retail drug industry, Walgreens competes with various retailers, including chain and independent drugstores, mail order prescription providers, internet pharmacies, grocery, variety and discount department stores. Competition remained keen during the fiscal year with the company competing on the basis of price, convenience, service and variety. The company's geographic dispersion tends to offset the impact of temporary economic and competitive conditions in individual markets.

Sales by geographic area for fiscal 2002 were as follows:

<u>State</u>	<u>Percent Of Sales</u>
Florida	17%
Illinois	12
Texas	10
California	7
Arizona	6
Wisconsin	4
37 other states and Puerto Rico	<u>44</u>
	<u>100%</u>

(xi) Research and development activities.

The company does not engage in any material research activities.

(xii) Environmental disclosures.

Federal, state and local environmental protection requirements have no material effect upon capital expenditures, earnings or the competitive position of the company.

(xiii) Number of employees.

The company employs approximately 141,000 persons, about 48,000 of whom are 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 occur within the continental United States and Puerto Rico. There are no export sales.

Cautionary Note Regarding Forward Looking Statements

Certain information in this annual report, as well as in other public filings, the company web site, press releases and oral statements made by the company's representatives, is forward-looking information based on current expectations and plans that involve risks and uncertainties. Forward-looking information includes statements concerning pharmacy sales trends, prescription margins, number of new store openings, and the level of capital expenditures; as well as those that include or are preceded by the words "expects," "estimates," "believes" or similar language. For such statements, we claim the protection of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995.

The following factors, in addition to those discussed elsewhere in this annual report for the fiscal year ended August 31, 2002, could cause results to differ materially from management expectations as projected in such forward-looking statements: the impact of events related to any terrorist actions, changes in economic conditions generally or in the markets served by the company; consumer preferences and spending patterns; competition from other drugstore chains, supermarkets, on-line retailers, other retailers and mail order companies; changes in state or federal legislation or regulations; the efforts of third party payers to reduce prescription drug costs; the success of planned advertising and merchandising strategies; the availability and cost of real estate and construction; accounting policies and practices; the company's ability to hire and retain pharmacists and other store and management personnel; the company's relationships with its suppliers; the company's ability to successfully implement new computer systems and technology; and adverse determinations with respect to litigation or other claims. Unless otherwise required by applicable securities laws, the company assumes no obligation to update its forward-looking statements to reflect subsequent events or circumstances.

Item 2. Properties

The number and location of the company's drugstores is incorporated by reference to the table under the caption "Walgreens Nationwide" on page 32 of the 2002 Annual Report, which section is incorporated herein by reference. Most of the company's drugstores are leased. The leases are for various terms and periods. See the caption, "Leases" on page 26 of the 2002 Annual Report, which section is incorporated herein by reference. The company owns approximately 19% of the retail stores open at August 31, 2002. The company has an aggressive expansion program of adding new stores and remodeling and relocating existing stores. Net selling space of drugstores was increased from 38.2 million square feet at August 31, 2001, to 42.7 million square feet at August 31, 2002. Approximately 58% of company stores have been opened or remodeled during the past five years.

The company's retail drugstore operations are supported by twelve distribution centers with a total of approximately 6.3 million square feet of space, of which 5.0 million square feet is owned. The remaining space is leased. All warehouses are served by modern distribution 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. A new distribution center is under construction in Northern Ohio, which is projected to open during 2003, while another is planned for Southern California with a projected opening date of 2004.

There are six principal office facilities containing approximately 1,102,000 square feet of which approximately 988,000 square feet is owned and the remainder is leased. The company owns one mail service facility with a ground lease and leases two other facilities. The combined square footage of these facilities is approximately 187,000 square feet. The mail service and office facilities are adequate for current needs.

Item 3. Legal Proceedings

The information in response to this item is incorporated herein by reference to the caption "Contingencies" on page 27 of the 2002 Annual Report, which section is incorporated herein by reference.

Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of security holders during the fourth quarter of the fiscal year.

EXECUTIVE OFFICERS OF THE REGISTRANT

The following information is furnished with respect to each executive officer of the company as of November 1, 2002:

NAME AND BUSINESS EXPERIENCE AGE OFFICE HELD
E

L. Daniel Jorndt*	Chairman of the Board since January 1999 Chief Executive Officer January 1998 to January 2002 President and Chief Operating Officer February 1990 to January 1999 Director since January 1990	61	Chairman
David W. Bernauer*	Chief Executive Officer since January 2002 President and Chief Operating Officer since January 1999 Senior Vice President July 1996 to January 1999 Chief Information Officer February 1995 to January 1999 Director since January 1999	58	President, Chief Executive Officer and Chief Operating Officer
Jerome B. Karlin	Executive Vice President since February 1999 Vice President September 1987 to February 1999	60	Executive Vice President
Jeffrey A. Rein*	Executive Vice President since February 2001 Vice President July 1999 to February 2001 Treasurer March 1996 to January 2000	50	Executive Vice President
R. Bruce Bryant	Senior Vice President since September 2000 Vice President, Drug Store Division September 1997 to September 2000	52	Senior Vice President
George C. Eilers	Senior Vice President since February 1999 Vice President, Drug Store Division July 1992 to February 1999	62	Senior Vice President
J. Randolph Lewis	Senior Vice President since January 2000 Vice President March 1996 to January 2000	52	Senior Vice President
<u>EXECUTIVE OFFICERS OF THE REGISTRANT – continued:</u>			
<u>NAME AND BUSINESS EXPERIENCE</u>		<u>AGE</u>	<u>OFFICE HELD</u>
Julian A. Oettinger	Senior Vice President, Secretary and General Counsel since January 2000 Vice President, Secretary and General Counsel January 1989 to January 2000	63	Senior Vice President, Secretary and General Counsel
Roger L. Polark	Senior Vice President and Chief Financial Officer since February	54	Senior Vice President and Chief Financial Officer

William A. Shiel	1995	51	Senior Vice President
Senior Vice President since July	1993		
Trent E. Taylor		45	Senior Vice President
Senior Vice President since	January 2000		
Chief Information Officer since	January 1999		
Director, Infrastructure	August 1995 to January 1999		
Mark A. Wagner		41	Senior Vice President
Senior Vice President since	February 2002		
Treasurer	January 2000 to February 2002		
Vice President, Drug Store Division	February 1999 to January 2000		
District Manager	September 1993 to February 1999		
John W. Gleeson		55	Vice President and Treasurer
Treasurer since February	2002		
Vice President since February	2000		
Divisional Vice President, Marketing Systems and Services	July 1992 to January 2000		
Dana I. Green		52	Vice President
Vice President since May	2000		
Divisional Vice President	July 1998 to May 2000		
Director, Employee Relations	May 1989 to July 1998		
Dennis R. O'Dell		55	Vice President
Vice President since January	2000		
Divisional Vice President	January 1997 to January 2000		
<u>EXECUTIVE OFFICERS OF THE REGISTRANT – continued:</u>			
<u>NAME AND BUSINESS EXPERIENCE</u>		<u>AG OFFICE HELD</u>	
Gregory D. Wasson		43	Vice President
Vice President since October	2001		
President, WHP Health	Initiatives, Inc. since March 2002		
Executive Vice President, WHP Health Initiatives, Inc.	October 2001 to March 2002		
Vice President, Drug Store Operations	February 1999 to October 2001		
District Manager	December 1987 to February 1999		
Chester G. Young		57	General Auditor
Divisional Vice President since	January 1995		
General Auditor since June	1988		
William M. Rudolphsen		47	Controller
Controller since January	1998		
Director of Accounting	September 1995 to January 1998		

* Mr. Jorndt is retiring as Chairman effective January 8, 2003. Mr. Bernauer will become Chairman and Chief Executive Officer as of January 8, 2003. Mr. Rein will become President and Chief Operating Officer as of January 8, 2003.

There is no family relationship between any of the aforementioned officers of the company.

Mr. Jorndt is currently a director of Kellogg Company.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

The company's common stock is traded on the New York and Chicago Stock

Exchanges under the symbol WAG. As of October 31, 2002 there were 96,976 recordholders of company common stock according to the records maintained

by the company's transfer agent.

The range of the sales prices of the company's common stock by quarters during the two years ended August 31 2002, are incorporated herein by reference to the note "Common Stock Prices" on page 29 of the 2002 Annual Report.

The range of the company's cash dividends per common share during the two years ended August 31 2002, are as follows:

<u>Quarter Ended</u>	<u>2002</u>	<u>2001</u>
November	\$.03625	\$.035
February	.03625	.035
May	.03625	.035
August	<u>.03625</u>	<u>.035</u>
Fiscal Year	<u>\$.145</u>	<u>\$.14</u>

Item 6. Selected Financial Data

The information in response to this item is incorporated herein by reference to the caption "Eleven Year Summary of Selected Consolidated Financial Data" on pages 18 and 19 of the 2002 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 20 and 21 of the 2002 Annual Report.

Item 7a. Qualitative and Quantitative Disclosure about Market Risk

Management does not believe that there is any material market risk exposure with respect to derivative or other financial instruments that would require disclosure under this item.

Item 8. Financial Statements and Supplementary Data

See Item 15.

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

The company filed a Form 8-K on April 9, 2002 confirming the dismissal of Arthur Andersen LLP as the company's independent auditor. The company filed a Form 8-K on May 9, 2002 confirming the engagement of Deloitte & Touche LLP as the company's independent auditor.

PART III

The information required for Items 10,11,12 and 13,with the exception of the information relating to the executive officers of the Registrant, which is presented in Part I under the heading "Executive Officers of the Registrant"

is incorporated herein by reference to the following sections of the Registrant's Proxy Statement:

Captions in Proxy

Names and ages of Director nominees,
their principal occupations and
other information

Information Concerning the Board of Directors
and its Committees – Compensation of Directors

Securities Ownership of Directors and Executive
Officers

Section 16(a) Beneficial Ownership Reporting
Compliance

Executive Compensation

Equity Compensation Plans

Item 14. Controls and Procedures

Based on their most recent evaluation, which was completed within 90 days of the filing of this Form 10-K, the company's Chief Executive Officer and Chief Financial Officer believe the company's disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) are effective in timely alerting the company's management to material information required to be included in this Form 10-K and other Exchange Act filings.

There were no significant changes in the company's internal controls or other factors that could significantly affect these controls subsequent to the date of their evaluation, and there were no significant deficiencies or material weaknesses which required corrective actions.

PART IV

Item 15. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

(a) Documents filed as part of this report

(The following financial statements, supplementary data, and report of independent public accountants appearing in the 2002 Annual Report are incorporated herein by reference.

)

Annual Report

Page Number

Consolidated Statements of Earnings and Shareholders' Equity for the years ended August 31, 2002, 2001 and 2000	22
Consolidated Balance Sheets at August 31, 2002 and 2001	23
Consolidated Statements of Cash Flows for the years ended August 31, 2002, 2001 and 2000	24
Summary of Major Accounting Policies	25-26
Notes to Consolidated Financial Statements	26-29
Reports of Independent Public Accountants	30
Walgreens Nationwide (Table of number of stores by state)	32

(The following financial statement schedule and related report of independent public accountants are included herein.

2

)

	<u>10-K Page Number</u>
Schedule II Valuation and Qualifying Accounts	15
Independent Auditors' Report	16
Supplemental Report of Independent Public Accountants	17
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.	
(Exhibits 10(a) through 10(p) constitute management contracts or compensatory plans or arrangements required to be filed as exhibits pursuant to Item 15(c) of this Form 10-K.	

)

(b) Reports on Form 8-K

No reports were filed on Form 8-K during the quarter that ended August 31, 2002.

(c) Exhibits

- 3(a) Articles of Incorporation of the company, as amended, filed with the Securities and Exchange Commission as Exhibit 3(a) to the company's Quarterly Report on Form 10-Q for the quarter ended February 28, 1999, and incorporated by reference herein.
3. (b) By-Laws of the company, as amended and restated effective as of April 9, 2002, filed with the Securities and Exchange Commission as Exhibit 3(b) to the company's Annual Report on Form 10-K for the fiscal year ended August 31, 2002.
4. (a) Rights Agreement dated as of July 10, 1996, between the company and Harris Trust and Savings Bank, filed with the Securities and Exchange Commission as Exhibit 1 to Registration Statement on Form 8-A on July 11, 1996 (File No. 1-604), and incorporated by reference herein.

1 (a) Top Management Long-Term Disability Plan. (Note 3)

0.

(b) Executive Short-Term Disability Plan Description. (Note 3)

(c) (i) Walgreen Co. Management Incentive Plan (as restated effective October 12, 1994), filed with the Securities and Exchange Commission as Exhibit 10(a) to the company's Quarterly Report on Form 10-Q for the quarter ended November 30, 1994 (File No. 1-604), and incorporated by reference herein.

(ii) Walgreen Co. Management Incentive Plan Amendment No. 1 (effective April 9, 1997), filed with the Securities and Exchange Commission as Exhibit 10 to the company's Quarterly Report on Form 10-Q for the quarter ended May 31, 1997 (File No. 1-604), and incorporated by reference herein.

(d) (i) Walgreen Co. Restricted Performance Share Plan, as amended, filed with the Securities and Exchange Commission as Exhibit 10(a) to the company's Quarterly Report on Form 10-Q for the quarter ended February 28, 1997 (File No. 1-604), and incorporated by reference herein.

(ii) Walgreen Co. Restricted Performance Share Plan Amendment (effective October 9, 1996) filed with the Securities and Exchange Commission as Exhibit 10 (d) (ii) to the company's Annual Report on Form 10-K for the fiscal year ended August 31, 2001 and incorporated by reference herein.

(e) Walgreen Co. Executive Stock Option Plan, as amended, filed with the Securities and Exchange Commission as Exhibit 10(b) to the company's Quarterly Report on Form 10-Q for the quarter ended February 28, 1997 (File No. 1-604), and incorporated by reference herein.

(f) (i) Walgreen Co. 1986 Director's Deferred Fee/Capital Accumulation Plan. (Note 1)

(ii) Walgreen Co. 1987 Director's Deferred Fee/Capital Accumulation Plan. (Note 2)

(iii) Walgreen Co. 1988 Director's Deferred Fee/Capital Accumulation Plan. (Note 4)

(iv) Walgreen Co. 1992 Director's Deferred Retainer Fee/Capital Accumulation Plan. (Note 8)

(g) (i) Walgreen Co. 1986 Executive Deferred Compensation/Capital Accumulation Plan. (Note 1)

(ii) Walgreen Co. 1988 Executive Deferred Compensation/Capital Accumulation Plan. (Note 4)

(iii) Amendments to Walgreen Co. 1986 and 1988 Executive Deferred Compensation/Capital Accumulation Plans. (Note 6)

(iv) Walgreen Co. 1992 Executive Deferred Compensation/Capital Accumulation Plan Series 1. (Note 8)

See Notes on pages 13 and 14.

(g) (v) Walgreen Co. 1992 Executive Deferred Compensation/Capital Accumulation Plan Series 2. (Note 8)

(vi) Walgreen Co. 1997 Executive Deferred Compensation/Capital Accumulation Plan Series I, filed with the Securities and Exchange Commission as Exhibit 10(c) to the company's Quarterly Report on Form 10-Q for the quarter ended February 28, 1997 (File No. 1-604), and incorporated by reference herein.

(vii) Walgreen Co. 1997 Executive Deferred Compensation/Capital Accumulation Plan Series 2, filed with the Securities and Exchange Commission as Exhibit 10(d) to the company's Quarterly Report on Form 10-Q for the quarter ended February 28, 1997 (File No. 1-604), and incorporated by reference herein.

(viii) Walgreen Co. 2001 Executive Deferred Compensation/Capital Accumulation Plan filed with the Securities and Exchange Commission as Exhibit 10(g) to the company's Annual Report on Form 10-K for the fiscal year ended August 31, 2001 and incorporated by reference herein.

(ix) Walgreen Co. 2002 Executive Deferred Compensation/Capital Accumulation Plan filed with the Securities and Exchange Commission as Exhibit 10(g) to the company's Annual Report on Form 10-K for the fiscal year ended August 31, 2002.

(h) Walgreen Co. Executive Deferred Profit-Sharing Plan (as restated effective April 13, 1994), filed with the Securities and Exchange Commission as Exhibit 10(b) to the company's Quarterly Report on Form 10-Q for the quarter ended May 31, 1994 (File No. 1-604), and incorporated by reference herein.

(i) (i) Form of Change of Control Employment Agreements. (Note 5)

(ii) Amendment to Employment Agreements adopted July 12, 1989. (Note 7)

(j) Walgreen Select Senior Executive Retiree Medical Expense Plan, filed with the Securities and Exchange Commission as Exhibit 10(j) to the company's Annual Report on Form 10-K for the fiscal year ended August 31, 1996 (File No. 1-604), and incorporated by reference herein.

(k) (i) Walgreen Co. Profit-Sharing Restoration Plan (restated effective January 1, 1993), filed with the Securities and Exchange Commission as Exhibit 10(k) to the company's Annual Report on Form 10-K for the fiscal year ended August 31, 1993 (File No. 1-604), and incorporated by reference herein.

(ii) Walgreen Profit Sharing Restoration Plan Amendment No. 1 (effective October 12, 1994), filed as Exhibit 10(c) to the company's Quarterly Report on Form 10-Q for the quarter ended November 30, 1994 (File No. 1-604), and incorporated by reference herein.

(l) Walgreen Co. Retirement Plan for Outside Directors. (Note 7)

(m) Walgreen Section 162(m) Deferred Compensation Plan (effective October 12, 1994), filed with the Securities and Exchange Commission as Exhibit 10(d) to the company's Quarterly Report on Form 10-Q for the quarter ended November 30, 1994 (File No. 1-604), and incorporated by reference herein.

(n) (i) Walgreen Co. Nonemployee Director Stock Plan Amendment No. 2 (effective September 1, 1998), filed with the Securities and Exchange Commission as Exhibit 10(o)(iii) to the company's Annual Report on Form 10-K for the fiscal year ended August 31, 1998, and incorporated by reference herein.

See Notes on pages 13 and 14.

(n) (ii) Walgreen Co. Nonemployee Director Stock Plan Amendment No. 3 (effective November 1, 2002), filed with the Securities and Exchange Commission as Exhibit 10(n)(ii) to the company's Annual Report on Form 10-K for the fiscal year ended August 31, 2002.

(o) Agreement dated February 3, 1998, by and between Walgreen Co. And Charles R. Walgreen III (for consulting services), filed With the Securities and Exchange Commission as Exhibit 10(a) to the company's Quarterly Report on Form 10-Q for the quarter ended May 31, 1998, and incorporated by reference herein.

(p) Walgreen Co. Broad-Based Stock Option Plan (effective July 10, 2002), filed with the Securities and Exchange Commission as Exhibit 10(p) to the company's Annual Report on Form 10-K for the fiscal year ended August 31, 2002.

1 The required information for this Exhibit is contained in the Consolidated Statements of Earnings and Shareholders Equity for the
1. years ended August 31, 2002, 2001 and 2000 and also in the Summary of Major Accounting Policies, each appearing in the Annual
Report and previously referenced in Part IV, Item 15, Section (a)(1).

1 Annual Report to shareholders for the fiscal year ended August 31, 2002. This report, except for those portions thereof which are
3. 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.

2 Subsidiaries of the Registrant.

1.

2 Independent Auditors' Consent.

3.

9 Certifications by the Chief Executive Officer and Chief Financial Officer as required by Section 906 of the Sarbanes-Oxley Act of

9. 2002, filed with the Securities and Exchange Commission as Exhibit 99.1 to the company's Annual Report on Form 10-K for the fiscal
1 year ended August 31, 2002.

