
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended February 28, 2019

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
001-36759

WALGREENS BOOTS ALLIANCE, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State of incorporation)

47-1758322

(I.R.S. Employer Identification No.)

108 Wilmot Road, Deerfield, Illinois

(Address of principal executive offices)

60015

(Zip Code)

Registrant's telephone number, including area code:

(847) 315-2500

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

Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to the Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The number of shares outstanding of the registrant's Common Stock, \$0.01 par value, as of March 31, 2019 was 914,298,978.

WALGREENS BOOTS ALLIANCE, INC.

FORM 10-Q FOR THE THREE AND SIX MONTHS ENDED FEBRUARY 28, 2019

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Part I. Financial Information

Item 1. Consolidated Condensed Financial Statements (Unaudited)

WALGREENS BOOTS ALLIANCE, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEETS
(UNAUDITED)
(in millions, except shares and per share amounts)

	February 28, 2019	August 31, 2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 818	\$ 785
Accounts receivable, net	7,828	6,573
Inventories	10,188	9,565
Other current assets	1,016	923
Total current assets	19,851	17,846
Non-current assets:		
Property, plant and equipment, net	13,828	13,911
Goodwill	17,027	16,914
Intangible assets, net	11,932	11,783
Equity method investments (see note 5)	6,683	6,610
Other non-current assets	1,114	1,060
Total non-current assets	50,584	50,278
Total assets	\$ 70,434	\$ 68,124
Liabilities and equity		
Current liabilities:		
Short-term debt	\$ 5,356	\$ 1,966
Trade accounts payable (see note 16)	14,348	13,566
Accrued expenses and other liabilities	5,436	5,862
Income taxes	163	273
Total current liabilities	25,303	21,667
Non-current liabilities:		
Long-term debt	12,685	12,431
Deferred income taxes	1,982	1,815
Other non-current liabilities	5,053	5,522
Total non-current liabilities	19,719	19,768
Commitments and contingencies (see note 10)		
Equity:		
Preferred stock \$.01 par value; authorized 32 million shares, none issued	—	—
Common stock \$.01 par value; authorized 3.2 billion shares; issued 1,172,513,618 at February 28, 2019 and August 31, 2018	12	12
Paid-in capital	10,571	10,493
Retained earnings	34,928	33,551
Accumulated other comprehensive loss	(2,705)	(3,002)
Treasury stock, at cost; 258,337,176 shares at February 28, 2019 and 220,380,200 at August 31, 2018	(18,036)	(15,047)
Total Walgreens Boots Alliance, Inc. shareholders' equity	24,770	26,007
Noncontrolling interests	643	682
Total equity	25,413	26,689
Total liabilities and equity	\$ 70,434	\$ 68,124

The accompanying notes to Consolidated Condensed Financial Statements are an integral part of these statements.

WALGREENS BOOTS ALLIANCE, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF EQUITY
(UNAUDITED)

For the three and six months ended February 28, 2019 and February 28, 2018
(in millions, except shares)

Equity attributable to Walgreens Boots Alliance, Inc.								
	Common stock shares	Common stock amount	Treasury stock amount	Paid-in capital	Accumulated other comprehensive income (loss)	Retained earnings	Noncontrolling interests	Total equity
November 30, 2018	943,444,736	\$ 12	\$(15,862)	\$ 10,522	\$ (3,231)	\$ 34,168	\$ 654	\$ 26,263
Net earnings (loss)	—	—	—	—	—	1,156	(18)	1,138
Other comprehensive income, net of tax	—	—	—	—	519	—	10	529
Dividends declared	—	—	—	—	—	(402)	(1)	(403)
Treasury stock purchases	(30,103,362)	—	(2,201)	—	—	—	—	(2,201)
Employee stock purchase and option plans	835,068	—	25	12	—	—	—	37
Stock-based compensation	—	—	—	37	—	—	—	37
Other	—	—	—	—	7	6	(2)	11
February 28, 2019	914,176,442	\$ 12	\$(18,036)	\$ 10,571	\$ (2,705)	\$ 34,928	\$ 643	\$ 25,413

Equity attributable to Walgreens Boots Alliance, Inc.								
	Common stock shares	Common stock amount	Treasury stock amount	Paid-in capital	Accumulated other comprehensive income (loss)	Retained earnings	Noncontrolling interests	Total equity
August 31, 2018	952,133,418	\$ 12	\$(15,047)	\$ 10,493	\$ (3,002)	\$ 33,551	\$ 682	\$ 26,689
Net earnings (loss)	—	—	—	—	—	2,279	(41)	2,238
Other comprehensive income, net of tax	—	—	—	—	290	—	7	297
Dividends declared	—	—	—	—	—	(820)	(3)	(823)
Treasury stock purchases	(42,097,919)	—	(3,113)	—	—	—	—	(3,113)
Employee stock purchase and option plans	4,140,943	—	124	14	—	—	—	138
Stock-based compensation	—	—	—	63	—	—	—	63
Adoption of new accounting standards	—	—	—	—	—	(88)	—	(88)
Other	—	—	—	—	7	6	(2)	11
February 28, 2019	914,176,442	\$ 12	\$(18,036)	\$ 10,571	\$ (2,705)	\$ 34,928	\$ 643	\$ 25,413

Equity attributable to Walgreens Boots Alliance, Inc.

	Common stock shares	Common stock amount	Treasury stock amount	Paid-in capital	Accumulated other comprehensive income (loss)	Retained earnings	Noncontrolling interests	Total equity
November 30, 2017	990,446,414	\$ 12	\$(12,459)	\$ 10,359	\$ (2,543)	\$ 30,560	\$ 827	\$ 26,756
Net earnings	—	—	—	—	—	1,349	—	1,349
Other comprehensive income, net of tax	—	—	—	—	380	—	6	386
Dividends declared	—	—	—	—	—	(396)	(6)	(402)
Employee stock purchase and option plans	1,219,163	—	44	7	—	—	—	51
Stock-based compensation	—	—	—	38	—	—	—	38
Noncontrolling interests contribution	—	—	—	4	—	—	(4)	—
February 28, 2018	991,665,577	\$ 12	\$(12,415)	\$ 10,408	\$ (2,163)	\$ 31,513	\$ 823	\$ 28,178

Equity attributable to Walgreens Boots Alliance, Inc.

	Common stock shares	Common stock amount	Treasury stock amount	Paid-in capital	Accumulated other comprehensive income (loss)	Retained earnings	Noncontrolling interests	Total equity
August 31, 2017	1,023,849,070	\$ 12	\$ (9,971)	\$ 10,339	\$ (3,051)	\$ 30,137	\$ 808	\$ 28,274
Net earnings	—	—	—	—	—	2,170	1	2,171
Other comprehensive income, net of tax	—	—	—	—	888	—	20	908
Dividends declared	—	—	—	—	—	(794)	(6)	(800)
Treasury stock purchases	(34,499,913)	—	(2,525)	—	—	—	—	(2,525)
Employee stock purchase and option plans	2,316,420	—	81	2	—	—	—	83
Stock-based compensation	—	—	—	63	—	—	—	63
Noncontrolling interests contribution	—	—	—	4	—	—	—	4
February 28, 2018	991,665,577	\$ 12	\$(12,415)	\$ 10,408	\$ (2,163)	\$ 31,513	\$ 823	\$ 28,178

The accompanying notes to Consolidated Condensed Financial Statements are an integral part of these statements.

WALGREENS BOOTS ALLIANCE, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF EARNINGS
(UNAUDITED)

(in millions, except per share amounts)

	Three months ended February 28,		Six months ended February 28,	
	2019	2018	2019	2018
Sales	\$ 34,528	\$ 33,021	\$ 68,321	\$ 63,761
Cost of sales	26,773	24,925	52,925	48,324
Gross profit	7,754	8,096	15,395	15,437
Selling, general and administrative expenses	6,320	6,321	12,599	12,231
Equity earnings in AmerisourceBergen	83	202	121	90
Operating income	1,517	1,977	2,918	3,296
Other income (expense)	19	12	45	(122)
Earnings before interest and income tax provision	1,536	1,989	2,963	3,174
Interest expense, net	181	151	342	300
Earnings before income tax provision	1,356	1,838	2,621	2,874
Income tax provision	226	503	406	730
Post tax earnings from other equity method investments	9	14	24	27
Net earnings	1,138	1,349	2,238	2,171
Net earnings (loss) attributable to noncontrolling interests	(18)	—	(41)	1
Net earnings attributable to Walgreens Boots Alliance, Inc.	\$ 1,156	\$ 1,349	\$ 2,279	\$ 2,170
Net earnings per common share:				
Basic	\$ 1.25	\$ 1.36	\$ 2.43	\$ 2.17
Diluted	\$ 1.24	\$ 1.36	\$ 2.42	\$ 2.16
Weighted average common shares outstanding:				
Basic	928.4	991.0	938.3	998.6
Diluted	930.7	995.5	941.1	1,003.3

The accompanying notes to Consolidated Condensed Financial Statements are an integral part of these statements.

WALGREENS BOOTS ALLIANCE, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)
(in millions)

	Three months ended February 28,		Six months ended February 28,	
	2019	2018	2019	2018
Comprehensive Income:				
Net earnings	\$ 1,138	\$ 1,349	\$ 2,238	\$ 2,171
Other comprehensive income (loss), net of tax:				
Pension/postretirement obligations	(2)	(2)	(6)	(2)
Unrealized gain (loss) on hedges	(13)	1	(10)	1
Share of other comprehensive (loss) income of equity method investments	(2)	—	(1)	2
Currency translation adjustments	553	387	321	907
Total other comprehensive income (loss)	536	386	304	908
Total comprehensive income	1,674	1,735	2,542	3,079
Comprehensive income (loss) attributable to noncontrolling interests	(8)	6	(34)	21
Comprehensive income attributable to Walgreens Boots Alliance, Inc.	\$ 1,682	\$ 1,729	\$ 2,576	\$ 3,058

The accompanying notes to Consolidated Condensed Financial Statements are an integral part of these statements.

WALGREENS BOOTS ALLIANCE, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(in millions)

	Six months ended February 28,	
	2019	2018
Cash flows from operating activities:		
Net earnings	\$ 2,238	\$ 2,171
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	990	858
Deferred income taxes	161	(474)
Stock compensation expense	63	63
Equity (earnings) from equity method investments	(145)	(117)
Other	155	87
Changes in operating assets and liabilities:		
Accounts receivable, net	(1,164)	(637)
Inventories	(557)	(314)
Other current assets	(61)	(66)
Trade accounts payable	682	599
Accrued expenses and other liabilities	(542)	188
Income taxes	(522)	903
Other non-current assets and liabilities	(104)	(52)
Net cash provided by operating activities	<u>1,195</u>	<u>3,208</u>
Cash flows from investing activities:		
Additions to property, plant and equipment	(793)	(666)
Proceeds from sale of other assets	54	18
Business, investment and asset acquisitions, net of cash acquired	(347)	(3,375)
Other	41	(133)
Net cash used for investing activities	<u>(1,046)</u>	<u>(4,156)</u>
Cash flows from financing activities:		
Net change in short-term debt with maturities of 3 months or less	336	836
Proceeds from debt	6,414	3,089
Payments of debt	(3,117)	(1,279)
Stock purchases	(3,113)	(2,525)
Proceeds related to employee stock plans	138	83
Cash dividends paid	(841)	(815)
Other	67	(5)
Net cash used for financing activities	<u>(115)</u>	<u>(616)</u>
Effect of exchange rate changes on cash, cash equivalents and restricted cash	—	56
Changes in cash, cash equivalents and restricted cash:		
Net increase (decrease) in cash, cash equivalents and restricted cash	34	(1,508)
Cash, cash equivalents and restricted cash at beginning of period	975	3,496
Cash, cash equivalents and restricted cash at end of period	<u>\$ 1,009</u>	<u>\$ 1,988</u>

The accompanying notes to Consolidated Condensed Financial Statements are an integral part of these statements.

WALGREENS BOOTS ALLIANCE, INC. AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
(UNAUDITED)

Note 1. Accounting policies**Basis of presentation**

The Consolidated Condensed Financial Statements of Walgreens Boots Alliance, Inc. (“Walgreens Boots Alliance” or the “Company”) included herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission regarding interim financial reporting. The Consolidated Condensed Financial Statements include all subsidiaries in which the Company holds a controlling interest. The Company uses the equity-method of accounting for equity investments in less than majority-owned companies if the investment provides the ability to exercise significant influence. All intercompany transactions have been eliminated.

The Consolidated Condensed Financial Statements included herein are unaudited. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles in the United States (“GAAP”) have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading. These unaudited Consolidated Condensed Financial Statements should be read in conjunction with the audited financial statements and the notes thereto included in the Walgreens Boots Alliance Annual Report on Form 10-K for the fiscal year ended August 31, 2018.

In the opinion of management, the unaudited Consolidated Condensed Financial Statements for the interim periods presented include all adjustments (consisting only of normal recurring adjustments) necessary to present a fair statement of the results for such interim periods. The influence of certain holidays, seasonality, foreign currency rates, changes in vendor, payer and customer relationships and terms, strategic transactions including acquisitions, changes in laws and general economic conditions in the markets in which the Company operates and other factors on the Company’s operations and net earnings for any period may not be comparable to the same period in previous years.

Certain amounts in the Consolidated Condensed Financial Statements and associated notes may not add due to rounding. All percentages have been calculated using unrounded amounts for the three and six months ended February 28, 2019.

Note 2. Acquisitions*Acquisition of certain Rite Aid Corporation (“Rite Aid”) assets*

On September 19, 2017, the Company announced that it had secured regulatory clearance for an amended and restated asset purchase agreement to purchase 1,932 stores, three distribution centers and related inventory from Rite Aid for \$4.375 billion in cash and other consideration. The purchases of these stores have been accounted for as business combinations and occurred in waves during fiscal 2018. The Company purchased 1,932 stores for total cash consideration of \$4.2 billion for the fiscal year ended August 31, 2018.

As of February 28, 2019, the Company had not completed the analysis to assign fair values for certain liabilities assumed for the acquired stores, and therefore the purchase price allocation has not been finalized as the Company is awaiting additional information to complete its assessment. During the three months ended February 28, 2019, the Company recorded certain measurement period adjustments based on additional information, which did not have a material impact on goodwill. The following table summarizes the consideration paid and the preliminary amounts of identified assets acquired and liabilities assumed for purchase of 1,932 stores as of February 28, 2019 (in millions):

Consideration	\$	4,330
Identifiable assets acquired and liabilities assumed		
Inventories	\$	1,171
Property, plant and equipment		490
Intangible assets		2,039
Accrued expenses and other liabilities		(55)
Deferred income taxes		291
Other non-current liabilities		(937)
Total identifiable net assets		2,999
Goodwill	\$	1,331

The identified definite-lived intangible assets were as follows:

Definite-lived intangible assets	Weighted-average useful life (in years)	Amount (in millions)
Customer relationships	12	\$ 1,800
Favorable lease interests	10	219
Trade names	2	20
Total		\$ 2,039

Consideration includes cash of \$4,157 million and the fair value of the option granted to Rite Aid to become a member of the Company's group purchasing organization, Walgreens Boots Alliance Development GmbH. The fair value for this option was determined using the income approach methodology. The fair value estimates are based on the market compensation for such services and appropriate discount rate, as relevant, that market participants would consider when estimating fair values.

The goodwill of \$1,331 million arising from the business combinations primarily reflects the expected operational synergies and cost savings generated from the Store Optimization Program as well as the expected growth from new customers. See note 3, exit and disposal activities, for additional information. The goodwill was allocated to the Retail Pharmacy USA segment. Substantially all of the goodwill recognized is expected to be deductible for income tax purposes.

The fair value for customer relationships was determined using the multi-period excess earnings method, a form of the income approach. Real property fair values were determined using primarily the income approach and sales comparison approach. The fair value measurements of the intangible assets are based on significant inputs not observable in the market and thus represent Level 3 measurements. The fair value estimates for the intangible assets are based on projected discounted cash flows, historical and projected financial information and attrition rates, as relevant, that market participants would consider when estimating fair values.

The following table presents supplemental unaudited condensed pro forma consolidated sales for the three and six months ended February 28, 2018 and gives effect to the acquisition of all 1,932 stores acquired under the amended and restated asset purchase agreement as if such had been acquired on September 1, 2017. Pro forma net earnings of the Company for the three and six months ended February 28, 2018, assuming these purchases had occurred at the beginning of each period presented, would not be materially different from the results reported. See note 3, exit and disposal activities, for additional disclosures. The unaudited condensed pro forma information has been prepared for comparative purposes only and is not intended to be indicative of what the Company's results would have been had the purchases occurred at the beginning of the periods presented or results which may occur in the future.

(in millions)	Three months ended February 28, 2018	Six months ended February 28, 2018
Sales	\$ 34,567	\$ 67,693

The Company acquired the first distribution center and related inventory for cash consideration of \$61 million during the six months ended February 28, 2019. The transition of the remaining two distribution centers and related inventory remains subject to closing conditions set forth in the amended and restated asset purchase agreement.

Other acquisitions

The Company acquired certain prescription files and related pharmacy inventory from Fred's Inc. for the aggregate purchase price of \$77 million for the three months ended February 28, 2019 and \$177 million for the six months ended February 28, 2019.

Note 3. Exit and disposal activities

Transformational Cost Management Program

On December 20, 2018, the Company announced a multi-faceted program (the "Transformational Cost Management Program"), which includes divisional optimization initiatives, global smart spending, global smart organization and digitalization of the enterprise to transform long-term capabilities. Divisional optimization includes cost reduction activities across all segments of the Company. Additionally, the Company has initiated global smart spending and smart organization

programs, initially focused on the Company’s Retail Pharmacy USA division, its retail business in the UK and its global functions. Actions under the Transformational Cost Management Program announced on December 20, 2018 are expected to be complete by fiscal 2022.

As of the date of this report, the Company is not able to make a determination of the total estimated amount or range of amounts that may be incurred for each major type of cost nor the future cash expenditures or charges, including non-cash impairment charges, it may incur.

Costs related to the Transformational Cost Management Program, which were primarily recorded within selling, general and administrative expenses were as follows (in millions):

Three months ended February 28, 2019	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Walgreens Boots Alliance, Inc.
Employee severance and other exit costs	\$ 14	\$ 14	\$ 11	\$ 39
Asset impairments ¹	—	26	85	111
Total costs	\$ 14	\$ 40	\$ 96	\$ 150

Six months ended February 28, 2019	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Walgreens Boots Alliance, Inc.
Employee severance and other exit costs	\$ 16	\$ 35	\$ 11	\$ 62
Asset impairments ¹	—	32	85	117
Total costs	\$ 16	\$ 67	\$ 96	\$ 179

¹ Primarily includes write down of certain software and inventory.

The changes in liabilities related to the Transformational Cost Management Program include the following (in millions):

	Employee severance and other exit costs	Asset impairments	Total
Balance at August 31, 2018	\$ —	\$ —	\$ —
Costs	62	117	179
Payments	(33)	—	(33)
Other - non cash	—	(117)	(117)
Balance at February 28, 2019	\$ 30	\$ —	\$ 30

Store Optimization Program

On October 24, 2017, the Company’s Board of Directors approved a plan to implement a program (the “Store Optimization Program”) to optimize store locations through the planned closure of approximately 600 stores and related assets within the Company’s Retail Pharmacy USA segment upon completion of the acquisition of certain stores and related assets from Rite Aid. As of the date of this report, the Company expects to close approximately 750 stores. The actions under the Store Optimization Program commenced in March 2018 and are now expected to be complete by the end of fiscal 2020.

The Company currently estimates that it will recognize cumulative pre-tax charges to its GAAP financial results of approximately \$350 million, including costs associated with lease obligations and other real estate costs and employee severance and other exit costs. The Company expects to incur pre-tax charges of approximately \$160 million for lease obligations and other real estate costs and approximately \$190 million for employee severance and other exit costs. The Company estimates that substantially all of these cumulative pre-tax charges will result in cash expenditures.

Since approval of the Store Optimization Program, the Company has recognized cumulative pre-tax charges to its financial results in accordance with GAAP totaling \$150 million, which were primarily recorded within selling, general and administrative expenses. These charges included \$21 million related to lease obligations and other real estate costs and \$130 million in employee severance and other exit costs.

Costs related to the Store Optimization Program were as follows (in millions):

	Three months ended February 28, 2019	Six months ended February 28, 2019
Lease obligations and other real estate costs	\$ 9	\$ 2
Employee severance and other exit costs	22	49
Total costs	\$ 31	\$ 51

The changes in liabilities related to the Store Optimization Program include the following (in millions):

	Lease obligations and other real estate costs	Employee severance and other exit costs	Total
Balance at August 31, 2018	\$ 308	\$ 21	\$ 329
Costs	2	49	51
Payments	(91)	(56)	(147)
Other - non cash ¹	103	—	103
Balance at February 28, 2019	\$ 321	\$ 14	\$ 336

¹ Primarily represents unfavorable lease liabilities from acquired Rite Aid stores.

Cost Transformation Program

On April 8, 2015, the Walgreens Boots Alliance Board of Directors approved a plan to implement a restructuring program (the “Cost Transformation Program”) as part of an initiative to reduce costs and increase operating efficiencies. The Cost Transformation Program implemented and built on the cost-reduction initiative previously announced by the Company on August 6, 2014 and included plans to close stores across the United States; reorganize corporate and field operations; drive operating efficiencies; and streamline information technology and other functions. The actions under the Cost Transformation Program focused primarily on the Retail Pharmacy USA segment, but included activities from all segments. The Company completed the Cost Transformation Program in the fourth quarter of fiscal 2017.

The changes in liabilities related to the Cost Transformation Program include the following (in millions):

	Real estate costs	Severance and other business transition and exit costs	Total
Balance at August 31, 2018	\$ 414	\$ 7	\$ 421
Payments	(44)	(2)	(46)
Other - non cash	19	—	19
Balance at February 28, 2019	\$ 390	\$ 5	\$ 395

Note 4. Operating leases

During the three and six months ended February 28, 2019, the Company recorded charges of \$29 million and \$42 million for facilities that were closed or relocated. This compares to \$28 million and \$67 million for the three and six months ended February 28, 2018. These charges are reported in selling, general and administrative expenses in the Consolidated Condensed Statements of Earnings.

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

	For the six months ended February 28, 2019	For the twelve months ended August 31, 2018
Balance at beginning of period	\$ 964	\$ 718
Provision for present value of non-cancellable lease payments on closed facilities	1	52
Changes in assumptions	21	19
Accretion expense	20	58
Other - non cash ¹	86	338
Cash payments, net of sublease income	(164)	(221)
Balance at end of period	\$ 928	\$ 964

¹ Represents unfavorable lease liabilities from acquired Rite Aid stores.

Note 5. Equity method investments

Equity method investments as of February 28, 2019 and August 31, 2018, were as follows (in millions, except percentages):

	February 28, 2019		August 31, 2018	
	Carrying value	Ownership percentage	Carrying value	Ownership percentage
AmerisourceBergen	\$ 5,212	27%	\$ 5,138	26%
Others	1,471	8% - 50%	1,472	8% - 50%
Total	\$ 6,683		\$ 6,610	

AmerisourceBergen Corporation (“AmerisourceBergen”) investment

As of February 28, 2019 and August 31, 2018, the Company owned 56,854,867 AmerisourceBergen common shares, representing approximately 27% and 26% of the outstanding AmerisourceBergen common stock, respectively. The Company accounts for its equity investment in AmerisourceBergen using the equity method of accounting, with the net earnings attributable to the Company’s investment being classified within the operating income of its Pharmaceutical Wholesale segment. Due to the timing and availability of financial information of AmerisourceBergen, the Company accounts for this equity method investment on a financial reporting lag of two months. Equity earnings from AmerisourceBergen are reported as a separate line in the Consolidated Condensed Statements of Earnings. The Level 1 fair market value of the Company’s equity investment in AmerisourceBergen common stock at February 28, 2019 was \$4.7 billion.

As of February 28, 2019, the Company’s investment in AmerisourceBergen carrying value exceeded its proportionate share of the net assets of AmerisourceBergen by \$4.4 billion. This premium of \$4.4 billion was recognized as part of the carrying value in the Company’s equity investment in AmerisourceBergen. The difference was primarily related to goodwill and the fair value of AmerisourceBergen intangible assets.

Other investments

The Company’s other equity method investments include its investments in Guangzhou Pharmaceuticals Corporation and Nanjing Pharmaceutical Corporation Limited, the Company’s pharmaceutical wholesale investments in China; Sinopharm Holding GuoDa Drugstores Co., Ltd., the Company’s retail pharmacy investment in China and Option Care Inc., the Company’s investment in the United States.

The Company reported \$9 million and \$14 million of post-tax equity earnings from other equity method investments, including equity method investments classified as operating, for the three months ended February 28, 2019 and 2018, respectively. The Company reported \$24 million and \$27 million of post-tax equity earnings from other equity method investments for the six months ended February 28, 2019 and 2018, respectively.

Note 6. Goodwill and other intangible assets

Goodwill and indefinite-lived intangible assets are evaluated for impairment annually during the fourth quarter, or more frequently if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit or intangible asset below its carrying value. Based on the fiscal 2018 annual impairment analysis, the fair values of the Company’s reporting units exceeded their carrying amounts ranging from approximately 11% to approximately 312%. The fair

value of the Boots reporting unit, within the Retail Pharmacy International division, is in excess of its carrying value by approximately 11%. The Company continues to monitor weakness in the U.K. retail market, uncertainty surrounding future NHS funding and the U.K.'s potential exit from the European Union (commonly referred to as "Brexit"), and the potential impact these and other factors may have on the fair value of the Boots reporting units in future periods. The determination of the fair value of the reporting units requires us to make significant estimates and assumptions. Although we believe our estimates of fair value are reasonable, actual financial results could differ from those estimates due to the inherent uncertainty involved in making such estimates.

Changes in the carrying amount of goodwill by reportable segment consist of the following (in millions):

	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Walgreens Boots Alliance, Inc.
Balance at August 31, 2018	\$ 10,483	\$ 3,370	\$ 3,061	\$ 16,914
Acquisitions	8	—	—	8
Disposals	—	(8)	—	(8)
Currency translation adjustments	—	59	54	113
Balance at February 28, 2019	\$ 10,491	\$ 3,421	\$ 3,115	\$ 17,027

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

	February 28, 2019	August 31, 2018
Gross amortizable intangible assets		
Customer relationships and loyalty card holders	\$ 4,421	\$ 4,235
Favorable lease interests and non-compete agreements	669	680
Trade names and trademarks	507	489
Purchasing and payer contracts	382	390
Total gross amortizable intangible assets	5,979	5,794
Accumulated amortization		
Customer relationships and loyalty card holders	\$ 1,147	\$ 997
Favorable lease interests and non-compete agreements	386	359
Trade names and trademarks	242	206
Purchasing and payer contracts	86	78
Total accumulated amortization	1,861	1,640
Total amortizable intangible assets, net	\$ 4,118	\$ 4,154
Indefinite-lived intangible assets		
Trade names and trademarks	\$ 5,688	\$ 5,557
Pharmacy licenses	2,126	2,072
Total indefinite-lived intangible assets	\$ 7,814	\$ 7,629
Total intangible assets, net	\$ 11,932	\$ 11,783

Amortization expense for intangible assets was \$139 million and \$273 million for the three and six months ended February 28, 2019, respectively, and \$121 million and \$217 million for the three and six months ended February 28, 2018, respectively.