Notes

(Note 1) Filed with the Securities and Exchange Commission as Exhibit 10 to the company's Annual Report on Form 10-K for the fiscal year ended August 31, 1986 (File No. 1-604), and incorporated by reference herein.

(Note 2) Filed with the Securities and Exchange Commission as Exhibit 10 to the company's Quarterly Report on Form 10-Q for the quarter ended November 30, 1986 (File No. 1-604), and incorporated by reference herein.

(Note 3) Filed with the Securities and Exchange Commission as Exhibit 10 to the company's Annual Report on Form 10-K for the fiscal year ended August 31, 1990 (File No. 1-604), and incorporated by reference herein.

(Note 4) Filed with the Securities and Exchange Commission as Exhibit 10 to the company's Quarterly Report on Form 10-Q for the quarter ended November 30, 1987 (File No. 1-604), and incorporated by reference herein.

(Note 5) Filed with the Securities and Exchange Commission as Exhibit 10 to the company's Current Report on Form 8-K dated October 18, 1988 (File No. 1-604), and incorporated by reference herein.

(Note 6) Filed with the Securities and Exchange Commission as Exhibit 10 to the company's Quarterly Report on Form 10-Q for the quarter ended November 30, 1988 (File No. 1-604), and incorporated by reference herein.

(Note 7) Filed with the Securities and Exchange Commission as Exhibit 10 to the company's Annual Report on Form 10-K for the fiscal year ended August 31, 1989 (File No. 1-604), and incorporated by reference herein.

(Note 8) Filed with the Securities and Exchange Commission as Exhibit 10 to the company's Annual Report on Form 10-K for the fiscal year ended August 31, 1992 (File No. 1-604), and incorporated by reference herein.

WALGREEN CO. AND SUBSIDIARIES
SCHEDULE II--VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED AUGUST 31, 2002, 2001 AND 2000

(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, 2002	<u>\$20.9</u>	<u>\$22.2</u>	<u>\$(23.0)</u>	<u>\$20.1</u>
Year Ended August 31, 2001	<u>\$16.9</u>	<u>\$28.6</u>	<u>\$(24.6)</u>	<u>\$20.9</u>
Year Ended August 31, 2000	<u>\$ 9.0</u>	<u>\$24.3</u>	<u>\$(16.4)</u>	<u>\$16.9</u>

DELOITTE & TOUCHE LLP

INDEPENDENT AUDITORS' REPORT

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, 2002, and for the fiscal year then ended, and have issued our report thereon dated September 27, 2002; such financial statements and report are included in your 2002 Annual Report to Shareholders and are incorporated herein by reference. The consolidated financial statements of the Company as of August 31, 2001 and 2000 were audited by other auditors who have ceased operations. Those auditors expressed an unqualified opinion on those consolidated financial statements in their report dated September 28, 2001.

Our audit also included the financial statement schedule as it relates to the year ended August 31, 2002 of the Company, listed in Item 15. The financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audit. In our opinion, such financial statement schedule, as it relates to the year ended August 31, 2002, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein. The financial statement schedule, as it relates to the years ended August 31, 2001 and 2000, was subjected to auditing procedures by other auditors whose report dated September 28, 2001 stated that such information is fairly stated in all material respects when considered in relation to the basic 2001 and 2000 financial statements taken as a whole.

/s/ Deloitte & Touche LLP

Chicago, IL

September 27, 2002

ARTHUR ANDERSEN LLP

SUPPLEMENTAL REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

We have audited in accordance with auditing standards generally accepted in the United States, the consolidated financial statements included in Walgreen Co. and Subsidiaries' annual report to shareholders incorporated by reference in this Form 10-K, and have issued our report thereon dated September 28, 2001. Our audits were made for the purpose of forming an opinion on those statements taken as a whole. Schedule II included in this Form 10-K is the responsibility of the company's management, is presented for purposes of complying with the Securities and Exchange Commission's rules, and is not part of the basic financial statements. Schedule II has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

/s/ Arthur Andersen LLP (1)

Chicago, Illinois

September 28, 2001

1. This report is a copy of the previously issued report covering fiscal years 2001 and 2000. The predecessor auditor has not reissued its report.

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.
(Registrant)

By /s/ Roger L. Polark
Roger L. Polark
Senior Vice President
Chief Financial Officer

Date: November 21, 2002

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.

<u>Name</u>	<u>Title</u>	<u>Date</u>
<u>/s/ L. Daniel Jorndt</u> L. Daniel Jorndt	Chairman of the Board, and Director	November 21, 2002
<u>/s/ David W. Bernauer</u> David W. Bernauer	President, Chief Executive Officer and Director	November 21, 2002
<u>/s/ William M. Rudolphsen</u> William M. Rudolphsen	Controller	November 21, 2002
<u>/s/ William C. Foote</u> William C. Foote	Director	November 21, 2002
<u>/s/ James J. Howard</u> James J. Howard	Director	November 21, 2002
<u>/s/ Alan G. McNally</u> Alan G. McNally	Director	November 21, 2002
<u>/s/ Cordell Reed</u> Cordell Reed	Director	November 21, 2002
<u>/s/ David Y. Schwartz</u> David Y. Schwartz	Director	November 21, 2002
<u>/s/ John B. Schwemm</u> John B. Schwemm	Director	November 21, 2002
<u>/s/ Marilou M. von Ferstel</u> Marilou M. von Ferstel	Director	November 21, 2002
<u>/s/ C.R. Walgreen III</u> C.R. Walgreen III	Director	November 21, 2002

CERTIFICATION PURSUANT TO

SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, David W. Bernauer, certify that:

1. I have reviewed this annual report on Form 10-K of Walgreen Co. for the fiscal year ending August 31, 2002;

2. Based on my knowledge, this annual 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 annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
 - a) Designed such disclosure controls and procedures 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 annual report is being prepared;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
 - c) Presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

<u>/s/</u>	<u>David W. Bernauer</u> David W. Bernauer	President, Chief Executive Officer and Director	Date November 18, 2002
------------	---	--	---------------------------

CERTIFICATION PURSUANT TO

SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Roger L. Polark, certify that:

1. I have reviewed this annual report on Form 10-K of Walgreen Co. for the fiscal year ending August 31, 2002;
2. Based on my knowledge, this annual 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 annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
 - a) Designed such disclosure controls and procedures 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 annual report is being prepared;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
 - c) Presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date

/s/

Roger L. Polark
Roger L. Polark

Senior Vice President and
Chief Financial Officer

November 14, 2002

BY-LAWS

of

WALGREEN CO.

ARTICLE I

OFFICES

SECTION 1. *Principal Offices* . The principal office of the corporation shall be located in the State of Illinois and the corporation may have such other offices, either within or without the State of Illinois, as the business of the corporation may require from time to time.

SECTION 2. *Registered Office* . The registered office of the corporation required by The Business Corporation Act of the State of Illinois to be maintained in the State of Illinois may be, but need not be, identical with the principal office in the State of Illinois, and the address of the registered office may be changed from time to time by the Board of Directors.

ARTICLE II

SHAREHOLDERS

SECTION 1. *Annual Meeting* . (a) The annual meeting of the shareholders shall be held on the second Wednesday in January in each year, or such other day in January as the Board of Directors may designate, at a time set by the Chairman of the Board, for the purpose of electing directors and for the transaction of such other business as may properly come before the meeting. If the day fixed for the annual meeting shall be a legal holiday, such meeting shall be held on the next succeeding business day. If the election of directors shall not be held on the day designated herein for any annual meeting, or at any adjournment thereof, the Board of Directors shall cause the election to be held at a meeting of the shareholders as soon thereafter as may be convenient.

(b) At any annual meeting of the shareholders of the corporation, only such business shall be conducted as shall have been brought before the meeting (i) by or at the direction of the Board of Directors or (ii) by any shareholder of the corporation that complies with the procedures set forth in this Section 1. For business to be properly brought before an annual meeting by a shareholder, the shareholder must have given timely notice thereof in proper written form to the Secretary of the corporation. To be timely, a shareholder's notice must be delivered or mailed and received at the principal executive offices of the corporation not less than ninety (90) days nor more than one hundred twenty (120) days prior to the date corresponding to the date of the prior year's annual meeting of shareholders. To be in proper written form, a shareholder's notice to the Secretary shall set forth in writing as to each matter the shareholder proposes to bring before the annual meeting (i) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (ii) the name and address, as they appear in the corporation's books, of the shareholder proposing such business, (iii) the class and number of shares of the corporation which are beneficially owned by the shareholder and (iv) any material interest of the shareholder in such business. Notwithstanding anything in the By-laws to the contrary, no business shall be conducted at an annual meeting except in accordance with the procedures set forth in this Section 1. The Chairman of an annual meeting shall, if the facts warrant, determine and declare to the meeting that business was not properly brought before the meeting in accordance with the provisions of this Section 1, and if he should so determine, he shall so declare to the meeting that any such business not properly brought before the meeting shall not be transacted.

SECTION 2. *Special Meetings* . Special meetings of the shareholders may be called by the Chairman of the Board, by the Chief Executive Officer, by the President, by the Board of Directors or by the holders of not less than one-fifth of all the outstanding shares of the corporation.

SECTION 3. *Place of Meeting* . The Board of Directors may designate any place, either within or without the State of Illinois, as the place of meeting for any annual meeting or for any special meeting called by the Board of Directors. If no designation is made, or if a special meeting be otherwise called and the Board of Directors fails to designate the place of such meeting, the place of such meeting shall be the registered office of the corporation in the State of Illinois.

SECTION 4. *Notice of Meetings* . Written or printed notice stating the place, day and hour of the meeting and, in case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than ten nor more than sixty days before the date of the meeting or in the case of a merger, consolidation, share exchange, dissolution or sale, lease or exchange of assets not less than twenty days nor more than sixty days before the date of the meeting, either personally or by mail, by or at the direction of the Chairman of the Board, the Chief Executive Officer, the President, or the Secretary, or the officer or persons calling the meeting to each shareholder of record entitled to vote at such meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the shareholder at his or her address as it appears on the records of the corporation, with postage thereon prepaid.

SECTION 5. *Fixing of Record Date* . For the purpose of determining shareholders entitled to notice of or to vote at any meeting of shareholders, or shareholders entitled to receive payment of any dividend, or in order to make a determination of shareholders for any other proper purpose, the Board of Directors of the corporation may fix in advance a date as the record date for any such determination of shareholders, such date in any case to be not more than 60 days and, for a meeting of shareholders, not less than 10 days, or in the case of a merger, consolidation, share exchange, dissolution or sale, lease or exchange of assets not less than 20 days, immediately preceding such meeting. If no record date is fixed for the determination of shareholders entitled to notice of or to vote at a meeting of shareholders, or shareholders entitled to receive payment of a dividend, the date on which notice of the meeting is mailed or the date on which the resolution of the Board of Directors declaring such dividend is adopted, as the case may be, shall be the record date for such determination of shareholders. When a determination of shareholders entitled to vote at any meeting of shareholders has been made as provided in this Section, such determination shall apply to any adjournment thereof.

SECTION 6. *Voting Lists* . The officer or agent having charge of the transfer books for shares of the corporation shall make, within twenty days after the record date for a meeting of shareholders or ten days before such meeting, whichever is earlier, a complete list of the shareholders entitled to vote at such meeting, arranged in alphabetical order, with the address of and the number of shares held by each, which list, for a period of ten days prior to such meeting, shall be kept on file at the registered office of the corporation and shall be subject to inspection by any shareholder and to copying at the shareholder's expense, at any time during usual business hours. Such list shall also be produced and kept open at the time and place of the meeting and shall be subject to the inspection of any shareholder during the whole time of the meeting. The original share ledger or transfer book, or a duplicate thereof kept in this State, shall be prima facie evidence as to who are the shareholders entitled to examine such list or share ledger or transfer book or to vote at any meeting of shareholders.

SECTION 7. *Quorum* . A majority of outstanding shares entitled to vote on a matter, represented in person or by proxy, shall constitute a quorum at any meeting of shareholders; provided that if less than a majority of the outstanding shares are represented at said meeting, a majority of the shares so represented may adjourn the meeting from time to time without further notice. In no event shall a quorum consist of less than one-third of the outstanding shares entitled to vote.

If a quorum is present, the affirmative vote of the majority of the shares represented at the meeting and entitled to vote on a matter shall be the act of the shareholders, unless the vote of a greater number or voting by classes is required by The Business Corporation Act or the Articles of Incorporation of the corporation.

SECTION 8. *Proxies* . A shareholder may appoint a proxy to vote or otherwise act for him or her by signing an appointment form and delivering it to the person so appointed. No shareholder may name more than three persons as proxies to attend and vote the shareholder's shares at any such meeting. Such proxy shall be filed with the Secretary of the corporation before or at the time of the meeting. No proxy shall be valid after eleven months from the date of its execution, unless otherwise provided in the proxy. Every proxy continues in full force and effect until revoked by the person executing it prior to the vote thereon, except to the extent such proxy is irrevocable. Such revocation may be effected by a writing delivered to the corporation stating that the proxy is revoked, or by a subsequent proxy executed by, or by attendance at the meeting and voting in person by, the person executing the proxy. The dates contained on the forms of proxy presumptively determine the order of execution, regardless of the postmark dates on the envelopes in which they are mailed. Notwithstanding any provision contained in these By-laws, a shareholder may electronically transmit or authorize the electronic transmission of his or her proxy, if done as prescribed by law.

SECTION 9. *Voting of Shares* . Subject to the provisions of Section 11 of this Article, each outstanding share, regardless of class, shall be entitled to one vote upon each matter submitted to a vote at a meeting of shareholders.

SECTION 10. *Voting of Shares by Certain Holders* . Shares of the corporation held by the corporation in a fiduciary capacity may be voted and shall be counted in determining the total number of outstanding shares entitled to vote at a given time.

Shares registered in the name of another corporation, domestic or foreign, may be voted by any officer, agent, proxy or other legal representative authorized to vote such shares under the law of incorporation of such corporation. The corporation may treat the president or other person holding the position of chief executive officer of such other corporation as authorized to vote such shares, together with any other person indicated and any other holder of an office indicated by the corporate shareholder to the corporation as a person or an office authorized to vote such shares as the by-laws of such corporation may prescribe, or, in the absence of such provision, as the board of directors of such corporation may determine.

Shares registered in the name of a deceased person, a minor ward or person under legal disability, may be voted by his or her administrator, executor, or court appointed guardian, either in person or by proxy without a transfer of such shares into the name of such administrator, executor, or court appointed guardian. Shares registered in the name of a trustee may be voted by him or her, either in person or by proxy.

Shares registered in the name of a receiver may be voted by such receiver, and shares held by or under the control of a receiver may be voted by such receiver without the transfer thereof into his or her name if authority so to do is contained in an appropriate order of the court by which such receiver was appointed.

A shareholder whose shares are pledged shall be entitled to vote such shares until the shares have been transferred into the name of the pledgee, and thereafter the pledgee shall be entitled to vote the shares so transferred.

SECTION 11. *Cumulative Voting* . In all elections for directors, every shareholder shall have the right to vote, in person or by proxy, the number of shares owned by such shareholder, for as many persons as there are directors to be elected, or to cumulate such votes and give one candidate as many votes as shall equal the number of directors multiplied by the number of such shares, or to distribute such cumulative votes in any proportion among any number of candidates.

SECTION 12. *Voting by Ballot* . Voting on any question or in any election may be viva voce unless the presiding officer shall order that voting be by ballot.

SECTION 13. *Adjournments* . Any meeting of shareholders may be adjourned. Notice of the adjourned meeting or of the business to be transacted there, other than by announcement at the meeting at which the adjournment is taken, shall not be necessary, unless otherwise required by law. At an adjourned meeting at which a quorum is present or represented, any business may be transacted which could have been transacted at the meeting originally called.

SECTION 14. *Inspectors of Election* . The Board of Directors, in advance of any meeting of shareholders, may appoint one or more persons as inspectors to act at such meeting or any adjournment thereof. If inspectors of election are not so appointed, the person acting as chairman at any such meeting may, and on the request of any shareholder shall, make such appointment.

The inspectors shall ascertain and report the number of shares represented at the meeting, based upon their determination of the validity and effect of proxies; count all votes and report the results; and do such other acts as are proper to conduct the election and voting with impartiality and fairness to all the shareholders.

Each report of an inspector shall be in writing and signed by him or her or by a majority of them if there is more than one inspector acting at such meeting. If there is more than one inspector, the report of a majority shall be the report of the inspectors. The report of the inspector or inspectors on the number of shares represented at the meeting and the results of the voting shall be prima facie evidence thereof.

SECTION 15. *Notice of Shareholder Nominees* . Only persons who are nominated in accordance with the procedures set forth in this Section 15 shall be eligible for election at a meeting of shareholders as directors of the corporation. Nominations of persons for election to the Board of Directors of the corporation may be made at a meeting of shareholders (a) by or at the direction of the Board of Directors or (b) by any shareholder of the corporation who is a shareholder of record at the time of giving of notice provided for in this Section, who shall be entitled to vote for the election of directors at the meeting and who complies with the procedures set forth in this Section 15. Such nominations, other than those made by or at the direction of the Board of Directors, shall be made pursuant to timely notice in writing to the Secretary of the corporation. To be timely, a shareholder's notice shall be delivered to or mailed and received at the principal executive offices of the corporation not less than ninety (90) days nor more than one hundred twenty (120) days prior to the date corresponding to the date of the prior year's annual meeting of shareholders. Such shareholder's notice shall set forth (a) as to each person whom the shareholder proposes to nominate for election or re-election as a director, all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A promulgated under the Securities Exchange Act of 1934, as amended (including, without limitation, such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected); and (b) as to the shareholder giving the notice (i) the name and address, as they appear on the corporation's books, of such shareholder and (ii) the class and number of shares of the corporation which are beneficially owned by such shareholder. At the request of the Board of Directors, any person nominated by the Board of Directors for election as a director shall furnish to the Secretary of the corporation that information required to be set forth in a shareholder's notice of nomination which pertains to the nominee. No person shall be eligible to serve as a Director of the corporation unless nominated in accordance with the procedures set forth in this by-law. The Chairman of the meeting shall, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the procedures prescribed by the By-laws, and if he should so determine, he shall so declare to the meeting and the defective nomination shall be disregarded. Notwithstanding the foregoing provisions of this Section 15, a shareholder shall also comply with all applicable requirements of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder with respect to the matters set forth in this Section.

SECTION 16. *Action by Written Consent* . (a) In order that the corporation may determine the shareholders entitled to consent to corporate action in writing without a meeting, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which date shall not be more than 10 days after the date upon which the resolution fixing the record date is adopted by the Board of Directors. Any shareholder of record seeking to have the shareholders authorize or take corporate action by written consent shall, by written notice to the Secretary, request the Board of Directors to fix a record date. The Board of Directors shall promptly, but in all events within 10 days after the date on which such a request is received, adopt a resolution fixing the record date. If no record date has been fixed by the Board of Directors within 10 days of the date on which such a request is received, the record date for determining shareholders entitled to consent to corporate action in writing without a meeting, when no prior action by the Board of Directors is required by applicable law, shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the corporation by delivery to its principal place of business or to any officer or agent of the corporation having custody

of the book in which proceedings of meetings of shareholders are recorded. If no record date has been fixed by the Board of Directors and prior action by the Board of Directors is required by applicable law, the record date for determining shareholders entitled to consent to corporate action in writing without a meeting shall be at the close of business on the date on which the Board of Directors adopts the resolution taking such prior action.