Estimated future annual amortization expense for the next five fiscal years for intangible assets recorded at February 28, 2019 is as follows (in millions):

	2020	2021	2022	2023	2024
Estimated annual amortization expense	\$ 483	\$ 432	\$ 412	\$ 378	\$ 361

Note 7. Debt

Debt consists of the following (all amounts are presented in millions of U.S. dollars and debt issuances are denominated in U.S. dollars, unless otherwise noted):

	February 28, 2019	August 31, 2018
Short-term debt ¹		
<i>Commercial paper</i>	\$ 3,027	\$ 430
<i>Credit facilities</i> ²	644	999
<i>\$8 billion note issuance</i> ^{3,4}		
2.700% unsecured notes due 2019	1,249	—
<i>\$1 billion note issuance</i> ⁵		
5.250% unsecured notes due 2019 ⁶	—	249
<i>Other</i> ⁷	436	288
Total short-term debt	\$ 5,356	\$ 1,966
Long-term debt ¹		
<i>\$6 billion note issuance</i> ^{3,4}		
3.450% unsecured notes due 2026	\$ 1,889	\$ 1,888
4.650% unsecured notes due 2046	590	590
<i>\$8 billion note issuance</i> ^{3,4}		
2.700% unsecured notes due 2019	—	1,248
3.300% unsecured notes due 2021	1,246	1,245
3.800% unsecured notes due 2024	1,991	1,990
4.500% unsecured notes due 2034	495	495
4.800% unsecured notes due 2044	1,492	1,492
<i>£700 million note issuance</i> ^{3,4}		
2.875% unsecured Pound sterling notes due 2020	531	517
3.600% unsecured Pound sterling notes due 2025	397	387
<i>€750 million note issuance</i> ^{3,4}		
2.125% unsecured Euro notes due 2026	849	868
<i>\$4 billion note issuance</i> ^{3,5}		
3.100% unsecured notes due 2022	1,196	1,196
4.400% unsecured notes due 2042	493	492
<i>Credit facilities</i> ²	1,500	—
<i>Other</i> ⁸	15	23
Total long-term debt, less current portion	\$ 12,685	\$ 12,431

¹ Carrying values are presented net of unamortized discount and debt issuance costs, where applicable, and foreign currency denominated debt has been translated using the spot rates at February 28, 2019 and August 31, 2018, respectively.

² Credit facilities include debt outstanding under the January 2019 364-Day Revolving Credit Agreement, the December 2018 Revolving Credit Agreement, the December 2018 Term Loan Credit Agreement, the November 2018 Credit Agreement and the August 2018 Revolving Credit Agreement, which are described in more detail below.

³ The \$6 billion, \$8 billion, £0.7 billion, €0.75 billion and \$4 billion note issuances as of February 28, 2019 had fair values and carrying values of \$2.4 billion and \$2.5 billion, \$6.4 billion and \$6.5 billion, \$0.9 billion and \$0.9 billion, \$0.9 billion and \$0.8 billion and \$1.6 billion and \$1.7 billion, respectively. The fair values of the notes outstanding are Level 1 fair value measures and determined based on quoted market price and translated at the February 28, 2019 spot rate, as applicable. The fair values and carrying values of these issuances do not include notes that have been redeemed or repaid as of February 28, 2019.

⁴ Notes are unsubordinated debt obligations of Walgreens Boots Alliance and rank equally in right of payment with all other unsecured and unsubordinated indebtedness of Walgreens Boots Alliance from time to time outstanding.

- ⁵ Notes are senior debt obligations of Walgreen Co. and rank equally with all other unsecured and unsubordinated indebtedness of Walgreen Co. On December 31, 2014, Walgreens Boots Alliance fully and unconditionally guaranteed the outstanding notes on an unsecured and unsubordinated basis. The guarantee, for so long as it is in place, is an unsecured, unsubordinated debt obligation of Walgreens Boots Alliance and will rank equally in right of payment with all other unsecured and unsubordinated indebtedness of Walgreens Boots Alliance.
- ⁶ Includes interest rate swap fair market value adjustments. See note 9, fair value measurements, for additional fair value disclosures.
- ⁷ Other short-term debt represents a mix of fixed and variable rate debt with various maturities and working capital facilities denominated in various currencies.
- ⁸ Other long-term debt represents a mix of fixed and variable rate debt in various currencies with various maturities.

January 2019 364-Day Revolving Credit Agreement

On January 18, 2019, the Company entered into a \$2.0 billion 364-day revolving credit agreement (the “January 2019 364-Day Revolving Credit Agreement”) with the lenders from time to time party thereto. The January 2019 364-Day Revolving Credit Agreement is a senior unsecured 364-day revolving credit facility, with a facility termination date of the earlier of (a) 364 days following January 31, 2019, the date of the effectiveness of the commitments pursuant to the January 364-Day Revolving Credit Agreement, subject to extension thereof pursuant to the January 2019 364-Day Revolving Credit Agreement and (b) the date of termination in whole of the aggregate amount of the commitments pursuant to the January 2019 364-Day Revolving Credit Agreement. As of February 28, 2019, there were no borrowings outstanding under the January 364-Day Revolving Credit Agreement.

December 2018 Revolving Credit Agreement

On December 21, 2018, the Company entered into a \$1.0 billion revolving credit agreement (the “December 2018 Revolving Credit Agreement”) with the lenders from time to time party thereto. The December 2018 Revolving Credit Agreement is a senior unsecured revolving credit facility with a facility termination date of the earlier of (a) 18 months following January 28, 2019, the date of the effectiveness of the commitments pursuant to the December 2018 Revolving Credit Agreement, subject to extension thereof pursuant to the December 2018 Revolving Credit Agreement and (b) the date of termination in whole of the aggregate amount of the commitments pursuant to the December 2018 Revolving Credit Agreement. As of February 28, 2019, there were \$0.5 billion borrowings outstanding under the December 2018 Revolving Credit Agreement.

December 2018 Term Loan Credit Agreement

On December 5, 2018, Walgreens Boots Alliance entered into a \$1.0 billion term loan credit agreement (the “December 2018 Term Loan Credit Agreement”) with the lenders from time to time party thereto. The December 2018 Term Loan Credit Agreement is a senior unsecured term loan facility with a facility termination date of the earlier of (a) January 29, 2021 and (b) the date of acceleration of all term loans pursuant to the December 2018 Term Loan Credit Agreement. As of February 28, 2019, there were \$1.0 billion borrowings outstanding under the December 2018 Term Loan Credit Agreement.

November 2018 Credit Agreement

On November 30, 2018, the Company entered into a credit agreement (as amended, the “November 2018 Credit Agreement”) with the lenders from time to time party thereto and, on March 25, 2019, the Company entered into an amendment to such credit agreement reflecting certain changes to the borrowing notice provisions thereto. The November 2018 Credit Agreement includes a \$500 million senior unsecured revolving credit facility and a \$500 million senior unsecured term loan facility. The facility termination date is, with respect to the revolving credit facility, the earlier of (a) May 30, 2020 and (b) the date of termination in whole of the aggregate amount of the revolving commitments pursuant to the November 2018 Credit Agreement and, with respect to the term loan facility, the earlier of (a) May 30, 2020 and (b) the date of acceleration of all term loans pursuant to the November 2018 Credit Agreement. As of February 28, 2019, there were \$0.7 billion borrowings outstanding under the November 2018 Credit Agreement.

August 2018 Revolving Credit Agreement

On August 29, 2018, the Company entered into a revolving credit agreement (the “August 2018 Revolving Credit Agreement”) with the lenders and letter of credit issuers from time to time party thereto. The August 2018 Revolving Credit Agreement is an unsecured revolving credit facility with an aggregate commitment in the amount of \$3.5 billion, with a letter of credit subfacility commitment amount of \$500 million. The facility termination date is the earlier of (a) August 29, 2023, subject to the extension thereof pursuant to the August 2018 Revolving Credit Agreement and (b) the date of termination in whole of the aggregate amount of the revolving commitments pursuant to the August 2018 Revolving Credit Agreement. As of February 28, 2019, there were no borrowings outstanding under the August 2018 Revolving Credit Agreement.

August 2017 Credit Agreements

On August 24, 2017, the Company entered into a \$1.0 billion revolving credit agreement with the lenders from time to time party thereto (the “August 2017 Revolving Credit Agreement”) and a \$1.0 billion term loan credit agreement with Sumitomo Mitsui Banking Corporation (the “2017 Term Loan Credit Agreement”). On November 30, 2018, in connection with the entrance into the November 2018 Credit Agreement, the Company terminated the 2017 Term Loan Credit Agreement in accordance with its terms and as of such date paid all amounts due in connection therewith. On January 31, 2019, the August 2017 Revolving Credit Agreement matured and the Company paid all amounts due in connection therewith.

February 2017 Revolving Credit Agreement

On February 1, 2017, the Company entered into a \$1.0 billion revolving credit facility (as amended, the “February 2017 Revolving Credit Agreement”) with the lenders from time to time party thereto and, on August 1, 2017, the Company entered into an amendment agreement thereto. On January 31, 2019, the February 2017 Revolving Credit Agreement matured and the Company paid all amounts due in connection therewith.

Debt covenants

Each of the Company’s credit facilities contain a covenant to maintain, as of the last day of each fiscal quarter, a ratio of consolidated debt to total capitalization not to exceed 0.60:1.00, subject to increase in certain circumstances set forth in the applicable credit agreement. The credit facilities contain various other customary covenants.

Commercial paper

The Company periodically borrows under its commercial paper program and may borrow under it in future periods. The Company had average daily commercial paper outstanding of \$2.4 billion and \$1.2 billion at a weighted average interest rate of 2.96% and 1.81% for the six months ended February 28, 2019 and 2018, respectively.

Interest

Interest paid was \$349 million and \$281 million for the six months ended February 28, 2019 and 2018, respectively.

Note 8. Financial instruments

The Company uses derivative instruments to manage its exposure to interest rate and foreign currency exchange risks.

The notional amounts and fair value of derivative instruments outstanding were as follows (in millions):

February 28, 2019	Notional	Fair value	Location in Consolidated Condensed Balance Sheets
Derivatives designated as hedges:			
Cross currency interest rate swaps	\$ 623	\$ 16	Other non-current liabilities
Derivatives not designated as hedges:			
Foreign currency forwards	748	3	Other current assets
Foreign currency forwards	2,807	92	Accrued expenses and other liabilities
August 31, 2018			
Derivatives designated as hedges:			
Interest rate swaps	\$ 250	\$ 1	Accrued expenses and other liabilities
Foreign currency forwards	15	—	Other current assets
Derivatives not designated as hedges:			
Foreign currency forwards	3,273	52	Other current assets
Foreign currency forwards	825	4	Accrued expenses and other liabilities

The Company has non-U.S. dollar denominated net investments and uses foreign currency denominated financial instruments, specifically foreign currency derivatives and foreign currency denominated debt, to hedge its foreign currency risk.

The Company utilizes foreign currency forward contracts and other foreign currency derivatives to hedge significant committed and highly probable future transactions and cash flows denominated in currencies other than the functional currency of the Company or its subsidiaries.

The Company uses interest rate swaps from time to time to manage the interest rate exposure associated with some of its fixed-rate debt and designates them as fair value hedges. From time to time, the Company uses forward starting interest rate swaps to hedge its interest rate exposure of some of its anticipated debt issuances.

Net investment hedges

The Company uses cross currency interest rate swaps as hedges of net investments in subsidiaries with non-U.S. dollar functional currencies. For qualifying net investment hedges, changes in the fair value of the derivatives are recorded in the currency translation adjustment within accumulated other comprehensive income (loss).

Derivatives not designated as hedges

The Company enters into derivative transactions that are not designated as accounting hedges. These derivative instruments are economic hedges of foreign currency risks. The income and (expense) due to changes in fair value of these derivative instruments were as follows (in millions):

	Location in Consolidated Condensed Statements of Earnings	Three months ended February 28,		Six months ended February 28,	
		2019	2018	2019	2018
Foreign currency forwards	Selling, general and administrative expenses	\$ (106)	\$ (164)	\$ (60)	\$ (183)
Foreign currency forwards	Other income (expense)	(6)	(1)	(2)	33

Derivatives credit risk

Counterparties to derivative financial instruments expose the Company to credit-related losses in the event of counterparty nonperformance, and the Company regularly monitors the credit worthiness of each counterparty.

Derivatives offsetting

The Company does not offset the fair value amounts of derivative instruments subject to master netting agreements in the Consolidated Condensed Balance Sheets.

Note 9. Fair value measurements

The Company measures certain assets and liabilities in accordance with Accounting Standards Codification ("ASC") Topic 820, Fair Value Measurements and Disclosures, which defines fair value as the price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. In addition, it establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels:

Level 1 - Quoted prices in active markets that are accessible at the measurement date for identical assets and liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2 - Observable inputs other than quoted prices in active markets.

Level 3 - Unobservable inputs for which there is little or no market data available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

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

	February 28, 2019	Level 1	Level 2	Level 3
Assets:				
Money market funds ¹	\$ 142	\$ 142	\$ —	\$ —
Available-for-sale investments ²	5	5	—	—
Foreign currency forwards ³	3	—	3	—
Liabilities:				
Foreign currency forwards ³	92	—	92	—
Cross currency interest rate swaps ⁴	16	—	16	—

	August 31, 2018	Level 1	Level 2	Level 3
Assets:				
Money market funds ¹	\$ 227	\$ 227	\$ —	\$ —
Available-for-sale investments ²	1	1	—	—
Foreign currency forwards ³	52	—	52	—
Liabilities:				
Interest rate swaps ⁴	1	—	1	—
Foreign currency forwards ³	4	—	4	—

¹ Money market funds are valued at the closing price reported by the fund sponsor.

² Fair value of quoted investments are based on current bid prices as of February 28, 2019 and August 31, 2018.

³ The fair value of forward currency contracts is estimated by discounting the difference between the contractual forward price and the current available forward price for the residual maturity of the contract using observable market rates.

⁴ The fair value of interest rate swaps and cross currency interest rate swaps is calculated by discounting the estimated future cash flows based on the applicable observable yield curves. See note 8, financial instruments, for additional information.

There were no transfers between Levels for the three and six months ended February 28, 2019.

The Company reports its debt instruments under the guidance of ASC Topic 825, Financial Instruments, which requires disclosure of the fair value of the Company's debt in the footnotes to the consolidated financial statements. Unless otherwise noted, the fair value for all notes was determined based upon quoted market prices and therefore categorized as Level 1. See note 7, debt, for further information. The carrying values of accounts receivable and trade accounts payable approximated their respective fair values due to their short-term nature.

Note 10. Commitments and contingencies

The Company is involved in legal proceedings, including litigation, arbitration and other claims, and investigations, inspections, audits, claims, inquiries and similar actions by pharmacy, healthcare, tax and other governmental authorities, arising in the normal course of the Company's business, including the matters described below. Legal proceedings, in general, and securities, class action and multi-district litigation, in particular, can be expensive and disruptive. Some of these suits may purport or may be determined to be class actions and/or involve parties seeking large and/or indeterminate amounts, including punitive or exemplary damages, and may remain unresolved for several years. The Company also may be named from time to time in qui tam actions initiated by private third parties. In such actions, the private parties purport to act on behalf of federal or state governments, allege that false claims have been submitted for payment by the government and may receive an award if their claims are successful. After a private party has filed a qui tam action, the government must investigate the private party's claim and determine whether to intervene in and take control over the litigation. These actions may remain under seal while the government makes this determination. If the government declines to intervene, the private party may nonetheless continue to pursue the litigation on his or her own purporting to act on behalf of the government. From time to time, the Company is also involved in legal proceedings as a plaintiff involving antitrust, tax, contract, intellectual property and other matters. Gain contingencies, if any, are recognized when they are realized.

The results of legal proceedings are often uncertain and difficult to predict, and the costs incurred in litigation can be substantial, regardless of the outcome. With respect to litigation and other legal proceedings where the Company has determined that a loss is reasonably possible, the Company is unable to estimate the amount or range of reasonably possible loss due to the inherent difficulty of predicting the outcome of and uncertainties regarding such litigation and legal proceedings. The Company believes that its defenses and assertions in pending legal proceedings have merit and does not believe that any of these pending matters, after consideration of applicable reserves and rights to indemnification, will have a material adverse effect on the Company's consolidated financial position. However, substantial unanticipated verdicts, fines and rulings do sometimes occur. As a result, the Company could from time to time incur judgments, enter into settlements or revise its expectations regarding the outcome of certain matters, and such developments could have a material adverse effect on its results of operations in the period in which the amounts are accrued and/or its cash flows in the period in which the amounts are paid.

On December 29, 2014, a putative shareholder filed a derivative action in federal court in the Northern District of Illinois against certain current and former directors and officers of Walgreen Co., and Walgreen Co. as a nominal defendant, arising out of certain public statements the Company made regarding its former fiscal 2016 goals. The action asserts claims for breach of fiduciary duty, waste and unjust enrichment. On April 10, 2015, the defendants filed a motion to dismiss. On May 18, 2015, the

case was stayed in light of a securities class action that was filed on April 10, 2015. After a ruling issued on September 30, 2016 in the securities class action, which is described below, on November 3, 2016, the Court entered a stipulation and order extending the stay until the securities case is fully resolved.

On April 10, 2015, a putative shareholder filed a securities class action in federal court in the Northern District of Illinois against Walgreen Co. and certain former officers of Walgreen Co. The action asserts claims for violation of the federal securities laws arising out of certain public statements the Company made regarding its former fiscal 2016 goals. On June 16, 2015, the Court entered an order appointing a lead plaintiff. Pursuant to the Court's order, lead plaintiff filed a consolidated class action complaint on August 17, 2015, and defendants moved to dismiss the complaint on October 16, 2015. On September 30, 2016, the Court issued an order granting in part and denying in part defendants' motion to dismiss. Defendants filed their answer to the complaint on November 4, 2016 and filed an amended answer on January 16, 2017. Plaintiff filed its motion for class certification on April 21, 2017. The Court granted plaintiffs' motion on March 29, 2018 and merits discovery is proceeding. On December 19, 2018, plaintiffs filed a first amended complaint and defendants moved to dismiss the new complaint on February 19, 2019.

As of the date of this report, the Company was aware of two previously disclosed putative class action lawsuits filed by purported Rite Aid stockholders against Walgreens Boots Alliance and certain of its officers regarding the transactions contemplated by the original merger agreement between the Company and Rite Aid (prior to its amendment on January 29, 2017) (such transactions, the "Rite Aid Transactions"). One of the Rite Aid actions was filed in the State of Pennsylvania in the Court of Common Pleas of Cumberland County (the "Pennsylvania action") and primarily alleged that Walgreens Boots Alliance and one of its subsidiaries aided and abetted certain alleged breaches of fiduciary duty by the board of directors of Rite Aid in connection with the Rite Aid Transactions. This action was terminated by the court for lack of prosecution in December 2018. The other action was filed in the United States District Court for the Middle District of Pennsylvania (the "federal action") and alleges, among other things, that the Company and certain of its officers made false or misleading statements regarding the Rite Aid Transactions. The Company has filed a motion to dismiss the federal action, which motion is fully briefed and awaits ruling.

In December 2017, the United States Judicial Panel on Multidistrict Litigation consolidated numerous cases filed against an array of defendants by various plaintiffs such as counties, cities, hospitals, Indian tribes and others, alleging claims generally concerning the impacts of widespread opioid abuse. The consolidated multidistrict litigation, captioned *In re National Prescription Opiate Litigation* (MDL No. 2804), is pending in the U.S. District Court for the Northern District of Ohio. The Company is named as a defendant in a subset of the cases included in this multidistrict litigation. The Company also has been named as a defendant in several lawsuits brought in state courts relating to opioid matters. The relief sought by various plaintiffs is compensatory and punitive damages, as well as injunctive relief. Additionally, the Company has received from the Attorney Generals of several states subpoenas, civil investigative demands and/or other requests concerning opioid matters.

On September 28, 2018, the Company announced that it had reached an agreement with the SEC to fully resolve an investigation into certain forward-looking financial goals and related disclosures by Walgreens. The disclosures at issue were made prior to the strategic combination with Alliance Boots and the merger pursuant to which Walgreens Boots Alliance became the parent holding company on December 31, 2014. The settlement does not involve any of the Company's current officers or executives, nor does it allege intentional or reckless conduct by the Company. In agreeing to the settlement, the Company neither admitted nor denied the SEC's allegations. Pursuant to the agreement with the SEC, the Company consented to the SEC's issuance of an administrative order, and the Company paid a \$34.5 million penalty, which was fully reserved for in the Company's Consolidated Financial Statements as of August 31, 2018.

On January 22, 2019, the Company announced that it had reached an agreement to resolve a civil investigation involving allegations under the False Claims Act by a United States Attorney's Office, working in conjunction with several states, regarding certain dispensing practices. Pursuant to the agreement, the Company paid \$209.2 million to the United States and the various states involved in the matter, substantially all of which was reserved for in the Company's Consolidated Financial Statements as of November 30, 2018.

Note 11. Income taxes

The effective tax rate for the three and six months ended February 28, 2019 was 16.7% and 15.5%, respectively, compared to 27.4% and 25.4% for the three and six months ended February 28, 2018, respectively. The decrease in the effective tax rates for the three and six months ended February 28, 2019 was primarily due to the provisional net discrete tax expense that was recorded during the three months ended February 28, 2018 as a result of the U.S. tax law changes, which were enacted on December 22, 2017.

Income taxes paid for the six months ended February 28, 2019 were \$766 million, compared to \$301 million for the six months ended February 28, 2018.

U.S. tax law changes

In connection with the U.S. tax law changes enacted in December 2017 and in accordance with SEC Staff Accounting Bulletin 118 (“SAB 118”), the Company completed its analysis of the income tax effects of the U.S. tax law changes during the three months ended February 28, 2019. The incremental net tax benefit for the six months ended recorded upon completion of the analysis of the income tax effects of the U.S. tax law changes was not material to our Consolidated Condensed Financial Statements.

While the Company completed its analysis of the income tax effects of the U.S. tax law changes, the final impact of the U.S. tax law changes may differ from this analysis, due to, among other things, technical clarifications from the U.S. Department of the Treasury and Internal Revenue Service (“IRS”), interpretations of the U.S. tax law changes and actions the Company may take. The Company will continue to evaluate the impact of any future authoritative guidance with respect to the U.S. tax law changes.

The U.S. tax law changes created new rules that allow the Company to make an accounting policy election to either treat taxes due on future global intangible low-taxed income (“GILTI”) inclusions in taxable income as either a current period expense or reflect such inclusions related to temporary basis differences in the Company’s measurement of deferred taxes. The Company has elected to treat GILTI as a current period expense. The Company continues to evaluate the impact of the GILTI provisions under the U.S. tax law changes, which are complex and subject to continuing regulatory interpretation by the IRS.

As we repatriate the undistributed earnings of our foreign subsidiaries for use in the United States, the earnings from our foreign subsidiaries will generally not be subject to U.S. federal tax. We continuously evaluate the amount of foreign earnings that are not necessary to be permanently reinvested in our foreign subsidiaries.

Note 12. Retirement benefits

The Company sponsors several retirement plans, including defined benefit plans, defined contribution plans and a postretirement health plan.

Defined benefit pension plans (non-U.S. plans)

The Company has various defined benefit pension plans outside the United States. The principal defined benefit pension plan is the Boots Pension Plan (the “Boots Plan”), which covers certain employees in the United Kingdom. The Boots Plan is a funded final salary defined benefit plan providing pensions and death benefits to members. The Boots Plan was closed to future accrual effective July 1, 2010, with pensions calculated based on salaries up until that date. The Boots Plan is governed by a trustee board, which is independent of the Company. The plan is subject to a full funding actuarial valuation on a triennial basis.

Components of net periodic pension costs for the defined benefit pension plans (in millions):

	Location in Consolidated Condensed Statements of Earnings	Three months ended February 28,		Six months ended February 28,	
		2019	2018	2019	2018
Service costs	Selling, general and administrative expenses	\$ 1	\$ 1	\$ 2	\$ 3
Interest costs	Other expense ¹	50	49	99	96
Expected returns on plan assets/other	Other income ¹	(64)	(53)	(124)	(104)
Total net periodic pension costs (income)		\$ (13)	\$ (3)	\$ (23)	\$ (5)

¹ Shown as Other income (expense) on Consolidated Condensed Statements of Earnings.

The Company made cash contributions to its defined benefit pension plans of \$11 million for the six months ended February 28, 2019, which primarily related to committed funded payments. The Company plans to contribute an additional \$23 million to its defined benefit pension plans in fiscal 2019.

Defined contribution plans

The principal retirement plan for U.S. employees is the Walgreen Profit-Sharing Retirement Trust, to which both the Company and participating employees contribute. The Company’s contribution is in the form of a guaranteed match which is approved

annually by the Walgreen Co. Board of Directors and reviewed by the Compensation Committee and Finance Committee of the Walgreens Boots Alliance Board of Directors. The profit-sharing provision was an expense of \$64 million and \$125 million for the three and six months ended February 28, 2019 compared to an expense of \$55 million and \$111 million in the three and six months ended February 28, 2018.

The Company also has certain contract based defined contribution arrangements. The principal one is the Alliance Healthcare & Boots Retirement Savings Plan, which is United Kingdom based and to which both the Company and participating employees contribute. The cost recognized for the three and six months ended February 28, 2019 was \$33 million and \$64 million compared to a cost of \$31 million and \$61 million in the three and six months ended February 28, 2018.

Note 13. Accumulated other comprehensive income (loss)

The following is a summary of net changes in accumulated other comprehensive income (loss) ("AOCI") by component and net of tax for the three and six months ended February 28, 2019 and February 28, 2018 (in millions):

	Pension/ post-retirement obligations	Unrealized gain (loss) on hedges	Share of AOCI of equity method investments	Cumulative translation adjustments	Total
Balance at November 30, 2018	\$ 97	\$ (27)	\$ 4	\$ (3,305)	\$ (3,231)
Other comprehensive income (loss) before reclassification adjustments	—	(19)	(2)	537	516
Amounts reclassified from AOCI	(4)	2	—	—	(2)
Other	—	—	—	7	7
Tax benefit (provision)	2	4	—	(1)	5
Net change in other comprehensive income (loss)	(2)	(13)	(2)	543	526
Balance at February 28, 2019	\$ 95	\$ (40)	\$ 2	\$ (2,762)	\$ (2,705)

	Pension/ post-retirement obligations	Unrealized gain (loss) on hedges	Share of AOCI of equity method investments	Cumulative translation adjustments	Total
Balance at August 31, 2018	\$ 101	\$ (30)	\$ 3	\$ (3,076)	\$ (3,002)
Other comprehensive income (loss) before reclassification adjustments	—	(16)	(1)	309	292
Amounts reclassified from AOCI	(8)	3	—	—	(5)
Other	—	—	—	7	7
Tax benefit (provision)	2	3	—	(2)	3
Net change in other comprehensive income (loss)	(6)	(10)	(1)	314	297
Balance at February 28, 2019	\$ 95	\$ (40)	\$ 2	\$ (2,762)	\$ (2,705)

	Pension/ post-retirement obligations	Unrealized gain (loss) on hedges	Share of AOCI of equity method investments	Cumulative translation adjustments	Total
Balance at November 30, 2017	\$ (139)	\$ (33)	\$ —	\$ (2,371)	\$ (2,543)
Other comprehensive income (loss) before reclassification adjustments	—	—	1	381	382
Amounts reclassified from AOCI	(3)	1	—	—	(2)
Tax benefit (provision)	1	—	(1)	—	—
Net change in other comprehensive income (loss)	(2)	1	—	381	380
Balance at February 28, 2018	\$ (141)	\$ (32)	\$ —	\$ (1,990)	\$ (2,163)

	Pension/ post-retirement obligations	Unrealized gain (loss) on hedges	Share of AOCI of equity method investments	Cumulative translation adjustments	Total
Balance at August 31, 2017	\$ (139)	\$ (33)	\$ (2)	\$ (2,877)	\$ (3,051)
Other comprehensive income (loss) before reclassification adjustments	(1)	—	4	887	890
Amounts reclassified from AOCI	(3)	2	—	—	(1)
Tax benefit (provision)	2	(1)	(2)	—	(1)
Net change in other comprehensive income (loss)	(2)	1	2	887	888
Balance at February 28, 2018	\$ (141)	\$ (32)	\$ —	\$ (1,990)	\$ (2,163)

Note 14. Segment reporting

The Company has aligned its operations into three reportable segments: Retail Pharmacy USA, Retail Pharmacy International and Pharmaceutical Wholesale. The operating segments have been identified based on the financial data utilized by the Company's Chief Executive Officer (the chief operating decision maker) to assess segment performance and allocate resources among the Company's operating segments, which have been aggregated as described below. The chief operating decision maker uses adjusted operating income to assess segment profitability. The chief operating decision maker does not use total assets by segment to make decisions regarding resources, therefore the total asset disclosure by segment has not been included.

Retail Pharmacy USA

The Retail Pharmacy USA segment consists of the Walgreens business, which includes the operation of retail drugstores, convenient care clinics and mail and central specialty pharmacy services. Sales for the segment are principally derived from the sale of prescription drugs and a wide assortment of retail products, including health and wellness, beauty and personal care and consumables and general merchandise.

Retail Pharmacy International

The Retail Pharmacy International segment consists of pharmacy-led health and beauty retail businesses and optical practices. These businesses include Boots branded stores in the United Kingdom, Thailand, Norway, the Republic of Ireland and the Netherlands, Benavides in Mexico and Ahumada in Chile. Sales for the segment are principally derived from the sale of prescription drugs and health and wellness, beauty and personal care and other consumer products.

Pharmaceutical Wholesale

The Pharmaceutical Wholesale segment consists of the Alliance Healthcare pharmaceutical wholesaling and distribution businesses and an equity method investment in AmerisourceBergen. Wholesale operations are located in the United Kingdom, Germany, France, Turkey, Spain, the Netherlands, Egypt, Norway, Romania, Czech Republic and Lithuania. Sales for the segment are principally derived from wholesaling and distribution of a comprehensive offering of brand-name pharmaceuticals (including specialty pharmaceutical products) and generic pharmaceuticals, health and beauty products, home healthcare supplies and equipment and related services to pharmacies and other healthcare providers.

The results of operations for each reportable segment include procurement benefits and an allocation of corporate-related overhead costs.

The following table reflects results of operations and reconciles adjusted operating income to operating income for the Company's reportable segments (in millions):

	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Eliminations¹	Walgreens Boots Alliance, Inc.
Three months ended February 28, 2019					
Sales	\$ 26,257	\$ 3,082	\$ 5,738	\$ (549)	\$ 34,528
Adjusted operating income	\$ 1,455	\$ 256	\$ 225	\$ (1)	\$ 1,935
Acquisition-related amortization					(123)
Transformational cost management					(150)
Acquisition-related costs					(82)
Adjustments to equity earnings in AmerisourceBergen					(9)
Store optimization					(31)
LIFO provision					(8)
Certain legal and regulatory accruals and settlements					(14)
Operating income					\$ 1,517
Three months ended February 28, 2018					
Sales	\$ 24,478	\$ 3,317	\$ 5,755	\$ (529)	\$ 33,021
Adjusted operating income ³	\$ 1,650	\$ 276	\$ 231	\$ 3	\$ 2,160
Acquisition-related amortization					(113)
Acquisition-related costs					(65)
Adjustments to equity earnings in AmerisourceBergen					113
LIFO provision					(43)
Certain legal and regulatory accruals and settlements ²					(90)
Asset recovery					15
Operating income³					\$ 1,977

	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Eliminations¹	Walgreens Boots Alliance, Inc.
Six months ended February 28, 2019					
Sales	\$ 51,979	\$ 5,982	\$ 11,446	\$ (1,086)	\$ 68,321
Adjusted operating income	\$ 2,834	\$ 388	\$ 445	\$ —	\$ 3,667
Acquisition-related amortization					(246)
Transformational cost management					(179)
Acquisition-related costs					(148)
Adjustments to equity earnings in AmerisourceBergen					(54)
Store optimization					(51)
LIFO provision					(48)
Certain legal and regulatory accruals and settlements					(24)
Operating income					\$ 2,918
Six months ended February 28, 2018					
Sales	\$ 46,967	\$ 6,400	\$ 11,473	\$ (1,079)	\$ 63,761
Adjusted operating income ³	\$ 3,028	\$ 481	\$ 456	\$ 1	\$ 3,966
Acquisition-related amortization					(198)
Acquisition-related costs					(116)
Adjustments to equity earnings in AmerisourceBergen					(76)
LIFO provision					(97)
Certain legal and regulatory accruals and settlements ²					(115)
Hurricane-related costs					(83)
Asset recovery					15
Operating income³					\$ 3,296

¹ Eliminations relate to intersegment sales between the Pharmaceutical Wholesale and the Retail Pharmacy International segments.

² As previously disclosed, beginning in the quarter ended August 31, 2018, management reviewed and refined its practice to include all charges related to the matters included in certain legal and regulatory accruals and settlements. In order to present non-GAAP measures on a consistent basis for fiscal year 2018, the Company included adjustments in the quarter ended August 31, 2018 of \$14 million, \$50 million and \$5 million which were previously accrued in the Company's financial statements for the quarters ended November 30, 2017, February 28, 2018 and May 31, 2018, respectively. These additional adjustments impact the comparability of such results to the results reported in prior and future quarters.

³ The Company adopted new accounting guidance in Accounting Standards Update 2017-07 as of September 1, 2018 (fiscal 2019) on a retrospective basis for the Consolidated Condensed Statements of Earnings presentation. See note 17, new accounting pronouncements, for further information.

Note 15. Sales

The following table summarizes the Company's sales by segment and by major source (in millions):

	Three months ended February 28,		Six months ended February 28,	
	2019	2018	2019	2018
Retail Pharmacy USA				
Pharmacy	\$ 18,892	\$ 17,208	\$ 38,039	\$ 33,487
Retail	7,366	7,270	13,940	13,480
Total	26,257	24,478	51,979	46,967
Retail Pharmacy International				
Pharmacy	1,010	1,095	2,049	2,202
Retail	2,072	2,222	3,933	4,198
Total	3,082	3,317	5,982	6,400
Pharmaceutical Wholesale	5,738	5,755	11,446	11,473
Eliminations ¹	(549)	(529)	(1,086)	(1,079)
Walgreens Boots Alliance, Inc.	\$ 34,528	\$ 33,021	\$ 68,321	\$ 63,761

¹ Eliminations relate to intersegment sales between the Pharmaceutical Wholesale and the Retail Pharmacy International segments.

Contract balances with customers

Contract liabilities primarily represent the Company's obligation to transfer additional goods or services to a customer for which the Company has received consideration, for example the Company's Balance Rewards® and Boots Advantage Card loyalty programs. Under such programs, customers earn reward points on purchases for redemption at a later date. See note 18, supplemental information, for further information on receivables from contracts with customers.

Note 16. Related parties

The Company has a long-term pharmaceutical distribution agreement with AmerisourceBergen pursuant to which the Company sources branded and generic pharmaceutical products from AmerisourceBergen principally for its U.S. operations. Additionally, AmerisourceBergen receives sourcing services for generic pharmaceutical products.

Related party transactions with AmerisourceBergen (in millions):

	Three months ended February 28,		Six months ended February 28,	
	2019	2018	2019	2018
Purchases, net	\$ 14,064	\$ 12,132	\$ 28,386	\$ 23,736
Trade accounts payable, net			February 28, 2019 \$ 6,511	August 31, 2018 \$ 6,274

Note 17. New accounting pronouncements

Adoption of new accounting pronouncements

Presentation of net periodic pension cost and net periodic postretirement benefit cost

In March 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2017-07, Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost. This ASU requires an employer to report the service cost component of net periodic pension cost

and net periodic postretirement benefit cost in the same line item in the statement of earnings as other compensation costs arising from services rendered by the related employees during the period. All other net cost components are required to be presented in the statement of earnings separately from the service cost component and outside a subtotal of income from operations. Additionally, the line item used in the statement of earnings to present the other net cost components must be disclosed in the notes to the financial statements. The Company adopted this new accounting guidance as of September 1, 2018 (fiscal 2019) on a retrospective basis and the adoption did not have a material impact on the Company's results of operations, cash flows or financial position. The impact on our previously reported net periodic costs as a result of the retrospective adoption of this standard results in a reclassification from selling, general and administrative expenses to other income (expense) of \$125 million, \$73 million and \$(69) million for the fiscal years ended August 31, 2018, 2017 and 2016, respectively. The updated accounting policy for pension and postretirement benefits is as follows:

Pension and postretirement benefits

The Company has various defined benefit pension plans, which cover some of its non-U.S. employees. The Company also has a postretirement healthcare plan, which covers qualifying U.S. employees. Eligibility and the level of benefits for these plans vary depending on participants' status, date of hire and or length of service. Pension and postretirement plan expenses and valuations are dependent on assumptions used by third-party actuaries in calculating those amounts. These assumptions include discount rates, healthcare cost trends, long-term return on plan assets, retirement rates, mortality rates and other factors. The Company funds its pension plans in accordance with applicable regulations. The Company records the service cost component of net pension cost and net postretirement benefit cost in selling, general and administrative expenses. The Company records all other net cost components of net pension cost and net postretirement benefit cost in other income (expense). See note 12, retirement benefits, for further information.

The following is a reconciliation of the effect of the reclassification of all other net cost components (excluding service cost component) of net pension cost and net postretirement benefit cost from selling, general and administrative expenses to other income (expense) in the Company's Consolidated Condensed Statements of Earnings (in millions):

	<u>As reported</u>	<u>Adjustments</u>	<u>As revised</u>
Three months ended February 28, 2018			
Selling, general and administrative expenses	\$ 6,318	\$ 3	\$ 6,321
Operating income	1,980	(3)	1,977
Other income (expense)	9	3	12

	<u>As reported</u>	<u>Adjustments</u>	<u>As revised</u>
Six months ended February 28, 2018			
Selling, general and administrative expenses	\$ 12,225	\$ 6	\$ 12,231
Operating income	3,302	(6)	3,296
Other income (expense)	(128)	6	(122)

Restricted cash

In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash. This ASU requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the Statement of Cash Flows. The Company adopted this new accounting guidance as of September 1, 2018 (fiscal 2019) on a full retrospective basis and the adoption did not have a material impact on the Company's Statement of Cash Flows.

The following is a reconciliation of the effect on the relevant line items on the Consolidated Condensed Statements of Cash Flows for the six months ended February 28, 2018 as a result of adopting this new accounting guidance (in millions):

	<u>As reported</u>	<u>Adjustments</u>	<u>As revised</u>
Six months ended February 28, 2018			
Trade accounts payable	\$ 592	\$ 7	\$ 599
Accrued expenses and other liabilities	182	6	188
Other non-current assets and liabilities	(72)	20	(52)
Net cash provided by operating activities	3,176	32	3,208
Effect of exchange rate changes on cash, cash equivalents and restricted cash	44	12	56
Net increase (decrease) in cash, cash equivalents and restricted cash	(1,552)	44	(1,508)
Cash, cash equivalents and restricted cash at beginning of period	3,301	195	3,496
Cash, cash equivalents and restricted cash at end of period	\$ 1,749	\$ 239	\$ 1,988

Tax accounting for intra-entity asset transfers

In October 2016, the FASB issued ASU 2016-16, Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory. This ASU prohibits the recognition of current and deferred income taxes for an intra-entity asset transfer until the asset has been sold to an outside party. In addition, interpretations of this guidance have developed in practice for transfers of certain intangible and tangible assets. This prohibition on recognition is an exception to the principle of comprehensive recognition of current and deferred income taxes. To more faithfully represent the economics of intra-entity asset transfers, the amendments in this ASU require that entities recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. This ASU does not change the pre-tax effects of an intra-entity asset transfer under Topic 810, Consolidation, or for an intra-entity transfer of inventory. The Company adopted this new accounting guidance as of September 1, 2018 (fiscal 2019) on a modified retrospective basis and the adoption did not have a material impact on the Company's results of operations.

Classification of certain cash receipts and cash payments

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. This ASU addresses the classification of certain specific cash flow issues including debt prepayment or extinguishment costs, settlement of certain debt instruments, contingent consideration payments made after a business combination, proceeds from the settlement of certain insurance claims, and distributions received from equity method investees. The Company adopted this new accounting guidance as of September 1, 2018 (fiscal 2019) and adoption did not have a material impact on the Company's Statement of Cash Flows.

Revenue recognition on contracts with customers

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). Subsequently, the FASB issued additional ASUs, which further clarify this guidance. This ASU provides a single principles-based revenue recognition model with a five-step analysis of transactions to determine when and how revenue is recognized. The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Company adopted this new accounting guidance on September 1, 2018 (fiscal 2019) using the modified retrospective transition approach for all contracts and the adoption did not have a material impact on the Company's results of operations. The adoption mainly resulted in changes to recognition of revenues related to loyalty programs and gift card breakage. Prior to adoption, the Company used the cost approach to account for loyalty programs. Upon adoption, the Company uses the deferred revenue approach. Prior to adoption, gift card breakage was primarily recognized at point of sale. Upon adoption, all gift card breakage is recognized based on the redemption pattern. The changes in accounting for loyalty programs and gift card breakage resulted in a cumulative transition adjustment of \$98 million in retained earnings. See note 15, sales, for additional disclosures. The updated accounting policy for revenue recognition and loyalty programs are as follows:

Revenue recognition

Retail Pharmacy USA and Retail Pharmacy International

The Company recognizes revenue, net of taxes and expected returns, at the time it sells merchandise or dispenses prescription drugs to the customer. The Company estimates revenue based on expected reimbursements from third-party payers (e.g., pharmacy benefit managers, insurance companies and governmental agencies) for dispensing prescription drugs. The estimates are based on all available information including historical experience and are updated to actual reimbursement amounts.

Pharmaceutical Wholesale

Wholesale revenue is recognized, net of taxes and expected returns, upon shipment of goods, which is generally also the day of delivery. Returns are estimated using expected returns.

Loyalty programs and gift card

The Company's loyalty rewards programs represent a separate performance obligation and are accounted for using the deferred revenue approach. When goods are sold, the transaction price is allocated between goods sold and loyalty points awarded based upon the relative standalone selling price. The revenue allocated to the loyalty points is recognized upon redemption. Loyalty program breakage is recognized as revenue based on the redemption pattern.

Customer purchases of gift cards are not recognized as revenue until the card is redeemed. Gift card breakage (i.e., unused gift card) is recognized as revenue based on the redemption pattern.

Classification and measurement of financial instruments

In January 2016, the FASB issued ASU 2016-01, Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. Subsequently, the FASB issued additional ASUs, which further clarify this guidance. This ASU requires equity investments (except those under the equity method of accounting or those that result in the consolidation of an investee) to be measured at fair value with changes in fair value recognized in net income. However, an entity may choose to measure equity investments that do not have readily determinable fair values at cost less impairment, if any, and changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. This simplifies the impairment assessment of equity investments previously held at cost. Separate presentation of financial assets and liabilities by measurement category is required. The Company adopted this new accounting guidance as of September 1, 2018 (fiscal 2019) and adoption did not have a material impact on the Company's results of operations, cash flows or financial position. The new guidance was applied on a modified retrospective basis, with the exception of the amendments related to the measurement alternative for equity investments without readily determinable fair values, which was applied on a prospective basis.

New accounting pronouncements not yet adopted

Collaborative arrangements

In November 2018, the FASB issued ASU 2018-18, Collaborative Arrangements (Topic 808). This ASU clarifies the interaction between Topic 808, Collaborative Arrangements, and Topic 606, Revenue from Contracts with Customers. This ASU is effective for fiscal years beginning after December 15, 2019 (fiscal 2021). The adoption of this ASU is not expected to have a significant impact on the Company's results of operations, cash flows or financial position.

Financial instruments - hedging and derivatives

In October 2018, the FASB issued ASU 2018-16, Derivatives and Hedging (Topic 815): Inclusion of the Secured Overnight Financing Rate (SOFR) Overnight Index Swap (OIS) Rate as Benchmark Interest Rate for Hedge Accounting Purposes. This ASU permits use of the OIS rate based on the SOFR as a U.S. benchmark interest rate for hedge accounting purposes. This ASU is effective for fiscal years beginning after December 15, 2018 (fiscal 2020), and interim periods within those fiscal years, with early adoption permitted. The new guidance must be applied on a prospective basis. The adoption of this ASU is not expected to have a significant impact on the Company's results of operations, cash flows or financial position.

Intangibles – goodwill and other – internal-use software

In August 2018, the FASB issued ASU 2018-15, Intangibles-Goodwill and Other- Internal-Use Software (Subtopic 350-40). This ASU addresses customer's accounting for implementation costs incurred in a cloud computing arrangement that is a service contract and also adds certain disclosure requirements related to implementation costs incurred for internal-use software and cloud computing arrangements. This ASU aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). This ASU is effective for fiscal years beginning after December 15, 2019 (fiscal 2021), and interim periods within those fiscal years, with early adoption permitted. The amendments in this ASU can be applied either retrospectively or prospectively to all implementation

costs incurred after the date of adoption. The Company is evaluating the effect of adopting this new accounting guidance, but does not expect adoption will have a material impact on the Company's financial position or results of operations.

Compensation – retirement benefits – defined benefit plans

In August 2018, the FASB issued ASU 2018-14, Compensation - Retirement benefits (Topic 715-20). This ASU amends ASC 715 to add, remove and clarify disclosure requirements related to defined benefit pension and other postretirement plans. The ASU eliminates the requirement to disclose the amounts in accumulated other comprehensive income expected to be recognized as part of net periodic benefit cost over the next year. The ASU also removes the disclosure requirements for the effects of a one-percentage-point change on the assumed health care costs and the effect of this change in rates on service cost, interest cost and the benefit obligation for postretirement health care benefits. This ASU is effective for fiscal years ending after December 15, 2020 (fiscal 2022) and must be applied on a full retrospective basis. The Company is evaluating the effect of adopting this new accounting guidance, but does not expect adoption will have a material impact on the Company's financial position and disclosures.

Fair value measurement

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820). This ASU eliminates such disclosures as the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy. The ASU adds new disclosure requirements for Level 3 measurements. This ASU is effective for fiscal years beginning after December 15, 2019 (fiscal 2021), and interim periods within those fiscal years, with early adoption permitted for any eliminated or modified disclosures. The Company is evaluating the effect of adopting this new accounting guidance, but does not expect adoption will have a material impact on the Company's disclosures.

Compensation – stock compensation

In June 2018, the FASB issued ASU 2018-07, Compensation-Stock Compensation (Topic 718). This ASU eliminated most of the differences between accounting guidance for share-based compensation granted to nonemployees and the guidance for share-based compensation granted to employees. The ASU supersedes the guidance for nonemployees and expands the scope of the guidance for employees to include both. This ASU is effective for annual periods beginning after December 15, 2018 (fiscal 2020), and interim periods within those years. The Company is evaluating the effect of adopting this new accounting guidance, but does not expect adoption will have a material impact on the Company's financial position.

Accounting for reclassification of certain tax effects from accumulated other comprehensive income

In February 2018, the FASB issued ASU 2018-02, Income Statement-Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income. This ASU addresses the income tax effects of items in accumulated other comprehensive income ("AOCI") that were originally recognized in other comprehensive income, rather than in income from continuing operations. Specifically, it permits a reclassification from AOCI to retained earnings for the adjustment of deferred taxes due to the reduction of the historical corporate income tax rate to the newly enacted corporate income tax rate resulting from the U.S. tax law changes enacted in December 2017. It also requires certain disclosures about these reclassifications. This ASU is effective for fiscal years beginning after December 15, 2018 (fiscal 2020), and interim periods within those fiscal years, with early adoption permitted. The new guidance must be applied either on a prospective basis in the period of adoption or retrospectively to each period in which the effect of the change in the U.S. federal corporate income tax rate are recognized. The Company is evaluating the effect of adopting this new accounting guidance, but does not expect adoption will have a material impact on the Company's financial position.

Leases

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which supersedes Topic 840, Leases. Subsequently, the FASB issued additional ASUs, which further clarify this guidance. This ASU increases the transparency and comparability of organizations by requiring the capitalization of substantially all leases on the balance sheet and disclosures of key information about leasing arrangements. Under this new guidance, at the lease commencement date, a lessee recognizes a right-of-use asset and lease liability. The lease liability is initially measured at the present value of the future lease payments and the asset is based on the liability, subject to certain adjustments. For income statement purposes, a dual model was retained for lessees, requiring leases to be classified as either operating or finance leases. Under the operating lease model, lease expense is recognized on a straight-line basis over the lease term. Under the finance lease model, interest on the lease liability is recognized separately from amortization of the right-of-use asset. The new guidance is effective for fiscal years beginning after December 15, 2018 (fiscal 2020), and interim periods within those fiscal years. In transition, lessees are required to recognize and measure leases at the beginning of the earliest period presented (fiscal 2018) using a modified retrospective approach which includes a number of optional practical expedients that entities may elect to apply. In July 2018, a new ASU was issued to provide relief to the companies from restating the comparative period. Pursuant to this ASU, WBA will not restate comparative periods presented in the Company's financial statements in the period of adoption.

The Company will adopt this ASU and related amendments on September 1, 2019 (fiscal 2020). The Company continues to plan for adoption and implementation of this ASU, including implementing a new global lease accounting system, evaluating practical expedient and accounting policy elections and assessing the overall financial statement impact. This ASU will have a material impact on the Company's financial position. The impact on the Company's results of operations is being evaluated. The impact of this ASU is non-cash in nature and will not affect the Company's cash flows.

Note 18. Supplemental information

Accounts receivable

Accounts receivable are stated net of allowances for doubtful accounts. Accounts receivable balances primarily consist of trade receivables due from customers, including amounts due from third party providers (e.g., pharmacy benefit managers, insurance companies and governmental agencies), clients and members. Trade receivables were \$6.3 billion and \$5.4 billion at February 28, 2019 and August 31, 2018, respectively. Other accounts receivable balances, which consist primarily of receivables from vendors and manufacturers, including receivables from AmerisourceBergen (see note 16, related parties), were \$1.5 billion and \$1.2 billion at February 28, 2019 and August 31, 2018, respectively.

Depreciation and amortization

The Company has recorded the following depreciation and amortization expense in the Consolidated Condensed Statements of Earnings (in millions):

	Three months ended February 28,		Six months ended February 28,	
	2019	2018	2019	2018
Depreciation expense	\$ 360	\$ 347	\$ 717	\$ 682
Intangible asset and other amortization	139	95	273	176
Total depreciation and amortization expense	\$ 499	\$ 442	\$ 990	\$ 858

Accumulated depreciation and amortization on property, plant and equipment was \$11.0 billion at February 28, 2019 and \$10.5 billion at August 31, 2018.

Restricted cash

The Company is required to maintain cash deposits with certain banks which consist of deposits restricted under contractual agency agreements and cash restricted by law and other obligations. As of February 28, 2019 and August 31, 2018, the amount of such restricted cash was \$191 million and \$190 million, respectively, and is reported in other current assets on the Consolidated Condensed Balance Sheets.

The following represents a reconciliation of cash and cash equivalents in the Consolidated Condensed Balance Sheets to total cash, cash equivalents and restricted cash in the Consolidated Condensed Statements of Cash Flows as of February 28, 2019 and August 31, 2018 (in millions):

	February 28, 2019	August 31, 2018
Cash and cash equivalents	\$ 818	\$ 785
Restricted cash (included in other current assets)	191	190
Cash, cash equivalents and restricted cash	\$ 1,009	\$ 975

Earnings per share

The dilutive effect of outstanding stock options on earnings per share is calculated using the treasury stock method. Stock options are anti-dilutive and excluded from the earnings per share calculation if the exercise price exceeds the average market price of the common shares. There were 14.4 million outstanding options to purchase common shares that were anti-dilutive and excluded from the second quarter earnings per share calculation as of February 28, 2019 compared to 10.6 million as of February 28, 2018.

Cash dividends declared per common share

Cash dividends per common share declared during the six months ended fiscal 2019 and the six months ended fiscal 2018 were as follows:

Quarter ended	2019	2018
November	\$ 0.440	\$ 0.400
February	0.440	0.400
	\$ 0.880	\$ 0.800

Item 2. Management’s discussion and analysis of financial condition and results of operations

The following discussion and analysis of our financial condition and results of operations should be read together with the financial statements and the related notes included elsewhere herein and the Consolidated Financial Statements, accompanying notes and management’s discussion and analysis of financial condition and results of operations and other disclosures contained in the Walgreens Boots Alliance, Inc. Annual Report on Form 10-K for the fiscal year ended August 31, 2018. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those discussed in forward-looking statements. Factors that might cause a difference include, but are not limited to, those discussed under “Cautionary note regarding forward-looking statements” and in item 1A risk factors, in our Form 10-K for the fiscal year ended August 31, 2018 and in Item 1A “risk factors” in this report. References herein to the “Company”, “we”, “us”, or “our” refer to Walgreens Boots Alliance, Inc. and its subsidiaries, except as otherwise indicated or the context otherwise requires.

Certain amounts in the Consolidated Condensed Financial Statements and associated notes may not add due to rounding. All percentages have been calculated using unrounded amounts for the three and six months ended February 28, 2019.

INTRODUCTION AND SEGMENTS

Walgreens Boots Alliance, Inc. (“Walgreens Boots Alliance”) and its subsidiaries are a global pharmacy-led health and wellbeing enterprise. Its operations are conducted through three reportable segments:

- Retail Pharmacy USA;
- Retail Pharmacy International; and
- Pharmaceutical Wholesale.

See note 14, segment reporting, for further information.

FACTORS AFFECTING OUR RESULTS AND COMPARABILITY

The influence of certain holidays, seasonality, foreign currency rates, changes in vendor, payer and customer relationships and terms, strategic transactions including acquisitions, for example the acquisition of stores and other assets from Rite Aid, joint ventures and other strategic collaborations, changes in laws, for example the U.S. tax law changes, changes in trade, tariff and international relations, including the U.K.’s proposed withdrawal from the European Union and its impact on our operations and prospects and those of our customers and counterparties, the timing and magnitude of cost reduction initiatives, fluctuations in variable costs and general economic conditions in the markets in which the Company operates and other factors that can affect the Company’s operations and net earnings for any period may not be comparable to the same period in previous years and are not necessarily indicative of future operating results.

TRANSFORMATIONAL COST MANAGEMENT PROGRAM

On December 20, 2018, the Company announced a multi-faceted program (the “Transformational Cost Management Program”), which includes divisional optimization initiatives, global smart spending, global smart organization and digitalization of the enterprise to transform long-term capabilities. Divisional optimization includes cost reduction activities across all segments of the Company. Additionally, the Company has initiated global smart spending and smart organization programs, initially focused on the Company’s Retail Pharmacy USA division, its retail business in the UK and its global functions. Actions under the Transformational Cost Management Program announced on December 20, 2018 are expected to deliver in excess of \$1.5 billion of annual cost savings, compared to the Company’s previously stated expectation of in excess of \$1 billion, by fiscal 2022.

As of the date of this report, the Company is not able to make a determination of the total estimated amount or range of amounts that may be incurred for each major type of cost nor the future cash expenditures or charges, including non-cash impairment charges (if any), it may incur. The Company will update this disclosure upon the determination of such amounts.

Transformational Cost Management Program charges are recognized as the costs are incurred over time in accordance with GAAP. The Company treats charges related to the Transformational Cost Management Program as special items impacting comparability of results in its earnings disclosures. As of February 28, 2019, the Company has recognized cumulative pre-tax charges to its financial results in accordance with GAAP relating to the Transformational Cost Management Program of \$179

million, which were primarily recorded within selling, general and administrative expenses. These charges primarily relate to actions taken in the Pharmaceutical Wholesale and Retail Pharmacy International divisions.

The amounts and timing of all estimates are subject to change until finalized. The actual amounts and timing may vary materially based on various factors. See “cautionary note regarding forward-looking statements” below.

ACQUISITION OF CERTAIN RITE AID CORPORATION (“RITE AID”) ASSETS

On September 19, 2017, the Company announced it had secured regulatory clearance for an amended and restated asset purchase agreement to purchase 1,932 stores, three distribution centers and related inventory from Rite Aid for \$4.375 billion in cash and other consideration. The Company has completed the acquisition of all 1,932 Rite Aid stores. The transition of the first distribution center and related inventory occurred in September 2018 and the transition of the remaining two distribution centers and related inventory remains subject to closing conditions set forth in the amended and restated asset purchase agreement.