(b) Every written consent shall bear the date of signature of each shareholder who signs the consent and no written consent shall be effective to take the corporate action referred to therein unless, within 60 days of the record date established in accordance with paragraph (a) of this Section 16, a written consent or consents signed by a sufficient number of holders to take such action are delivered to the corporation in the manner prescribed in paragraph (a) of this Section.

(c) In the event of the delivery, in the manner provided by this Section, to the corporation of the requisite written consent or consents to take corporate action and/or any related revocation or revocations, the corporation shall engage nationally recognized independent inspectors of elections for the purpose of promptly performing a ministerial review of the validity of the consents and revocations. For the purpose of permitting a prompt ministerial review by the independent inspectors, no action by written consent without a meeting shall be effective until the earlier of (i) five business days following delivery to the corporation of consents signed by the holders of the requisite minimum number of votes that would be necessary to take such action, which delivery shall be accompanied by a certification by the shareholder of record (or his or her designee) who delivered, in accordance with paragraph (a) above, the written notice to the Secretary requesting the Board of Directors to fix a record date or (ii) such date as the independent inspectors certify to the corporation that the consents delivered to the corporation in accordance with this Article represent at least the minimum number of votes that would be necessary to take the corporate action. Nothing contained in this paragraph shall in any way be construed to suggest or imply that the Board of Directors or any shareholder shall not be entitled to contest the validity of any consent or revocation thereof, whether during or after such five business day period, or to take any other action (including, without limitation, the commencement, prosecution or defense of any litigation with respect thereto).

ARTICLE III

DIRECTORS

SECTION 1. *General Powers* . The business and affairs of the corporation shall be managed by or under the direction of its Board of Directors.

SECTION 2. *Number, Tenure and Qualifications* . The number of directors of the corporation shall be not less than seven nor more than twelve. Within the limits above specified, the number of directors shall be determined from time to time by resolution of the Board of Directors or by resolution of the shareholders. Each director shall hold office until the next annual meeting of shareholders or until his or her successor shall have been elected. Directors need not be residents of Illinois or shareholders of the corporation. It shall be the policy of the corporation not to nominate as a director any person who has reached his or her seventieth birthday.

A director may resign at any time by giving written notice to the Board of Directors, its Chairman or to the Chief Executive Officer or to the President or Secretary of the corporation. A resignation shall be effective when the notice is given, unless the notice specifies a future date.

SECTION 3. *Regular Meetings* . A regular annual meeting of the Board of Directors shall be held without other notice than this by-law, immediately after, and at the same place as, the annual meeting of shareholders. The Board of Directors may provide, by resolution, the time and place, either within or without the State of Illinois, for the holding of additional regular meetings without other notice than such resolution; but if not so provided then such additional regular meetings may be convened in the same manner as provided in Section 4 of this Article in respect of special meetings.

SECTION 4. *Special Meetings* . Special meetings of the Board of Directors may be called by or at the request of the Chairman of the Board or any two directors. The person or persons authorized to call special meetings of the Board of Directors may fix any place, either within or without the State of Illinois, as the place for holding any special meeting of the Board of Directors called by them.

SECTION 5. *Notice* . Notice of any special meeting shall be given at least one day prior thereto if notice is given personally, at least two days prior thereto if notice is given by telegram or by a delivery service assuring delivery within twenty-four hours, or at least five days prior thereto if notice is given by mail. If notice is given by telegram, such notice shall be deemed to be delivered when the telegram, addressed to the director at his or her business address, is delivered to the telegraph company. If notice is given by delivery service, such notice shall be deemed to be delivered when delivered, so addressed, to the delivery service company. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the director at his or her business address, with postage thereon prepaid. Any director may waive notice of any meeting. The attendance of a director at any meeting shall constitute a waiver of notice of such meeting, except where a director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board of Directors need be specified in the notice or waiver of notice of such meetings.

SECTION 6. *Quorum* . A majority of the Board of Directors then in office, but in no event less than a majority of the minimum number of directors specified in Section 2 of this Article shall constitute a quorum for the transaction of business at any meeting of the Board of Directors,

provided that if less than a majority of the directors are present at said meeting, a majority of the directors present may adjourn the meeting from time to time without further notice.

SECTION 7. *Manner of Acting* . Except as provided in the Articles of Incorporation of the corporation, the act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

SECTION 8. *Vacancies* . Any vacancy occurring in the Board of Directors and any directorship to be filled by reason of an increase in the number of directors or for any other reason may be filled by election at an annual meeting of shareholders, election at a special meeting of shareholders called for that purpose or by election by the Board of Directors at a regular or special meeting of the Board of Directors.

SECTION 9. *Presumption of Assent* . A director of the corporation who is present at a meeting of the Board of Directors at which action on any corporate matter is taken shall be conclusively presumed to have assented to the action taken unless his or her dissent is entered in the minutes of the meeting or unless such director shall file his or her written dissent to such action with the person acting as the secretary of the meeting before the adjournment thereof or shall forward such dissent by registered or certified mail to the Secretary of the corporation immediately after the adjournment of the meeting. Such right to dissent shall not apply to a director who voted in favor of such action.

SECTION 10. *Informal Action by Directors* . Any action required to be taken at a meeting of the Board of Directors, or any other action which may be taken at a meeting of the Board of Directors, may be taken without a meeting if a consent in writing setting forth the action so taken shall be signed by all the directors entitled to vote with respect to the subject matter thereof.

SECTION 11. *Adjournment* . Any meeting of the Board of Directors may be adjourned. Notice of the adjourned meeting or of the business to be transacted there, other than by announcement at the meeting at which the adjournment is taken, shall not be necessary. At an adjourned meeting at which a quorum is present, any business may be transacted which could have been transacted at the meeting originally called.

SECTION 12. *Directors Conflict of Interest* . If a transaction is fair to the corporation at the time it is authorized, approved or ratified, the fact that a director of the corporation is directly or indirectly a party to the transaction shall not be grounds for invalidating the transaction.

SECTION 13. *Compensation of Directors* . By the affirmative vote of a majority of the directors then in office, and irrespective of any personal interest of any member of the Board of Directors, the Board of Directors may establish reasonable compensation of all directors for services to the corporation as directors, officers or otherwise. No such establishment of reasonable compensation shall be deemed a director conflict of interest.

ARTICLE IV

COMMITTEES OF THE BOARD OF DIRECTORS

SECTION 1. *Establishment of Committees* . A majority of the directors may create one or more committees and appoint members of the Board of Directors to serve on the committee or committees. Each committee shall have two or more members, who serve at the pleasure of the Board of Directors. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of such committee. Any vacancy in a committee may be filled by the Board of Directors. Each committee shall keep regular minutes of its meetings and report the same to the Board of Directors as required.

SECTION 2. *Manner of Acting* . A majority of any committee shall constitute a quorum and a majority of a quorum shall be necessary for action by any committee. A committee may act by unanimous consent in writing without a meeting. The committee, by majority vote of its members, shall determine the time and place of meetings and the notice required therefor.

SECTION 3. *Authority of Committees* . To the extent specified by resolution of the Board of Directors and these By-laws, each committee may exercise the authority of the Board of Directors, provided, however, a committee may not:

- a) authorize distributions;
- b) approve or recommend to shareholders any act requiring the approval of shareholders;
- c) fill vacancies on any committee;
- d) elect or remove officers or fix the compensation of any member of the committee;
- e) adopt, amend or repeal these By-laws;
- f) approve a plan of merger not requiring shareholder approval;

g) authorize or approve reacquisition of shares, except according to a general formula or method prescribed by the Board of Directors;

h) authorize or approve the issuance or sale, or contract for sale, of shares, or determine the designation and relative rights, preferences, and limitations of a series of shares, except that a committee may fix the specific terms of the issuance or sale or contract for sale, or the number of shares to be allocated to particular employees under an employee benefit plan; or

i) amend, alter, repeal, or take action inconsistent with any resolution or action of the Board of Directors when the resolution or action of the Board of Directors provides by its terms that it shall not be amended, altered or repealed by action of a committee.

SECTION 4. *Executive Committee* . The Board of Directors may establish an Executive Committee. The Executive Committee, during intervals between meetings of the Board of Directors, shall have, and may exercise, subject to the limitations contained in Section 3 of this Article, the powers of the Board of Directors in the management of the business and affairs of the corporation.

SECTION 5. *Compensation Committee* . The Board of Directors may establish a Compensation Committee consisting of directors who are not otherwise employed by the corporation. The Compensation Committee shall review, from time to time, the salaries, compensation and employee benefits of the officers and employees of the corporation and shall make recommendations to the Board of Directors concerning such matters.

SECTION 6. *Audit Committee* . The Board of Directors shall establish an Audit Committee consisting of directors who are not otherwise employed by the corporation. The Audit Committee shall review the selection and qualifications of the independent public accountants employed by the corporation to audit the financial statements of the corporation and the scope and adequacy of their audits. The Audit Committee shall also consider recommendations made by such independent public accountants, review the internal financial audits of the corporation, and report any additions or changes it deems advisable to the Board of Directors.

SECTION 7. *Nominating and Governance Committee* . The Board of Directors may establish a Nominating and Governance Committee consisting of directors who are not otherwise employed by the corporation. The Nominating and Governance Committee shall consider matters related to corporate governance, develop general criteria regarding the selection and qualifications for members of the Board of Directors and shall recommend candidates for election to the Board of Directors.

SECTION 8. *Finance Committee* . The Board of Directors may establish a Finance Committee. The Finance Committee shall review major financial decisions of the corporation and shall make recommendations to the Board of Directors concerning such matters.

ARTICLE V

OFFICERS

SECTION 1. *Number* . The officers of the corporation shall be a Chairman of the Board, a Chief Executive Officer, a President, and such Executive or Senior Vice Presidents and other Vice Presidents as the Board of Directors may from time to time elect or appoint, a Treasurer, a Controller, a General Auditor and a Secretary, and such Assistant Treasurers, Assistant Secretaries, Assistant Controllers or other officers as may be from time to time elected or appointed by the Board of Directors. Any two or more offices may be held by the same person.

SECTION 2. *Election and Term of Office* . The officers of the corporation shall be elected annually by the Board of Directors at the first meeting of the Board of Directors held after each annual meeting of shareholders. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as may be convenient. Each officer shall hold office until his or her successor shall have been duly elected and shall have qualified or until his or her death or until he or she shall resign or shall have been removed in the manner hereinafter provided. No officer shall be elected or re-elected after reaching sixty-five years of age.

SECTION 3. *Removal* . Any officer or agent of the corporation may be removed by the Board of Directors whenever in its judgment the best interests of the corporation will be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Election or appointment of an officer or agent shall not of itself create contract rights.

SECTION 4. *Vacancies* . A vacancy in any office because of death, resignation, removal, disqualification or otherwise, may be filled by the Board of Directors for the unexpired portion of the term.

SECTION 5. *Chief Executive Officer* . The Chairman of the Board may, but need not, be the Chief Executive Officer of the corporation. The Chief Executive Officer shall determine and administer the policies of the corporation, subject to the instructions of the Board of Directors.

Except where, by law, the signature of some other officer or agent of the corporation is required, the Chief Executive Officer may sign: certificates for shares of the corporation; any deeds, mortgages, bonds, leases concerning real and personal property both as landlord and as tenant; contracts and other instruments in furtherance of the business of the corporation, including instruments of guaranty as to any of such documents which may be executed by subsidiaries of the corporation; proxies on behalf of the corporation with respect to the voting of any

shares of stock owned by the corporation; and assignments of shares of stock owned by the corporation. The Chief Executive Officer shall have the power to appoint such agents and employees as in the Chief Executive Officer's judgment may be necessary or proper for the transaction of the business of the corporation and to fix their compensation, all subject to the ratification of the Board of Directors.

The Chief Executive Officer shall submit to the Board of Directors, prior to the date of the annual meeting of shareholders, an annual report of the operations of the corporation and its subsidiaries, including a balance sheet showing the financial condition of the corporation and its subsidiaries consolidated as at the close of such fiscal year and statements of consolidated income and surplus. The Chief Executive Officer shall perform such other duties as may be prescribed by the Board of Directors from time to time.

SECTION 6. *Chairman of the Board* . The Chairman of the Board shall preside at all meetings of the Board of Directors.

SECTION 7. *President* . The President shall be the Chief Operating Officer of the corporation and shall in general be in charge of the operations of the corporation. The President may, but need not, be the Chief Executive Officer.

Except where, by law, the signature of some other officer or agent of the corporation is required, the President or a Vice President may sign: certificates for shares of the corporation; any deeds, mortgages, bonds, leases concerning real and personal property both as landlord and as tenant; contracts or other instruments in furtherance of the business of the corporation, including instruments of guaranty as to any of such documents which may be executed by subsidiaries of the corporation; proxies on behalf of the corporation with respect to the voting of any shares of stock owned by the corporation; and assignments of shares of stock owned by the corporation. The President shall perform such other duties as may be prescribed by the Board of Directors from time to time.

SECTION 8. *The Vice Presidents* . In the absence of the President or in the event of the President's inability or refusal to act, a Vice President, selected by the Board of Directors, shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President. Each Vice President may execute documents as provided in Section 7 of this Article and shall perform such other duties as from time to time may be assigned to such Vice President by the Chief Executive Officer, the President or by the Board of Directors. The Board of Directors may designate one or more of the Vice Presidents as Executive or Senior Vice President with such additional duties as from time to time may be assigned by the Chief Executive Officer, the President or by the Board of Directors.

SECTION 9. *The Treasurer* . The Treasurer shall have the custody of all of the funds and securities of the corporation. When necessary and proper the Treasurer shall endorse, or authorize on behalf of the corporation the endorsement of, all checks, notes or other obligations and evidences of the payment of money, payable to the corporation or coming into the Treasurer's possession, and shall deposit the funds arising therefrom with all other funds of the corporation, coming into the Treasurer's possession, in such banks as may be selected as the depositories of the corporation, or properly care for them in such other manner as the Board of Directors may direct. Either alone or jointly with the Chief Executive Officer, the President or such other officers as may be designated by the Board of Directors, the Treasurer shall, except as herein otherwise provided, be authorized to sign all checks and other instruments drawn on or payable out of the funds of the corporation, and all bills, notes and other evidences of indebtedness of the corporation. Whenever required by the Board of Directors to do so, the Treasurer shall exhibit a complete and true statement of the Treasurer's cash account and of the securities and other property in the Treasurer's possession, custody or control. The Treasurer shall enter, or direct or cause to be entered, regularly in books belonging to the corporation and to be kept by the Treasurer for such purpose, a full and accurate account of all money received and paid by the Treasurer on account of the corporation, together with all other business transactions. The Treasurer shall, at all reasonable times within the hours of business, exhibit the Treasurer's books and accounts to any director. The Treasurer shall perform all duties which are incident to the office of the Treasurer of a corporation, subject, however, at all times to the direction and control of the Board of Directors. If the Board of Directors shall so require, the Treasurer shall give bond, in such sum and with such securities as the Board of Directors may direct, for the faithful performance of the Treasurer's duties and for the safe custody of the funds and property of the corporation coming into the Treasurer's possession.

SECTION 10. *The Secretary* . The Secretary shall keep the minutes of all meetings of the Board of Directors, the minutes of all meetings of the committees of the Board of Directors, and the minutes of all meetings of the shareholders, in books provided by the corporation for such purposes, and shall act as Secretary at all such meetings. The Secretary shall attend to the giving and serving of all notices of the corporation of meetings of the Board of Directors, committees of the Board of Directors and shareholders. The Secretary shall prepare all lists of shareholders and their addresses required to be prepared by the provisions of any present or future statute of the State of Illinois. The Secretary may sign with the Chief Executive Officer, the President or a Vice President, in the name of the corporation, all contracts and instruments and may affix the seal of the corporation thereto. The Secretary shall have charge of such books and papers as the Board of Directors may direct. The Secretary shall have the authority to certify the By-laws, resolutions of the Board of Directors and the committees thereof, and other documents of the corporation as true and correct copies thereof. The Secretary shall, in general, perform all the duties which are incident to the office of Secretary of a corporation, subject at all times to the direction and control of the Board of Directors.

SECTION 11. *The Controller* . The Controller shall be the principal accounting officer of the corporation and shall be in charge of all general and cost accounting books and records of the corporation, and shall see that all moneys due to the corporation, all disbursements and all properties and assets are properly accounted for. The Controller shall prepare the corporation's balance sheets, income accounts and other financial statements and reports, and render on a periodic basis a report covering the operations of the corporation for the month and year to date. The Controller shall perform all duties which are incident to the office of the Controller of a corporation, subject, however, at all times to

the control of the Board of Directors.

SECTION 12. *General Auditor* . The General Auditor shall be responsible for the conduct of audits in order to determine that the corporation's accounting systems of internal checks and balances are properly designed and function so that the corporation's assets are being adequately protected. The General Auditor shall perform audits of any of the corporation's operations and accounting which will permit him or her to adequately discharge the General Auditor's responsibilities. The General Auditor shall render findings to the General Auditor's immediate superior and, in the event that in the General Auditor's opinion, proper corrective action is not being taken or the General Auditor is being denied free access to information needed to perform the General Auditor's duties, shall have the right, and it is the General Auditor's responsibility, to report this to the Chief Executive Officer of the corporation or directly to the Board of Directors.

SECTION 13. *Assistant Treasurers, Assistant Secretaries and Assistant Controllers* . The Assistant Treasurers shall respectively, if required by the Board of Directors, give bonds for the faithful discharge of their duties in such sums and with such sureties as the Board of Directors shall determine. Each Assistant Treasurer, Assistant Secretary and Assistant Controller, in the absence or inability or refusal to act of the Treasurer, the Secretary or the Controller, as the case may be, may perform the duties of the office to which he or she is an assistant and in general shall perform such duties as shall be assigned to him or her by the Treasurer, the Secretary or the Controller, respectively, or by the Chief Executive Officer, the President or the Board of Directors.

SECTION 14. *Execution of Agreements* . The Chief Executive Officer, the Chairman of the Board or the President or any Vice President, at any time and without any express authority of the Board of Directors may sign and execute all agreements to sell, purchase, lease or otherwise acquire stores or other property of, in behalf of, and for the corporation. The authority herein given by this paragraph shall not impair or restrict any authority, expressed, implied or otherwise, herein conferred upon any officer or officers.

SECTION 15. *Salaries* . The salaries of the officers shall be fixed from time to time by the Board of Directors and no officer shall be prevented from receiving such salary by reason of the fact that such officer is also a director of the corporation.

ARTICLE VI

INDEMNIFICATION OF OFFICERS,

DIRECTORS, EMPLOYEES AND AGENTS

SECTION 1. *Right to Indemnification* . Each person who was or is a party, or is threatened to be made a party to or called as a witness in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative and any appeal thereof (hereinafter a "proceeding"), by reason of the fact that he or she is, was or agreed to become a director or officer, of the corporation or is or was serving at the request of the corporation as a director, officer, employee, trustee, fiduciary or agent of another corporation, partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether the basis of such proceeding is alleged action in an official capacity as a director, officer, employee, trustee, fiduciary or agent, shall be indemnified and held harmless by the corporation to the fullest extent authorized by the Illinois Business Corporation Act, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the corporation to provide broader indemnification rights than said law permitted the corporation to provide prior to such amendment), against all expenses (including attorneys' fees and other expenses of litigation), judgments, fines, ERISA excise taxes or penalties and amounts paid in settlement actually and reasonably incurred by such person in connection therewith and such indemnification shall continue as to a person who has ceased to be a director, officer, employee, trustee, fiduciary or agent and shall inure to the benefit of his or her heirs, executors and administrators; *provided, however*, that, except as provided in Section 2 hereof, the corporation shall indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person only if such proceeding (or part thereof) was authorized by the Board of Directors of the corporation. The right to indemnification conferred by this Article shall include the right to be paid by the corporation the expenses incurred in defending any such proceeding in advance of its final disposition, including any appeal thereof; *provided however*, that, if the Illinois Business Corporation Act requires, the payment of such expenses incurred by a director or officer in his or her capacity as a director or officer (and not in any other capacity in which service was or is rendered by such person while a director or officer, including, without limitation, service to an employee benefit plan) in advance of the final disposition of a proceeding, shall be made only upon delivery to the corporation of an undertaking, by or on behalf of such director or officer, to repay all amounts so advanced unless it shall ultimately be determined that such director or officer is entitled to be indemnified under this Article or otherwise. The corporation may, by action of its Board of Directors, provide (a) indemnification to employees and agents of the corporation or others and (b) for such other indemnification of persons indemnified by this Article as it deems appropriate.

SECTION 2. *Right of Claimant to Bring Suit* . If a claim under Section 1 of this Article is not paid in full by the corporation within thirty days after a written claim has been received by the corporation, the claimant may at any time thereafter bring suit against the corporation to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall be entitled to be paid also the expense of prosecuting the claim. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking, if any is required, has been tendered to the corporation) that indemnification of the claimant is prohibited by applicable law, but the burden of proving such defense shall be on the corporation. Neither the

failure of the corporation (including its Board of Directors, independent legal counsel, or its shareholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances, nor an actual determination by the corporation (including its Board of Directors, independent legal counsel, or its shareholders) that indemnification of the claimant is prohibited by applicable law, shall be a defense to the action or create a presumption that indemnification of the claimant is prohibited by applicable law.

SECTION 3. *Non-Exclusivity of Rights* . The right to indemnification and the payment of expenses incurred in defending a proceeding in advance of its final disposition conferred in this Article shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provision of the corporation's Articles of Incorporation, By-laws, agreement, vote of shareholders or disinterested directors or otherwise, both as to action in such person's official capacity and as to action in another capacity while holding such office.

SECTION 4. *Insurance* . The corporation may purchase and maintain insurance, at its expense, to protect itself and any person who is or was a director, officer, employee, fiduciary, trustee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise (including employee benefit plans) against any liability asserted against such person and incurred by such person in any such capacity, or arising out of his or her status as such, whether or not the corporation would have the power to indemnify such person against such liability under the Illinois Business Corporation Act.

SECTION 5. *Report to Shareholders* . The corporation shall report in writing to shareholders any indemnity or advanced expenses paid to a director, officer, employee or agent with or before the notice of the next shareholders' meeting.

SECTION 6. *Contractual Nature* . The provisions of this Article shall be applicable to all proceedings commenced or continuing after its adoption, whether such arise out of events, acts or omissions which occurred prior or subsequent to such adoption, and shall continue as to a person who has ceased to be a director, officer or a person serving at the request of the corporation as a director, trustee, fiduciary, employee, agent or officer of another corporation, partnership, joint venture, trust or other enterprise and shall inure to the benefit of the heirs of such person. This Article shall be deemed to be a contract between the corporation and each person who, at any time that this Article is in effect, serves or agrees to serve in any capacity which entitles him to indemnification hereunder and any repeal or other modification of this Article or any repeal or modification of the Illinois Business Corporation Act or any other applicable law shall not limit any rights of indemnification for proceedings then existing or later arising out of events, acts or omissions occurring prior to such repeal or modification, including, without limitation, the right to indemnification for proceedings commenced after such repeal or modification to enforce this Article with regard to proceedings arising out of acts, omissions or events occurring prior to such repeal or modification.

SECTION 7. *Severability* . If any portion of this Article shall be invalidated or held to be unenforceable on any ground by any court of competent jurisdiction, the decision of which shall not have been reversed on appeal, such invalidity or unenforceability shall not affect the other provisions hereof, and this Article shall be construed in all respects as if such invalid or unenforceable provisions had been omitted therefrom.

ARTICLE VII

CONTRACTS, CHECKS AND DEPOSITS

SECTION 1. *Contracts* . The Board of Directors may authorize any officer or officers, agent or agents, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the corporation, and such authority may be general or confined to specific instances.

SECTION 2. *Checks, Drafts, and Orders for the Payment of Money* . The Board of Directors may appoint one or more persons who may severally be authorized by the Board of Directors to sign checks, drafts, or orders for the payment of money and any or all of whom may be further authorized by the Board of Directors, in its discretion, to authorize other individuals to sign checks, drafts, or orders for the payment of money.

SECTION 3. *Deposits* . The Board of Directors may appoint one or more persons who may severally be authorized by the Board of Directors to select and designate as a depository of and for the moneys and funds of the corporation such bank or banks as such person may from time to time determine; and the said person or persons so authorized by the Board of Directors may further be authorized severally to terminate and cancel the designation of any bank or banks as a depository of this corporation.

ARTICLE VIII

CERTIFICATES FOR SHARES AND THEIR TRANSFER

SECTION 1. *Certificates for Shares* . The shares of the corporation may be represented by certificates signed by the Chairman of the Board or Chief Executive Officer, the President or a Vice President and the Secretary or an Assistant Secretary and sealed with the seal of the corporation. Such seal may be a facsimile. Where such certificate is countersigned by a transfer agent other than the corporation itself or an employee of the corporation, or by a transfer clerk and registered by a registrar, the signatures of the Chairman of the Board or Chief Executive Officer, the President or Vice President and the Secretary or Assistant Secretary upon such certificate may be facsimiles, engraved or printed. In

case any officer who has signed or whose facsimile signature has been placed upon such certificate shall have ceased to be such officer before such certificate is issued, it may be issued by the corporation with the same effect as if such officer had not ceased to be such at the date of its issue. All certificates for shares shall be consecutively numbered or otherwise identified. The name of the person to whom the shares represented thereby are issued, with the number of shares and date of issue, shall be entered on the books of the corporation. All certificates surrendered to the corporation for transfer shall be canceled and no new certificate shall be issued until the former certificate for a like number of shares shall have been surrendered and canceled, except that in case of a lost, destroyed or mutilated certificate a new one may be issued therefor upon such terms and indemnity to the corporation as the Board of Directors may prescribe.

SECTION 2. Transfer of Shares . Transfer of shares of the corporation shall be made only on the books of the corporation by the holder of record thereof or by his or her legal representative, who shall furnish proper evidence of authority to transfer, or by his or her attorney thereunto authorized by power of attorney duly executed and filed with the Secretary of the corporation, and on surrender for cancellation of the certificate for such shares. The person in whose name shares stand on the books of the corporation shall be deemed the owner thereof for all purposes as regards the corporation.

SECTION 3. Transfer Agent and Registrar . The Board of Directors may from time to time appoint such Transfer Agents and Registrars in such locations as it shall determine, and may, in its discretion, appoint a single entity to act in the capacity of both Transfer Agent and Registrar in any one location.

ARTICLE IX

FISCAL YEAR

The fiscal year of the corporation shall begin on the first day in September in each year and shall end on the succeeding thirty-first day of August.

ARTICLE X

DIVIDENDS

The Board of Directors may from time to time declare and the corporation may pay dividends on its outstanding shares in the manner and upon the terms and conditions provided by law and its Articles of Incorporation.

ARTICLE XI

SEAL

The Board of Directors shall provide a corporate seal which shall be in the form of a circle and shall have inscribed thereon the name of the corporation and the words "Corporate Seal, Illinois".

ARTICLE XII

WAIVER OF NOTICE

Whenever any notice whatever is required to be given under the provisions of these By-laws or under the provisions of the Articles of Incorporation or under the provisions of The Business Corporation Act of the State of Illinois, a waiver thereof in writing, signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

ARTICLE XIII

AMENDMENTS

SECTION 1. By Directors . These By-laws may be altered, amended or repealed and new By-laws may be adopted at any meeting of the Board of Directors of the corporation by a majority vote of the directors present at the meeting, subject to the restrictions set forth in Section 2 of this Article.

SECTION 2. By Shareholders . These By-laws may be altered, amended or repealed and new By-laws may be adopted by the shareholders at any annual meeting, or at any special meeting called for such purpose. If such By-law so provides, a By-law adopted by the shareholders may not be altered, amended or repealed by the Board of Directors.

2002 EXECUTIVE DEFERRED COMPENSATION/

CAPITAL ACCUMULATION PLAN

Walgreen Co. (the "Employer") hereby establishes a nonqualified deferred compensation program for certain of its employees as described herein. The following shall constitute the terms and conditions of Walgreen Co. 2002 Executive Deferred Compensation/Capital Accumulation Plan (the "Plan"), effective January 1, 2002:

1. Administration. Full power and authority to construe, interpret, and administer the Plan shall be vested in the Compensation Committee of the Board of Directors (the "Committee"). The Committee shall have the authority to make determinations provided for or permitted to be made under the Plan, to interpret the Plan, and to promulgate such rules and regulations, if any, as the Committee considers necessary and appropriate for the implementation of the Plan.

2. Eligibility and Participation. Only those persons who are employed in Salary Grades 12 through 31, and their equivalent as of January 1, 2002, who were not eligible in 2001, shall be eligible to become a participant in the Plan. An eligible employee shall become a participant upon the execution of an irrevocable election under the Plan and the acceptance of the election by the Committee.

3. Deferred Compensation Account.

A. The participant shall make an irrevocable election in writing of the amount of compensation to be deferred under the Plan (the "deferral amount"). Such amount shall not be in excess of ten percent (10%) of the participant's base salary as of January 1, 2002, and shall be in increments of no less than one thousand dollars (\$1,000.00). The election shall be made prior to January 1, 2002 and shall be for the period January 1, 2002 through December 31, 2002. The deferral shall be reduced in substantially equal amounts from the base salary otherwise periodically payable to the participant during the period January 1, 2002 through December 31, 2002, and attributable to service by the participant for the Employer after the date of participant's election.

B. The Employer shall establish and maintain a bookkeeping account in the name of each participant, which shall be known as his or her "Deferred Account," and which shall be credited with the amount of compensation deferred, and which shall reflect the accumulated value of the deferral amount. The accumulated value of the deferral amount shall equal the amount arrived at by increasing the deferral account balance by assumed simple interest compounded annually but credited as of the last day of each calendar month, calculated from January 1, 2002. Amounts paid to or on behalf of the participant or his beneficiary pursuant to this Plan, shall be deducted from the account balance as of the first day of the month in which such payment is made. The rate to be used in determining the accumulated value of the deferral amount shall be that rate specified in the Plan paragraph under which payment is to be made.

C. The participant's Deferred Account shall at all times be reflected on the Employer's books in accordance with generally accepted accounting practices as a general unsecured and unfunded obligation of the Employer and the Plan shall not give any person any right or security interest in any asset of the Employer nor shall it imply any trust or segregation of assets by the Employer. The participant's Deferred Account shall be distributed from the general assets of the Employer.

4. Time and Manner of Payment. The participant's Deferred Account shall be distributed as follows:

Installment Payments

A participant who has not attained age fifty-five (55) as of January 1, 2002 shall be entitled to fifteen (15) equal annual installment payments commencing at the January 1 of the year following his or her attainment of age sixty-five (65) or as soon as practicable thereafter, if one of the following conditions is met:

a. The participant remains in the continuous employ of the Employer during the period from January 1, 2002 until the participant reaches age sixty-five (65); or

b. The participant retires after a period of continuous employment beginning on or before January 1, 2002.

A participant who attained age fifty-five (55) but not age sixty-five (65) as of January 1, 2002, shall elect, at the time of making the deferral election pursuant to Paragraph 3A, to receive installment payments in one of the following manners:

a. Fifteen (15) equal annual installments as described in paragraph (1) above; or

b. Ten (10) equal annual installments commencing at the January 1 of the year following his or her attainment of age seventy (70), or as soon as practicable thereafter.

A participant who attained age sixty-five (65) but not age seventy (70) as of January 1, 2002, shall receive ten (10) equal annual installments commencing at the January 1 following his or her attainment of age seventy (70), or as soon as practicable thereafter.

A participant who attained age seventy (70) as of January 1, 2002, shall receive equal annual installments commencing at the January 1 following the deferral period and ending on January 1 following his or her seventy-ninth (79) birthday.

Installment payments shall be calculated to amortize fully the accumulated value of the deferral amount over the payment period. For purposes of this Subsection A, the rate to be credited in the calculation of the accumulated value of the deferral amount shall be thirteen percent (13%).

B. Interim Payments

Participants who have not yet attained age fifty (50) as of January 1, 2002 shall be entitled to a lump sum payment on January 1, 2009, or as soon as practicable thereafter, provided that one of the following conditions is met:

1. The participant has remained in the continuous employ of the Employer during the period beginning January 1, 2002 and ending December 31, 2008 and is not receiving Installment Payments pursuant to Subsection A.

The participant retires after a period of continuous employment from January 1, 2002 and is not receiving Installment Payments pursuant to Subsection A.

The lump sum payment, if any, shall be an amount equal to the amount deferred under Paragraph 3 of this plan. Payments under Subsections B(1) and B(2) shall be debited from the participant's Deferral Account as of the first day of the month in which payment is made.

Payment Upon Termination

A participant who voluntarily terminates his employment with the Employer prior to retirement shall receive, as soon as practicable after such termination, a lump sum payment in the amount of the accumulated value of the deferral amount. For purposes of this Paragraph 4, Subsection C(1), the rate to be credited in the calculation of the accumulated value of the deferral amount shall be ten percent (10%).

A participant whose employment with the Employer is involuntarily terminated by the Employer prior to the participant's retirement for reasons other than those described in Sections 5 and 6 below, shall receive, as soon as practicable after such termination, a lump sum payment in the amount of the accumulated value of the deferral amount. For purposes of this Paragraph 4, Subsection C(2), the rate to be credited in the calculation of the accumulated value of the deferral amount shall be thirteen percent (13%).

For purposes of this Paragraph 4, retirement shall mean leaving the active employ of the Employer at or after age sixty-five (65), or after at least ten (10) years of service and at least age fifty-five (55), or for reason of disability as described in Paragraph 9 of the Plan.

5. Noncompetition. Notwithstanding any other provision of this Plan, if the Committee at any time determines that participant, without having obtained the prior written consent of the Committee or its designee, has engaged in competition with the Employer either during the term of his employment with the Employer and continuing throughout such period thereafter that participant is entitled to receive payments pursuant to this Plan, the sole amount payable to participant hereunder shall be a lump sum payment of the accumulated value of the deferral amount, payable as soon as practicable after such determination. For purposes of this Paragraph 5, the simple rate of interest applied to determine the accumulated value of the deferral amount shall be two percent (2%). "Competition with the Employer" shall mean engaging, within any geographical area or market served by the Employer and without the Employer's written consent, in the provision of goods or services, or in any other business activity of a type offered or engaged in by the employer, on participant's own behalf or on behalf of another business enterprise while employed by the Employer or within sixty (60) months of participant's termination of employment with the Employer.

6. Dishonest Conduct. Notwithstanding any other provision of this Plan, if participant's employment with the Employer is terminated at any time for reason of dishonest or fraudulent conduct injurious to the Employer, the sole amount payable to or on behalf of participant hereunder shall be a lump-sum payment of the accumulated value of the participant's deferral amount, payable as soon as practicable after such termination of

employment. For purposes of this Paragraph 6, the simple rate of interest to be credited in the calculation of the accumulated value of the deferral amount shall be zero percent (0%).

7. Payment Upon Death of Participant

If participant dies after leaving the active employ of the Employer for retirement as provided in Paragraph 4 hereof, but prior to receiving any or all interim payments due participant pursuant to Paragraph 4, Subsection B, the Employer shall pay any such unpaid interim payments to the participant's beneficiary commencing with the next interim payment due following the date of participant's death.

If participant dies after leaving the active employ of the Employer for retirement, after annual payments have become payable as provided in Paragraph 4, Subsection A hereof, but prior to receiving any or all annual installment payments due participant pursuant to Paragraph 4, Subsection A, the Employer shall pay any such unpaid annual payments to the participant's beneficiary, commencing with the next annual payment due following the date of participant's death.

If participant dies while actively employed by the Employer, but prior to the commencement of annual installment payments, no further interim payments or annual installments pursuant to Paragraph 4, Subsections A and B shall be paid by the Employer after the date of the participant's death, but the Employer shall as soon as practicable after the participant's death, pay to the participant's beneficiary, in a lump sum, the accumulated value of the deferral amount. For purposes of this Paragraph 7, the rate to be credited in the calculation of the accumulated value of the deferral amount shall be thirteen percent (13%).

If participant dies while actively employed by the Employer after commencement of annual installment payments at either age 65 or 70, the Employer shall pay any such unpaid annual installment payments to the participant's beneficiary commencing with the next annual payment due following the date of the participant's death.

8. **Beneficiary Designation.** A Participant may, from time to time, designate any legal or natural person or persons (who may be designated contingently or successively) to whom payments are to be made if participant dies before receiving payment of all amounts due hereunder, by signing a form approved by the Committee. A beneficiary designation form shall be effective only after the signed form is filed with the Employer while participant is alive. A properly filed designation shall cancel all beneficiary designation forms signed and filed earlier. If the participant fails to designate a beneficiary as provided above, or if all designated beneficiaries of participant die before participant or before complete payment of all amounts due hereunder, the Employer, in its discretion, may pay the unpaid amounts to one or more of such participant's relatives by blood, adoption, or marriage in any manner permitted by law which the Committee considers to be appropriate, including, but not limited to, payment to the legal representative or representatives of the estate of the last to die of participant and participant's designated beneficiaries.

9. **Disability.** If participant's employment with the Employer is terminated prior to participant's retirement as provided in Paragraph 4 hereof by reason of participant's disability, participant's employment with the Employer, for purposes of this Plan, shall be deemed to continue until participant's retirement as provided in Paragraph 4 and the provisions of this Plan shall be applicable to such participant to the same extent as if participant were, in fact, employed by the Employer during that period. However, if such termination of employment occurs prior to January 1, 2002, as condition of the application of this Paragraph, participant shall have any compensation payable to him from the Employer (either directly or through Employer-provided disability compensation) reduced by an amount equal to the balance of any deferred amount the participant elected under Paragraph 3 hereof which has not been credited to the participant's account as of the time of disability. For purposes of this Section, "disability" shall mean any total and permanent disability which would prevent participant's return to active employment, as determined by the Committee.

10. **Facility of Payment.** If the Employer has, for any reason, doubt as to the proper person to whom to make payment, the Employer may withhold payment until instructed by a final order of a court of competent jurisdiction. Any payment hereunder made by the Employer in good faith shall fully discharge the Employer from its obligation with respect to such payment.

11. **Insurance.** The Employer may, in its sole discretion, purchase a policy or policies of insurance on the life of participant or disability insurance with respect to participant, the cash value, if any, and proceeds of which may, but need not, be used by the Employer to satisfy part or all of its obligations hereunder. The Employer will be the owner of any such policies and neither participant nor any other person or entity claiming through participant shall have any ownership rights in such policies or any proceeds thereof. Participant, as a condition of receiving any benefits hereunder, on behalf of himself or any person or entity claiming through him, shall cooperate with the Employer in obtaining any such insurance that the Employer desires to purchase by submitting to such physical examinations, completing such forms, and making such records available as may be required by the Employer from time to time.