The Company continues to expect to complete integration of the acquired stores and related assets by the end of fiscal 2020, at an estimated total cost of approximately \$850 million, which is reported as acquisition-related costs. The Company has recognized cumulative pre-tax charges for the fiscal year 2018 and for the six months ended February 28, 2019 of \$221 million and \$145 million, respectively, related to integration of the acquired stores and related assets. In addition, the Company continues to expect to spend approximately \$500 million on store conversions and related activities. The Company expects annual synergies from the transaction of more than \$325 million, which are expected to be fully realized within four years of the initial closing of this transaction and derived primarily from procurement, cost savings and other operational matters.

See Store Optimization Program in item 2, management's discussion and analysis of financial condition and results of operations, for information on the Store Optimization Program.

The amounts and timing of all estimates are subject to change until finalized. The actual amounts and timing may vary materially based on various factors. See “cautionary note regarding forward-looking statements” below.

STORE OPTIMIZATION PROGRAM

On October 24, 2017, the Company's Board of Directors approved a plan to implement a program (the “Store Optimization Program”) to optimize store locations through the planned closure of approximately 600 stores and related assets within the Company's Retail Pharmacy USA segment upon completion of the acquisition of certain stores and related assets from Rite Aid. As of the date of this report, the Company expects to close approximately 750 stores. The actions under the Store Optimization Program commenced in March 2018 and are now expected to be complete by the end of fiscal 2020. The Store Optimization Program is expected to result in cost savings of approximately \$350 million per year, compared to the Company's previously stated expectation of \$325 million, to be fully delivered by the end of fiscal 2020.

The Company currently estimates that it will recognize cumulative pre-tax charges to its GAAP financial results of approximately \$350 million, including costs associated with lease obligations and other real estate costs and employee severance and other exit costs. The Company expects to incur pre-tax charges of approximately \$160 million for lease obligations and other real estate costs and approximately \$190 million for employee severance and other exit costs. The Company estimates that substantially all of these cumulative pre-tax charges will result in cash expenditures.

The Company has recognized cumulative pre-tax charges for the fiscal year 2018 and for the six months ended February 28, 2019 in accordance with GAAP totaling \$150 million which were primarily recorded within selling, general and administrative expenses. These charges included \$21 million related to lease obligations and other real estate costs and \$130 million in employee severance and other exit costs.

Store Optimization Program charges are recognized as the costs are incurred over time in accordance with GAAP. The Company treats charges related to the Store Optimization Program as special items impacting comparability of results in its earnings disclosures.

The amounts and timing of all estimates are subject to change until finalized. The actual amounts and timing may vary materially based on various factors. See “cautionary note regarding forward-looking statements” below.

U.S. TAX LAW CHANGES

In connection with the U.S. tax law changes enacted in December 2017 and in accordance with SEC Staff Accounting Bulletin 118 (“SAB 118”), the Company completed its analysis of the income tax effects of the U.S. tax law changes during the three

months ended February 28, 2019. The incremental net tax benefit recorded upon completion of the analysis of the income tax effects of the U.S. tax law changes was not material to our Consolidated Condensed Financial Statements.

While the Company completed its analysis of the income tax effects of the U.S. tax law changes, the final impact of the U.S. tax law changes may differ from this analysis, due to, among other things, technical clarifications from the U.S. Department of the Treasury and the Internal Revenue Service (“IRS”), interpretations of the U.S. tax law changes and actions the Company may take. The Company will continue to evaluate the impact of any future authoritative guidance with respect to the U.S. tax law changes.

As we repatriate the undistributed earnings of our foreign subsidiaries for use in the United States, the earnings from our foreign subsidiaries will generally not be subject to U.S. federal tax. We continuously evaluate the amount of foreign earnings that are not necessary to be permanently reinvested in our foreign subsidiaries.

EXECUTIVE SUMMARY

The following table presents certain key financial statistics:

	(in millions, except per share amounts)			
	Three months ended February 28,		Six months ended February 28,	
	2019	2018	2019	2018
Sales	\$ 34,528	\$ 33,021	\$ 68,321	\$ 63,761
Gross profit	7,754	8,096	15,395	15,437
Selling, general and administrative expenses	6,320	6,321	12,599	12,231
Equity earnings in AmerisourceBergen	83	202	121	90
Operating income	1,517	1,977	2,918	3,296
Adjusted operating income (Non-GAAP measure) ¹	1,935	2,160	3,667	3,966
Earnings before interest and income tax provision	1,536	1,989	2,963	3,174
Net earnings attributable to Walgreens Boots Alliance, Inc.	1,156	1,349	2,279	2,170
Adjusted net earnings attributable to Walgreens Boots Alliance, Inc. (Non-GAAP measure) ¹	1,522	1,721	2,908	3,016
Net earnings per common share – diluted	1.24	1.36	2.42	2.16
Adjusted net earnings per common share – diluted (Non-GAAP measure) ¹	1.64	1.73	3.09	3.01

	Percentage increases (decreases)			
	Three months ended February 28,		Six months ended February 28,	
	2019	2018	2019	2018
Sales	4.6	12.1	7.2	10.0
Gross profit	(4.2)	7.1	(0.3)	5.2
Selling, general and administrative expenses	—	3.4	3.0	3.7
Operating income	(23.3)	32.7	(11.5)	11.9
Adjusted operating income (Non-GAAP measure) ¹	(10.4)	6.6	(7.5)	5.5
Earnings before interest and income tax provision	(22.8)	35.9	(6.7)	9.0
Net earnings attributable to Walgreens Boots Alliance, Inc.	(14.3)	27.3	5.1	2.6
Adjusted net earnings attributable to Walgreens Boots Alliance, Inc. (Non-GAAP measure) ¹	(11.5)	16.6	(3.6)	12.7
Net earnings per common share – diluted	(8.3)	38.8	12.0	11.3
Adjusted net earnings per common share – diluted (Non-GAAP measure) ¹	(5.4)	27.2	2.8	22.4

	Percent to sales			
	Three months ended February 28,		Six months ended February 28,	
	2019	2018	2019	2018
Gross margin	22.5	24.5	22.5	24.2
Selling, general and administrative expenses	18.3	19.1	18.4	19.2

¹ See "--Non-GAAP Measures" below for a reconciliation to the most directly comparable financial measure calculated in accordance with GAAP.

WALGREENS BOOTS ALLIANCE RESULTS OF OPERATIONS

Net earnings attributable to Walgreens Boots Alliance for the three months ended February 28, 2019 decreased 14.3% to \$1.2 billion compared with the prior year period, while diluted net earnings per share decreased 8.3% to \$1.24 compared with the prior year period. The decrease in net earnings and diluted net earnings per share for the three month period ended February 28, 2019 primarily reflect operating performance including costs related to the Transformational Cost Management Program and prior year impact of U.S. tax law changes related to AmerisourceBergen, partially offset by the lower effective tax rate in the quarter. Diluted net earnings per share was positively affected by a lower number of shares outstanding compared to the prior year period. Net earnings and diluted net earnings per share were negatively impacted by 0.9 percentage points and 0.9 percentage points, respectively, as a result of currency translation.

Net earnings attributable to Walgreens Boots Alliance for the six months ended February 28, 2019 increased 5.1% to \$2.3 billion compared with the prior year period, while diluted net earnings per share increased 12.0% to \$2.42 compared with the prior year period. The increase in net earnings and diluted net earnings per share for the six month period ended February 28, 2019 primarily reflect the lower effective tax rate in the current period and impairment of the Company's equity method investment in Guangzhou Pharmaceuticals in the prior year period, partially offset by operating performance, including costs related to the Transformational Cost Management Program. Diluted net earnings per share was also positively affected by a lower number of shares outstanding compared to the prior year period. Net earnings and diluted net earnings per share were negatively impacted by 0.7 percentage points and 0.8 percentage points, respectively, as a result of currency translation.

Other income (expense) for the three months ended February 28, 2019 was an income of \$19 million compared to income of \$12 million for the three months ended February 28, 2018. Other income (expense) for the six months ended February 28, 2019 was income of \$45 million, compared to an expense of \$122 million, for the six months ended February 28, 2018 which primarily reflects the impairment of the Company's equity method investment in Guangzhou Pharmaceuticals.

Interest was a net expense of \$181 million and \$342 million for the three and six months ended February 28, 2019, respectively, compared to \$151 million and \$300 million for the three and six months ended February 28, 2018, respectively.

The effective tax rate for the three and six months ended February 28, 2019 was 16.7% and 15.5%, respectively, compared to 27.4% and 25.4% for the three and six months ended February 28, 2018, respectively. The decrease in the effective tax rates for the three and six months ended February 28, 2019 was primarily due to the provisional net discrete tax expense that was recorded during the three months ended February 28, 2018 as a result of the U.S. tax law changes, which were enacted on December 22, 2017.

Adjusted diluted net earnings per share (Non-GAAP measure)

Adjusted net earnings attributable to Walgreens Boots Alliance for the three months ended February 28, 2019 decreased 11.5% to \$1.5 billion, compared with the year-ago quarter. Adjusted diluted net earnings per share decreased 5.4% to \$1.64, compared with the year-ago quarter. Adjusted net earnings and adjusted diluted net earnings per share were each negatively impacted by 0.9 percentage points and 1.1 percentage points, respectively, as a result of currency translation.

Excluding the impact of currency translation, the decrease in adjusted net earnings and adjusted diluted net earnings per share for the three months ended February 28, 2019 reflects operating performance primarily due to U.S. pharmacy reimbursement pressure. Adjusted diluted net earnings per share was positively affected by a lower number of shares outstanding compared to the prior year period.

Adjusted net earnings attributable to Walgreens Boots Alliance for the six months ended February 28, 2019 decreased 3.6% to \$2.9 billion, compared with the year-ago period. Adjusted diluted net earnings per share increased 2.8% to \$3.09, compared with the year-ago period. Adjusted net earnings and adjusted diluted net earnings per share were negatively impacted by 0.8 percentage points and 0.8 percentage points, respectively, as a result of currency translation.

Excluding the impact of currency translation, the decrease in adjusted net earnings for the six months ended February 28, 2019 was primarily due to operating performance partially offset by a decrease in adjusted effective tax rate. Adjusted diluted net earnings per share was positively affected by a lower number of shares outstanding compared to the prior year period. See "--Non-GAAP Measures" below for a reconciliation to the most directly comparable GAAP measure.

RESULTS OF OPERATIONS BY SEGMENT

Retail Pharmacy USA

This division comprises the retail pharmacy businesses operating in the U.S.

	(in millions, except location amounts)			
	Three months ended February 28,		Six months ended February 28,	
	2019	2018	2019	2018
Sales	\$ 26,257	\$ 24,478	\$ 51,979	\$ 46,967
Gross profit	6,067	6,267	12,067	11,869
Selling, general and administrative expenses	4,840	4,864	9,675	9,339
Operating income	1,226	1,403	2,393	2,530
Adjusted operating income (Non-GAAP measure) ¹	1,455	1,650	2,834	3,028
Number of prescriptions ²	211.9	204.2	428.5	400.6
30-day equivalent prescriptions ^{2,3}	286.3	269.2	576.2	529.4
Number of locations at period end	9,446	9,631	9,446	9,631

	Percentage increases (decreases)			
	Three months ended February 28,		Six months ended February 28,	
	2019	2018	2019	2018
Sales	7.3	12.2	10.7	10.6
Gross profit	(3.2)	6.7	1.7	4.9
Selling, general and administrative expenses	(0.5)	2.3	3.6	2.8
Operating income	(12.6)	25.0	(5.4)	13.5
Adjusted operating income (Non-GAAP measure) ¹	(11.9)	6.2	(6.4)	6.4
Comparable store sales ⁴	—	2.4	0.5	3.5
Pharmacy sales	9.8	18.7	13.6	16.4
Comparable pharmacy sales ⁴	1.9	5.1	2.3	6.2
Retail sales	1.3	(0.7)	3.5	(1.7)
Comparable retail sales ⁴	(3.8)	(2.7)	(3.5)	(1.9)
Comparable number of prescriptions ^{2,4}	(1.4)	1.7	(0.8)	3.5
Comparable 30-day equivalent prescriptions ^{2,3,4}	1.8	4.0	1.9	6.4

	Percent to sales			
	Three months ended February 28,		Six months ended February 28,	
	2019	2018	2019	2018
Gross margin	23.1	25.6	23.2	25.3
Selling, general and administrative expenses	18.4	19.9	18.6	19.9

¹ See "--Non-GAAP Measures" below for a reconciliation to the most directly comparable financial measure calculated in accordance with GAAP.

² Includes immunizations.

³ Includes the adjustment to convert prescriptions greater than 84 days to the equivalent of three 30-day prescriptions. This adjustment reflects the fact that these prescriptions include approximately three times the amount of product days supplied compared to a normal prescription.

⁴ Comparable stores are defined as those that have been open for at least twelve consecutive months without closure for seven or more consecutive days and without a major remodel or subject to a natural disaster in the past twelve months. Relocated stores are not included as comparable stores for the first twelve months after the relocation. Acquired stores are not included as comparable stores for the first twelve months after acquisition or conversion, when applicable, whichever is later. The method of calculating comparable sales varies across the retail industry. As a result, our method of calculating comparable sales may not be the same as other retailers' methods.

Sales for the three months ended February 28, 2019 and 2018

Retail Pharmacy USA division's sales for the three months ended February 28, 2019 increased by 7.3% to \$26.3 billion. Sales in comparable stores were unchanged compared with the year-ago quarter.

Pharmacy sales increased by 9.8% for the three months ended February 28, 2019 and accounted for 71.9% of the division's sales. The increase in the current quarter is mainly due to higher prescription volumes from the acquisition of Rite Aid stores and from central specialty. In the year-ago quarter, pharmacy sales increased 18.7% and accounted for 70.3% of the division's sales. Comparable pharmacy sales increased by 1.9% for the three months ended February 28, 2019, compared to an increase of 5.1% in the year-ago quarter. The effect of generic drugs, which have a lower retail price, replacing brand name drugs reduced prescription sales by 0.9% in the three months ended February 28, 2019 compared to a reduction of 1.4% in the year-ago quarter. On division sales, this effect was a reduction of 0.6% for the three months ended February 28, 2019 compared to a reduction of 0.9% for the year-ago quarter. The total number of prescriptions (including immunizations) filled for the three months ended February 28, 2019 was 211.9 million compared to 204.2 million in the year-ago quarter. Prescriptions (including immunizations) filled adjusted to 30-day equivalents were 286.3 million in the three months ended February 28, 2019 compared to 269.2 million in the year-ago quarter.

Retail sales increased 1.3% for the three months ended February 28, 2019 and were 28.1% of the division's sales. In the year-ago quarter, retail sales decreased 0.7% and represented 29.7% of the division's sales. The increase in the current quarter is mainly due to sales from the acquired Rite Aid stores. Comparable retail sales decreased 3.8% in the three months ended February 28, 2019 compared to a decrease of 2.7% in the year-ago quarter. The decrease in comparable retail sales in the current period was primarily due to a weak cough, cold and flu season compared with the year-ago quarter, continued de-emphasis of select products such as tobacco and a decline in sales of seasonal merchandise.

Operating income for the three months ended February 28, 2019 and 2018

Retail Pharmacy USA division's operating income for the three months ended February 28, 2019 decreased 12.6% to \$1.2 billion. The decrease was primarily due to lower gross margin partially offset by a reduction in selling, general and administrative expenses as a percentage of sales.

Gross margin was 23.1% for the three months ended February 28, 2019 compared to 25.6% in the year-ago quarter. Pharmacy margins in the current period were negatively impacted by lower third-party reimbursements and a higher mix of specialty sales. The decrease in pharmacy margins were partially offset by the favorable impact of procurement efficiencies.

Selling, general and administrative expenses as a percentage of sales were 18.4% in the three months ended February 28, 2019 compared to 19.9% in the year-ago quarter. As a percentage of sales, expenses were lower in the current period due to continued cost saving initiatives, sales mix and bonus accrual reductions.

Adjusted operating income (Non-GAAP measure) for the three months ended February 28, 2019 and 2018

Retail Pharmacy USA division's adjusted operating income for the three months ended February 28, 2019 decreased 11.9% to \$1.5 billion. The decrease was primarily due to lower gross margins partially offset by a reduction in selling, general and administrative expenses as a percentage of sales. See "--Non-GAAP Measures" below for a reconciliation to the most directly comparable GAAP measure.

Sales for the six months ended February 28, 2019 and 2018

Retail Pharmacy USA division's total sales for the six months ended February 28, 2019 increased 10.7% to \$52.0 billion. Sales in comparable stores increased 0.5% compared with the year-ago period.

Pharmacy sales increased by 13.6% for the six months ended February 28, 2019 and represented 73.2% of the division's sales. The increase is primarily due to higher prescription volumes from the acquisition of Rite Aid stores and from central specialty. In the six months ended February 28, 2018, pharmacy sales were up 16.4% and represented 71.3% of the division's sales. Comparable pharmacy sales were up 2.3% in the six months ended February 28, 2019 compared to an increase of 6.2% in the six months ended February 28, 2018. The effect of generic drugs, which have a lower retail price, replacing brand name drugs reduced prescription sales by 0.9% in the six month period ended February 28, 2019 compared to a reduction of 1.7% in the

year-ago period. The effect of generics on division sales was a reduction of 0.6% in the current six month period compared to a reduction of 1.0% in the year-ago period. Third party sales, where reimbursement is received from managed care organizations, governmental agencies, employers or private insurers, were 97.1% of prescription sales for the six month period ended February 28, 2019 compared to 97.9% for the six months ended February 28, 2018. The total number of prescriptions (including immunizations) filled for the six months ended February 28, 2019 was 428.5 million compared to 400.6 million for the year-ago period. Prescriptions (including immunizations) filled adjusted to 30-day equivalents were 576.2 million in the six months ended February 28, 2019 compared to 529.4 million in the year-ago period.

Retail sales increased 3.5% for the six months ended February 28, 2019 and were 26.8% of the division's sales. In comparison, for the six months ended February 28, 2018 retail sales decreased 1.7% and represented 28.7% of the division's sales. The increase in the current period is mainly due to sales from acquired Rite Aid stores. Comparable retail sales decreased 3.5% for the current six month period compared to a decrease of 1.9% in the year-ago period. The decrease in comparable retail sales in the six months ended February 28, 2019 was primarily due to a weak cough, cold and flu season compared with the prior year, continued de-emphasis of select products such as tobacco and a decline in sales of seasonal merchandise.

Operating income for the six months ended February 28, 2019 and 2018

Retail Pharmacy USA division's operating income for the six months ended February 28, 2019 decreased 5.4% to \$2.4 billion. The decrease was primarily due to lower gross margins partially offset by a reduction in selling, general and administrative expenses as a percentage of sales.

Gross margin was 23.2% for the six months ended February 28, 2019 compared to 25.3% in the year-ago period. Pharmacy margins in the current period were negatively impacted by lower third-party reimbursements and a higher mix of specialty sales. The decrease in pharmacy margins were partially offset by the favorable impact of procurement efficiencies.

Selling, general and administrative expenses as a percentage of sales were 18.6% for the six month period ended February 28, 2019 compared to 19.9% in the year-ago period. As a percentage of sales, expenses were lower in the current period primarily due to sales mix, bonus accrual reductions and continued cost saving initiatives.

Adjusted operating income (Non-GAAP measure) for the six months ended February 28, 2019 and 2018

Retail Pharmacy USA division's adjusted operating income for the six months ended February 28, 2019 decreased 6.4% to \$2.8 billion. The decrease was primarily due to lower gross margins partially offset by a reduction in selling, general and administrative expenses as a percentage of sales. See "--Non-GAAP Measures" below for a reconciliation to the most directly comparable GAAP measure.

Retail Pharmacy International

This division comprises retail pharmacy businesses operating in countries outside of the United States and in currencies other than the U.S. dollar, including the British pound sterling, Euro, Chilean peso and Mexican peso and therefore the division's results are impacted by movements in foreign currency exchange rates. See item 3. quantitative and qualitative disclosure about market risk, foreign currency exchange rate risk for further information on currency risk.

	(in millions, except location amounts)			
	Three months ended February 28,		Six months ended February 28,	
	2019	2018	2019	2018
Sales	\$ 3,082	\$ 3,317	\$ 5,982	\$ 6,400
Gross profit	1,179	1,294	2,306	2,518
Selling, general and administrative expenses	987	1,046	2,036	2,091
Operating income	192	248	270	427
Adjusted operating income (Non-GAAP measure) ¹	256	276	388	481
Number of locations at period end	4,626	4,716	4,626	4,716

	Percentage increases (decreases)			
	Three months ended February 28,		Six months ended February 28,	
	2019	2018	2019	2018
Sales	(7.1)	7.0	(6.5)	5.6
Gross profit	(8.9)	7.5	(8.4)	5.8
Selling, general and administrative expenses	(5.7)	5.0	(2.6)	5.4
Operating income	(22.6)	19.2	(36.8)	7.8
Adjusted operating income (Non-GAAP measure) ¹	(6.8)	9.5	(19.2)	2.1
Comparable store sales ²	(7.3)	8.0	(6.1)	6.2
Comparable store sales in constant currency ^{2,3}	(1.4)	(1.7)	(2.0)	(1.2)
Pharmacy sales	(7.8)	10.2	(6.8)	7.2
Comparable pharmacy sales ²	(6.9)	10.6	(6.1)	7.6
Comparable pharmacy sales in constant currency ^{2,3}	(0.7)	0.6	(1.8)	0.2
Retail sales	(6.7)	5.5	(6.4)	4.7
Comparable retail sales ²	(7.6)	6.7	(6.2)	5.4
Comparable retail sales in constant currency ^{2,3}	(1.7)	(2.8)	(2.0)	(1.9)

	Percent to sales			
	Three months ended February 28,		Six months ended February 28,	
	2019	2018	2019	2018
Gross margin	38.2	39.0	38.6	39.3
Selling, general and administrative expenses	32.0	31.5	34.0	32.7

¹ See "--Non-GAAP Measures" below for reconciliations to the most directly comparable GAAP measure and related disclosures.

² Comparable stores are defined as those that have been open for at least twelve consecutive months without closure for seven or more consecutive days and without a major remodel or subject to a natural disaster in the past twelve months. Relocated stores are not included as comparable stores for the first twelve months after the relocation. Acquired stores are not included as comparable stores for the first twelve months after acquisition or conversion, when applicable, whichever is later. The method of calculating comparable sales varies across the retail industry. As a result, our method of calculating comparable sales may not be the same as other retailers' methods.

³ The Company presents certain information related to current period operating results in "constant currency," which is a non-GAAP financial measure. These amounts are calculated by translating current period results at the foreign currency exchange rates used in the comparable period in the prior year. The Company presents such constant currency financial information because it has significant operations outside of the United States reporting in currencies other than the U.S. dollar and this presentation provides a framework to assess how its business performed excluding the impact of foreign currency exchange rate fluctuations. See "--Non-GAAP Measures" below.

Sales for the three months ended February 28, 2019 and 2018

Retail Pharmacy International division's sales for the three months ended February 28, 2019 decreased 7.1% to \$3.1 billion. Sales in comparable stores decreased 7.3% from the year-ago quarter. The negative impact of currency translation on each of sales and comparable sales was 5.9 percentage points. Comparable store sales in constant currency decreased 1.4% from the year-ago quarter.

Pharmacy sales decreased 7.8% in the three months ended February 28, 2019 and represented 32.8% of the division's sales. Comparable pharmacy sales decreased 6.9% from the year-ago quarter. The negative impact of currency translation on pharmacy sales and comparable pharmacy sales was 6.0 percentage points and 6.2 percentage points, respectively. Comparable pharmacy sales in constant currency decreased 0.7% from the year-ago quarter.

Retail sales decreased 6.7% for the three months ended February 28, 2019 and were 67.2% of the division's sales. Comparable retail sales decreased 7.6% from the year-ago quarter. The negative impact of currency translation on retail sales and

comparable retail sales was 5.8 percentage points and 5.9 percentage points, respectively. Comparable retail sales in constant currency decreased 1.7% from the year-ago quarter reflecting lower Boots UK retail sales in a challenging market place.

Operating income for the three months ended February 28, 2019 and 2018

Retail Pharmacy International division's operating income for the three months ended February 28, 2019 decreased 22.6% to \$192 million of which 3.4 percentage points (\$8 million) was as a result of the negative impact of currency translation. The remaining decrease was primarily due to lower sales and charges related to the Transformational Cost Management Program in the current quarter.

Gross profit decreased 8.9% from the year-ago quarter of which 5.7 percentage points (\$74 million) was as a result of the negative impact of currency translation. Excluding the impact of currency translation, the decrease was primarily due to charges related to Transformational Cost Management Program and lower sales.

Selling, general and administrative expenses decreased 5.7% from the year-ago quarter. Expenses were positively impacted by 6.3 percentage points (\$66 million) as a result of currency translation. As a percentage of sales, selling, general and administrative expenses were 32.0% in the current quarter, compared to 31.5% in the year-ago quarter.

Adjusted operating income (Non-GAAP measure) for the three months ended February 28, 2019 and 2018

Retail Pharmacy International division's adjusted operating income for the three months ended February 28, 2019 decreased 6.8% to \$256 million, of which 4.7 percentage points (\$13 million) was as a result of the negative impact of currency translation. Excluding the impact of currency translation the decrease was due to lower sales, partially offset by lower selling, general and administrative expenses. See "--Non-GAAP Measures" below for a reconciliation to the most directly comparable GAAP measure.

Sales for the six months ended February 28, 2019 and 2018

Retail Pharmacy International division's sales for the six months ended February 28, 2019 decreased 6.5% to \$6.0 billion. Sales in comparable stores decreased 6.1% from the year-ago period. Of the decreases in sales and comparable store sales, 4.2 percentage points and 4.1 percentage points, respectively, were as a result of the negative impact of currency translation. Comparable store sales in constant currency decreased 2.0% from the year-ago period.

Pharmacy sales decreased by 6.8% in the six months ended February 28, 2019 and represented 34.3% of the division's sales. Comparable pharmacy sales decreased 6.1% from the year-ago period. Of the decreases in pharmacy sales and comparable pharmacy sales, 4.3 percentage points and 4.3 percentage points, respectively, were as a result of the negative impact of currency translation. Comparable pharmacy sales in constant currency decreased 1.8% from the year-ago period.

Retail sales decreased 6.4% for the six months ended February 28, 2019 and were 65.7% of the division's sales. Comparable retail sales decreased 6.2% from the year-ago period. Retail sales and comparable retail sales were negatively impacted by 4.1 percentage points and 4.2 percentage points, respectively, as a result of currency translation. Comparable retail sales in constant currency decreased 2.0% from the year-ago period reflecting lower Boots UK retail sales in a challenging market place.

Operating income for the six months ended February 28, 2019 and 2018

Retail Pharmacy International division's operating income for the six months ended February 28, 2019 decreased 36.8% to \$270 million, of which 1.9 percentage points (\$8 million) was as a result of the negative impact of currency translation. The remaining decrease was due to lower sales, higher selling, general and administrative expenses as a percentage of sales and Transformational Cost Management Program charges.

Gross profit decreased 8.4% from the year-ago period, of which 4.0 percentage points (\$100 million) was as a result of the negative impact of currency translation. Excluding the impact of currency translation the decrease was primarily due lower sales.

Selling, general and administrative expenses decreased 2.6% from the year-ago period. Expenses were positively impacted by 4.4 percentage points (\$92 million) as a result of currency translation. As a percentage of sales, selling, general and administrative expenses were 34.0% in the current period, compared to 32.7% in the year-ago period.

Adjusted operating income (Non-GAAP measure) for the six months ended February 28, 2019 and 2018

Retail Pharmacy International division's adjusted operating income for the six months ended February 28, 2019 decreased 19.2% to \$388 million, of which 3.2 percentage points (\$15 million) was as a result of the negative impact of currency translation. Excluding the impact of currency translation the decrease was primarily due to lower sales and gross margin, and

higher selling, general and administrative expenses as a percentage of sales. See "--Non-GAAP Measures" below for a reconciliation to the most directly comparable GAAP measure.

Pharmaceutical Wholesale

This division includes pharmaceutical wholesale businesses operating in currencies other than the U.S. dollar including the British pound sterling, Euro, and Turkish lira, and thus the division's results are impacted by movements in foreign currency exchange rates. See item 3. quantitative and qualitative disclosure about market risk, foreign currency exchange rate risk for further information on currency risk.

	(in millions, except location amounts)			
	Three months ended		Six months ended	
	February 28,		February 28,	
	2019	2018	2019	2018
Sales	\$ 5,738	\$ 5,755	\$ 11,446	\$ 11,473
Gross profit	511	532	1,023	1,054
Selling, general and administrative expenses	493	411	889	806
Equity earnings in AmerisourceBergen	83	202	121	90
Operating income	100	323	255	338
Adjusted operating income (Non-GAAP measure) ¹	225	231	445	456

	Percentage increases (decreases)			
	Three months ended		Six months ended	
	February 28,		February 28,	
	2019	2018	2019	2018
Sales	(0.3)	14.4	(0.2)	9.8
Gross profit	(4.1)	9.7	(2.9)	6.8
Selling, general and administrative expenses	20.2	13.2	10.4	11.6
Operating income	(69.1)	97.0	(24.4)	4.3
Adjusted operating income (Non-GAAP measure) ¹	(3.3)	2.7	(2.3)	1.6
Comparable sales ²	(0.3)	14.4	(0.2)	9.8
Comparable sales in constant currency ^{2,3}	9.1	3.4	7.9	4.0

	Percent to sales			
	Three months ended		Six months ended	
	February 28,		February 28,	
	2019	2018	2019	2018
Gross margin	8.9	9.2	8.9	9.2
Selling, general and administrative expenses	8.6	7.1	7.8	7.0

¹ See "--Non-GAAP Measures" below for reconciliations to the most directly comparable GAAP measure and related disclosures.

² Comparable sales are defined as sales excluding acquisitions and dispositions.

³ The Company presents certain information related to current period operating results in "constant currency," which is a non-GAAP financial measure. These amounts are calculated by translating current period results at the foreign currency exchange rates used in the comparable period in the prior year. The Company presents such constant currency financial information because it has significant operations outside of the United States reporting in currencies other than the U.S. dollar and this presentation provides a framework to assess how its business performed excluding the impact of foreign currency exchange rate fluctuations. See "--Non-GAAP Measures" below.

Sales for the three months ended February 28, 2019 and 2018

Pharmaceutical Wholesale division's sales for the three months ended February 28, 2019 decreased 0.3% to \$5.7 billion. Comparable sales, which exclude acquisitions and disposals, decreased 0.3%.

Sales and comparable sales were negatively impacted by 9.4 percentage points as a result of currency translation. Comparable sales in constant currency increased 9.1%, mainly reflecting growth in emerging markets and the UK.

Operating income for the three months ended February 28, 2019 and 2018

Pharmaceutical Wholesale division's operating income for the three months ended February 28, 2019, which included \$83 million from the Company's share of equity earnings in AmerisourceBergen, decreased 69.1% to \$100 million, compared to the year-ago quarter, primarily as a result of the positive effects of the U.S. tax law changes on AmerisourceBergen in the year-ago quarter, and the Transformation Cost Management Program expenses in the current quarter. Operating income was negatively impacted by 3.7 percentage points (\$12 million) as a result of currency translation.

Gross profit decreased 4.1% from the year-ago quarter. Gross profit was negatively impacted by 8.5 percentage points (\$45 million) as a result of currency translation partially offset by growth in emerging markets.

Selling, general and administrative expenses increased 20.2% from the year-ago quarter, primarily due to Transformational Cost Management Program expenses in the current quarter. Selling, general and administrative expenses were positively impacted by 8.1 percentage points (\$33 million) as a result of currency translation. As a percentage of sales, selling, general and administrative expenses were 8.6% in the current quarter, compared to 7.1% in the year-ago quarter.

Adjusted operating income (Non-GAAP measure) for the three months ended February 28, 2019 and 2018

Pharmaceutical Wholesale division's adjusted operating income for the three months ended February 28, 2019, which included \$92 million from the Company's share of adjusted equity earnings in AmerisourceBergen, decreased 3.3% to \$225 million. Adjusted operating income was negatively impacted by 6.3 percentage points (\$14 million) as a result of currency translation.

Excluding the contribution from the Company's share of adjusted equity earnings in AmerisourceBergen and the negative impact of currency translation, adjusted operating income increased 2.9% over the year-ago quarter, primarily due to higher sales and lower selling, general and administrative expenses as a percentage of sales, partially offset by lower gross margin. See "--Non-GAAP Measures" below for a reconciliation to the most directly comparable GAAP measure.

Sales for the six months ended February 28, 2019 and 2018

Pharmaceutical Wholesale division's sales for the six months ended February 28, 2019 decreased 0.2% to \$11.4 billion. Comparable sales decreased 0.2%.

Sales and comparable sales were each negatively impacted by 8.1 percentage points as a result of currency translation. Comparable sales in constant currency increased 7.9%, mainly reflecting growth in emerging markets and the UK.

Operating income for the six months ended February 28, 2019 and 2018

Pharmaceutical Wholesale division's operating income for the six months ended February 28, 2019, which included \$121 million from the Company's share of equity earnings in AmerisourceBergen, decreased 24.4% to \$255 million. The decrease was primarily due to Transformational Cost Management Program expenses in the current period. Operating income was negatively impacted by 7.0 percentage points (\$24 million) as a result of currency translation.

Gross profit decreased 2.9% from the year-ago period. The negative impact of currency translation was 7.2 percentage points (\$76 million). Excluding the impact of currency translation, the increase in gross profit was primarily due to sales growth, partially offset by lower gross margin.

Selling, general and administrative expenses increased 10.4% from the year-ago period, of which 6.5 percentage points (\$53 million) was as a result of the positive impact of currency translation. Excluding the impact of currency translation, the increase was primarily related to the Transformational Cost Management Program expenses in the current period. As a percentage of sales, selling, general and administrative expenses were 7.8% in the current period, compared to 7.0% in the year-ago period.

Adjusted operating income (Non-GAAP measure) for the six months ended February 28, 2019 and 2018

Pharmaceutical Wholesale division's adjusted operating income for the six months ended February 28, 2019, which included \$175 million from the Company's share of adjusted equity earnings in AmerisourceBergen, decreased 2.3% to \$445 million. Adjusted operating income was negatively impacted by 5.9 percentage points (\$27 million) as a result of currency translation.

Excluding the contribution from the Company's share of adjusted equity earnings in AmerisourceBergen and the negative impact of currency translation, adjusted operating income increased 2.3% over the year-ago period, primarily due to higher sales and lower selling, general and administrative expenses as a percentage of sales, partially offset by lower gross margin. See "--Non-GAAP Measures" below for a reconciliation to the most directly comparable GAAP measure.

NON-GAAP MEASURES

The following information provides reconciliations of the supplemental non-GAAP financial measures, as defined under the rules of the Securities and Exchange Commission, presented herein to the most directly comparable financial measures calculated and presented in accordance with GAAP. The Company has provided the non-GAAP financial measures, which are not calculated or presented in accordance with GAAP, as supplemental information and in addition to the financial measures that are calculated and presented in accordance with GAAP.

These supplemental non-GAAP financial measures are presented because Company's management has evaluated the Company's financial results both including and excluding the adjusted items or the effects of foreign currency translation, as applicable, and believes that the supplemental non-GAAP financial measures presented provide additional perspective and insights when analyzing the core operating performance of the Company from period to period and trends in Company's historical operating results. These supplemental non-GAAP financial measures should not be considered superior to, as a substitute for or as an alternative to, and should be considered in conjunction with, the GAAP financial measures presented.

The Company also presents certain information related to current period operating results in "constant currency," which is a non-GAAP financial measure. These amounts are calculated by translating current period results at the foreign currency exchange rates used in the comparable period in the prior year. The Company presents such constant currency financial information because it has significant operations outside of the United States reporting in currencies other than the U.S. dollar and such presentation provides a framework to assess how its business performed excluding the impact of foreign currency exchange rate fluctuations.

(in millions)					
Three months ended February 28, 2019					
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Eliminations	Walgreens Boots Alliance, Inc.
Operating income (GAAP)	\$ 1,226	\$ 192	\$ 100	\$ (1)	\$ 1,517
Acquisition-related amortization	79	25	20	—	123
Transformational cost management	14	40	96	—	150
Acquisition-related costs	82	—	—	—	82
Adjustments to equity earnings in AmerisourceBergen	—	—	9	—	9
Store optimization	31	—	—	—	31
LIFO provision	8	—	—	—	8
Certain legal and regulatory accruals and settlements	14	—	—	—	14
Adjusted operating income (Non- GAAP measure)	\$ 1,455	\$ 256	\$ 225	\$ (1)	\$ 1,935

(in millions)

Three months ended February 28, 2018

	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Eliminations	Walgreens Boots Alliance, Inc.
Operating income (GAAP)¹	\$ 1,403	\$ 248	\$ 323	\$ 3	\$ 1,977
Acquisition-related amortization	64	28	21	—	113
Acquisition-related costs	65	—	—	—	65
Adjustments to equity earnings in AmerisourceBergen	—	—	(113)	—	(113)
LIFO provision	43	—	—	—	43
Certain legal and regulatory accruals and settlements ²	90	—	—	—	90
Asset recovery	(15)	—	—	—	(15)
Adjusted operating income (Non- GAAP measure)¹	\$ 1,650	\$ 276	\$ 231	\$ 3	\$ 2,160

(in millions)

Six months ended February 28, 2019

	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Eliminations	Walgreens Boots Alliance, Inc.
Operating income (GAAP)	\$ 2,393	\$ 270	\$ 255	\$ —	\$ 2,918
Acquisition-related amortization	155	52	39	—	246
Transformational cost management	16	67	96	—	179
Acquisition-related costs	148	—	—	—	148
Adjustments to equity earnings in AmerisourceBergen	—	—	54	—	54
Store optimization	51	—	—	—	51
LIFO provision	48	—	—	—	48
Certain legal and regulatory accruals and settlements	24	—	—	—	24
Adjusted operating income (Non- GAAP measure)	\$ 2,834	\$ 388	\$ 445	\$ —	\$ 3,667

(in millions)

Six months ended February 28, 2018

	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Eliminations	Walgreens Boots Alliance, Inc.
Operating income (GAAP)¹	\$ 2,530	\$ 427	\$ 338	\$ 1	\$ 3,296
Acquisition-related amortization	102	54	42	—	198
Acquisition-related costs	116	—	—	—	116
Adjustments to equity earnings in AmerisourceBergen	—	—	76	—	76
LIFO provision	97	—	—	—	97
Certain legal and regulatory accruals and settlements ²	115	—	—	—	115
Hurricane-related costs	83	—	—	—	83
Asset recovery	(15)	—	—	—	(15)
Adjusted operating income (Non- GAAP measure)¹	\$ 3,028	\$ 481	\$ 456	\$ 1	\$ 3,966

- ¹ The Company adopted new accounting guidance in Accounting Standards Update 2017-07 as of September 1, 2018 (fiscal 2019) on a retrospective basis for the Consolidated Condensed Statements of Earnings presentation. This change resulted in reclassification of all the other net cost components (excluding service cost component) of net pension cost and net postretirement benefit cost from selling, general and administrative expenses to other income (expense) with no impact on the Company's net earnings.
- ² As previously disclosed, beginning in the quarter ended August 31, 2018, management reviewed and refined its practice to include all charges related to the matters included in certain legal and regulatory accruals and settlements. In order to present non-GAAP measures on a consistent basis for fiscal year 2018, the Company included adjustments in the quarter ended August 31, 2018 of \$14 million, \$50 million and \$5 million which were previously accrued in the Company's financial statements for the quarters ended November 30, 2017, February 28, 2018 and May 31, 2018, respectively. These additional adjustments impact the comparability of such results to the results reported in prior and future quarters.

	(in millions, except per share amounts)			
	Three months ended February 28,		Six months ended February 28,	
	2019	2018	2019	2018
Net earnings attributable to Walgreens Boots Alliance, Inc. (GAAP)	\$ 1,156	\$ 1,349	\$ 2,279	\$ 2,170
Adjustments to operating income:				
Acquisition-related amortization	123	113	246	198
Transformational cost management	150	—	179	—
Acquisition-related costs	82	65	148	116
Adjustments to equity earnings in AmerisourceBergen	9	(113)	54	76
Store optimization	31	—	51	—
LIFO provision	8	43	48	97
Certain legal and regulatory accruals and settlements ¹	14	90	24	115
Hurricane-related costs	—	—	—	83
Asset recovery	—	(15)	—	(15)
Total adjustments to operating income	417	183	749	670
Adjustments to other income (expense):				
Net investment hedging (gain) loss	6	1	2	(33)
Impairment of equity method investment	—	—	—	170
Total adjustments to other income (expense)	6	1	2	137
Adjustments to interest expense, net:				
Prefunded acquisition financing costs	—	5	—	29
Total adjustments to interest expense, net	—	5	—	29
Adjustments to income tax provision:				
Equity method non-cash tax	15	61	19	11
U.S. tax law changes ²	9	184	(3)	184
Tax impact of adjustments ³	(81)	(62)	(139)	(185)
Total adjustments to income tax provision	(57)	183	(123)	10
Adjusted net earnings attributable to Walgreens Boots Alliance, Inc. (Non-GAAP measure)	\$ 1,522	\$ 1,721	\$ 2,908	\$ 3,016
Diluted net earnings per common share (GAAP)	\$ 1.24	\$ 1.36	\$ 2.42	\$ 2.16
Adjustments to operating income	0.45	0.18	0.80	0.67
Adjustments to other income (expense)	0.01	—	—	0.14
Adjustments to interest expense, net	—	0.01	—	0.03
Adjustments to income tax provision	(0.06)	0.18	(0.13)	0.01
Adjusted diluted net earnings per common share (Non-GAAP measure)	\$ 1.64	\$ 1.73	\$ 3.09	\$ 3.01
Weighted average common shares outstanding, diluted	930.7	995.5	941.1	1,003.3

¹ As previously disclosed, beginning in the quarter ended August 31, 2018, management reviewed and refined its practice to include all charges related to the matters included in certain legal and regulatory accruals and settlements. In order to present non-GAAP measures on a consistent basis for fiscal year 2018, the Company included adjustments in the quarter ended August 31, 2018 of \$14 million, \$50 million and \$5 million which were previously accrued in the Company's financial statements for the quarters ended November 30, 2017, February 28, 2018 and May 31, 2018, respectively. These additional adjustments impact the comparability of such results to the results reported in prior and future quarters.

² Discrete tax-only items.

³ Represents the adjustment to the GAAP basis tax provision commensurate with non-GAAP adjustments and the adjusted tax rate true-up.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents were \$818 million (including \$379 million in non-U.S. jurisdictions) as of February 28, 2019, compared to \$1.7 billion (including \$683 million in non-U.S. jurisdictions) at February 28, 2018. Short-term investment objectives are primarily to minimize risk and maintain liquidity. To attain these objectives, investment limits are placed on the amount, type and issuer of securities. Investments are principally in U.S. Treasury money market funds and AAA-rated money market funds.

The Company's long-term capital policy is to maintain a strong balance sheet and financial flexibility; reinvest in its core strategies; invest in strategic opportunities that reinforce its core strategies and meet return requirements; and return surplus cash flow to stockholders in the form of dividends and share repurchases over the long term. In June 2018, the Company's Board of Directors reviewed and refined the Company's dividend policy to set forth the Company's current intention to increase its dividend each year.

Cash provided by operations and the issuance of debt are the principal sources of funds for expansion, investments, acquisitions, remodeling programs, dividends to stockholders and stock repurchases. Net cash provided by operating activities for the six months ended February 28, 2019 was \$1.2 billion, compared to \$3.2 billion for the year-ago period. The \$2.0 billion decrease in cash provided by operating activities includes higher cash outflows from income taxes, accrued expenses and other liabilities, accounts receivable, net and inventories. Changes in income taxes paid are mainly due to the payment of transition tax resulting from the U.S. tax law changes. Changes in accrued expenses and other liabilities are mainly driven by cash payments for certain legal and regulatory settlements and timing of accruals. Changes in accounts receivable, net and inventories are mainly driven by timing.

Net cash used for investing activities was \$1.0 billion for the six months ended February 28, 2019, compared to \$4.2 billion for the year-ago period. Business, investment and asset acquisitions for the six months ended February 28, 2019 were \$347 million compared to \$3.4 billion for the year-ago period.

For the six months ended February 28, 2019, additions to property, plant and equipment were \$793 million compared to \$666 million in the year-ago period. Capital expenditures by reporting segment were as follows (in millions):

	Six months ended February 28,	
	2019	2018
Retail Pharmacy USA	\$ 605	\$ 474
Retail Pharmacy International	135	141
Pharmaceutical Wholesale	53	51
Total	\$ 793	\$ 666

Significant capital expenditures primarily relate to investments in our stores and information technology projects.

Net cash used for financing activities for the six months ended February 28, 2019 was \$115 million, compared to \$616 million in the year-ago period. The Company repurchased shares as part of the stock repurchase programs described below and to support the needs of the employee stock plans totaling \$3.1 billion in the six months ended February 28, 2019, compared to \$2.5 billion in the year-ago period. Proceeds related to employee stock plans were \$138 million during the six months ended February 28, 2019, compared to \$83 million for the six months ended February 28, 2018. Cash dividends paid were \$841 million during the six months ended February 28, 2019, compared to \$815 million for the same period a year ago.

The Company believes that cash flow from operations, availability under our existing credit facilities and arrangements, current cash and investment balances and our ability to obtain other financing, if necessary, will provide adequate cash funds for the foreseeable working capital needs, capital expenditures at existing facilities, pending acquisitions, dividend payments and debt

service obligations for at least the next 12 months. The Company's cash requirements are subject to change as business conditions warrant and opportunities arise. The timing and size of any new business ventures or acquisitions that the Company may complete may also impact its cash requirements.

See item 3, qualitative and quantitative disclosures about market risk, below for a discussion of certain financing and market risks.

Stock repurchase programs

In June 2017, Walgreens Boots Alliance authorized a stock repurchase program, which authorized the repurchase of up to \$5.0 billion of Walgreens Boots Alliance common stock prior to the program's expiration on August 31, 2018, which authorization was increased by an additional \$1.0 billion in October 2017 (as expanded, the "June 2017 stock repurchase program"). In October 2017, the Company completed the June 2017 stock repurchase program, purchasing 77.4 million shares. In June 2018, Walgreens Boots Alliance authorized a new stock repurchase program (the "June 2018 stock repurchase program"), which authorized the repurchase of up to \$10.0 billion of Walgreens Boots Alliance common stock of which the Company had repurchased \$5.5 billion as of February 28, 2019. The June 2018 stock repurchase program has no specified expiration date.

The Company determines the timing and amount of repurchases, including repurchases to offset anticipated dilution from equity incentive plans, based on our assessment of various factors, including prevailing market conditions, alternate uses of capital, liquidity and the economic environment. The Company has repurchased, and may from time to time in the future repurchase, shares on the open market through Rule 10b5-1 plans, which enable us to repurchase shares at times when we otherwise might be precluded from doing so under insider trading laws.

Commercial paper

The Company periodically borrows under its commercial paper program and may continue to borrow under it in future periods. The Company had \$3.0 billion commercial paper outstanding as of February 28, 2019 and \$0.4 billion as of August 31, 2018. The Company had average daily commercial paper outstanding of \$2.4 billion and \$1.2 billion at a weighted average interest rate of 2.96% and 1.81% for the six months ended February 28, 2019 and 2018, respectively.

Financing actions

On June 1, 2016, Walgreens Boots Alliance issued in an underwritten public offering \$1.2 billion of 1.750% notes due 2018 (the "2018 notes"), \$1.5 billion of 2.600% notes due 2021 (the "2021 notes"), \$0.8 billion of 3.100% notes due 2023 (the "2023 notes"), \$1.9 billion of 3.450% notes due 2026 (the "2026 notes") and \$0.6 billion of 4.650% notes due 2046 (the "2046 notes"). Because the merger with Rite Aid was not consummated on or prior to June 1, 2017, the 2018 notes, the 2021 notes and the 2023 notes were redeemed on June 5, 2017 under the special mandatory redemption terms of the indenture governing such notes. The 2026 notes and 2046 notes remain outstanding in accordance with their respective terms.

On February 1, 2017, Walgreens Boots Alliance entered into a \$1.0 billion revolving credit facility (as amended, the "February 2017 Revolving Credit Agreement") with the lenders from time to time party thereto and, on August 1, 2017, Walgreens Boots Alliance entered into an amendment agreement thereto. On January 31, 2019, the February 2017 Revolving Credit Agreement matured and the Company paid all amounts due in connection therewith.

On August 24, 2017, Walgreens Boots Alliance entered into a \$1.0 billion revolving credit agreement with the lenders from time to time party thereto (the "August 2017 Revolving Credit Agreement") and a \$1.0 billion term loan credit agreement with Sumitomo Mitsui Banking Corporation (the "2017 Term Loan Credit Agreement"). On November 30, 2018, in connection with the entrance into the November 2018 Credit Agreement (described below), Walgreens Boots Alliance terminated the 2017 Term Loan Credit Agreement in accordance with its terms and as of such date paid all amounts due in connection therewith. On January 31, 2019, the August 2017 Revolving Credit Agreement matured and the Company paid all amounts due in connection therewith.

On August 29, 2018, Walgreens Boots Alliance entered into a revolving credit agreement (the "August 2018 Revolving Credit Agreement") with the lenders and letter of credit issuers from time to time party thereto. The August 2018 Revolving Credit Agreement is an unsecured revolving credit facility with an aggregate commitment in the amount of \$3.5 billion, with a letter of credit subfacility commitment amount of \$500 million. The facility termination date is the earlier of (a) August 29, 2023, subject to the extension thereof pursuant to the August 2018 Revolving Credit Agreement and (b) the date of termination in whole of the aggregate amount of the revolving commitments pursuant to the August 2018 Revolving Credit Agreement. Borrowings under the August 2018 Revolving Credit Agreement will bear interest at a fluctuating rate per annum equal to, at Walgreens Boots Alliance's option, the alternate base rate or the Eurocurrency rate, in each case, plus an applicable margin calculated based on Walgreens Boots Alliance's credit ratings. As of February 28, 2019, there were no borrowings under the August 2018 Revolving Credit Agreement.

On November 30, 2018, Walgreens Boots Alliance entered into a credit agreement (as amended the “November 2018 Credit Agreement”) with the lenders from time to time party thereto and, on March 25, 2019, the Company entered into an amendment to such credit agreement reflecting certain changes to the borrowing notice provisions thereto. The November 2018 Credit Agreement includes a \$500 million senior unsecured revolving credit facility and a \$500 million senior unsecured term loan facility. The facility termination date is, with respect to the revolving credit facility, the earlier of (a) May 30, 2020 and (b) the date of termination in whole of the aggregate amount of the revolving commitments pursuant to the November 2018 Credit Agreement and, with respect to the term loan facility, the earlier of (a) May 30, 2020 and (b) the date of acceleration of all term loans pursuant to the November 2018 Credit Agreement. Borrowings under the November 2018 Credit Agreement will bear interest at a fluctuating rate per annum equal to, at Walgreens Boots Alliance’s option, the alternate base rate or the Eurocurrency rate, in each case, plus an applicable margin calculated based on Walgreens Boots Alliance’s credit ratings. As of February 28, 2019, there were \$0.7 billion borrowings under the November 2018 Credit Agreement.

On December 5, 2018, Walgreens Boots Alliance entered into a \$1.0 billion term loan credit agreement (the “December 2018 Term Loan Credit Agreement”) with the lenders from time to time party thereto. The December 2018 Term Loan Credit Agreement is a senior unsecured term loan facility with a facility termination date of the earlier of (a) January 29, 2021 and (b) the date of acceleration of all term loans pursuant to the December 2018 Term Loan Credit Agreement. Borrowings under the December 2018 Term Loan Credit Agreement will bear interest at a fluctuating rate per annum equal to, at Walgreens Boots Alliance’s option, the alternate base rate or the Eurocurrency rate, plus an applicable margin of 0.75% in the case of Eurocurrency rate loans. As of February 28, 2019, there were \$1 billion borrowings outstanding under the December 2018 Term Loan Credit Agreement.

On December 21, 2018, the Company entered into a \$1.0 billion revolving credit agreement (the “December 2018 Revolving Credit Agreement”) with the lenders from time to time party thereto. The December 2018 Revolving Credit Agreement is a senior unsecured revolving credit facility with a facility termination date of the earlier of (a) 18 months following January 28, 2019, the date of the effectiveness of the commitments pursuant to the December 2018 Revolving Credit Agreement, subject to extension thereof pursuant to the December 2018 Revolving Credit Agreement and (b) the date of termination in whole of the aggregate amount of the commitments pursuant to the December 2018 Revolving Credit Agreement. Borrowings under the December 2018 Revolving Credit Agreement will bear interest at a fluctuating rate per annum equal to, at Walgreens Boots Alliance’s option, the alternate base rate or the Eurocurrency rate (including, at the Walgreens Boots Alliance’s election, a LIBOR daily floating rate), plus an applicable margin of 0.75% in the case of Eurocurrency rate loans. As of February 28, 2019, there were \$0.5 billion borrowings outstanding under the December 2018 Revolving Credit Agreement.

On January 18, 2019, the Company entered into a \$2.0 billion 364-day revolving credit agreement (the “January 2019 364-Day Revolving Credit Agreement”) with the lenders from time to time party thereto. The January 2019 364-Day Revolving Credit Agreement is a senior unsecured 364-day revolving credit facility, with a facility termination date of the earlier of (a) 364 days following January 31, 2019, the date of the effectiveness of the commitments pursuant to the January 364-Day Revolving Credit Agreement, subject to extension thereof pursuant to the January 2019 364-Day Revolving Credit Agreement and (b) the date of termination in whole of the aggregate amount of the commitments pursuant to the January 2019 364-Day Revolving Credit Agreement. Borrowings under the January 2019 364-Day Revolving Credit Agreement will bear interest at a fluctuating rate per annum equal to, at Walgreens Boots Alliance’s option, the alternate base rate or the Eurocurrency rate, in each case, plus an applicable margin calculated based on the Company’s credit ratings. As of February 28, 2019, there were no borrowings outstanding under the January 364-Day Revolving Credit Agreement.

From time to time, the Company may also enter into other credit facilities or financing arrangements.

Debt covenants

Each of the Company’s credit facilities described above contain a covenant to maintain, as of the last day of each fiscal quarter, a ratio of consolidated debt to total capitalization not to exceed 0.60:1.00, subject to increase in certain circumstances set forth in the applicable credit agreement. The credit facilities contain various other customary covenants. As of February 28, 2019, the Company was in compliance with all such applicable covenants.

Credit ratings

As of April 1, 2019, the credit ratings of Walgreens Boots Alliance were:

Rating agency	Long-term debt rating	Commercial paper rating	Outlook
Fitch	BBB	F2	Stable
Moody's	Baa2	P-2	Stable
Standard & Poor's	BBB	A-2	Stable

In assessing the Company's credit strength, each rating agency considers various factors including the Company's business model, capital structure, financial policies and financial performance. There can be no assurance that any particular rating will be assigned or maintained. The Company's credit ratings impact its borrowing costs, access to capital markets and operating lease costs. The rating agency ratings are not recommendations to buy, sell or hold the Company's debt securities or commercial paper. Each rating may be subject to revision or withdrawal at any time by the assigning rating agency and should be evaluated independently of any other rating.