12. Effect on Other Benefits. The Deferral Amount attributable to each year shall be included in participant's 2002 compensation, respectively, for the purpose of calculating participant's bonuses and awards under any incentive or similar compensation plan or program of the Employer, insurance, and other employee benefits, except that in accordance with the terms of any plan qualified under Section 401 of the Internal Revenue Code maintained by the Employer, the amount deferred under Paragraph 3 shall not be included as 2002 calendar year compensation in calculating participant's benefits or contributions by or on behalf of participant under such plan or plans. Payments shall be excluded from compensation in years paid for purposes of calculating participant's bonuses and awards under any incentive or similar compensation plan or program of the Employer, insurance, and other employee benefits, except that in accordance with the terms of any plan qualified under Section 401 of the Internal Revenue Code maintained by the Employer, payments to active employees shall be included as compensation in the year paid.

13. Nonalienation. Neither participant nor anyone claiming through him shall have any right to commute, sell, assign, transfer, or otherwise convey the right to receive any payments hereunder, which payments and the rights thereto hereby are expressly declared to be nonassignable and nontransferrable, nor shall any such right to receive payments hereunder be subject to the claims of creditors of participant or anyone claiming through him or to any legal, equitable, or other proceeding or process for the enforcement of such claims.

14. Tax Withholding. Notwithstanding the provisions of Section 13, the Employer may withhold from any payment made by it under the Plan such amount or amounts as may be required for purposes of complying with the tax withholding or other provisions of the Internal Revenue Code or the Social Security Act or any state income tax act or for purposes of paying any estate, inheritance or other tax attributable to any amounts payable hereunder.

15. Nonsecured Promise. The rights under this Plan of participant and any person or entity claiming through him shall be solely those of an unsecured, general creditor of the Employer. Any insurance policy or other asset acquired or held by the Employer shall not be deemed to be held by the Employer for or on behalf of participant, or any other person, or to be security for the performance of any obligations hereunder of the Employer, but shall, with respect to this Plan, be and remain a general, unpledged, unrestricted asset of the Employer.

16. Independence of Plan. Except as otherwise expressly provided herein, this Plan shall be independent of, and in addition to, any other employment agreement or employment benefit agreement or plan or rights that may exist from time to time between the parties hereto. This Plan shall not be deemed to constitute a contract of employment between the parties hereto, nor shall any provision hereof restrict the right of the Employer to discharge participant, or restrict the right of participant to terminate his employment with the Employer.

17. Paragraph Headings. The Paragraph headings used in this Plan are for convenience of reference only and shall not be considered in construing this Plan.

18. Responsibility for Legal Effect. Neither party hereto makes any representations or warranties, express or implied, or assumes any responsibility concerning the legal, tax, or other implications or effects of this Plan.

19. Committee Determinations Final. Each determination provided for in the Plan shall be made in the absolute discretion of the Committee. Any such determinations shall be binding on all persons.

20. Amendment. The Employer may in its sole discretion amend the Plan from time to time. No such amendment shall alter a participant's right to receive a payment due under the terms of the Plan at the date of amendment. Notwithstanding any other provision of the Plan, from and after a Change of Control, the Employer may not amend the Plan to reduce the rate to be credited in calculating the accumulated value of participant's deferral amount below the rate that would have been utilized had his employment been terminated or the plan terminated as of the date of the adoption of this amendment or, if more favorable, below the highest rate provided at anytime during the ninety (90) day period prior to the Change of Control. Neither the terms of this Section 20 nor those of Section 22 may be amended so as to diminish the rights of a participant under such provision from or after a Change of Control or in anticipation of a Change of Control, and any such purported amendment shall be null and void. For this purpose, a "Change of Control" shall mean:

The acquisition, other than from the Company, by any individual, entity, or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of twenty percent (20%) or more of either the then outstanding shares of common stock of the Company or the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors, but excluding, for this purpose, any such acquisition by the Company or any of its subsidiaries, or any employee benefit plan (or related trust) of the Company or its subsidiaries, or any corporation with respect to which, following such acquisition, more than fifty percent (50%) of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by the individuals and entities who were the beneficial owners, respectively, of the common stock and voting securities of the Company immediately prior to such acquisition in substantially the same proportion as their ownership, immediately prior to such acquisition, of the then outstanding shares of common stock of the Company or the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors, as the case

may be; or

Individuals who, as of the date hereof, constitute the Board (as of the date hereof the "Incumbent Board") cease for any reason to constitute at least a majority of the Board, provided that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the Directors of the Company (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act); or

C. Approval by the stockholders of the Company of a reorganization, merger, or consolidation, in each case, with respect to which all or substantially all the individuals and entities who were the respective beneficial owners of the common stock and voting securities of the Company immediately prior to such reorganization, merger, or consolidation do not, following such reorganization, merger, or consolidation, beneficially own, directly or indirectly, more than fifty percent (50%) of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such reorganization, merger, or consolidation, or a complete liquidation or dissolution of the Company or of the sale or other disposition of all or substantially all of the assets of the Company.

Termination at the Employer's Option. Notwithstanding any other provision of this Plan, the Employer may terminate this Plan at any time if the Committee, in its sole and absolute discretion, determines that any change in federal or state law, or judicial or administrative interpretation thereof, has materially affected the Employer's cost of providing the benefits otherwise payable under this Plan, or for any other reason whatsoever. Upon such termination, the sole amount payable to participant shall be a lump-sum payment, as soon as practicable after such termination, of the accumulated value of the deferral amount. For purposes of this Paragraph 21, the rate to be credited in the calculation of the accumulated value of the deferral amount shall be thirteen percent (13 %).

Successors; Change of Control. The terms and conditions of this Plan and Deferral Election shall inure to the benefit of and bind Walgreen Co., the participant, his successors, assigns, and personal representatives. If substantially all of the assets of the Employer are acquired by another corporation or entity or if the Employer is merged into, or consolidated with, another corporation or entity, then the obligations created hereunder shall be obligations of the successor corporations or entity. Further, if the employment of participant were to be terminated during a period of five (5) years following a Change of Control for reasons other than dishonest conduct, such termination shall be treated as retirement by participant after a period of continuous employment from January 1, 2002, for all purposes of this Plan except to the extent that such treatment would result in any payment made under this Plan being nondeductible by the Employer for federal income tax purposes by reason of Section 280G of the Internal Revenue Code of 1986, as amended. A payment shall only be deemed to be nondeductible for purposes of this Section 22 if the Employer provides the participant with an opinion of counsel reasonably acceptable to the participant to that effect.

Controlling Law. The Plan shall be construed in accordance with the laws of the state of Illinois.

RESOLUTIONS AMENDING THE WALGREEN CO. NONEMPLOYEE DIRECTOR STOCK PLAN

WHEREAS, under Article 9.1 of the Walgreen Co. Nonemployee Director Stock Plan (the "Plan"), the Board of Directors retained the right to amend the plan from time to time; and

WHEREAS, the Company has undertaken a review of the compensation provided to its outside directors; and

WHEREAS, as a result of such review, consultants to the Company recommend, and the Company and the Board deem it desirable to amend the Plan in certain respects; and

WHEREAS, an amendment titled, "Amendment No. 3" has this day been presented to the Board for its review and approval.

NOW THEREFORE, BE IT RESOLVED that the "Amendment No. 3" this day presented to this meeting be, and it is hereby approved and adopted effective, July 10, 2002.

BE IT FURTHER RESOLVED, that the Secretary or any Assistant Secretary of the Company be, and hereby is, directed to sign a copy of said Amendment No. 3 presented to this meeting for the purpose of identifying it and filing such copy as identified with the papers relating to this

meeting.

Walgreen Co. Nonemployee Director Stock Plan Amendment No. 3

Section 5.1 of the Plan shall be replaced by the following:

5.1. **Annual Equity Grants.** Commencing November 1, 2002, and on each November 1 thereafter, each Nonemployee Director shall receive an annual equity grant of shares, with said number of shares equal to the number determined by dividing eighty thousand dollars (\$80,000) by the Fair Market Value of a share on November 1 of the relevant year, or a proportionate share of such grant based on full months of service as a Nonemployee Director since the prior November 1. In lieu of issuing fractional shares, the Company shall round to the nearest full share.

Walgreen Co.

Broad Based Employee Stock Option Plan

(July 2002)

Walgreen Co. Broad Based Employee Stock Option Plan

Table of Contents

<u>ARTICLE</u>		<u>PAG</u>
Article 1.	Establishment, Objectives, and Duration	<u>1</u>
Article 2.	Definitions	1
Article 3.	Administration	3
Article 4.	Shares Authorized; Adjustments in Authorized Shares and Options	5
Article 5.	Eligibility and Participation	5
Article 6.	Stock Options	5
Article 7.	Vesting of Options; Termination of Employment	7
Article 8.	Rights of Employees	8
Article 9.	Change in Control	8
Article 10.	Amendment, Modification, and Termination	9
Article 11.	Withholding	9
Article 12.	Indemnification	10
Article 13.	Successors	10
Article 14.	Legal Construction	10

Walgreen Co. Broad Based Employee Stock Option Plan

Article 1. Establishment, Objectives, and Duration

1.1. Establishment of the Plan . Walgreen Co., an Illinois corporation (hereinafter referred to as the "Company"), hereby establishes a stock option plan to be known as the "Walgreen Co. Broad Based Employee Stock Option Plan" (hereinafter referred to as the "Plan"), as set forth in this document. The Plan permits the grants of Nonqualified Stock Options to eligible employees.

The Plan is established pursuant to the authority and direction of a Resolution of the Company's Board of Directors adopted on July 10, 2002. The Plan is effective as of that same date (the "Effective Date") and shall remain in effect as provided in Section 1.3 hereof.

1.2. Purpose of the Plan. The purposes of the Plan are to celebrate the achievement of store opening milestones (the first of which will be the opening of the Company's 4000th store) and the efforts of the Company's Employees in the achievement of such milestones and to encourage Company Employees to devote their continued best efforts to the business and affairs of the Company.

1.3. Duration of the Plan. The Plan shall commence on the Effective Date and shall remain in effect until all the Options awarded during the Plan shall have either been exercised or expired, as provided in further detail below.

Article 2. Definitions

Whenever used in the Plan, the following terms shall have the meanings set forth below. As an aid to interpretation, when such meanings are intended, the initial letter of the words defined below are ordinarily capitalized:

2.1. "Board" or "Board of Directors" means the Board of Directors of the Company.

2.2. "Change in Control" of the Company shall be deemed to have occurred as of the first day that any one or more of the following conditions shall have occurred:

(a) Except as provided elsewhere in this Section 2.2, the acquisition, other than from the Company, by an individual, entity, or a group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act), of Beneficial Ownership of twenty percent (20%) or more of either the then outstanding Shares or the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of Directors shall be considered a Change of Control. Notwithstanding the foregoing, any such acquisition by the Company, or any of its subsidiaries, or any employee benefit plan (or related trust) maintained by the Company or its subsidiaries, or any corporation with respect to which, following such acquisition, more than fifty percent (50%) of, respectively, the then outstanding Shares of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of Directors is then Beneficially Owned, directly or indirectly, by the individuals and entities who were the Beneficial Owners, respectively, of the Shares and voting securities of the Company immediately prior to such acquisition in substantially the same proportion as their ownership, immediately prior to such acquisition, of the then outstanding Shares of the Company or the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of Directors, as the case may be; or

(b) A Change of Control shall occur if individuals who, as of the Effective Date, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided that any individual becoming a Director subsequent to the Effective Date whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the Directors then comprising the Incumbent Board shall be deemed to be a member of the Incumbent Board; provided further that for this purpose, any such individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the Directors of the Company (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) shall be excluded from such deemed Incumbent Board membership status; or

(c) The approval by the shareholders of the Company of a reorganization, merger, consolidation or a complete liquidation or dissolution of the Company or of the sale or other disposition of all or substantially all of the assets of the Company shall be considered a Change of Control; provided that, in the case of a reorganization, merger or consolidation, all or substantially all the individuals and entities who were the respective Beneficial Owners of the Shares and voting securities of the Company immediately prior to such reorganization, merger, or consolidation do not (following such reorganization, merger, or consolidation) Beneficially Own, directly or indirectly, more than fifty percent (50%) of, respectively, the then outstanding Shares and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of Directors, as the case may be, of the corporation resulting from such reorganization, merger, or consolidation.

For purposes of this Section, "Beneficial Owner," "Beneficial Ownership," or "Beneficially Own" shall have the meaning ascribed to such terms in Rule 13d-3 of the General Rules and Regulations under the Exchange Act. For purposes of this Section, "Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time, or any successor act thereto.

2.3. "Code" means the Internal Revenue Code of 1986, as amended from time to time.

2.4. "Committee" means the Compensation Committee of the Board.

2.5. "Company" means Walgreen Co., an Illinois corporation, as provided in Section 1.1, and shall include any successor thereto as provided in Article 13 herein.

2.6. "Director" means any individual who is a member of the Board of Directors of the Company.

2.7. "Disability" shall mean total and permanent disability as determined by the Committee.

2.8. "Disqualifying Termination" for the purposes of this Plan shall be determined by the Committee, and shall mean a termination of employment for: (a) an act or acts of dishonesty committed by a Participant; (b) a violation of any of the anti-harassment policies or procedures of the Company; or (c) a violation of any of the other policies or procedures of the Company applicable to the Participant's employment or job category which is either: (i) grossly negligent; or (ii) willful and deliberate.

2.9. "Effective Date" shall have the meaning ascribed to such term in Section 1.1 hereof.

2.10. "Employee" shall refer to any employee of the Company or its subsidiaries except for those employees in salary grades 18 and above, or their salary grade equivalents. "Employee" shall not include any person who is not classified as an employee in the common law sense in the records of the Company, even if those records are subsequently determined to have been in error or the person is subsequently reclassified as an employee. For example, no person shall be considered to be an Employee for any period of time during which he or she: (a) is a leased employee; (b) is an independent contractor; or (c) is otherwise not classified as an employee in the records of the Company.

2.11. "Nonqualified Stock Option" means an option to purchase Shares which is not intended to meet the requirements of Code Section 422.

2.12. "Option" means an option to purchase Shares granted under Article 6 herein. It is intended that Options under this Plan shall be Nonqualified Stock Options for federal income tax purposes.

2.13. "Option Price" means the price at which a Share may be purchased by a Participant pursuant to an Option.

2.14. "Participant" means an Employee who has been selected to receive an Option or who has one or more outstanding Options granted under the Plan.

2.15. "Retirement" means, for the purposes of this Plan, termination of employment from the Company in good standing, as determined by the Committee, and after having attained at least age 55 and at least 10 years of continuous service.

2.16. "Shares" means the shares of common stock of the Company, par value \$.078125 per share.

Article 3. Administration

3.1. General. The Plan shall be administered by the Committee. The Committee may (to the extent not expressly prohibited by governing law, the Company's Articles of Incorporation or the Company's Bylaws) delegate administrative duties and may delegate any of its authority or responsibility hereunder to officers or individual Directors of the Company. To the extent that the Committee has delegated any of its authority and responsibility under the Plan, all applicable references to the Committee in the Plan shall include a reference to the person or persons to whom such authority or responsibility has been so delegated. The Committee may take action with regard to this Plan by majority vote, by written consent or through any other procedure ordinarily followed by such Committee in the exercise of its other duties on behalf of the Company or the Board.

3.2. Authority of the Committee. Except as limited by law or by the Articles of Incorporation or Bylaws of the Company, and subject to the provisions of the Plan, the Committee shall have full power to (a) select Employees who shall participate in the Plan; (b) grant Options (c) determine the terms and conditions of Options in a manner consistent with the Plan; (d) construe and interpret the Plan and any agreement or instrument entered into under the Plan; (e) establish, amend, or waive rules and regulations for the Plan's administration; and (f) subject to the provisions of Article 10 herein, amend the terms and conditions of any outstanding Option as provided in the Plan. Further, the Committee shall make all other determinations that may be necessary or advisable for the administration of the Plan. As permitted by law (and subject to Section 3.1 herein), the Committee may delegate its authority as identified herein. All of the powers, duties and authorities granted to the Board, the Committee or their delegates in this Section or elsewhere in the Plan shall be exercised by the Board, the Committee or such delegates, as the case may be, in the manner they deem appropriate in their sole discretion. An Employee shall only be entitled to certain rights with respect to Options under this Plan if the Committee or its delegates decide in their discretion that such Employee is entitled to them.

3.3. Decisions Binding. All determinations and decisions made by the Board, the Committee or their delegates pursuant to the provisions of the Plan and all related orders and resolutions of the Board or the Committee shall be final, conclusive and binding on all persons, including the Company, its shareholders, Directors, Employees, Participants, and their estates and beneficiaries. When making a determination or a

calculation, the Committee or its delegates shall be entitled to rely on information supplied by the Company, an Employee, accountants, and other professionals including legal counsel for the Company.

If a participant has any questions or concerns regarding any issue or disagrees in any way with any decision of the Board, the Committee or their delegates hereunder, his or her sole recourse shall be to file a claim or appeal with the Committee in care of the Company, pursuant to rules established by the Committee for this purpose. All decisions made by the Committee in accordance with such procedures shall be made by the Committee as it deems appropriate in its sole discretion. No legal action seeking Options or rights with respect to Options hereunder may be filed in any court unless the claimant has first exhausted all such procedural rights prior to commencing such action. Further, no such legal action concerning an Option may be commenced any later than three years after the later of: (a) the date the Employee is first entitled to exercise such Option hereunder; or (b) the earlier of (i) the date of the termination of the employment of the participant whose benefits are the subject of such claim, or (ii) the date the participant is informed of the Committee's decision on his or her claim or appeal, pursuant to this Section 3.3.

Article 4. Shares Authorized; Adjustments in Authorized Shares and Options

Subject to adjustment as provided below, up to 15,000,000 Shares may be subject to outstanding Options under this Plan. This aggregate Share limit shall be reduced by the number of Shares that are issued upon the exercise of Options. Any Shares that are not issued or delivered by reason of the expiration, termination, lapse, cancellation or forfeiture of Options or by reason of the withholding of Shares to pay all or a portion of the Option Price and/or tax withholding obligations relating to an Option shall again be available under this Plan. Shares shall be made available from authorized and unissued Shares or authorized and issued Shares reacquired and held as treasury shares or otherwise or a combination thereof.

In the event of any change in corporate capitalization, such as a stock split, or a corporate transaction, such as any merger, consolidation, separation, including a spin-off, or other distribution of stock or property of the Company, any reorganization (whether or not such reorganization comes within the definition of such term in Code Section 368) or any partial or complete liquidation of the Company, such adjustment shall be made in (a) the number and class of Shares authorized to be issued under the Plan, (b) the number and class of Shares that are subject to outstanding Options granted pursuant to Section 6.1, and (c) the Option Price with respect to such outstanding Options, as may be determined to be appropriate and equitable by the Committee, in its sole discretion, to prevent dilution or enlargement of rights; provided, however, that the number of Shares subject to any Option shall always be a whole number.

Article 5. Eligibility and Participation

For each grant of Options under this Plan, the Committee shall have the discretion to determine eligibility for participation in such grant from among Employees who are employed by the Company as of the designated date of the event giving rise to such grant of Options. For each such grant, the group of eligible Employees shall constitute all Employees or a broad-based group of Employees. For purposes of this paragraph, a person otherwise satisfying the status as an Employee shall be deemed to be employed as of such date even though on such date he or she was absent because of paid or unpaid disability leave, personal leave, or family and medical leave. A person who has accepted an offer of employment as an Employee shall also be deemed to be employed for such purpose, provided he or she actually commences employment with the Company as scheduled.

Article 6. Stock Options

6.1. Grant of Options. Subject to the terms and provisions of the Plan, in the case of the first grant of Options under the Plan, which shall take place on the official opening date of the Company's 4000th store ("Option 4000"), as designated by the Committee, each person who the Committee determines is a Participant eligible to receive Option grants hereunder pursuant to Article 5, shall be granted an Option for 100 Shares.