AmerisourceBergen relationship

As of February 28, 2019, the Company owned 56,854,867 AmerisourceBergen common shares representing approximately 27% of the outstanding AmerisourceBergen common stock and had designated one member of AmerisourceBergen's board of directors. As of February 28, 2019, the Company can acquire up to an additional 8,398,752 AmerisourceBergen shares in the open market and thereafter designate another member of AmerisourceBergen's board of directors, subject in each case to applicable legal and contractual requirements. The amount of permitted open market purchases is subject to increase or decrease in certain circumstances. Subject to applicable legal and contractual requirements, share purchases may be made from time to time in open market transactions or pursuant to instruments and plans complying with Rule 10b5-1. See note 5, equity method investments, to the Consolidated Condensed Financial Statements included herein for further information.

OFF-BALANCE SHEET ARRANGEMENTS

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

As of February 28, 2019, the Company had \$49 million of guarantees to various suppliers outstanding. The Company remains secondarily liable on 15 leases. The maximum potential undiscounted future payments related to these leases was \$23 million as of February 28, 2019.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

There have been no material changes, outside of the ordinary course of business, in the Company's outstanding contractual obligations disclosed in the Walgreens Boots Alliance Annual Report on Form 10-K for the year ended August 31, 2018.

CRITICAL ACCOUNTING POLICIES

The Consolidated Condensed Financial Statements are prepared in accordance with GAAP and include amounts based on management's prudent judgments and estimates. Actual results may differ from these estimates. Management believes that any reasonable deviation from those judgments and estimates would not have a material impact on our consolidated financial position or results of operations. To the extent that the estimates used differ from actual results, however, adjustments to the statement of earnings and corresponding balance sheet accounts would be necessary. These adjustments would be made in future periods. For a discussion of our significant accounting policies, please see the Walgreens Boots Alliance Annual Report on Form 10-K for the fiscal year ended August 31, 2018. Some of the more significant estimates include business combinations, goodwill and indefinite-lived intangible asset impairment, cost of sales and inventory, equity method investments, pension and postretirement benefits and income taxes. There have been no material changes in those accounting policies for the six months ended February 28, 2019.

NEW ACCOUNTING PRONOUNCEMENTS

A discussion of new accounting pronouncements is described in note 17, new accounting pronouncements, to the Consolidated Condensed Financial Statements (Unaudited) of this Quarterly Report on Form 10-Q and is incorporated herein by reference.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report and other documents that we file or furnish with the SEC contain forward-looking statements that are based on current expectations, estimates, forecasts and projections about our future performance, our business, our beliefs and our

management's assumptions. In addition, we, or others on our behalf, may make forward-looking statements in press releases or written statements, on the Company's website or in our communications and discussions with investors and analysts in the normal course of business through meetings, webcasts, phone calls, conference calls and other communications. Some of such forward-looking statements may be based on certain data and forecasts relating to our business and industry that we have obtained from internal surveys, market research, publicly available information and industry publications. Industry publications, surveys and market research generally state that the information they provide has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. Statements that are not historical facts are forward-looking statements, including, without limitation, those regarding estimates of and goals for future financial and operating performance as well as forward-looking statements concerning the expected execution and effect of our business strategies, our cost-savings and growth initiatives, pilot programs and initiatives and restructuring activities and the amounts and timing of their expected impact and delivery of annual cost savings, our amended and restated asset purchase agreement with Rite Aid and the transactions contemplated thereby and their possible timing and effects, our commercial agreement with AmerisourceBergen, the arrangements and transactions contemplated by our framework agreement with AmerisourceBergen and their possible effects, estimates of the impact of developments on our earnings, earnings per share and other financial and operating metrics, cough, cold and flu season, prescription volume, pharmacy sales trends, prescription margins, changes in generic prescription drug prices, retail margins, number and location of new store openings, network participation, vendor, payer and customer relationships and terms, possible new contracts or contract extensions, the proposed withdrawal of the United Kingdom from the European Union and its possible effects, competition, economic and business conditions, outcomes of litigation and regulatory matters, the level of capital expenditures, industry trends, demographic trends, growth strategies, financial results, cost reduction initiatives, impairment or other charges, acquisition and joint venture synergies, competitive strengths and changes in legislation or regulations. All statements in the future tense and all statements accompanied by words such as "expect," "likely," "outlook," "forecast," "preliminary," "pilot," "would," "could," "should," "can," "will," "project," "intend," "plan," "goal," "guidance," "target," "aim," "continue," "sustain," "synergy," "transform," "accelerate," "model," "long-term," "on track," "on schedule," "headwind," "tailwind," "believe," "seek," "estimate," "anticipate," "upcoming," "to come," "may," "possible," "assume," and variations of such words and similar expressions are intended to identify such forward-looking statements, which are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995.

These forward-looking statements are not guarantees of future performance and are subject to risks, uncertainties and assumptions, known or unknown, that could cause actual results to vary materially from those indicated or anticipated, including, but not limited to, those relating to the impact of private and public third-party payers' efforts to reduce prescription drug reimbursements, fluctuations in foreign currency exchange rates, the timing and magnitude of the impact of branded to generic drug conversions and changes in generic drug prices, our ability to realize synergies and achieve financial, tax and operating results in the amounts and at the times anticipated, the inherent risks, challenges and uncertainties associated with forecasting financial results of large, complex organizations in rapidly evolving industries, particularly over longer time periods, supply arrangements including our commercial agreement with AmerisourceBergen, the arrangements and transactions contemplated by our framework agreement with AmerisourceBergen and their possible effects, the risks associated with our equity method investment in AmerisourceBergen, the occurrence of any event, change or other circumstance that could give rise to the termination, cross-termination or modification of any of our contractual obligations, the amount of costs, fees, expenses and charges incurred in connection with strategic transactions, whether the costs and charges associated with restructuring initiatives will exceed estimates, our ability to realize expected savings and benefits from cost-savings initiatives, restructuring activities and acquisitions and joint ventures in the amounts and at the times anticipated, the timing and amount of any impairment or other charges, the timing and severity of cough, cold and flu season, risks related to pilot programs and new business initiatives and ventures generally, including the risks that anticipated benefits may not be realized, changes in management's plans and assumptions, the risks associated with governance and control matters, the ability to retain key personnel, changes in economic and business conditions generally or in particular markets in which we participate, changes in financial markets, credit ratings and interest rates, the risks associated with international business operations, including the risks relating to the terms, timing and magnitude of any share repurchase activity, the risks associated with the proposed withdrawal of the United Kingdom from the European Union and international trade policies, tariffs and relations, the risk of unexpected costs, liabilities or delays, changes in vendor, customer and payer relationships and terms, including changes in network participation and reimbursement terms and the associated impacts on volume and operating results, risks of inflation in the cost of goods, risks associated with the operation and growth of our customer loyalty programs, risks related to competition including changes in market dynamics, participants, product and service offerings, retail formats and competitive positioning, risks associated with new business areas and activities, risks associated with acquisitions, divestitures, joint ventures and strategic investments, including those relating to the acquisition of certain assets pursuant to our amended and restated asset purchase agreement with Rite Aid, the risks associated with the integration of complex businesses, the impact of regulatory restrictions and outcomes of legal and regulatory matters and risks associated with changes in laws, including those related to the December 2017 U.S. tax law changes, regulations or interpretations thereof. These and other risks, assumptions and uncertainties are described in Item 1A, Risk factors, in our Annual Report on Form 10-K for the fiscal year ended August 31,

2018, in Item 1A. “Risk factors” in this report and in other documents that we file or furnish with the SEC. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those indicated or anticipated by such forward-looking statements. Accordingly, you are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date they are made. Except to the extent required by law, we do not undertake, and expressly disclaim, any duty or obligation to update publicly any forward-looking statement after the date of this report, whether as a result of new information, future events, changes in assumptions or otherwise.

Item 3. Quantitative and qualitative disclosure about market risk

Interest rate risk

The Company is exposed to interest rate volatility with regard to existing debt issuances. Primary exposures include LIBOR and commercial paper rates. From time to time, the Company uses interest rate swaps and forward-starting interest rate swaps to hedge its exposure to the impact of interest rate changes on existing debt and future debt issuances respectively, to reduce the volatility of financing costs and, based on current and projected market conditions, achieve a desired proportion of fixed versus floating-rate debt. Generally under these swaps, the Company agrees with a counterparty to exchange the difference between fixed-rate and floating-rate interest amounts based on an agreed upon notional principal amount.

Information regarding the Company's transactions are set forth in note 8, financial instruments, to the Consolidated Condensed Financial Statements. These financial instruments are sensitive to changes in interest rates. On February 28, 2019, the Company had no material long-term debt obligations that had floating interest rates. The amounts exclude the impact of any associated derivative contracts.

Foreign currency exchange rate risk

The Company is exposed to fluctuations in foreign currency exchange rates, primarily with respect to the British pound sterling and Euro, and certain other foreign currencies, which may affect its net investment in foreign subsidiaries and may cause fluctuations in cash flows related to foreign denominated transactions. The Company is also exposed to the translation of foreign currency earnings to the U.S. dollar. The Company enters into foreign currency forward contracts to hedge against the effect of exchange rate fluctuations on non-functional currency cash flows. These transactions are almost exclusively less than 12 months in maturity. In addition, the Company enters into foreign currency forward contracts that are not designated in hedging relationships to offset, in part, the impacts of certain intercompany activities (primarily associated with intercompany financing transactions).

Under certain market conditions, the Company may seek to protect against possible declines in the reported net investments of our foreign subsidiaries by using foreign currency cross-currency swaps, foreign currency forward-exchange contracts or foreign currency debt.

The Company's foreign currency derivative instruments are sensitive to changes in exchange rates. A hypothetical 1% change in foreign currency exchange rates versus the U.S. dollar would change the fair value of the foreign currency derivatives held as of February 28, 2019, by approximately \$33 million. The foreign currency derivatives are intended to partially hedge anticipated transactions, foreign currency trade payables and receivables and net investments in foreign subsidiaries.

Equity price risk

Changes in AmerisourceBergen common stock price may have a significant impact on the fair value of the equity investment in AmerisourceBergen described in note 5, equity method investments, to the Consolidated Condensed Financial Statements. See "-- AmerisourceBergen relationship" above.

Item 4. Controls and procedures

Evaluation of disclosure controls and procedures

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

Changes in internal control over financial reporting

In connection with the evaluation pursuant to Exchange Act Rule 13a-15(d) of the Company's internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f)) by the Company's management, including its CEO and CFO, no changes during the quarter ended February 28, 2019 were identified that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Inherent limitations on effectiveness of controls

Our management, including the CEO and CFO, do not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The design of a

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

Part II. Other Information

Item 1. Legal proceedings

The information in response to this item is incorporated herein by reference to note 10, commitments and contingencies, to the Consolidated Condensed Financial Statements of this Quarterly Report.

Item 1A. Risk factors

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Item 1A. “Risk factors” in the Walgreens Boots Alliance Annual Report on Form 10-K for the year ended August 31, 2018 and the amended and restated first bullet of the third paragraph of the risk factor entitled “Our substantial international business operations subject us to a number of operating, economic, political, regulatory and other international business risks” appearing on page 13 of such annual report as set forth below, which could materially affect our business, financial condition or future results.

Our Retail Pharmacy International and Pharmaceutical Wholesale divisions have substantial operations in the United Kingdom and other member countries of the European Union. In June 2016, voters in the United Kingdom approved an advisory referendum to withdraw from the European Union, which proposed exit (and the political, economic and other uncertainties it has raised), which is commonly referred to as “Brexit,” has exacerbated and may further exacerbate many of these risks and uncertainties. Subsequently, on March 21, 2019, the leaders of the member countries of the European Union agreed to extend the deadline for Brexit until April 12, 2019. Given the complexity and uncertainty surrounding the potential withdrawal and negotiations, including with respect to terms of trade and customs, there can be no assurance regarding the terms, timing or consummation of any such arrangements, including whether there will be any additional extensions, an orderly withdrawal or a so-called “hard Brexit” with no continuing U.K. participation in the EU’s Single Market or the EU Customs Union. The proposed withdrawal could, among other potential outcomes, adversely affect the tax, tax treaty, currency, operational, legal and regulatory regimes to which our businesses in the region are subject. The withdrawal could also, among other potential outcomes, disrupt the free movement of goods, services and people between the United Kingdom and the European Union and significantly disrupt trade between the United Kingdom and the European Union and other parties. Further, uncertainty around and developments regarding these and related issues has contributed to deteriorating market conditions and could further adversely impact consumer and investor confidence and the economy of the United Kingdom and the economies of other countries in which we operate and cause significant volatility in currency exchange rates. In the event of a “hard Brexit,” the related risks and uncertainties could be further exacerbated.

Item 2. Unregistered sales of equity securities and use of proceeds

The following table provides information about purchases by the Company during the quarter ended February 28, 2019 of equity securities that are registered by the Company pursuant to Section 12 of the Exchange Act. Subject to applicable law, share purchases may be made from time to time in open market transactions, privately negotiated transactions including accelerated share repurchase agreements, or pursuant to instruments and plans complying with Rule 10b5-1.

Period	Issuer purchases of equity securities			
	Total number of shares purchased by month	Average price paid per share	Total number of shares purchased by month as part of publicly announced repurchase programs ¹	Approximate dollar value of shares that may yet be purchased under the plans or program ¹
12/01/18 – 12/31/18	9,871,935	\$ 77.01	9,871,935	\$ 5,930,287,594
01/01/19 – 01/31/19	11,747,934	70.72	11,747,934	5,099,308,601
02/01/19 – 02/28/19	8,483,493	71.80	8,483,493	4,490,085,284
	30,103,362	\$ 73.09	30,103,362	\$ 4,490,085,284

¹ In June 2018, Walgreens Boots Alliance authorized a stock repurchase program, which authorized the repurchase of up to \$10.0 billion of Walgreens Boots Alliance common stock. This program has no specified expiration date.

Item 5. Other information

The Company's 2020 Annual Meeting of Stockholders is currently expected to be held on January 30, 2020, at a time and place to be specified in the proxy statement for that meeting. The deadlines for receipt of stockholder proposals and director nominations for the 2020 Annual Meeting of Stockholders have not changed from the deadlines previously disclosed in the Company's proxy materials for the 2019 Annual Meeting of Stockholders, filed with the SEC on December 6, 2018.

Item 6. Exhibits

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

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

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

Exhibit No.

Description

SEC Document Reference

3.1	Amended and Restated Certificate of Incorporation of Walgreens Boots Alliance, Inc.	Incorporated by reference to Exhibit 3.1 to Walgreens Boots Alliance, Inc.'s Current Report on Form 8-K12B (File No. 1-36759) filed with the SEC on December 31, 2014.
3.2	Amended and Restated Bylaws of Walgreens Boots Alliance, Inc.	Incorporated by reference to Exhibit 3.1 to Walgreens Boots Alliance, Inc.'s Current Report on Form 8-K (File No. 1-36759) filed with the SEC on June 10, 2016.
10.1	364-Day Revolving Credit Agreement, dated as of January 18, 2019, by and among Walgreens Boots Alliance, Inc., the lenders from time to time party thereto and Mizuho Bank, Ltd., as administrative agent.	Incorporated by reference to Exhibit 10.1 to Walgreens Boots Alliance, Inc.'s Current Report on Form 8-K (File No. 1-36759) filed with the SEC on January 22, 2019.
10.2	Revolving Credit Agreement, dated as of December 21, 2018, by and among Walgreens Boots Alliance, Inc., the lenders from time to time party thereto and Bank of America, N.A., as administrative agent.	Incorporated by reference to Exhibit 10.1 to Walgreens Boots Alliance, Inc.'s Current Report on Form 8-K (File No. 1-36759) filed with the SEC on December 26, 2018.
10.3	Term Loan Credit Agreement, dated as of December 5, 2018, by and among Walgreens Boots Alliance, Inc., the lenders from time to time party thereto and Wells Fargo Bank, National Association,	Incorporated by reference to Exhibit 10.2 to Walgreens Boots Alliance, Inc.'s Current Report on Form 8-K (File No. 1-36759) filed with the SEC on December 6, 2018.

10.4*	Offer Letter Agreement, dated as of February 4, 2019, between Walgreens Boots Alliance, Inc. and Heather B. Dixon.	Incorporated by reference to Exhibit 10.1 to Walgreens Boots Alliance, Inc.'s Current Report on Form 8-K (File No. 1-36759) filed with the SEC on March 14, 2019.
10.5	Amendment No. 1 to Credit Agreement, dated as of March 25, 2019, by and between Walgreens Boots Alliance, Inc. and Sumitomo Mitsui Banking Corporation, as sole lead arranger and administrative agent, amending that certain Credit Agreement, dated as of November 30, 2018, by and among Walgreens Boots Alliance, Inc., the lenders from time to time party thereto, and Sumitomo Mitsui Banking Corporation, as sole lead arranger and administrative agent.	Filed herewith.
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith.
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith.
32.1	Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350.	Furnished herewith.
32.2	Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350.	Furnished herewith.
101.INS	XBRL Instance Document	Filed herewith.
101.SCH	XBRL Taxonomy Extension Schema Document	Filed herewith.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document	Filed herewith.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document	Filed herewith.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document	Filed herewith.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document	Filed herewith.

* Management contract or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements 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.

Walgreens Boots Alliance, Inc.
(Registrant)

Dated: April 2, 2019

/s/ James Kehoe
James Kehoe
Executive Vice President and Global Chief Financial Officer
(Duly authorized officer and principal financial officer)

AMENDMENT NO. 1 TO CREDIT AGREEMENT

This AMENDMENT NO. 1 TO CREDIT AGREEMENT dated as of March 25, 2019 (this “**Amendment**”) is entered into among Walgreens Boots Alliance, Inc., a Delaware corporation (the “**Borrower**”) and Sumitomo Mitsui Banking Corporation (“**SMBC**”), as administrative agent (in such capacity, the “**Administrative Agent**”) and as the sole Lender (as defined below) party to the Credit Agreement (as defined below) as of the date hereof.

RECITALS

WHEREAS, the Borrower, the Administrative Agent and the lenders from time to time party thereto (including SMBC, the “**Lenders**”) entered into a Credit Agreement dated as of November 30, 2018 (as the same may have been amended, supplemented or otherwise modified prior to the date hereof, the “**Credit Agreement**”), pursuant to which the Lenders agreed to extend credit to the Borrower.

WHEREAS, the Borrower has requested that the Credit Agreement be amended as set forth below, and Administrative Agent and the Lender party hereto consent to this Amendment.

NOW THEREFORE, for and in consideration of the mutual covenants and agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Borrower, the Administrative Agent and SMBC, as the sole Lender as of the date hereof hereby agree as follows:

1. *Defined Terms.* Capitalized terms used and not otherwise defined herein have the meanings assigned to them in the Credit Agreement.
2. *Amendments to the Credit Agreement.* Each of the parties hereto agrees that, effective on the Amendment Effective Date (as defined below), the Credit Agreement shall be amended in the form attached as Annex I hereto.
3. *Conditions to Effectiveness.* This Amendment shall become effective on the date (the “**Amendment Effective Date**”) when the Administrative Agent shall have received counterparts to this Amendment executed by the Borrower and SMBC, as sole Lender as of the date hereof.
4. *Representations and Warranties.* The Borrower represents and warrants that:
 - (a) No Default or Unmatured Default has occurred and is continuing on or as of the Amendment Effective Date; and
 - (b) The representations and warranties contained in Article V of the Credit Agreement (other than the representations and warranties contained in Sections 5.05 and 5.06 of the Credit Agreement) are true and correct in all material respects (except to the

extent such representations and warranties are qualified by “materiality” or “Material Adverse Effect” or similar terms, in which case such representations and warranties shall be true and correct in all respects) as of the Amendment Effective Date, except to the extent any such representation or warranty is stated to relate solely to an earlier date, in which case such representation or warranty is true and correct in all material respects (except to the extent such representations and warranties are qualified with “materiality” or “Material Adverse Effect” or similar terms, in which case such representations and warranties are true and correct in all respects) on and as of such earlier date.

5. *Ratification.* Except to the extent hereby amended, the Credit Agreement and each of the Loan Documents remain in full force and effect and are hereby ratified and affirmed.

6. *Indemnities.* The Borrower agrees that this Amendment constitutes a Loan Document, and Section 9.06 of the Credit Agreement is hereby incorporated by reference herein and shall extend to the preparation, execution and delivery of this Amendment.

7. *Limitation.* This Amendment shall be limited precisely as written and except as expressly provided herein, shall not be deemed (a) to be a consent granted pursuant to, or a waiver or modification of, any term or condition of the Credit Agreement or any of the instruments or agreements referred to therein or (a) to prejudice any right or rights which the Administrative Agent or the Lenders may now have or have in the future under or in connection with the Credit Agreement or any of the instruments or agreements referred to therein. Unless the context indicates otherwise, on and after the Amendment Effective Date, whenever the Credit Agreement is referred to in the Credit Agreement, the other Loan Documents or any of the instruments, agreements or other documents or papers executed or delivered in connection therewith, such reference shall be deemed to mean the Credit Agreement as amended by this Amendment.

8. *Counterparts.* This Amendment may be executed in any number of counterparts and by the different parties hereto in separate counterparts, each of which shall be an original and all of which, when taken together, shall constitute but one and the same instrument. A facsimile or .pdf copy of a counterpart signature page shall serve as the functional equivalent of a manually executed copy for all purposes.

9. *Governing Law.* THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

10. *Consent to Jurisdiction; Waiver of Jury Trial.* Each of Sections 15.02 and 15.03 of the Credit Agreement are hereby incorporated by reference herein and shall extend to the preparation, execution and delivery of this Amendment.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed by their respective authorized officers as of the day and year first above written.

**WALGREENS BOOTS ALLIANCE,
INC.**
as the Borrower

By: /s/ Aidan Clare
Name: Aidan Clare
Title: Global Treasurer

By: /s/ John Devlin
Name: John Devlin
Title: VP Global Treasury - Legal

[Walgreens Boots Alliance Amendment No. 1 – Signature Page]

SUMITOMO MITSUI BANKING CORPORATION,
as the Administrative Agent and
as Lender

By: /s/ Katsuyuki Kubo
Name: Katsuyuki Kubo
Title: Managing Director

[Walgreens Boots Alliance Amendment No. 1 – Signature Page]

ANNEX I

CREDIT AGREEMENT

[attached]

CONFORMED TO AMENDMENT NO. 1 TO CREDIT
AGREEMENT DATED AS OF MARCH 25, 2019

\$1,000,000,000

CREDIT AGREEMENT

DATED AS OF NOVEMBER 30, 2018

AMONG

WALGREENS BOOTS ALLIANCE, INC.,

THE LENDERS FROM TIME TO TIME PARTIES HERETO,

and

SUMITOMO MITSUI BANKING CORPORATION
as Sole Lead Arranger and Administrative Agent

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CREDIT AGREEMENT

This Credit Agreement, dated as of November 30, 2018, is among WALGREENS BOOTS ALLIANCE, INC., a Delaware corporation (the “**Borrower**”), the institutions from time to time parties hereto as Lenders (whether by execution of this Agreement or an assignment pursuant to Section 12.01) and SUMITOMO MITSUI BANKING CORPORATION, as Administrative Agent.

WHEREAS, the Borrower has requested that the Lenders extend credit to the Borrower in the form of Term Loans in Dollars in an aggregate principal amount not in excess of \$500,000,000 to refinance Indebtedness under the Existing Term Loan Agreement;

WHEREAS, the Borrower has requested that the Lenders extend credit to the Borrower in the form of Revolving Loans in Dollars in an aggregate principal amount not in excess of \$500,000,000 to refinance Indebtedness under the Existing Term Loan Agreement and for other general corporate purposes; and

WHEREAS, the Lenders are willing to make such Term Loans on the Effective Date and such Revolving Loans to the Borrower from time to time on the terms and subject to the conditions set forth in this Agreement. Accordingly, the parties hereto agree as follows:

ARTICLE I DEFINITIONS

Section 1.01 *Certain Defined Terms.* As used in this Agreement:

“**Acquisition**” means any transaction or series of related concurrent transactions for the purpose of or resulting, directly or indirectly, in (a) the acquisition by the Borrower or any of its Subsidiaries of all or a material portion of the assets of a Person, or of any business or division of a Person, (b) the acquisition by the Borrower or any of its Subsidiaries of in excess of 50% of the capital stock, partnership interests, membership interests or equity of any Person (other than a Person that is a Subsidiary), or otherwise causing any Person to become a Subsidiary of the Borrower or (c) a merger or consolidation or any other combination by the Borrower or any of its Subsidiaries with another Person (other than a Person that is a Subsidiary); *provided* that the Borrower (or a Person that succeeds to the Borrower pursuant to Section 6.07 in connection with such transaction or series of related transactions) or a Subsidiary of the Borrower (or a Person that becomes a Subsidiary of the Borrower as a result of such transaction) is the surviving entity; *provided, further* that any Person that is a Subsidiary at the time of execution of the definitive agreement related to any such transaction or series of related concurrent transactions (or, in the case of a tender offer or similar transaction, at the time of filing of the definitive offer document) shall constitute a Subsidiary for purposes of this definition even if in connection with such transaction or series of related transactions, such Person becomes a direct or indirect holding company of the Borrower.

“**Acquisition Debt**” means any Indebtedness incurred by the Borrower or any of its Subsidiaries for the purpose of financing, in whole or in part, a Material Acquisition and any

related transactions or series of related transactions (including for the purpose of refinancing or replacing all or a portion of any pre-existing Indebtedness of the Borrower, any of its Subsidiaries or the person(s) or assets to be acquired); *provided* that (a) the release of the proceeds of such Indebtedness to the Borrower and/or its Subsidiaries is contingent upon the consummation of such Material Acquisition and, pending such release, such proceeds are held in escrow (and, if the definitive agreement (or, in the case of a tender offer or similar transaction, the definitive offer document) for such acquisition is terminated prior to the consummation of such Material Acquisition or if such Material Acquisition is otherwise not consummated by the date specified in the definitive documentation relating to such Indebtedness, such proceeds shall be promptly applied to satisfy and discharge all obligations of the Borrower and/or its Subsidiaries in respect of such Indebtedness) or (b) such Indebtedness contains a “special mandatory redemption” provision (or other similar provision) or otherwise permits such Indebtedness to be redeemed or prepaid if such Material Acquisition is not consummated by the date specified in the definitive documentation relating to such Indebtedness (and if the definitive agreement (or, in the case of a tender offer or similar transaction, the definitive offer document) for such Material Acquisition is terminated in accordance with its terms prior to the consummation of such Material Acquisition or such Material Acquisition is otherwise not consummated by the date specified in the definitive documentation relating to such Indebtedness, such Indebtedness is so redeemed or prepaid within 90 days of such termination or such specified date, as the case may be).

“**Actual Unused Revolving Commitments**” is defined in Section 2.05(c).

“**Administrative Agent**” means Sumitomo Mitsui Banking Corporation in its capacity as contractual representative of the Lenders pursuant to Article X, and not in its individual capacity as a Lender, and any successor Administrative Agent appointed pursuant to Article X.

“**Administrative Agent’s Office**” means the Administrative Agent’s address and, as appropriate, account as set forth on Schedule 13.01, or such other address or account as the Administrative Agent may from time to time notify to the Borrower and the Lenders.

“**Affiliate**” of any Person means any other Person directly or indirectly controlling, controlled by or under common control with such Person. A Person shall be deemed to control another Person if the controlling Person is the “beneficial owner” (as defined in Rule 13d-3 under the Securities Exchange Act of 1934) of ten percent (10%) or more of any class of voting securities (or other voting interests) of the controlled Person or possesses, directly or indirectly, the power to direct or cause the direction of the management or policies of the controlled Person, whether through ownership of voting securities, by contract or otherwise.

“**Agent Parties**” is defined in Section 13.01(c).

“**Aggregate Revolving Commitment**” means, at any time, the aggregate amount of the Revolving Commitments of all the Revolving Lenders, as may be adjusted from time to time pursuant to the terms hereof. The Aggregate Revolving Commitment as of the Effective Date is Five Hundred Million and 00/100 Dollars (\$500,000,000).

“**Aggregate Term Commitment**” means, at any time, the aggregate amount of the Term Commitments of all the Term Lenders. The Aggregate Term Commitment as of the Effective Date is Five Hundred Million and 00/100 Dollars (\$500,000,000).

“**Agreement**” means this Credit Agreement, as it may be amended, restated, supplemented or otherwise modified and as in effect from time to time.

“**Agreement Accounting Principles**” means GAAP, applied in a manner consistent with that used in preparing the financial statements of the Borrower referred to in Section 5.04; *provided, however*, that notwithstanding anything contained in Section 9.07 to the contrary, if the Borrower notifies the Administrative Agent that the Borrower requests an amendment to any provision hereof to eliminate the effect of any change occurring after the Effective Date in GAAP (or any change in GAAP that occurred on or prior to the Effective Date but was not reflected in the financial statements included in the Borrower SEC Reports) or in the application thereof on the operation of such provision, regardless of whether any such notice is given before or after such change in GAAP or in the application thereof, then such provision shall be interpreted on the basis of GAAP as in effect and applied immediately before such change shall have become effective until such notice shall have been withdrawn or such provision amended in accordance herewith.

“**Agreement Currency**” is defined in Section 15.06.

“**Alternate Base Rate**” means for any day a fluctuating rate per annum equal to the highest of (a) the Federal Funds Rate plus 1/2 of 1%, (b) the Prime Rate in effect for such day and (c) the Eurocurrency Base Rate determined in accordance with clause (b) of the definition thereof for a one month Interest Period plus 1.0%.

“**Alternate Base Rate Loan**” means a Loan, or portion thereof, which, except as otherwise provided in Section 2.11, bears interest at the Alternate Base Rate.

“**Applicable Margin**” means the percentage rate per annum which is applicable at such time for Loans of the applicable Type as set forth in the Pricing Schedule.

“**Applicable Revolving Commitment Fee Rate**” means, at any time, the percentage rate per annum at which Revolving Commitment Fees are accruing on the actual unused amount of the Aggregate Revolving Commitment at such time as set forth in the Pricing Schedule.

“**Approved Fund**” means any Fund that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

“**Arranger**” means Sumitomo Mitsui Banking Corporation.

“**Article**” means an article of this Agreement unless another document is specifically referenced.

“**Assignee Group**” means two or more Eligible Assignees that are Affiliates of one another or two or more Approved Funds managed by the same investment advisor.

“**Assignment and Assumption**” means an assignment and assumption entered into by a Lender and an Eligible Assignee (with the consent of any party whose consent is required by Section 12.01), and accepted by the Administrative Agent, in substantially the form of Exhibit B or any other form approved by the Administrative Agent.

“**Authorized Officer**” means any of the Chief Executive Officer, Global Chief Financial Officer, Global Chief Administrative Officer and General Counsel, Global Treasurer, Treasury Vice President, Corporate Secretary, Global Controller and Chief Accounting Officer or Financial Controller of the Borrower, acting in accordance with the terms of the signing authority granted in the incumbency certificate delivered to the Administrative Agent pursuant to Section 4.01(c) (including any supplements thereto delivered to the Administrative Agent from time to time by way of an officers’ certificate jointly executed by two Authorized Officers).

“**Bail-In Action**” means the exercise of any Write-Down and Conversion Powers by the applicable EEA Resolution Authority in respect of any liability of an EEA Financial Institution.

“**Bail-In Legislation**” means, with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union, the implementing law for such EEA Member Country from time to time which is described in the EU Bail-In Legislation Schedule.

“**Benefit Plan**” means any of (a) an “employee benefit plan” (as defined in ERISA) that is subject to Title I of ERISA, (b) a “plan” as defined in and subject to Section 4975 of the Code or (c) any Person whose assets include (for purposes of ERISA Section 3(42) or otherwise for purposes of Title I of ERISA or Section 4975 of the Code) the assets of any such “employee benefit plan” or “plan”.

“**Borrower**” is defined in the preamble.

“**Borrower Materials**” is defined in Section 6.01.

“**Borrower SEC Reports**” means the Borrower’s 2018 Annual Report on Form 10-K.

“**Borrowing**” means a borrowing consisting of simultaneous Loans of the same Type and, in the case of a borrowing of Eurocurrency Loans (other than LIBOR Daily Floating Rate Loans), having the same Interest Period.

“**Borrowing Date**” means each date on which a Borrowing is made hereunder, subject to satisfaction (or waiver in accordance with Section 8.02) of the applicable conditions set forth in Article IV.

“**Borrowing Notice**” is defined in Section 2.08.

“**Business Day**” means a day (other than a Saturday or Sunday) on which banks are generally open in New York, New York for the conduct of substantially all of their commercial lending activities and interbank wire transfers can be made on the Fedwire system (or any other equivalent wire system) and if such day relates to any interest rate settings as to a Eurocurrency Loan, any fundings, disbursements, settlements and payments in respect of any such Eurocurrency Loan, or any other dealings to be carried out pursuant to this Agreement in respect of any such Eurocurrency Loan, means any such day that is also a London Banking Day.

“**Capitalized Lease**” of a Person means any lease of Property by such Person as lessee which would be shown as a liability on a balance sheet of such Person prepared in accordance with Agreement Accounting Principles.

“**Change in Law**” means the occurrence, after the date of this Agreement, of any of the following: (a) the adoption or taking effect of any law, rule, regulation or treaty, (b) any change in any law, rule, regulation or treaty or in the administration, interpretation or application thereof by any Governmental Authority or (c) the making or issuance of any request, guideline or directive (whether or not having the force of law) by any Governmental Authority; *provided*, that, notwithstanding anything herein to the contrary, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives promulgated thereunder or issued in connection therewith and (y) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States regulatory authorities, in each case pursuant to Basel III, shall in the case of clauses (x) and (y) be deemed to be a “Change in Law”, regardless of the date enacted, adopted, issued, promulgated or implemented.

“**Code**” means the Internal Revenue Code of 1986, as amended, reformed or otherwise modified from time to time.

“**Commitment**” means, a Revolving Commitment or a Term Commitment. Each reference herein to “Commitments” without specifying Revolving Commitments or Term Commitments shall be deemed a reference both Revolving Commitments and Term Commitments.

“**Commitment Schedule**” means the Schedule attached hereto and identified as such, identifying each Lender’s Commitment as of the Effective Date.

“**Consolidated Assets**” means, at any date of determination, the total amount, as shown on or reflected in the most recent consolidated balance sheet of the Borrower and its Subsidiaries as at the end of the Borrower’s fiscal quarter ending prior to such date, of all assets of the Borrower and its consolidated Subsidiaries on a consolidated basis in accordance with Agreement Accounting Principles (giving pro forma effect to any acquisition or disposition of Property of the Borrower or any of its Subsidiaries with fair value in excess of \$100,000,000 that has occurred since the end of such fiscal quarter as if such acquisition or disposition had occurred on the last day of such fiscal quarter).

“**Consolidated Debt**” means at any time the consolidated Indebtedness for Borrowed Money of the Borrower and its Subsidiaries calculated on a consolidated basis as of such time in accordance with Agreement Accounting Principles.

“**Consolidated Net Worth**” means at any time the consolidated stockholders’ equity of the Borrower and its Subsidiaries calculated on a consolidated basis as of such time in accordance with Agreement Accounting Principles.

“**Contingent Obligation**” of a Person means any agreement, undertaking or arrangement by which such Person assumes, guarantees, endorses, contingently agrees to purchase or provide funds for the payment of, or otherwise becomes or is contingently liable upon, the obligation or liability of any other Person, or agrees to maintain the net worth or working capital or other financial condition of any other Person, or otherwise assures any creditor of such other Person against loss, including, without limitation, any comfort letter, operating agreement, take-or-pay contract or the obligations of any such Person as general partner of a partnership with respect to the liabilities of the partnership.

“**Controlled Group**” means all members of a controlled group of corporations or other business entities and all trades or businesses (whether or not incorporated) under common control which, together with the Borrower or any of its Subsidiaries, are treated as a single employer under Section 414 of the Code.

“**Conversion/Continuation Notice**” is defined in Section 2.09.

“**Debtor Relief Laws**” means the Bankruptcy Code of the United States, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief laws of the United States or other applicable jurisdictions from time to time in effect and affecting the rights of creditors generally.

“**Default**” means an event described in Article VII.

“**Defaulting Lender**” means, subject to Section 2.20(b), any Lender that (a) has failed to perform any of its funding obligations hereunder, including in respect of its Loans, within three Business Days of the date required to be funded by it hereunder unless such Lender notifies the Administrative Agent in writing that such failure is the result of such Lender’s determination that one or more conditions precedent to funding has not been satisfied (which conditions precedent, together with the applicable default, if any, will be specifically identified in such writing), (b) has notified the Borrower or the Administrative Agent in writing that it does not intend to comply with its funding obligations or has made a public statement to that effect with respect to its funding obligations hereunder, or generally under other agreements in which it commits to extend credit, unless such notification or public statement relates to such Lender’s obligation to fund a Loan hereunder and states that such position is based on such Lender’s determination that a condition precedent to funding cannot be satisfied (which conditions precedent, together with the applicable default, if any, will be specifically identified in such writing or public statement), (c) has failed, within three Business Days after written request by the Administrative Agent or

the Borrower, to confirm in a manner satisfactory to the Administrative Agent or the Borrower, as applicable, that it will comply with its funding obligations, which request was made because of a reasonable concern by the Administrative Agent or the Borrower that such Lender may not be able to comply with its funding obligations hereunder; *provided* that such Lender shall cease to be a Defaulting Lender pursuant to this clause (c) upon receipt of such written confirmation by the Administrative Agent or the Borrower, or (d) has, or has a direct or indirect parent company that has, (i) become the subject of a proceeding under any Debtor Relief Law, (ii) had a receiver, conservator, trustee, administrator, assignee for the benefit of creditors or similar Person charged with reorganization or liquidation of its business or a custodian appointed for it, or taken any action in furtherance of, or indicated its consent to, approval of or acquiescence in any such proceeding or appointment or (iii) become the subject of a Bail-In Action; *provided* that a Lender shall not be a Defaulting Lender solely by virtue of the ownership or acquisition of any equity interest in that Lender or any direct or indirect parent company thereof by a Governmental Authority unless such ownership or equity results in or provides such Lender with immunity from the jurisdiction of courts within the United States or any other nation or from the enforcement of judgments or writs of attachment on its assets or permits such Lender (or such Governmental Authority or instrumentality) to reject, repudiate, disavow or disaffirm any contracts or agreements made by such Lender. Any determination by the Administrative Agent that a Lender is a Defaulting Lender under any one or more of clauses (a) through (d) above, and of the effective date of such status, shall be conclusive and binding absent manifest error, and such Lender shall be deemed to be a Defaulting Lender (subject to Section 2.20(b)) as of the date established therefor by the Administrative Agent in a written notice of such determination, which shall be delivered by the Administrative Agent to the Borrower and each Lender promptly following such determination.

“**Disqualified Stock**” means any capital stock that, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder thereof, in whole or in part, on or prior to the date that is ninety-one (91) days after the Maturity Date.

“**Dollar**” and “**\$**” means dollars in the lawful currency of the United States of America.

“**EEA Financial Institution**” means (a) any credit institution or investment firm established in any EEA Member Country which is subject to the supervision of an EEA Resolution Authority, (b) any entity established in an EEA Member Country which is a parent of an institution described in clause (a) of this definition, or (c) any financial institution established in an EEA Member Country which is a subsidiary of an institution described in clauses (a) or (b) of this definition and is subject to consolidated supervision with its parent;

“**EEA Member Country**” means any of the member states of the European Union, Iceland, Liechtenstein, and Norway.

“**EEA Resolution Authority**” means any public administrative authority or any person entrusted with public administrative authority of any EEA Member Country (including any delegee) having responsibility for the resolution of any EEA Financial Institution.

“**Effective Date**” means the first date on which the conditions set forth in Section 4.01 are satisfied (or waived in accordance with Section 8.02).

“**Eligible Assignee**” means any Person that meets the requirements to be an assignee under Section 12.01(b)(v), (vi) and (vii) (subject to such consents, if any, as may be required under Section 12.01(b)(iii)).

“**Environmental Laws**” means any and all federal, state, local and foreign statutes, laws, judicial decisions, regulations, ordinances, rules, judgments, orders, decrees, injunctions, permits, concessions, grants, franchises, licenses and other governmental restrictions relating to (a) the protection of the environment, (b) the effect of the environment on human health, (c) emissions, discharges or releases of pollutants, contaminants, hazardous substances or wastes into surface water, ground water or land, or (d) the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants, hazardous substances or wastes or the clean-up or other remediation thereof.

“**Environmental Liability**” means any liability, contingent or otherwise (including any liability for damages, cost of environmental remediation, fines, penalties or indemnities), resulting from or based upon (a) violation of any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) exposure to any Hazardous Materials, (d) the release or threatened release of any Hazardous Materials into the environment or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

“**ERISA**” means the Employee Retirement Income Security Act of 1974, as amended from time to time, including (unless the context otherwise requires) the rules or regulations promulgated thereunder.

“**EU Bail-In Legislation Schedule**” means the EU Bail-In Legislation Schedule published by the Loan Market Association (or any successor person), as in effect from time to time.

“**Eurocurrency Base Rate**” means, subject to the implementation of a Replacement Rate in accordance with Section 3.07(b),

(a) for any Interest Period with respect to a Eurocurrency Loan (other than a LIBOR Daily Floating Rate Loan), the rate per annum equal to the London Interbank Offered Rate administered by the ICE Benchmark Administration (or the successor thereto if the ICE Benchmark Administration is no longer making a London Interbank Offered Rate available) (“**LIBOR**”) as published on the applicable Bloomberg screen page (or such other comparable commercially available source providing such quotations as may be designated by the Administrative Agent from time to time in its reasonable discretion) at approximately 11:00 a.m., London time, two London Banking Days prior to the commencement of such Interest Period, for Dollar deposits (for delivery on the first day of such Interest Period) in the London interbank market with a term equivalent to such Interest Period;

(b) for any interest calculation with respect to an Alternate Base Rate Loan on any date, the rate per annum equal to LIBOR, at approximately 11:00 a.m., London time determined two London Banking Days prior to such date for Dollar deposits being delivered in the London interbank market for a term of one month commencing that day; and

(c) with respect to a LIBOR Daily Floating Rate Loan, a fluctuating rate of interest, which can change on each Business Day, equal to LIBOR, or a comparable or successor rate which is approved by the Administrative Agent, as published on the applicable Bloomberg screen page (or such other commercially available source providing such quotations as may be designated by the Administrative Agent from time to time) at or about 11:00 a.m. London time two (2) Business Days prior to the date in question for Dollar deposits with a term equivalent to one (1) month beginning on that date; *provided* that to the extent a comparable or successor rate is approved by the Administrative Agent with the consent of the Borrower in connection herewith, the approved rate shall be applied in a manner consistent with market practice (this clause (c), the “**LIBOR Daily Floating Rate**”).

Unless otherwise specified in any amendment to this Agreement entered into in accordance with Section 3.07(b), in the event that a Replacement Rate with respect to LIBOR is implemented then all references herein to LIBOR shall be deemed references to such Replacement Rate.

“**Eurocurrency Loan**” means a Loan, or portion thereof, which, except as otherwise provided in Section 2.11, bears interest at the applicable Eurocurrency Base Rate requested by the Borrower pursuant to Sections 2.08 and 2.09.

“**Eurocurrency Rate**” means, with respect to a Eurocurrency Loan (other than a LIBOR Daily Floating Rate Loan) for the relevant Interest Period, the quotient of (i) the Eurocurrency Base Rate determined in accordance with clause (a) of the definition thereof applied to such Interest Period, *divided by* (ii) one *minus* the Reserve Requirement (expressed as a decimal) applicable to such Interest Period.

“**Excluded Taxes**” means, with respect to the Administrative Agent, any Lender, or any other recipient of any payment to be made by or on account of any obligation of the Borrower hereunder, (a) Taxes imposed on or measured by its overall net income (however denominated), franchise Taxes imposed on it (in lieu of net income Taxes), and branch profits or similar Taxes, in each case, imposed by the jurisdiction (or any political subdivision thereof) (i) under the laws of which such recipient is organized or in which its principal office is located or, in the case of any Lender, in which its applicable Lending Installation is located, or (ii) where the recipient otherwise has a present or former connection (other than by reason of the activities and transactions specifically contemplated by this Agreement, including selling or assigning an interest in any Loan or Loan Document or enforcing provisions of any Loan Document), (b) any backup withholding Tax that is required by the Code to be withheld from amounts payable to a Lender that has failed to comply with Section 3.05(e)(ii), (c) in the case of a Foreign Lender, any U.S. withholding Tax that is required to be imposed on amounts payable to such Foreign Lender (other than an assignee pursuant to a request by the Borrower under Section 2.18) pursuant to the laws in force at the time such Foreign Lender becomes a party hereto (or designates a new

Lending Installation), except to the extent that such Foreign Lender (or its assignor, if any) was entitled, at the time of designation of a new Lending Installation (or assignment), to receive additional amounts from the Borrower with respect to such withholding Tax pursuant to Section 3.05(a)(i) or (ii), (d) in the case of a Lender, any withholding Tax that is attributable to such Lender's failure to comply with Section 3.05(e) and (e) any U.S. federal withholding Taxes imposed under FATCA.

“**Exhibit**” refers to an exhibit to this Agreement, unless another document is specifically referenced.

“**Existing Revolving Credit Agreement**” means that certain Revolving Credit Agreement, dated as of August 29, 2018, among the Borrower, the other borrowers party thereto, the lenders and letter of credit issuers from time to time party thereto and Wells Fargo Bank, National Association, as administrative agent (as amended, restated, supplemented or otherwise modified from time to time).

“**Existing Term Loan Credit Agreement**” means that certain Term Loan Credit Agreement, dated as of August 24, 2017, among the Borrower, the lenders from time to time party thereto and Sumitomo Mitsui Banking Corporation, as administrative agent (as amended, restated, supplemented or otherwise modified prior to the Effective Date).

“**Facility Termination Date**” means, (x) in the case of the Revolving Facility, the earlier of (a) the Maturity Date and (b) the date of termination in whole of the Aggregate Revolving Commitment pursuant to Section 2.05 or Section 8.01 hereof, and (y) in the case of the Term Facility, earlier of (a) the Maturity Date and (b) the date of acceleration of all Term Loans pursuant to Section 8.01 hereof.

“**FATCA**” means Sections 1471-1474 of the Code as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with) and any regulations promulgated thereunder or official interpretations thereof, any agreements entered into pursuant to Section 1471(b) of the Code, any intergovernmental agreements entered into in connection with the implementation of the foregoing and any laws, rules and regulations adopted by a non-U.S. jurisdiction to effect any such intergovernmental agreement.

“**Federal Funds Rate**” means, for any day, the rate per annum equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; *provided* that (a) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (b) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average rate (rounded upward, if necessary, to a whole multiple of 1/100 of 1%) charged to the Administrative Agent on such day on such transactions as determined by the Administrative Agent.

“**Foreign Lender**” means any Lender that is not organized under the laws of the United States, any State thereof or the District of Columbia.

“**Foreign Pension Plan**” means any defined benefit plan as described in Section 3(35) of ERISA for which the Borrower or any Subsidiary is a sponsor or administrator or to which the Borrower or any Subsidiary has any liability, and which (a) is maintained or contributed to for the benefit of employees of the Borrower or any of its respective Subsidiaries, (b) is not covered by ERISA pursuant to Section 4(b)(4) of ERISA, and (c) under applicable local law, is required to be funded through a trust or other funding vehicle (other than a trust or funding vehicle maintained exclusively by a Governmental Authority).

“**Fund**” means any Person (other than a natural person) that is (or will be) engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its business.

“**GAAP**” shall mean generally accepted accounting principles in the United States of America, as in effect from time to time, subject to the Agreement Accounting Principles.

“**Governmental Authority**” means the government of the United States or any other nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank).

“**Hazardous Materials**” means all explosive or radioactive substances or wastes and all hazardous or toxic substances, wastes or other pollutants, including petroleum or petroleum distillates, asbestos or asbestos-containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to any Environmental Law.

“**Indebtedness**” of a Person means, without duplication, (a) the obligations of such Person (i) for borrowed money, (ii) under or with respect to notes payable and drafts accepted which represent extensions of credit (whether or not representing obligations for borrowed money) to such Person, (iii) constituting reimbursement obligations with respect to letters of credit issued for the account of such Person, (iv) for the deferred purchase price of property or services (other than current accounts payable arising in the ordinary course of such Person’s business payable on terms customary in the trade), (v) for its Contingent Obligations, (vi) for its Net Mark-to-Market Exposure under Rate Management Transactions, (vii) for its Rate Management Obligations, (viii) for its Receivables Transaction Attributed Indebtedness and (ix) with respect to Disqualified Stock, (b) the obligations of others, whether or not assumed, secured by Liens on property of such Person or payable out of the proceeds of, or production from, property or assets now or hereafter owned or acquired by such Person and (c) any other obligation or other financial accommodation which in accordance with Agreement Accounting Principles would be shown as a liability on the consolidated balance sheet of such Person;

provided that notwithstanding anything herein to the contrary, Capitalized Leases shall not constitute Indebtedness for any purpose hereunder.

“Indebtedness for Borrowed Money” of a Person means, without duplication, (a) indebtedness for borrowed money (whether or not evidenced by bonds, debentures, notes or similar instruments) or for the deferred purchase price of property or services (other than current accounts payable arising in the ordinary course of such Person’s business payable on terms customary in the trade) and (b) obligations under direct or indirect guaranties in respect of, and obligations (contingent or otherwise) to purchase or otherwise acquire, or otherwise to assure a creditor against loss in respect of, indebtedness or obligations of any other Person of the kinds referred to in clause (a) above; *provided* that notwithstanding anything herein to the contrary, neither Capitalized Leases nor any obligations of the type described in clause (b) above with respect to Capitalized Leases shall constitute Indebtedness for Borrowed Money for any purpose hereunder.

“Indemnified Taxes” means Taxes (other than Excluded Taxes) imposed on or with respect to any payment made by or on account of any obligation of the Borrower hereunder.

“Indemnitee” is defined in Section 9.06(b).

“Information” is defined in Section 9.10.

“Intangible Assets” means, at any date of determination, the value, as shown on or reflected in the most recent consolidated balance sheet of the Borrower and its Subsidiaries as at the end of the Borrower’s fiscal quarter ending prior to such date, prepared in accordance with Agreement Accounting Principles and giving pro forma effect to any acquisition or disposition of Property of the Borrower or any of its Subsidiaries with fair value in excess of \$100,000,000 that has occurred since the end of such fiscal quarter as if such acquisition or disposition had occurred on the last day of such fiscal quarter, of all trade names, trademarks, licenses, patents, copyrights, service marks, goodwill and other like intangibles.

“Interest Period” means, with respect to a Eurocurrency Loan (other than a LIBOR Daily Floating Rate Loan), a period of one week or one, two, three or six months or such other period agreed to by the Revolving Lenders or the Term Lenders, as applicable, and the Borrower, commencing on the Borrowing Date with respect to such Eurocurrency Loan or on the date on which a Eurocurrency Loan is continued or an Alternate Base Rate Loan is converted into a Eurocurrency Loan. Such Interest Period shall end on but exclude the day which corresponds numerically to such date one, two, three or six months or such other agreed upon period thereafter or, in the case of an Interest Period of one week, shall end on but exclude the day that is one week thereafter, *provided, however*, that if there is no such numerically corresponding day in such next, second, third or sixth succeeding month or such other succeeding period, such Interest Period shall end on the last Business Day of such next, second, third or sixth succeeding month or such other succeeding period. If an Interest Period would otherwise end on a day which is not a Business Day, such Interest Period shall end on the next succeeding Business Day, *provided, however*, that if said next succeeding Business Day falls in a new calendar month, such Interest Period shall end on the immediately preceding Business Day.

“**Judgment Currency**” is defined in Section 15.06.

“**Lenders**” means the lending institutions listed on the signature pages of this Agreement and their respective successors and permitted assigns pursuant to Section 12.01.

“**Lending Installation**” means, with respect to a Lender or the Administrative Agent, the office, branch, subsidiary or affiliate of such Lender or Administrative Agent listed on the administrative information sheets provided to the Administrative Agent in connection herewith, or otherwise selected by such Lender or Administrative Agent pursuant to Section 2.16.

“**LIBOR**” has the meaning specified in the definition of “**Eurocurrency Base Rate**”.

“**LIBOR Daily Floating Rate**” means a Revolving Loan that bears interest based on clause (c) of the definition of “**Eurocurrency Base Rate**”.

“**LIBOR Daily Floating Rate Loan**” means a Revolving Loan that bears interest based on the LIBOR Daily Floating Rate.

“**LIBOR Successor Amendment**” is defined in Section 3.07(b).

“**Lien**” means any lien (statutory or other), mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance or preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including, without limitation, the interest of a vendor or lessor under any conditional sale, Capitalized Lease or other title retention agreement).

“**Loan**” means a Revolving Loan or a Term Loan, as the context may require.

“**Loan Documents**” means this Agreement and any Notes issued pursuant to Section 2.13 (if requested), as the same may be amended, restated or otherwise modified and in effect from time to time.

“**London Banking Day**” means any day on which dealings in Dollar deposits are conducted by and between banks in the London interbank eurodollar market.

“**Major Subsidiary**” means any Subsidiary of the Borrower (a) which is organized and existing under, or has its principal place of business in, the United States or any political subdivision thereof, Canada or any political subdivision thereof, any country which is a member of the European Union on the Effective Date or any political subdivision thereof, or Switzerland, Norway or Australia or any of their respective political subdivisions, and (b) which has at any time total assets (after intercompany eliminations) exceeding \$7,000,000,000.

“**Material Acquisition**” means any Acquisition the aggregate consideration therefor (including Indebtedness assumed in connection therewith, all obligations in respect of deferred purchase price (including obligations under any purchase price adjustment but excluding earnout or similar payments) and all other consideration payable in connection therewith (including

payment obligations in respect of noncompetition agreements or other arrangements representing acquisition consideration)) exceeds \$1,000,000,000.

“**Material Adverse Effect**” means a material adverse effect on (a) the financial condition, results of operations, business or Property of the Borrower and its Subsidiaries taken as a whole or (b) the rights of or remedies available to the Lenders or the Administrative Agent against the Borrower under the Loan Documents, taken as a whole.

“**Maturity Date**” means, with respect to each of the Revolving Facility and Term Facility, May 30, 2020; *provided that*, if such date shall not be a Business Day, the Maturity Date shall be the immediately preceding Business Day.

“**Moody’s**” means Moody’s Investors Service, Inc. (or any successor thereto).

“**Multiemployer Plan**” means a multiemployer plan as defined in Section 3(37) of ERISA that is subject to Title IV of ERISA and is maintained pursuant to a collective bargaining agreement or any other arrangement to which the Borrower, any Subsidiary or any member of the Controlled Group is a party, and to which plan the Borrower, any Subsidiary or any member of the Controlled Group is obligated to make contributions.

“**Net Mark-to-Market Exposure**” of a Person means, as of any date of determination, the excess (if any) of all unrealized losses over all unrealized profits of such Person arising from Rate Management Transactions. “**Unrealized losses**” means the fair market value of the cost to such Person of replacing such Rate Management Transaction as of the date of determination (assuming the Rate Management Transaction were to be terminated as of that date), and “unrealized profits” means the fair market value of the gain to such Person of replacing such Rate Management Transaction as of the date of determination (assuming such Rate Management Transaction were to be terminated as of that date).

“**Note**” is defined in Section 2.13(d).