The aggregate number of Shares with respect to which Options shall be granted with respect to Option 4000 shall equal the aggregate number of Shares with respect to which Options are granted by the Committee to all Participants by application of the immediately preceding paragraph; provided that such aggregate number of shares shall not exceed the number of authorized Shares set forth in Article 4. If this aggregate number of Shares would otherwise exceed the aggregate number of Shares set forth in Article 4, then the number of Shares subject to each Option to be granted shall be ratably adjusted accordingly.

The aggregate number of Shares with respect to which Options shall be granted with respect to any subsequent grants of Options under the Plan shall be determined by the Committee in accordance with its discretion and the terms of the Plan; subject in all cases to the remaining number

of authorized Shares pursuant to Article 4.

6.2. Option Price. The Option Price for each grant of an Option under this Plan shall be equal to the closing price of a Share on the New York Stock Exchange on the designated grant date, as reported in the New York Stock Exchange Composite Transactions section of the Midwest edition of The Wall Street Journal or such other evidence of such trading price as the Committee may determine.

6.3. Duration of Options. Each Option granted to a Participant which has not previously been exercised or expired by operation of the Plan shall expire 10 years after the grant date.

6.4. Exercise of Options. Options do not provide the Participant with any rights or interests until they vest and become exercisable. Options will vest and become exercisable as provided in Section 7.1.

6.5. Payment. Each Option granted under this Article 6 shall be exercised by the delivery of a written notice of exercise to the Company (on a form specified by the Committee for this purpose), setting forth the number of Shares with respect to which the Option is to be exercised, accompanied by full payment for the Shares either (a) in cash or its equivalent, or (b) subject to securities law restrictions or other legal restrictions, in cash pursuant to a "cashless exercise" procedure established by the Committee with a broker-dealer acceptable to the Committee to whom the Participant has submitted an irrevocable notice of exercise (as permitted under the United States Federal Reserve Board's Regulation T), or (c) a combination of (a) and (b).

Subject to any governing rules or regulations, as soon as practicable after receipt of a written notification of exercise and full payment, the Company shall deliver to the Participant, in the Participant's name, Share certificates in an appropriate amount based upon the number of Shares purchased under the Option. An Option may be exercised only with respect to whole Shares, except to the extent fractional shares become subject to the Option as a result of an adjustment pursuant to Article 4 hereof..

6.6. Restrictions on Share Transferability. The Committee may impose such restrictions on any Shares acquired pursuant to the exercise of an Option granted under this Article 6 as it may deem advisable, including, without limitation, restrictions under applicable federal securities laws, under the requirements of any stock exchange or market upon which such Shares are then listed and/or traded, and under any blue sky or state securities laws applicable to such Shares.

6.7. Nontransferability of Options. No Option may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than (a) by will, (b) subject to Section 7.2, by the laws of descent and distribution, or (c) pursuant to any beneficiary designation procedures established by the Committee. Further, all Options shall be exercisable during a Participant's lifetime only by the Participant. If any person entitled to Options under the Plan is under a legal disability or in the Committee's opinion is incapacitated in any way so as to be unable to manage his or her financial affairs, the Committee may accept exercise directions from such person's legal representative or similar person for such person's benefit or from a custodian under the Uniform Gifts or Transfers to Minors Act of any state.

6.8. No Rights as a Shareholder. Prior to the purchase of Shares pursuant to an Option, a Participant shall not have the rights of a shareholder with respect to such Shares.

Article 7. Vesting of Options; Termination of Employment

7.1. Vesting of Options. Except as otherwise designated by the Committee at the time an Option is granted, each Option granted under the Plan shall be scheduled to become vested three years after the grant date of such Option, subject to the remainder of this Article 7 and to the accelerated vesting provisions set forth in Section 9.1.

7.2. Termination by Reason of Death, Disability, or Retirement. In the event the employment of a Participant is terminated by reason of death, Disability, or Retirement, the following rules shall apply:

(a) Termination Prior to Vesting. If the Participant's employment termination in accordance with this Section 7.2 occurs prior to the vesting of one or more of his or her Options, then each such Option shall continue to vest as if such termination of employment had not occurred. Each such Option shall be exercisable by the Participant or by such person or persons that have properly acquired the Participant's rights under the Option at any time during the 12-month period beginning on the date the Option vests and ending on the first anniversary of such vesting date.

(b) Termination After Vesting. If the Participant's employment termination in accordance with this Section 7.2 occurs on or after the vesting of one or more of his or her Options, then each such Option shall remain exercisable at any time prior to the earlier of: (i) its expiration date; or (ii) the date which is 12 months after the Participant's effective date of employment termination.

If at the time of a Participant's death, the Committee believes it is unable to determine what person, persons, or entity is entitled to exercise

Options on behalf of the Participant, the Committee shall not be required to implement any directions to exercise such Options to any such person, persons, or entity while such dispute is pending. Neither the Committee nor the Company shall be responsible for a failure to implement such exercise instructions or to deliver Plan Shares while such dispute is pending, notwithstanding the fact that such Plan Shares or Options may diminish in value or expire while such dispute is pending.

As provided in Section 6.7, no person other than a Participant may exercise any rights hereunder except pursuant to the laws of descent and distribution or as a representative of an incapacitated Participant.

7.3. Other Terminations of Employment. Except as provided in Section 7.4, the following rules shall apply in the case of voluntary or involuntary terminations of employment not described in Section 7.2:

(a) Termination Prior to Vesting. If the Participant's employment termination in accordance with this Section 7.3 occurs prior to the vesting of one or more of his or her Options, then each such Option shall immediately be forfeited to the Company, and no additional vesting or exercise period shall be allowed.

(b) Termination After Vesting. If the Participant's employment termination in accordance with this Section 7.3 occurs on or after the vesting of one or more of his or her Options, then each such Option shall remain exercisable at any time prior to the earlier of: (i) its expiration date; or (ii) the date which is three months after the Participant's effective date of employment termination.

7.4. Disqualifying Termination. Upon a Participant's Disqualifying Termination, all outstanding Options then held by the Participant (regardless of whether vested or unvested) shall immediately be forfeited to the Company, and no additional exercise period shall be allowed.

Article 8. Rights of Employees

8.1. Employment. Nothing in the Plan shall interfere with or limit in any way the right of the Company to terminate any Participant's employment at any time, nor confer upon any Participant any right to continue in the employ of the Company.

8.2. Participation. No Employee shall have the right to be selected to receive an Option under this Plan, or, having been so selected, to be selected to receive a future Option.

Article 9. Change in Control

9.1. Treatment of Outstanding Options. Upon the occurrence of a Change in Control, unless otherwise specifically prohibited under applicable laws, or by the rules and regulations of any governing governmental agencies or national securities exchanges, any and all Options granted hereunder shall become immediately exercisable, and shall remain exercisable throughout their entire term.

9.2. Termination, Amendment, and Modifications of Change-in-Control Provisions. Notwithstanding any other provision of this Plan (but subject to the limitations of Section 10.2 hereof), the provisions of this Article 9 may not be terminated, amended, or modified on or after the date of a Change in Control to affect adversely any Option theretofore granted under the Plan without the prior written consent of the Participant with respect to said Participant's outstanding Option; provided, however, that the Board may terminate, amend, or modify this Article 9 at any time and from time to time prior to the date of a Change in Control.

9.3. Pooling of Interests Accounting. Notwithstanding any other provision of the Plan to the contrary, in the event that the consummation of a Change in Control is contingent on using pooling of interests accounting methodology, the Board may take any action necessary to preserve the use of pooling of interests accounting.

Article 10. Amendment, Modification, and Termination

10.1. Amendment, Modification, and Termination. Subject to the terms of the Plan, the Board may at anytime and

from time to time, alter, amend, suspend or terminate the Plan in whole or in part.

10.2. Options Previously Granted. Notwithstanding any other provision of the Plan to the contrary, no termination, amendment, or modification of the Plan shall adversely affect in any material way any Option previously granted under the Plan, without the written consent of the Participant holding such Option. However, the Committee shall have the right to impose additional restrictions regarding the exercise of Option rights by a

Participant whose salary Grade is increased to a salary Grade of 18 or above subsequent to the grant date to assure compliance with securities laws or other restrictions that may become applicable in such circumstances.

Article 11. Withholding

11.1. Tax Withholding. The Company shall have the power and the right to deduct or withhold, or require a Participant to remit to the Company, an amount sufficient to satisfy federal, state, and local taxes, domestic or foreign, required by law or regulation to be withheld with respect to any taxable event arising as a result of this Plan.

11.2. Share Withholding. With respect to withholding required upon the exercise of Options, Participants may elect, subject to the approval of the Committee, to satisfy the withholding requirement, in whole or in part, by having the Company withhold Shares having a fair market value on the date the tax is to be determined equal to the minimum statutory total tax which could be imposed on the transaction. All such elections shall be irrevocable, made in writing, signed by the Participant, and shall be subject to any restrictions or limitations that the Committee, in its sole discretion, deems appropriate. Any fraction of a Share that would be required to satisfy such an obligation shall be disregarded and the remaining amount due shall be paid in cash by the Participant.

Article 12. Indemnification

Each of the Committee, the Board and their delegates and each person who is or shall have been a member of the Committee, the Board, or an entity to whom authority is delegated hereunder shall be indemnified and held harmless by the Company against and from any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by him or her in connection with or resulting from any claim, action, suit, or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action taken in good faith or any good faith failure to act under the Plan and against and from any and all amounts paid by him or her in settlement thereof, with the Company's approval, or paid by him or her in satisfaction of any judgment in any such action, suit, or proceeding against him or her, provided he or she shall give the Company an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it on his or her own behalf. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled under the Company's Articles of Incorporation or Bylaws, as a matter of law, or otherwise, or any power that the Company may have to indemnify them or hold them harmless.

Article 13. Successors

All obligations of the Company under the Plan, with respect to Options granted hereunder, shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the business and/or assets of the Company.

Article 14. Legal Construction

14.1. Gender and Number. Except where otherwise indicated by the context, any masculine term used herein also shall include the feminine; the plural shall include the singular and the singular shall include the plural.

14.2. Severability. In the event any provision of the Plan shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced as if the illegal or invalid provision had not been included.

14.3. Requirements of Law. The granting of Options and the issuance of Shares under the Plan shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

14.4. Governing Law. To the extent not preempted by federal law, the Plan, and all agreements hereunder, shall be construed in accordance with and governed by the laws of the state of Illinois.

Eleven-Year Summary of Selected Consolidated Financial Data

Walgreen Co. and Subsidiaries

(Dollars in Millions, except per share data)

Fiscal Year	2002	2001	2000	1999
Net Sales	\$28,681.1	\$24,623.0	\$21,206.9	\$17,838.8
Costs and Deductions				
Cost of sales	21,076.1	18,048.9	15,465.9	12,978.6
Selling, occupancy and administration	5,980.8	5,175.8	4,516.9	3,844.8
Other (income) expense (1)	(13.1)	(24.4)	(39.2)	(11.9)
Total Costs and Deductions	27,043.8	23,200.3	19,943.6	16,811.5
Earnings				
Earnings before income tax provision and cumulative effect of accounting changes	1,637.3	1,422.7	1,263.3	1,027.3
Income tax provision	618.1	537.1	486.4	403.2
Earnings before cumulative effect of accounting changes	1,019.2	885.6	776.9	624.1
Cumulative effect of accounting changes (2)	-	-	-	-
Net Earnings	\$ 1,019.2	\$ 885.6	\$ 776.9	\$ 624.1
Per Common Share (3)				
Net earnings (2)				
Basic	\$ 1.00	\$.87	\$.77	\$.62
Diluted	.99	.86	.76	.62
Dividends declared	.15	.14	.14	.13
Book value	6.08	5.11	4.19	3.47
Non-Current Liabilities				
Long-term debt	\$ 11.2	\$ 20.8	\$ 18.2	\$ 18.0
Deferred income taxes	176.5	137.0	101.6	74.8
Other non-current liabilities	505.7	457.2	446.2	405.8
Assets and Equity				
Total assets	\$ 9,878.8	\$ 8,833.8	\$ 7,103.7	\$ 5,906.7
Shareholders' equity	6,230.2	5,207.2	4,234.0	3,484.3
Return on average shareholders' equity	17.8%	18.8%	20.1%	19.7%
Drugstore Units				
Year-end: Units (4)	3,883	3,520	3,165	2,821

1998	1997	1996	1995	1994	1993	1992
\$15,306.6	\$13,363.0	\$11,778.4	\$10,395.1	\$9,235.0	\$8,294.8	\$7,475.0
11,139.4	9,681.8	8,514.9	7,482.3	6,614.4	5,959.0	5,377.7
3,332.0	2,972.5	2,659.5	2,392.7	2,164.9	1,929.6	1,738.8
(41.9)	(3.9)	(2.9)	(3.6)	(2.7)	6.5	5.5
14,429.5	12,650.4	11,171.5	9,871.4	8,776.6	7,895.1	7,122.0
877.1	712.6	606.9	523.7	458.4	399.7	353.0
339.9	276.1	235.2	202.9	176.5	154.4	132.4
537.2	436.5	371.7	320.8	281.9	245.3	220.6
(26.4)	-	-	-	-	(23.6)	-
\$ 510.8	\$ 436.5	\$ 371.7	\$ 320.8	\$ 281.9	\$ 221.7	\$ 220.6

\$.51	\$.44	\$.38	\$.33	\$.29	\$.23	\$.22
.51	.44	.37	.32	.29	.23	.22
.13	.12	.11	.11	.09	.08	.07
2.86	2.40	2.08	1.82	1.60	1.40	1.25
\$ 13.6	\$ 3.3	\$ 3.4	\$ 2.4	\$ 1.8	\$ 6.2	\$ 18.7
89.1	112.8	145.2	142.3	137.7	144.2	171.8
369.9	279.2	259.9	237.6	213.8	176.2	103.8
\$4,901.6	\$ 4,207.1	\$ 3,633.6	\$3,252.6	\$2,872.8	\$2,506.0	\$2,346.9
2,848.9	2,373.3	2,043.1	1,792.6	1,573.6	1,378.8	1,233.3
19.6%	19.8%	19.4%	19.1%	19.1%	18.8%	19.1%
2,549	2,358	2,193	2,085	1,968	1,836	1,736

(1) Fiscal 2002, 2001 and 2000 include pre-tax income of \$6.2 million (\$.004 per share), \$22.1 million (\$.01 per share) and \$33.5 million (\$.02 per share), respectively, from the partial payments of the brand name prescription drugs litigation settlement. Fiscal 1998 includes a pre-tax gain of \$37.4 million (\$.02 per share) from the sale of the company's long-term care pharmacy business.

(2) Fiscal 1998 includes the after-tax \$26.4 million (\$.03 per share) charge from the cumulative effect of accounting change for system development costs. Fiscal 1993 includes the after-tax \$23.6 million (\$.02 per share) costs from the cumulative effect of accounting changes for postretirement benefits and income taxes.

(3) Per share data have been adjusted for two-for-one stock splits in 1999, 1997 and 1995.

(4) Units include mail service facilities.

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

Results of Operations

Fiscal 2002 was the 28th consecutive year of record sales and earnings. Net earnings were \$1.019 billion or \$.99 per share (diluted), an increase of 15.1% from last year's earnings of \$885.6 million or \$.86 per share. Included in this year's results was a \$6.2 million pre-tax gain (\$.004 per share) for a partial payment of the company's share of the brand name prescription drugs antitrust litigation settlement. Last year's results included a \$22.1 million (\$.01 per share) comparable payment. Excluding these gains, fiscal year earnings rose 16.5%.

[BAR GRAPH] S,G&A Expense

(as a percent to sales)

2000 2001 2002

21.3% 21.0% 20.9%

Total net sales increased by 16.5% to \$28.7 billion in fiscal 2002 compared to increases of 16.1% in 2001 and 18.9% in 2000. 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. Comparable drugstore (those open at least one year) sales were up 10.5% in 2002, 10.5% in 2001 and 11.7% in 2000. New store openings accounted for 9.6% of the sales gains in 2002, 11.3% in 2001 and 10.6% in 2000. The company operated 3,883 drugstores as of August 31, 2002, compared to 3,520 a year earlier.

Prescription sales increased 21.2% in 2002, 20.9% in 2001 and 25.3% in 2000. Comparable drugstore prescription sales were up 16.3% in 2002, 17.6% in 2001 and 19.0% in 2000. Prescription sales were 59.8% of total sales for fiscal 2002 compared to 57.5% in 2001 and 55.2% in 2000. Third party sales, where reimbursement is received from managed care organizations and government and private insurance, were 89.8% of pharmacy sales in 2002, 88.4% in 2001 and 86.1% in 2000. Pharmacy sales trends are expected to continue primarily because of increased penetration in existing markets, availability of new drugs and demographic changes such as the aging population.

Gross margins as a percent of total sales were 26.5% in 2002, 26.7% in 2001 and 27.1% in 2000. The decrease in gross margin was caused by a number of factors. Non-pharmacy margins declined as a result of more aggressive advertising and in-store promotions. Although prescription margins increased, due in part to the shift to more generic medications, the trend in sales mix continued toward pharmacy, which carries lower margins than the rest of the store. Within the pharmacy, third party sales, which typically have lower profit margins than cash prescriptions,

continue to become a larger portion of prescription sales.

The company uses the last-in, first-out (LIFO) method of inventory valuation. The effective LIFO inflation rates were 1.42% in 2002, 1.93% in 2001 and 1.36% in 2000, which resulted in charges to cost of sales of \$55.9 million in 2002, \$62.8 million in 2001 and \$38.8 million in 2000. Inflation on prescription inventory was 4.3% in 2002, 4.9% in 2001 and 3.5% in 2000.

3

Selling, occupancy and administration expenses were 20.9% of sales in fiscal 2002, 21.0% of sales in fiscal 2001 and 21.3% of sales in fiscal 2000. The decrease in fiscal 2002, as a percent to sales, was caused by lower store direct expenses, which were partially offset by higher occupancy costs. The decline in fiscal 2001 resulted from lower advertising and headquarters expense. Fixed costs continue to be spread over a larger base of stores.

Interest income net of interest expense increased in 2002 principally due to higher investment levels. Average net investment levels were approximately \$162 million in 2002, \$31 million in 2001 and \$64 million in 2000.

The fiscal 2002 and 2001 effective income tax rates were 37.75% compared to 38.50% in 2000. The decrease in rates compared to 2000 was principally the result of lower state income taxes and the settlement of various IRS matters.

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 the company's consolidated financial position or results of operations. However, to the extent that the estimates used differ from actual results, adjustments to the statement of earnings and corresponding balance sheet accounts would be necessary. Some of the more significant estimates include liability for closed locations, liability for insurance reserves, vendor allowances, allowance for doubtful accounts, and cost of sales. The company uses the following techniques to determine estimates:

Liability for closed locations - The present value of future rent obligations and other related costs to the first lease option date or estimated sublease date.

Liability for insurance reserves - Incurred losses by policy year extended by historical growth factors to derive ultimate losses.

Vendor allowances - Vendor allowances are principally received as a result of meeting defined purchase levels or promoting vendors' products. Those received as a result of purchase levels are accrued as a reduction of merchandise purchase prices over the incentive period based on estimates. Those received for promoting vendors' products are offset against advertising expense and result in a reduction of selling, occupancy and administration expense.

Allowance for doubtful accounts - Based on both specific receivables and historic write-off percents.

Cost of sales - Based primarily on point-of-sale scanning information with an estimate for shrinkage and adjusted based on periodic inventories.

4

Financial Condition

Cash and cash equivalents were \$449.9 million at August 31, 2002, compared to \$16.9 million at August 31, 2001. 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 top-tier money market funds, tax exempt bonds and commercial paper.

Net cash provided by operating activities for fiscal 2002 was \$1.5 billion compared to \$719.2 million a year ago. The change between periods was principally due to tighter control over inventory levels. The company's profitability is the principal source for providing funds for expansion and remodeling programs, dividends to shareholders and funding for various technological improvements.

Net cash used for investing activities was \$551.9 million in fiscal 2002 and \$1.1 billion in 2001. Additions to property and equipment were \$934.4 million compared to \$1.2 billion last year. During the year, 471 new or relocated drugstores were opened. This compares to 474 new or relocated drugstores opened in the same period last year. New stores are owned or leased. There were 150 owned locations opened during the year or under construction at August 31, 2002, versus 245 for the same period last year. During the year, two new distribution centers opened, one in West Palm Beach (Jupiter), Florida and the other in the Dallas metropolitan area.

During fiscal 2002, the company entered into two sale-leaseback transactions. These transactions involved 86 drugstore locations and resulted in proceeds of \$302 million.

Capital expenditures for fiscal 2003 are expected to exceed \$1 billion. The company expects to open more than 450 new stores in fiscal 2003 and have a total of 7,000 drugstores by the year 2010. The company is continuing to relocate stores to more convenient and profitable freestanding locations. In addition to new stores, a significant portion of the expenditures will be made for technology and distribution centers. A new distribution center is under construction in Ohio. Another is planned in Southern California.

[PIE CHART] CAPITAL EXPENDITURES-FISCAL YEAR 2003

We plan to spend \$1.021 billion.

Stores - 56%
Distribution - 17%
Store Technology - 15%
Other - 12%

5

Net cash used for financing activities was \$488.9 million compared to \$419.4 million provided a year ago. The change was principally due to payments of short-term borrowings this year versus proceeds from borrowings last year. There were no short-term borrowings at August 31, 2002, compared to \$440.7 million at August 31, 2001. Borrowings were needed during each year to support working capital needs and store and distribution center growth, which included purchases of new store property, equipment and inventory. At August 31, 2002, the company had a syndicated bank line of credit facility of \$600 million to support the company's short-term commercial paper program. On July 2, 2002, the company deregistered the remaining \$100 million of unissued authorized debt securities, previously filed with the Securities and Exchange Commission.

Recent Accounting Pronouncements

During the first quarter of 2002, the company adopted Statement of Financial Accounting Standards (SFAS) No. 142, "Goodwill and Other Intangible Assets." Under this pronouncement, goodwill is no longer amortized but periodically tested for impairment. No significant impact to the consolidated financial position or results of operations occurred as a result of adopting this standard.

The adoption of SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," resulted in additional disclosures which can be found under "Impaired Assets and Liabilities for Store Closings" in the Summary of Major Accounting Policies.

During the fourth quarter of 2002, the company early adopted SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activity." As a result, beginning in June 2002, the remaining lease obligations for closed locations were no longer recognized at the time management made the decision to close the location but were recognized at the time of closing. The adoption of this pronouncement did not have a material impact in the fourth quarter and is not expected to have a material impact on the company's consolidated financial position or results of operations in the future.

Cautionary Note Regarding Forward-Looking Statements

Certain statements and projections of future results made in this report constitute forward-looking information that is based on current market, competitive and regulatory expectations that involve risks and uncertainties. Those risks and uncertainties include changes in economic conditions generally or in the markets served by the company; consumer preferences and spending patterns; changes in state or federal legislation or regulations; the availability and cost of real estate and construction; competition; and risks of new business areas. Please see Walgreen Co.'s Form 10-K for the period ended August 31, 2002, for a discussion of certain other important factors as they relate to forward-looking statements. Actual results could differ materially.

6

Consolidated Statements of Earnings and Shareholders' Equity

Walgreen Co. and Subsidiaries

For the Years Ended August 31, 2002, 2001 and 2000

(Dollars in Millions, except per share data)

	2002	2001	2000
Earnings			
Net Sales	\$28,681.1	\$24,623.0	\$21,206.9
Costs and Deductions			
Cost of sales	21,076.1	18,048.9	15,465.9
Selling, occupancy and administration	5,980.8	5,175.8	4,516.9
	27,056.9	23,224.7	19,982.8
Other (Income) Expense			
Interest income	(6.9)	(5.4)	(6.1)
Interest expense	-	3.1	.4
Other income	(6.2)	(22.1)	(33.5)
	(13.1)	(24.4)	(39.2)
Earnings			
Earnings before income tax provision	1,637.3	1,422.7	1,263.3
Income tax provision	618.1	537.1	486.4
Net Earnings	\$1,019.2	\$ 885.6	\$ 776.9
Net Earnings per Common Share			
Basic	\$ 1.00	\$.87	\$.77
Diluted	.99	.86	.76
Average shares outstanding	1,022,554,460	1,016,197,785	1,007,393,572
Dilutive effect of stock options	9,716,486	12,748,828	12,495,236
Average shares outstanding assuming dilution	1,032,270,946	1,028,946,613	1,019,888,808

7

Shareholders' Equity	Common Stock	Paid-i	Retained
	Shares	Amount	Earnings
		n	Capita
		l	Earnings
		t	l
Balance, August 31, 1999	1,004,022,258	\$78.4	\$258.9 \$3,147.0
Net earnings	-	-	776.9
Cash dividends declared (\$.135 per share)	-	-	(136.1)
Employee stock purchase and option plans	6,796,632	.6	108.3
Balance, August 31, 2000	1,010,818,890	79.0	367.2 3,787.8
Net earnings	-	-	885.6
Cash dividends declared (\$.14 per share)	-	-	(142.5)
Employee stock purchase and option plans	8,606,162	.6	229.5
Balance, August 31, 2001	1,019,425,052	79.6	596.7 4,530.9
Net earnings	-	-	1,019.2
Cash dividends declared (\$.145 per share)	-	-	(148.4)
Employee stock purchase and option plans	5,483,224	.5	151.7
Balance, August 31, 2002	1,024,908,276	\$80.1	\$748.4 \$5,401.7

The accompanying Summary of Major Accounting Policies and the Notes to Consolidated Financial Statements are integral parts of these statements.

Consolidated Balance Sheets

Walgreen Co. and Subsidiaries

At August 31, 2002 and 2001

(Dollars in Millions)

	2002	2001
Assets		
Current Assets		
Cash and cash equivalents	\$ 449.9	\$ 16.9
Accounts receivable, net	954.8	798.3
Inventories	3,645.2	3,482.4
Other current assets	116.6	96.3
Total Current Assets	5,166.5	4,393.9
Non-Current Assets		
Property and equipment, at cost, less accumulated depreciation and amortization	4,591.4	4,345.3
Other non-current assets	120.9	94.6
Total Assets	\$9,878.8	\$8,833.8
Liabilities and Shareholders' Equity		
Current Liabilities		
Short-term borrowings	\$ -	\$ 440.7
Trade accounts payable	1,836.4	1,546.8
Accrued expenses and other liabilities	1,017.9	937.5
Income taxes	100.9	86.6
Total Current Liabilities	2,955.2	3,011.6
Non-Current Liabilities		
Deferred income taxes	176.5	137.0
Other non-current liabilities	516.9	478.0
Total Non-Current Liabilities	693.4	615.0
Shareholders' Equity		
Preferred stock, \$.0625 par value; authorized 32 million shares; none issued	-	-
Common stock, \$.078125 par value; authorized 3.2 billion shares; issued and outstanding 1,024,908,276 in 2002 and 1,019,425,052 in 2001	80.1	79.6
Paid-in capital	748.4	596.7
Retained earnings	5,401.7	4,530.9
Total Shareholders' Equity	6,230.2	5,207.2
Total Liabilities and Shareholders' Equity	\$9,878.8	\$8,833.8

The accompanying Summary of Major Accounting Policies and the 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, 2002, 2001 and 2000

(In Millions)

Fiscal Year	2002	2001	2000
--------------------	-------------	-------------	-------------

Cash Flows from Operating Activities				
Net earnings		\$ 1,019.2	\$ 885.6	\$ 776.9
Adjustments to reconcile net earnings to net cash provided by operating activities –				
Depreciation and amortization		307.3	269.2	230.1
Deferred income taxes		22.9	46.9	21.0
Income tax savings from employee stock plans		56.8	67.3	38.5
Other		(8.6)	2.1	13.6
Changes in operating assets and liabilities –				
Inventories		(162.8)	(651.6)	(368.2)
Trade accounts payable		289.6	182.8	233.7
Accounts receivable, net		(170.6)	(177.3)	(135.4)
Accrued expenses and other liabilities		75.0	82.2	101.2
Income taxes		14.3	(5.4)	28.6
Other		30.7	17.4	31.7
Net cash provided by operating activities		1,473.8	719.2	971.7
Cash Flows from Investing Activities				
Additions to property and equipment		(934.4)	(1,237.0)	(1,119.1)
Disposition of property and equipment		368.1	43.5	22.9
Net proceeds from corporate-owned life insurance		14.4	59.0	58.8
Net cash used for investing activities		(551.9)	(1,134.5)	(1,037.4)
Cash Flows from Financing Activities				
(Payments of) proceeds from short-term borrowings		(440.7)	440.7	–
Cash dividends paid		(147.0)	(140.9)	(134.6)
Proceeds from employee stock plans		111.1	126.1	79.2
Other		(12.3)	(6.5)	(7.9)
Net cash (used for) provided by financing activities		(488.9)	419.4	(63.3)
Changes in Cash and Cash Equivalents				
Net increase (decrease) in cash and cash equivalents		433.0	4.1	(129.0)
Cash and cash equivalents at beginning of year		16.9	12.8	141.8
Cash and cash equivalents at end of year		\$ 449.9	\$ 16.9	\$ 12.8

The accompanying Summary of Major Accounting Policies and the Notes to Consolidated Financial Statements are integral parts of these statements.

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. Stores are located in 43 states and Puerto Rico. At August 31, 2002, there were 3,880 retail drugstores and 3 mail service facilities. Prescription sales were 59.8% of total sales for fiscal 2002 compared to 57.5% in 2001 and 55.2% in 2000.

Basis of Presentation

The consolidated statements include the accounts of the company and its subsidiaries. All significant 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. While actual results may differ from these estimates, management does not expect the differences, if any, to have a material effect on the consolidated financial statements.

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. The company's cash management policy provides for the bank disbursement accounts to be reimbursed on a daily basis. Checks issued but not

presented to the banks for payment of \$317 million and \$233 million at August 31, 2002 and 2001, respectively, are included in cash and cash equivalents as reductions of other cash balances.

Financial Instruments

The company had approximately \$37 million and \$53 million of outstanding letters of credit at August 31, 2002 and 2001, respectively, which guaranteed foreign trade purchases. Additional outstanding letters of credit of \$84 million and \$71 million at August 31, 2002 and 2001, respectively, guaranteed payments of casualty claims. The casualty claim letters of credit are annually renewable and will remain in place until the casualty claims are paid in full. The company pays a nominal facility fee to the financing bank to keep this line of credit facility active. The company also had purchase commitments of approximately \$70 million and \$162 million at August 31, 2002 and 2001, respectively, related to the purchase of store locations. There were no investments in derivative financial instruments during fiscal 2002 and 2001.

11

Inventories

Inventories are valued on a lower of last-in, first-out (LIFO) cost or market basis. At August 31, 2002 and 2001, inventories would have been greater by \$693.5 million and \$637.6 million, respectively, if they had been valued on a lower of first-in, first-out (FIFO) cost or market basis. Included in inventory are product cost and in-bound freight. Cost of sales is primarily derived based upon point-of-sale scanning information with an estimate for shrinkage and adjusted based on periodic inventories. At August 31, 2001 and 2000, the company experienced lower inventory levels in certain LIFO pools compared with the previous year-end inventory levels which caused a liquidation of LIFO inventories which were carried at lower costs prevailing in prior years. The effect of this liquidation was a reduction in cost of sales of \$4.2 million in fiscal 2001 and \$3.1 million in fiscal 2000.

Vendor Allowances

The company receives vendor allowances principally as a result of meeting defined purchase levels or promoting vendors' products. Those received as a result of purchase levels are accrued as a reduction of merchandise purchase price over the incentive period and result in a reduction of cost of sales. Those received for promoting vendors' products are offset against advertising expense and result in a reduction of selling, occupancy and administration expense.

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 12 to 39 years for land improvements, buildings and building improvements and 5 to 12 years for equipment. Major repairs, which extend the useful life of an asset, are capitalized in the property and equipment accounts. Routine maintenance and repairs are charged against earnings. The composite method of depreciation is used 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.

12

Property and equipment consists of (In Millions):

	2002	2001
Land and land improvements		
Owned stores	\$1,080.4	\$1,109.2
Distribution centers	57.8	38.7
Other locations	9.3	18.6
Buildings and building improvements		
Owned stores	1,185.9	1,156.6
Leased stores (leasehold improvements only)	425.6	411.1
Distribution centers	364.9	309.1
Other locations	58.2	70.6
Equipment		
Stores	1,609.6	1,440.3
Distribution centers	499.4	350.2
Other locations	464.9	462.7
Capitalized system development costs	144.1	117.4

Capital lease properties	17.8	18.8
	5,917.9	5,503.3
Less: accumulated depreciation and amortization	1,326.5	1,158.0
	\$4,591.4	\$4,345.3

The company capitalizes application stage development costs for significant internally developed software projects, including "SIMS Plus," an inventory management system, and "Basic Department Management," a marketing system. These costs are amortized over a five-year period. Amortization of these costs was \$19.5 million in 2002, \$17.3 million in 2001 and \$13.1 million in 2000. Unamortized costs as of August 31, 2002 and 2001, were \$73.2 million and \$66.1 million, respectively.

Revenue Recognition

For all sales other than third party pharmacy sales, the company recognizes revenue at the time of the sale. For third party sales, revenue is recognized at the time the prescription is filled, adjusted by an estimate for those that will be unclaimed by customers. Customer returns are immaterial.

Impaired Assets and Liabilities for Store Closings

The company tests long-lived assets for impairment whenever events or circumstances indicate. Store locations that have been open at least five years are periodically reviewed for impairment indicators. 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. Included in selling, occupancy and administration expense were impairment charges of \$8.4 million in 2002, \$9.7 million in 2001, and \$15.1 million in 2000.

13

During the fourth quarter of fiscal 2002, the company implemented SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." Since implementation, the present value of expected future lease costs are charged against earnings when the location is closed. Prior to this, the liability was recognized at the time management made the decision to relocate or close the store.

Insurance

The company obtains insurance coverage for catastrophic exposures as well as those risks required to be insured by law. It is the company's policy to retain a significant portion of certain losses related to worker's compensation, property losses, business interruptions relating from such losses and comprehensive general, pharmacist and vehicle liability. Provisions for these losses are recorded based upon the company's estimates for claims incurred. 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 charged against earnings 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, occupancy and administration expense were \$64.5 million in 2002, \$54.1 million in 2001 and \$76.7 million in 2000.

Stock-Based Compensation Plans

As permitted by SFAS No. 123, the company applies Accounting Principles Board (APB) Opinion No. 25 and related interpretations in accounting for its plans. Under APB 25, compensation expense is recognized for stock option grants if the exercise price is below the fair value of the underlying stock at the date of grant. The company complies with the disclosure provisions of SFAS No. 123, which requires presentation of pro forma information applying the fair-value based method of accounting.

Income Taxes

The company provides for federal and state income taxes on items included in the Consolidated Statements of Earnings regardless of the period when such taxes are payable. Deferred taxes are recognized for temporary differences between financial and income tax reporting based on enacted tax laws and rates.

Earnings Per Share

In fiscal year 2002 and 2001, the diluted earnings per share calculation excluded certain stock options, because the options' exercise price was greater than the average market price of the common shares for the year. If they were included, anti-dilution would have resulted. At August 31, 2002 and August 31, 2001, options to purchase 3,186,227 and 3,316,906 common shares granted at a price ranging from \$35.90 to \$45.625 and \$36.875 to \$45.625 per share were excluded from the fiscal year 2002 and 2001 calculations, respectively.

Notes to Consolidated Financial Statements

Interest Expense

The company capitalized \$8.5 million, \$15.6 million and \$4.0 million of interest expense as part of significant construction projects during fiscal 2002, 2001 and 2000, respectively. Interest paid, net of amounts capitalized, was \$.3 million in 2002, \$3.4 million in 2001 and \$.2 million in 2000.

Other Income

In fiscal 2002, 2001 and 2000, the company received partial payments of the brand name prescription drug antitrust litigation settlement for pre-tax income of \$6.2 million (\$.004 per share), \$22.1 million (\$.01 per share) and \$33.5 million (\$.02 per share), respectively. These payments, which are now concluded, were a result of a pharmacy class action against drug manufacturers, which resulted in a \$700 million settlement for all recipients.

Leases

Although some locations are owned, the company generally operates in leased premises. Original non-cancelable lease terms typically are 20-25 years and may contain escalation clauses, along with options that permit renewals for additional periods. The total amount of the minimum rent is expensed 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 sales.

Minimum rental commitments at August 31, 2002, under all leases having an initial or remaining non-cancelable term of more than one year are shown below (In Millions):

2003	\$ 897.9
2004	943.3
2005	933.4
2006	914.0
2007	895.0
Later	10,659.2
Total minimum lease payments	\$15,242.8

The above minimum lease payments include minimum rental commitments related to capital leases amounting to \$10.7 million at August 31, 2002. Total minimum lease payments have not been reduced by minimum sublease rentals of approximately \$49.1 million on leases due in the future under non-cancelable subleases.

During fiscal 2002, the company entered into two sale-leaseback transactions. The properties were sold at net book value and resulted in proceeds of \$302 million. The related leases are accounted for as operating leases.

Rental expense was as follows (In Millions):

	2002	2001	2000
Minimum rentals	\$873.	\$730.	\$605.
	0	1	7
Contingent rentals	23.6	26.2	31.4

Less: Sublease rental income	(11.1	(10.4	(7.6)
)))
	\$885.	\$745.	\$629.
	5	9	5

Income Taxes

The provision for income taxes consists of the following (In Millions):

	2002	2001	2000
Current provision -			
Federal	\$510.2	\$417.1	\$400.9
State	85.0	73.1	64.5
	595.2	490.2	465.4
Deferred provision -			
Federal	24.0	47.1	17.7
State	(1.1)	(.2)	3.3
	22.9	46.9	21.0
	\$618.1	\$537.1	\$486.4

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

	2002	2001
Deferred tax assets -		
Employee benefit plans	\$106.2	\$146.3
Accrued rent	56.5	52.7
Insurance	82.7	68.3
Inventory	35.6	28.1
Other	95.3	39.0
	376.3	334.4
Deferred tax liabilities -		
Accelerated depreciation	401.9	341.7
Inventory	98.9	92.9
Other	14.7	16.1
	515.5	450.7
Net deferred tax liabilities	\$139.2	\$116.3

Income taxes paid were \$528.0 million, \$432.1 million and \$398.4 million during the fiscal years ended August 31, 2002, 2001 and 2000, respectively. The difference between the statutory income tax rate and the effective tax rate is principally due to state income tax provisions.

Short-Term Borrowings

The company obtained funds through the placement of commercial paper, as follows (Dollars in Millions):

	2002	2001	2000
Average outstanding during the year	\$ 250	\$ 304	\$ 14
	.2	.9	.0
Largest month-end balance	689.0	461.2	98.0
	(Nov)	(Nov)	(Nov)
Weighted-average interest rate	2.3%	5.2%	5.9%

At August 31, 2002, the company had a syndicated bank line of credit facility of \$600 million to support the company's short-term commercial paper program. On July 2, 2002, the company deregistered the remaining \$100 million of unissued authorized debt securities, previously filed with the Securities and Exchange Commission.

Contingencies

The company is involved in various legal proceedings incidental to the normal course of business. Company management is of the opinion, based upon the advice of General Counsel, that although the outcome of such litigation cannot be forecast with certainty, the final disposition should not have a material adverse effect on the company's consolidated financial position or results of operations.

Capital Stock

The company's common stock is subject to a Rights Agreement under which each share has attached to it a Right to purchase one one-hundredth of a share of a new series of Preferred Stock, at a price of \$37.50 per Right. In the event an entity acquires or attempts to acquire 15% of the then outstanding shares, each Right, except those of an acquiring entity, would entitle the holder to purchase a number of shares of common stock pursuant to a formula contained in the Agreement. These non-voting Rights will expire on August 21, 2006, but may be redeemed at a price of \$.0025 per Right at any time prior to a public announcement that the above event has occurred.

As of August 31, 2002, 102,738,392 shares of common stock were reserved for future stock issuances under the company's various employee benefit plans. Preferred stock of 10,249,083 shares has been reserved for issuance upon the exercise of Preferred Share Purchase Rights.

Stock Compensation Plans

The Walgreen Co. Executive Stock Option Plan provides to key employees the granting of options to purchase company 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 October 9, 2006, for an aggregate of 38,400,000 shares of common stock of the company. Compensation expense related to the plan was less than \$1 million in fiscal 2002, \$1.4 million in fiscal 2001 and less than \$1 million in fiscal 2000. The options granted during fiscal 2002, 2001 and 2000 have a minimum three-year holding period.

The Walgreen Co. Stock Purchase/Option Plan (Share Walgreens) provides for the granting of options to purchase company common stock over a period of 10 years to eligible employees upon the purchase of company shares subject to certain restrictions. Under the terms of the Plan, the option price cannot be less than 85% of the fair market value at the date of grant. Compensation expense related to the Plan was \$10.9 million in fiscal 2002, \$9.6 million in fiscal 2001 and less than \$1 million in fiscal 2000. Options may be granted under this Plan until September 30, 2012, for an aggregate of 42,000,000 shares of common stock of the company. The options granted during fiscal 2002, 2001 and 2000 have a two-year holding period.

18

The Walgreen Co. Restricted Performance Share Plan provides for the granting of up to 32,000,000 shares of common stock to certain key employees, 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 four-year period from the date of grant. Compensation expense is recognized in the year of grant. Compensation expense related to the Plan was \$5.4 million in fiscal 2002, \$3.6 million in fiscal 2001 and \$5.1 million in fiscal 2000. The number of shares granted was 81,416 in 2002, 61,136 in 2001 and 84,746 in 2000.

Under the Walgreen Co. 1982 Employees Stock Purchase Plan, eligible employees may purchase company stock at 90% of the fair market value at the date of purchase. Employees may purchase shares through cash purchases, loans or payroll deductions up to certain limits. The aggregate number of shares for which all participants have the right to purchase under this Plan is 64,000,000.

On May 11, 2000, substantially all employees, in conjunction with opening the company's 3,000th store, were granted a stock option award to purchase from 75 to 500 shares, based on years of service. The stock option award, issued at fair market value on the date of the grant, represents a total of 14,859,275 shares of Walgreen Co. common stock. The options vest after three years and are exercisable up to 10 years after the grant date.

The Walgreen Co. Broad Based Employee Stock Option Plan provides for the granting of options to eligible 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, in connection with the achievement of store opening milestones. Options may be granted for an aggregate of 15,000,000 shares of company common stock until all options have either been exercised or have expired. There is a holding period of three years for options granted under this plan.

A summary of information relative to the company's stock option plans follows:

	Options Outstanding		Options Exercisable	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
August 31, 1999	28,479,238			\$ 7.89

Granted	17,040,383	28.43		
Exercised	(5,055,842)	5.59		
Canceled/Forfeited	(1,086,118)	27.39		
August 31, 2000	39,377,661	\$16.55	19,267,211	\$6.45
Granted	5,354,388	36.68		
Exercised	(5,532,895)	5.75		
Canceled/Forfeited	(2,943,030)	28.02		
August 31, 2001	36,256,124	\$20.24	14,824,227	\$7.40
Granted	2,886,365	34.05		
Exercised	(3,525,955)	7.28		
Canceled/Forfeited	(1,315,499)	30.32		
August 31, 2002	34,301,035	\$22.35	13,786,657	\$9.71

19

Net options granted as a percentage of outstanding shares at fiscal year-end were 0.2% in fiscal 2002, 0.2% in fiscal 2001 and 1.6% in fiscal 2000.

The following table summarizes information concerning currently outstanding and exercisable options:

Range of Exercise Prices	Number Outstanding at 8/31/02	Options Outstanding		Options Exercisable	
		Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable at 8/31/02	Weighted-Average Exercise Price
\$ 4 to 14	11,511,707	3.13 yrs.	\$ 7.64	11,511,707	\$7.64
15 to 30	14,869,487	7.31	26.65	2,212,570	19.81
31 to 46	7,919,841	8.48	35.67	62,380	34.17
\$ 4 to 46	34,301,035	6.18 yrs.	\$22.35	13,786,657	\$9.71

The company applies Accounting Principles Board (APB) Opinion No. 25 and related interpretations in accounting for its plans. Accordingly, no compensation expense has been recognized based on the fair value of its grants under these plans. Had compensation costs been determined consistent with the method of SFAS No. 123 for options granted in fiscal 2002, 2001 and 2000, pro forma net earnings and net earnings per common share would have been as follows (In Millions, except per share data):

	2002	2001	2000
Net earnings			
As reported	\$1,019.2	\$885.6	\$776.9
Pro forma	958.7	833.3	754.3
Net earnings per common share – Basic			
As reported	1.00	.87	.77
Pro forma	.94	.82	.75
Net earnings per common share – Diluted			
As reported	.99	.86	.76
Pro forma	.93	.81	.74

The weighted-average fair value and exercise price of options granted for fiscal 2002, 2001 and 2000 were as follows:

	2002	2001	2000
Granted at market price –			
Weighted-average fair value	\$13.60	\$14.28	\$12.17
Weighted-average exercise price	34.40	32.88	28.44
Granted below market price –			
Weighted-average fair value	11.86	20.78	10.56

The fair value of each option grant used in the pro forma net earnings and net earnings per share was determined using the Black-Scholes option pricing model with weighted-average assumptions used for grants in fiscal 2002, 2001 and 2000:

20

	2002	2001	2000
Risk-free interest rate	4.56%	6.16%	6.64%
Average life of option (years)	7	7	7
Volatility	27.58%	25.95%	25.86%
Dividend yield	.22%	.16%	.27%

Retirement Benefits

The principal retirement plan for employees is the Walgreen Profit-Sharing Retirement Trust to which both the company and the employees contribute. The company's contribution, which is determined annually at the discretion of the Board of Directors, has historically related to pre-tax income. The profit-sharing provision was \$145.7 million in 2002, \$126.6 million in 2001 and \$112.4 million in 2000.

The company provides certain health and life insurance benefits for retired employees who meet eligibility requirements, including age and years of service. The costs of these benefits are accrued over the period earned. The company's postretirement health and life benefit plans currently are not funded.

Components of net periodic benefit costs (In Millions):

	2002	2001	2000
Service cost	\$ 6.0	\$ 4.8	\$ 4.7
Interest cost	10.5	8.7	7.7
Amortization of actuarial loss	1.4	.3	-
Amortization of prior service cost	(0.4)	-	-
Total postretirement benefit cost	\$17.5	\$13.8	\$12.4

Change in benefit obligation (In Millions):

	2002	2001
Benefit obligation at September 1	\$142.7	\$118.6
Service cost	6.0	4.8
Interest cost	10.5	8.7
Amendments	-	(7.1)
Actuarial loss	72.6	23.1
Benefit payments	(6.6)	(6.3)
Participants contributions	1.2	.9
Benefit obligation at August 31	\$226.4	\$142.7

Change in plan assets (In Millions):

	2002	2001
Plan assets at fair value at September 1	\$ -	\$ -
Plan participants contributions	1.2	.9
Employer contributions	5.4	5.4
Benefits paid	(6.6)	(6.3)

Plan assets at fair value at August 31 \$ - \$ -

21

Funded status (In Millions):

	2002	2001
Funded status	\$(226.4)	\$(142.7)
Unrecognized actuarial loss	99.1	27.9
Unrecognized prior service cost	(6.7)	(7.1)
Accrued benefit cost at August 31	\$(134.0)	\$(121.9)

The discount rate assumptions used to compute the postretirement benefit obligation at year-end were 7.0% for 2002 and 7.5% for 2001.

Future benefit costs were estimated assuming medical costs would increase at a 9% annual rate decreasing to 5.25% over the next seven 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	\$ 4.0	\$ (3.0)
Effect on postretirement obligation	49.0	(37.8)

Supplementary Financial Information

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

	2002	2001
Accounts receivable -		
Accounts receivable	\$974.9	\$819.2
Allowances for doubtful accounts	(20.1)	(20.9)
	\$954.8	\$798.3
Accrued expenses and other liabilities -		
Accrued salaries	\$323.8	\$272.7
Taxes other than income taxes	179.9	155.5
Profit sharing	143.3	122.1
Other	370.9	387.2
	\$1,017.9	\$937.5

22

Summary of Quarterly Results (Unaudited)

(Dollars in Millions, except per share data)

	Quarter Ended				Fiscal Year
	November	February	May	August	
Fiscal 2002					
Net sales	\$6,559.4	\$7,488.5	\$7,397.9	\$7,235.3	\$28,681.1

Gross profit	1,697.9	2,033.9	1,937.2	1,936.0	7,605.0
Net earnings	185.9	326.6	259.0	247.7	1,019.2
Per Common Share -					
Basic	\$.18	\$.32	\$.25	\$.25	\$1.00
Diluted	.18	.32	.25	.24	.99
Fiscal 2001					
Net sales	\$5,614.2	\$6,429.0	\$6,296.2	\$6,283.6	\$24,623.0
Gross profit	1,488.1	1,770.8	1,651.6	1,663.6	6,574.1
Net earnings	158.4	296.9	213.4	216.9	885.6
Per Common Share -					
Basic	\$.16	\$.29	\$.21	\$.21	\$.87
Diluted	.15	.29	.21	.21	.86

Comments on Quarterly Results:

In further explanation of and supplemental to the quarterly results, the 2002 fourth quarter LIFO adjustment was a credit of \$9.9 million compared to a 2001 charge of \$2.8 million. If the 2002 interim results were adjusted to reflect the actual inventory inflation rates and inventory levels as computed at August 31, 2002, earnings per share would have increased in the first quarter by \$.01 and decreased in the fourth quarter by \$.01. Similar adjustments in 2001 would have increased earnings per share in the second quarter by \$.01 and decreased earnings per share in the fourth quarter by \$.01.

The quarter ended November 30, 2001, includes the pre-tax income of \$5.5 million (less than \$.01 per share) from the partial payment of the brand name prescription drugs antitrust litigation settlement. The quarter ended August 31, 2002, includes the pre-tax income of \$.7 million (less than \$.01 per share). The quarter ended February 28, 2001, includes the pre-tax income of \$22.1 million (\$.01 per share) from the second partial payment.

Common Stock Prices

Below is the New York Stock Exchange high and low sales price for each quarter of fiscal 2002 and 2001.

	Quarter Ended				Fiscal Year
	November	Februar y	May	Augus t	
Fiscal 2002 Hig h	\$36.00	\$40.70	\$40.2 9	\$39.4 9	\$40.70
Low	28.70	30.72	36.10	30.20	28.70
Fiscal 2001 Hig h	\$45.75	\$45.00	\$45.2 9	\$42.4 0	\$45.75
Low	32.75	35.38	37.13	31.00	31.00

Reports of Independent Public Accountants

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

We have audited the accompanying consolidated balance sheet of Walgreen Co. and subsidiaries (the "Company") as of August 31, 2002, and the related consolidated statements of earnings, shareholders' equity, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The consolidated financial statements of the Company for the years ended August 31, 2001 and 2000 were audited by other auditors who have ceased operations. Those auditors expressed in their report dated September 28, 2001 an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Walgreen Co. and subsidiaries as of August 31, 2002, and the results of their operations and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche LLP

Chicago, Illinois

September 27, 2002

24

Reports of Independent Public Accountants

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

We have audited the accompanying consolidated balance sheets of Walgreen Co. (an Illinois corporation) and Subsidiaries as of August 31, 2001 and 2000, and the related consolidated statements of earnings, shareholders' equity and cash flows for each of the three years in the period ended August 31, 2001. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Walgreen Co. and Subsidiaries as of August 31, 2001 and 2000 and the results of their operations and their cash flows for each of the three years in the period ended August 31, 2001 in conformity with accounting principles generally accepted in the United States.

/s/ Arthur Andersen LLP (1)

Chicago, Illinois

September 28, 2001

1. This report is a copy of the previously issued report covering fiscal years 2001 and 2000. The predecessor auditor has not reissued their report.

25

Management's Report

The primary responsibility for the integrity and objectivity of the consolidated financial statements and related financial data rests with the management of Walgreen Co. The financial statements were prepared in conformity with accounting principles generally accepted in the United States of America appropriate in the circumstances and included amounts that were based on management's most prudent judgments and estimates relating to matters not concluded by fiscal year-end. Management believes that all material uncertainties have been either appropriately accounted for or disclosed. All other financial information included in this annual report is consistent with the financial statements.

The firm of Deloitte & Touche LLP, independent public accountants, was engaged to render a professional opinion on Walgreen Co.'s consolidated financial statements as of August 31, 2002. Their report contains an opinion based on their audit, which was made in accordance with auditing standards generally accepted in the United States of America and procedures, which they believed were sufficient to provide reasonable assurance that the consolidated financial statements, considered in their entirety, are not misleading and do not contain material errors. The financial statements for the years ended August 31, 2001 and 2000 were audited by other auditors whose report expressed an unqualified opinion on those statements.

Four outside members of the Board of Directors constitute the company's Audit Committee, which meets at least quarterly and is responsible

for reviewing and monitoring the company's financial and accounting practices. Deloitte & Touche LLP and the company's General Auditor meet alone with the Audit Committee, which also meets with the company's management to discuss financial matters, auditing and internal accounting controls.

The company's systems are designed to provide an effective system of internal accounting controls to obtain reasonable assurance at reasonable cost that assets are safeguarded from material loss or unauthorized use and transactions are executed in accordance with management's authorization and properly recorded. To this end, management maintains an internal control environment which is shaped by established operating policies and procedures, an appropriate division of responsibility at all organizational levels, and a corporate ethics policy which is monitored annually. The company also has an Internal Control Evaluation Committee, composed primarily of senior management from the Accounting and Auditing Departments, which oversees the evaluation of internal controls on a company-wide basis. Management believes it has appropriately responded to the internal auditors' and independent public accountants' recommendations concerning the company's internal control system.

/s/ David W. Bernauer
 President
 and Chief Executive Officer
 /s/ Roger L. Polark
 Senior Vice President
 and Chief Financial Officer

/s/ William M. Rudolphsen
 Controller
 and Chief Accounting Officer

WALGREENS NATIONWIDE

<u>STATE</u>	<u>2002</u>	<u>2001</u>
Alabama	24	16
Arizona	192	178
Arkansas	19	17
California	325	274
Colorado	76	65
Connecticut	39	35
Florida	578	538
Georgia	51	30
Idaho	9	8
Illinois	441	418
Indiana	131	124
Iowa	50	46
Kansas	36	32
Kentucky	47	46
Louisiana	76	71
Maryland	13	8
Massachusetts	91	84
Michigan	119	106
Minnesota	79	77
Mississippi	20	16
Missouri	124	117
Nebraska	39	37
Nevada	43	41
New Hampshire	10	10
New Jersey	65	54
New Mexico	44	43
New York	57	55
North Carolina	19	10
North Dakota	1	1
Ohio	119	106
Oklahoma	51	44
Oregon	23	21
Pennsylvania	20	17
Rhode Island	15	15

South Carolina	11	6
South Dakota	4	4
Tennessee	144	125
Texas	391	358
Utah	8	4
Virginia	33	27
Washington	51	42
Wisconsin	139	139
Wyoming	1	1
Puerto Rico	55	54
Total	3,883	3,520

All information on this page is provided as of fiscal year-end.

27

EXHIBIT 21

Subsidiaries of the Registrant

There are no parents of the Registrant, Walgreen Co. (an Illinois corporation). The following 11 subsidiaries are wholly owned by the Registrant, 7 of which are engaged in the operation of retail drug stores, one, Walgreens Healthcare Plus, Inc., in mail order drug operations, one, WHP Health Initiatives, Inc., in pharmacy benefit management and one, Walgreen Advance Care, Inc., in retailing of health care maintenance services, and one, Walgreens.com, Inc., operates a retail electronic commerce site.

NAME	STATE, COMMONWEALTH OR COUNTRY OF INCORPORATION
Walgreen Arizona Drug Co.	Arizona
Bond Drug Company of Illinois	Illinois
Walgreens Advance Care, Inc.	Illinois
Walgreens Healthcare Plus, Inc.	Illinois
Walgreens.com, Inc.	Illinois
WHP Health Initiatives, Inc.	Illinois
Walgreen Louisiana Co., Inc.	Louisiana
Walgreen Hastings Co.	Nebraska
Walgreen Eastern Co., Inc.	New York
Walgreen of Puerto Rico, Inc.	Puerto Rico
Walgreen of San Patricio, Inc.	Puerto Rico

In addition to the above named subsidiaries, the Registrant wholly owns 5 subsidiaries engaged in service or real estate operations, and 17 inactive subsidiaries. These 22 subsidiaries, considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary.

The following two legal entities are ignored for Federal Income Tax and all other purposes except Texas Franchise Tax. Walgreen Texas LP is a partnership that holds beneficial interest in all Walgreen Co. operations in Texas. Walgreen Texas LLC is a limited Liability Corporation and subsidiary of Walgreen Co. that holds a 99% limited liability interest in Walgreen Texas LP.

All wholly owned subsidiaries are included in the consolidated financial statements.

Exhibit 23

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference of our report dated September 27, 2002, in Walgreen Co. and subsidiaries' (the "Company")

previously filed Registration Statement Nos. 2-79977, 2-79978, and 33-49676 filed on Form S-8 appearing in the Annual Report to the Company's Shareholders and incorporated by reference in the Annual Report on Form 10-K for the year ended August 31, 2002.

/s/Deloitte & Touche LLP

Chicago, IL

November 20, 2002

Securities and Exchange Commission

450 Fifth Street, N.W.

Washington, DC 20549

RE: WALGREEN CO.

Exhibit 99.1

CERTIFICATION PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

(18 U.S.C. SECTION 1350)

In accordance with the requirements of Section 906 of the Sarbanes-Oxley Act of 2002, each of the undersigned hereby certifies that to his respective knowledge:

(1) The Annual Report on Form 10-K for the year ending August 31, 2002 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 result of operations of the Company.

Dated as of November 13, 2002

/s/ David W. Bernauer
David W. Bernauer
Chief Executive Officer

/s/ Roger L. Polark
Roger Polark
Chief Financial Officer

End of Filing