“**Obligations**” means all Loans, debts, liabilities, obligations, covenants and duties owing by the Borrower to the Administrative Agent, the Arranger, any Lender, any affiliate of the Administrative Agent, the Arranger or any Lender or any indemnitee under the provisions of Section 9.06 or any other provisions of the Loan Documents, in each case of any kind or nature, present or future, arising under this Agreement or any other Loan Document, whether or not evidenced by any note, guaranty or other instrument, whether or not for the payment of money, whether arising by reason of an extension of credit, loan, foreign exchange risk, guaranty, indemnification, or in any other manner, whether direct or indirect (including those acquired by assignment), absolute or contingent, due or to become due, now existing or hereafter arising and however acquired (including, for the avoidance of doubt, interest accruing after the maturity of the Loans and interest accruing after the filing of any petition in bankruptcy, or the commencement of any proceeding under any Debtor Relief Law, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding). The term includes, without limitation, all interest, charges, expenses, fees, attorneys’ fees and disbursements, paralegals’

fees, and any other sum chargeable to the Borrower or any of its Subsidiaries under this Agreement or any other Loan Document.

“**OFAC**” means the Office of Foreign Assets Control of the U.S. Department of the Treasury.

“**Other Taxes**” means all present or future stamp, documentary, intangible, recording or filing taxes or any similar taxes, charges or levies arising from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement or any other Loan Document, except any such Taxes that are imposed with respect to an assignment (other than an assignment made pursuant to Section 2.18).

“**Overnight Rate**” means, for any day, the greater of (i) the Federal Funds Rate and (ii) an overnight rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation.

“**Participant**” is defined in Section 12.01(d).

“**Participant Register**” is defined in Section 12.01(d).

“**Payment Date**” means the last Business Day of each March, June, September and December and any Facility Termination Date.

“**PBGC**” means the Pension Benefit Guaranty Corporation, or any successor thereto.

“**Person**” means any natural person, corporation, firm, joint venture, partnership, limited liability company, association, enterprise, trust or other entity or organization, or any government or political subdivision or any agency, department or instrumentality thereof.

“**Plan**” means an employee benefit plan other than a Multiemployer Plan which is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code as to which the Borrower, any Subsidiary or any member of the Controlled Group has liability.

“**Platform**” is defined in Section 6.01.

“**Pricing Schedule**” means the Schedule identifying the Applicable Margin and the Applicable Revolving Commitment Fee Rate attached hereto identified as such.

“**Prime Rate**” means the rate of interest *per annum* established by the Administrative Agent’s New York Branch from time to time as its prime rate or base rate; each change in the Prime Rate shall be effective from and including the date such change is established as being effective.

“**Pro Rata Share**” means (x) with respect to a Revolving Lender, if the Aggregate Revolving Commitment has not been terminated, a portion equal to a fraction the numerator of which is such Revolving Lender’s Revolving Commitment at such time (in each case, as

adjusted from time to time in accordance with the provisions of this Agreement) and the denominator of which is the Aggregate Revolving Commitment at such time, or, if the Aggregate Revolving Commitment has been terminated, a portion equal to a fraction the numerator of which is the aggregate outstanding principal amount of such Revolving Lender's Revolving Loans at such time and the denominator of which is the aggregate outstanding principal amount of all Revolving Lenders' Revolving Loans at such time and (y) with respect to a Term Lender, a portion equal to a fraction the numerator of which is the sum of (i) such Term Lender's Term Commitment at such time and (ii) such Term Lender's aggregate outstanding Term Loans at such time and the denominator of which is the sum of (i) the Aggregate Term Commitment at such time and (ii) the aggregate outstanding Term Loans of all Term Lenders at such time.

"Property" of a Person means any and all property, whether real, personal, tangible, intangible, or mixed, of such Person, or other assets owned, leased or operated by such Person.

"PTE" means a prohibited transaction class exemption issued by the U.S. Department of Labor, as any such exemption may be amended from time to time.

"Public Lender" is defined in Section 6.01.

"Qualified Receivables Transaction" means any transaction or series of transactions that may be entered into by the Borrower or any Subsidiary pursuant to which the Borrower or any Subsidiary may sell, convey or otherwise transfer to a newly-formed Subsidiary or other special-purpose entity, or any other Person, any accounts or notes receivable and rights related thereto.

"Rate Management Obligations" of a Person means any and all obligations of such Person, whether absolute or contingent and howsoever and whensoever created, arising, evidenced or acquired (including all renewals, extensions and modifications thereof and substitutions therefor), under (a) any and all Rate Management Transactions, and (b) any and all cancellations, buy backs, reversals, terminations or assignments of any Rate Management Transactions.

"Rate Management Transaction" means any transaction (including an agreement with respect thereto) now existing or hereafter entered into between the Borrower and any Lender or Affiliate thereof which is a rate swap, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap, equity or equity index option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, forward transaction, currency swap transaction, cross-currency rate swap transaction, currency option or any other similar transaction (including any option with respect to any of these transactions) or any combination thereof, whether linked to one or more interest rates, foreign currencies, commodity prices, equity prices or other financial measures.

"Receivables Transaction Attributed Indebtedness" means the amount of obligations outstanding under the legal documents entered into as part of any Qualified Receivables Transaction on any date of determination that would be characterized as principal if such

Qualified Receivables Transactions were structured as a secured lending transaction rather than as a purchase.

“**Register**” is defined in Section 12.01(c).

“**Regulation D**” means Regulation D of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor thereto or other regulation or official interpretation of said Board of Governors.

“**Regulation U**” means Regulation U of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor or other regulation or official interpretation of said Board of Governors.

“**Regulation X**” means Regulation X of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor or other regulation or official interpretation of said Board of Governors.

“**Related Parties**” means, with respect to any Person, such Person’s Affiliates and the partners, members, directors, officers, employees, agents and controlling persons of such Person and of such Person’s Affiliates.

“**Replacement Rate**” is defined in Section 3.07(b).

“**Reportable Event**” means a reportable event, as defined in Section 4043 of ERISA and the regulations issued under such section, with respect to a Plan, excluding, however, such events as to which the PBGC has by regulation or otherwise waived the requirement of Section 4043(a) of ERISA that it be notified within thirty (30) days of the occurrence of such event, *provided, however*, that a failure to meet the minimum funding standard of Section 412 of the Code and of Section 302 of ERISA shall be a Reportable Event regardless of the issuance of any such waiver of the notice requirement in accordance with either Section 4043(a) of ERISA or Section 412(c) of the Code.

“**Required Lenders**” means, on any date of determination, Lenders in the aggregate having greater than fifty percent (50%) of the sum of (x) the Aggregate Revolving Commitment or, if the Aggregate Revolving Commitment has been terminated, the aggregate outstanding principal amount of all Revolving Loans on such date, and (y) the Aggregate Term Commitment or, if the Aggregate Term Commitment has been terminated, the aggregate outstanding principal amount of all Term Loans on such date; *provided* that the Commitments of, and the portion of the aggregate outstanding Loans held or deemed held by, any Defaulting Lender shall be excluded for purposes of making a determination of Required Lenders.

“**Requisite Amount**” means \$250,000,000.

“**Reserve Requirement**” means, with respect to an Interest Period, the maximum aggregate reserve requirement (including all basic, supplemental, marginal and other reserves) which is imposed under Regulation D on “Eurocurrency liabilities” (as defined in Regulation D).

“**Revolving Commitment**” means, for each Revolving Lender, the obligation of such Revolving Lender to make Revolving Loans under Section 2.01(a) in an aggregate principal amount not to exceed the amount set forth on the Commitment Schedule as such Lender’s “Revolving Commitment” (which schedule shall set forth each Lender’s Revolving Commitment as of the Effective Date) or in an Assignment and Assumption executed pursuant to Section 12.01, as it may be modified as a result of any assignment that has become effective pursuant to Section 12.01 or as otherwise modified from time to time pursuant to the terms hereof.

“**Revolving Commitment Fee**” is defined in Section 2.05(c).

“**Revolving Facility**” means the revolving facility provided hereunder and evidenced by the Revolving Commitments and Revolving Loans.

“**Revolving Lenders**” means the Lenders listed on the Commitment Schedule as having a Revolving Commitment and any other Person that shall have become party hereto with a Revolving Commitment pursuant to an Assignment and Assumption, other than any such Person that ceases to be a party hereto pursuant to an Assignment and Assumption, or if the Revolving Commitments have terminated, a Lender with outstanding Revolving Loans.

“**Revolving Loan**” means, with respect to a Revolving Lender, such Revolving Lender’s loan made pursuant to Section 2.01(a) (and any conversion or continuation thereof pursuant to Section 2.09) and refers to an Alternate Base Rate Loan or a Eurocurrency Loan (including a LIBOR Daily Floating Rate Loan). All Revolving Loans shall be denominated in Dollars.

“**S&P**” means Standard & Poor’s Financial Services LLC, a subsidiary of S&P Global Inc. (or any successor thereto).

“**Same Day Funds**” means immediately available funds.

“**Sanctions**” means sanctions administered by OFAC (including by being listed on the list of Specially Designated Nationals and Blocked Persons issued by OFAC) or the U.S. Department of State.

“**Schedule**” refers to a specific schedule to this Agreement, unless another document is specifically referenced.

“**Scheduled Unavailability Date**” is defined in Section 3.07(b).

“**SEC**” means the Securities and Exchange Commission, or any Governmental Authority succeeding to any of its principal functions.

“**Section**” means a numbered section of this Agreement, unless another document is specifically referenced.

“**Subsidiary**” of a Person means (a) any corporation more than fifty percent (50%) of the outstanding securities having ordinary voting power of which shall at the time be owned or

controlled, directly or indirectly, by such Person or by one or more of its Subsidiaries or by such Person and one or more of its Subsidiaries, or (b) any partnership, limited liability company, association, joint venture or similar business organization more than fifty percent (50%) of the ownership interests having ordinary voting power of which shall at the time be so owned or controlled. Unless otherwise expressly provided, all references herein to a “Subsidiary” shall mean a Subsidiary of the Borrower.

“**Substantial Portion**” means, on any date of determination, with respect to the Property of the Borrower and its Subsidiaries, Property which represents more than fifteen percent (15%) of the Consolidated Assets of the Borrower and its Subsidiaries on such date.

“**Taxes**” means all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

“**Term Commitment**” means, for each Term Lender, the obligation of such Term Lender to make Term Loans under Section 2.01(b) in an aggregate principal amount not to exceed the amount set forth on the Commitment Schedule as such Lender’s “Term Commitment” (which schedule shall set forth each Lender’s Term Commitment as of the Effective Date).

“**Term Facility**” means the term facility provided hereunder and evidenced by the Term Commitments and Term Loans.

“**Term Lenders**” means the Lenders listed on the Commitment Schedule as having a Term Commitment and any other Person that shall have become party hereto pursuant to an Assignment and Assumption, other than any such Person that ceases to be a party hereto pursuant to an Assignment and Assumption.

“**Term Loan**” means, with respect to a Term Lender, such Term Lender’s loan made pursuant to Section 2.01(b) (and any conversion or continuation thereof pursuant to Section 2.09) and refers to an Alternate Base Rate Loan or a Eurocurrency Loan (other than, for the avoidance of any doubt, a LIBOR Daily Floating Rate Loan). All Term Loans shall be denominated in Dollars.

“**Total Capitalization**” means Consolidated Debt plus Consolidated Net Worth.

“**Total Tangible Assets**” means, at any date of determination, Consolidated Assets less the sum of (i) Intangible Assets and (ii) the amount of Capitalized Leases included as assets on the consolidated balance sheet of the Borrower and its Subsidiaries as at the end of the Borrower’s fiscal quarter ending prior to such date.

“**Transferee**” is defined in Section 12.02.

“**Type**” means, with respect to any Loan, its nature as an Alternate Base Rate Loan or a Eurocurrency Loan (including, with respect to Revolving Loans, a LIBOR Daily Floating Rate Loan), as applicable.

“**U.S. Patriot Act**” means the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)), as amended.

“**Unfunded Liabilities**” means the amount (if any) by which the present value of all vested and unvested accrued benefits under all Plans exceeds the fair market value of all such Plan assets allocable to such benefits, all determined as of the then most recent valuation date for such Plans using PBGC actuarial assumptions for single employer plan terminations.

“**Unmatured Default**” means an event which but for the lapse of time or the giving of notice, or both, would constitute a Default.

“**Upfront Fee**” is defined in Section 2.05(b).

“**Write-Down and Conversion Powers**” means, with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule.

The foregoing definitions shall be equally applicable to both the singular and plural forms of the defined terms.

Any accounting terms used in this Agreement which are not specifically defined herein shall have the meanings customarily given them in accordance with Agreement Accounting Principles.

Section 1.02 *References.* Any references to the Borrower’s Subsidiaries shall not in any way be construed as consent by the Administrative Agent or any Lender to the establishment, maintenance or acquisition of any Subsidiary, except as may otherwise be permitted hereunder.

Section 1.03 *Eurocurrency Rate and Eurocurrency Base Rate.* The Administrative Agent does not warrant, nor accept responsibility, nor shall the Administrative Agent have any liability with respect to the administration, submission or any other matter related to the rates in the definitions of “Eurocurrency Rate” or “Eurocurrency Base Rate” or with respect to any comparable or successor rate thereto.

ARTICLE II

THE CREDITS

Section 2.01 *Description of Facilities; Commitments.*

(a) *Revolving Facility.* From and including the Effective Date and prior to the Facility Termination Date of the Revolving Facility, upon the satisfaction of the conditions precedent set forth in Section 4.02, each Revolving Lender severally and not jointly agrees, on the terms and

conditions set forth in this Agreement, to make Revolving Loans to the Borrower from time to time in amounts not to exceed in the aggregate at any one time outstanding its Pro Rata Share of the Aggregate Revolving Commitment; *provided* that after giving effect to such Revolving Loans, (a) the aggregate principal amount of all Revolving Lenders' Revolving Loans outstanding at such time, after giving effect to any borrowings and prepayments or repayments of any Revolving Loans occurring on such date, shall not exceed the Aggregate Revolving Commitment at such time and (b) with respect to any Revolving Lender, the aggregate principal amount of such Revolving Lender's Revolving Loans outstanding at such time, after giving effect to any borrowings and prepayments or repayments of any Revolving Loans occurring on such date, shall not exceed such Revolving Lender's Revolving Commitment at such time. Subject to the terms of this Agreement, the Borrower may borrow, repay and reborrow Revolving Loans at any time prior to the Facility Termination Date of the Revolving Facility. Each Borrowing of Revolving Loans shall be in a minimum aggregate amount of \$10,000,000 or any integral multiple of \$1,000,000 in excess thereof (or, if less, the unused Aggregate Revolving Commitment as of such date). The Revolving Commitments to lend hereunder shall expire automatically on the Facility Termination Date with respect to the Revolving Facility. Each Revolving Loan shall be made by each Revolving Lender in accordance with such Revolving Lender's Pro Rata Share of the Aggregate Revolving Commitment.

(b) *Term Facility*. Each Term Lender severally and not jointly agrees, on the terms and conditions set forth in this Agreement, to make Term Loans to the Borrower on the Effective Date in an amount not to exceed (x) for any such Term Lender, its Term Commitment and (y) in the aggregate for all Term Lenders, the Aggregate Term Commitment. Amounts borrowed under this Section 2.01(b) and repaid or prepaid may not be reborrowed. The Term Loans shall be made by each Term Lender on the Effective Date in an amount equal to its Term Commitment. The Aggregate Term Commitment shall be reduced to zero and terminated in full and expire after each Term Lender makes its Term Loan on the Effective Date.

Section 2.02 *Reserved.*

Section 2.03 *Reserved.*

Section 2.04 *Types of Loans*. The Loans may consist of Alternate Base Rate Loans or Eurocurrency Loans (including, with respect to Revolving Loans, LIBOR Daily Floating Rate Loans), or a combination thereof, selected by the Borrower in accordance with Sections 2.08 and 2.09.

Section 2.05 *Fees; Reductions in Aggregate Revolving Commitment*. (a) *[Reserved]*.

(b) *Upfront Fee*. The Borrower agrees to pay to the Administrative Agent for the account of each Lender an upfront fee in Dollars (the "**Upfront Fee**") in an amount equal to 0.075% of the aggregate outstanding Commitments of such Lender then outstanding on the Effective Date immediately prior to giving effect to any Loans made hereunder on such date. The Upfront Fee shall be earned, due and payable on the Effective Date.

(c) *Revolving Commitment Fee.* The Borrower agrees to pay to the Administrative Agent for the account of each Revolving Lender a commitment fee in Dollars (the “**Revolving Commitment Fee**”) at a per annum rate equal to the Applicable Revolving Commitment Fee Rate on the daily actual excess of such Revolving Lender’s Revolving Commitment over the outstanding principal amount of such Revolving Lender’s outstanding Revolving Loans (such excess, such Lender’s “**Actual Unused Revolving Commitments**”) as adjusted pursuant to Section 2.05(d) from and including the Effective Date to and including the date on which the Revolving Commitments have been terminated in full and all Obligations hereunder in respect of the Revolving Facility have been paid in full pursuant to Section 2.07(b), payable quarterly in arrears on each Payment Date; *provided* that no Revolving Commitment Fee shall accrue hereunder with respect to the Actual Unused Revolving Commitment of a Revolving Lender that is a Defaulting Lender so long as such Revolving Lender shall be a Defaulting Lender.

(d) *Voluntary Reductions in Aggregate Revolving Commitment.* The Borrower shall have the right, upon same day written notice to the Administrative Agent delivered prior to 11:00 a.m. (New York time) on any Business Day, to terminate in whole or reduce in part the unused portions of the Revolving Commitments of the Revolving Lenders at the election of the Borrower. Each partial reduction of the Revolving Commitments shall be in the aggregate amount of \$10,000,000 or an integral multiple of \$1,000,000 in excess thereof and, once terminated, a Revolving Commitment may not be reinstated. The Administrative Agent will promptly notify the Revolving Lenders of any termination or reduction of the Revolving Commitments under this Section 2.05(d). Each voluntary reduction of the Revolving Commitments pursuant to this Section 2.05(d) will be applied to the outstanding Revolving Commitments of each Revolving Lender in accordance with such Lender’s Pro Rata Share of the Revolving Facility. All fees in respect of the Revolving Commitments (including any Revolving Commitment Fees) accrued until the effective date of any termination of such Commitments shall be paid on the effective date of such termination. For the avoidance of doubt, the Borrower shall not be permitted to terminate in whole or reduce in part the Revolving Commitments to the extent that, after giving effect to such termination, the then outstanding amount of Revolving Loans would exceed the Aggregate Revolving Commitment.

(e) *Automatic Reductions in Commitments.* To the extent unfunded, the Aggregate Term Commitment shall be reduced to zero and terminate in full and expire at 3:00 p.m. (New York time) on the Effective Date. For the avoidance of doubt, the Aggregate Term Commitment shall also be reduced in an amount equal to the reduction in each Term Lender’s Term Commitment as a result of such Term Lender making a Term Loan on the Effective Date pursuant to Section 2.01(b). The Aggregate Revolving Commitment shall terminate on the Facility Termination Date of the Revolving Facility.

Section 2.06 *[Reserved].*

Section 2.07 *Prepayments and Repayments.*

(a) *Optional Prepayments.* The Borrower may from time to time pay, without penalty or premium, all of its outstanding Alternate Base Rate Loans, or, in a minimum aggregate amount of \$10,000,000 or any integral multiple of \$1,000,000 in excess thereof, any portion of

its outstanding Alternate Base Rate Loans upon prior notice to the Administrative Agent (which may be in a form on an electronic platform or electronic transmission system as shall be approved by the Administrative Agent) (stating the Revolving Loan or Term Loans to be prepaid and the proposed date and aggregate principal amount of the applicable prepayment) at or before 1:00 p.m. (New York time) on the date of such payment. The Borrower may from time to time pay, subject to the payment of any funding indemnification amounts required by Section 3.04 but without penalty or premium, all of its outstanding Eurocurrency Loans, or, in a minimum aggregate amount of \$10,000,000 or any integral multiple of \$1,000,000 in excess thereof, any portion of its outstanding Eurocurrency Loans upon prior notice to the Administrative Agent (stating the Revolving Loans or Terms Loan to be prepaid and the proposed date and aggregate principal amount of the applicable prepayment) at or before (i) in the case of any LIBOR Daily Floating Rate Loan, 1:00 p.m. (New York time) at least one (1) Business Day prior to the date of such payment or (ii) in the case of any Eurocurrency Loan other than a LIBOR Daily Floating Rate Loan, 1:00 p.m. (New York time) at least three (3) Business Days' prior to the date of such payment (or, subject to the payment of any funding indemnification amounts, if any, required by Section 3.04, such other prior notice as the Administrative Agent may agree to). Subject to Section 2.20, each such prepayment shall be applied to the Revolving Loans or Term Loans, as applicable, outstanding at the direction of the Borrower and will be applied to the outstanding Revolving Loans or Term Loans, as applicable, of each Revolving Lender or Term Lender, as applicable, in accordance with such Lender's Pro Rata Share of the Revolving Facility or the Term Facility, as applicable.

(b) *Repayments.* The Borrower shall pay any unpaid principal of and accrued and unpaid Obligations (i) on or relating to the Revolving Loans in full on the Facility Termination Date for the Revolving Facility and (ii) on or relating to the Term Loans in full on the Facility Termination Date for the Term Facility. To the extent not previously paid, the Borrower shall pay any other accrued and unpaid Obligations on the latest Facility Termination Date. Notwithstanding the termination of this Agreement on the Maturity Date or on any earlier date on which all Obligations are required to be paid in full hereunder (as a result of acceleration or otherwise), until all of the Obligations (other than contingent indemnity obligations) shall have been fully paid and satisfied and all financing arrangements among the Borrower and the Lenders hereunder and under the other Loan Documents shall have been terminated, all of the rights and remedies under this Agreement and the other Loan Documents shall survive.

Section 2.08 *Method of Selecting Types and Interest Periods for New Loans.* The Borrower shall select the Type of Borrowing and, in the case of each Eurocurrency Loan (other than a LIBOR Daily Floating Rate Loan), the Interest Period applicable thereto from time to time. The Borrower shall give the Administrative Agent notice (which notice may be conditioned on the satisfaction or waiver (in accordance with Section 8.02) of the conditions set forth in Section 4.02) by a borrowing notice substantially in the form of Exhibit D or such other form as may be approved by the Administrative Agent (including any form on an electronic platform or electronic transmission system as shall be approved by the Administrative Agent), in each case appropriately completed and signed by an Authorized Officer of the Borrower (a "**Borrowing Notice**"); *provided* that each such Borrowing Notice must be received no later than 11:00 a.m. (New York time) on the date of the proposed borrowing of each Alternate Base Rate

Loan or LIBOR Daily Floating Rate Loan, and three (3) Business Days before the date of the proposed borrowing of each Eurocurrency Loan (other than any LIBOR Daily Floating Rate Loan) (or, in the case of any Eurocurrency Loan (other than any LIBOR Daily Floating Rate Loan) to be made on the Effective Date, one (1) Business Day prior to the Effective Date, subject to indemnification for losses of the type described in Section 3.04). A Borrowing Notice shall specify:

(a) the date of the proposed borrowing, which shall be a Business Day, of such Loans,

(b) the aggregate amount of the Loans comprising the proposed borrowing (which Loan shall be (i) in the case of a Revolving Loan, in a minimum aggregate principal amount of \$10,000,000 or any integral multiple of \$1,000,000 in excess thereof (or, if less, the remaining Aggregate Revolving Commitment as of such date) and (ii) in the case of the Term Loans made on the Effective Date, in the principal amount of the Aggregate Term Commitment),

(c) the Type of the Borrowing selected (including, in the case of a Revolving Loan, whether such Borrowing will consist of LIBOR Daily Floating Rate Loans), and

(d) in the case of a proposed borrowing comprised of Eurocurrency Loans (other than LIBOR Daily Floating Rate Loans), the Interest Period applicable thereto.

The location and number of the Borrower's account to which proceeds of the Loans are to be disbursed shall be set forth in written settlement instructions executed by two Authorized Officers of the Borrower (neither of which shall hold the title of Vice President, Global Treasury) and the Administrative Agent shall have confirmed such location and number of the Borrower's account to which proceeds of a Loan are to be disbursed orally by telephone. Any change to the location and number of the Borrower's account to which proceeds of a Loan are to be disbursed shall be set forth in written settlement instructions executed by two Authorized Officers of the Borrower (neither of which shall hold the title of Vice President, Global Treasury) and the Administrative Agent shall have confirmed such change to the location and number of the Borrower's account to which proceeds of a Loan are to be disbursed orally by telephone.

No more than ten (10) Interest Periods shall be in effect at any time (unless such limit has been waived by the Administrative Agent in its sole discretion).

Section 2.09 *Conversion and Continuation of Outstanding Loans.* Alternate Base Rate Loans shall continue as Alternate Base Rate Loans unless and until such Alternate Base Rate Loans are converted into Eurocurrency Loans pursuant to this Section 2.09 or are prepaid or repaid in accordance with Section 2.07. LIBOR Daily Floating Rate Loans shall continue as LIBOR Daily Floating Rate Loans unless and until such LIBOR Daily Floating Rate Loans are converted into Alternate Base Rate Loans or Eurocurrency Loans (other than LIBOR Daily Floating Rate Loans) pursuant to this Section 2.09 or are prepaid or repaid in accordance with Section 2.07. Each Eurocurrency Loan (other than a LIBOR Daily Floating Rate Loan) shall continue as a Eurocurrency Loan until the end of the then applicable Interest Period therefor, at which time such Eurocurrency Loan shall be automatically converted into an Alternate Base

Rate Loan, unless (x) such Eurocurrency Loan is or was repaid in accordance with Section 2.07 or (y) the Borrower shall have given the Administrative Agent a Conversion/Continuation Notice (as defined below) requesting that, at the end of such Interest Period, such Eurocurrency Loan continue as a Eurocurrency Loan for the same or another Interest Period. The Borrower may elect from time to time to convert all or any part of an Alternate Base Rate Loan into a Eurocurrency Loan or all or any part of a LIBOR Daily Floating Rate Loan into an Alternate Base Rate Loan or a Eurocurrency Loan (other than a LIBOR Daily Floating Rate Loan). Notwithstanding anything to the contrary contained in this Section 2.09, (except with the consent of the Required Lenders) when any Default has occurred and is continuing each Eurocurrency Loan (other than a LIBOR Daily Floating Rate Loan) shall be continued as a Loan with an Interest Period not longer than one month. The Borrower shall give the Administrative Agent notice by a notice substantially in the form of Exhibit E or such other form as may be approved by the Administrative Agent (including any form on an electronic platform or electronic transmission system as shall be approved by the Administrative Agent), in each case appropriately completed and signed by an Authorized Officer of the Borrower (a “**Conversion/Continuation Notice**”) of each conversion of an Alternate Base Rate Loan into a Eurocurrency Loan, a LIBOR Daily Floating Rate Loan into a Eurocurrency Loan (other than a LIBOR Daily Floating Rate Loan), a conversion of a LIBOR Daily Floating Rate Loan into a Eurocurrency Loan (other than a LIBOR Daily Floating Rate Loan) or a continuation of a Eurocurrency Loan (other than a LIBOR Daily Floating Rate Loan), with each such Conversion/Continuation Notice to be received not later than 11:00 a.m. (New York time) at least three (3) Business Days prior to the date of the requested conversion or continuation, specifying:

- (a) the requested date, which shall be a Business Day, of such conversion or continuation,
- (b) the aggregate amount and Type (including, with respect to Revolving Loans, whether such Revolving Loan is a LIBOR Daily Floating Rate Loan) of the Loan which is to be converted or continued as a Eurocurrency Loan and whether such Loan is a Revolving Loan or a Term Loan, and
- (c) other than with respect to LIBOR Daily Floating Rate Loans, the duration of the Interest Period applicable thereto.

Section 2.10 Interest Rates. Each Alternate Base Rate Loan and LIBOR Daily Floating Rate Loan shall bear interest on the outstanding principal amount thereof, for each day from and including the date such Loan is made or is converted from a Eurocurrency Loan (other than a LIBOR Daily Floating Rate Loan) into an Alternate Base Rate Loan or a LIBOR Daily Floating Rate Loan, as applicable, pursuant to Section 2.09 hereof, to but excluding the date it is paid or is converted into a Eurocurrency Loan (other than a LIBOR Daily Floating Rate Loan) pursuant to Section 2.09 hereof, at a rate per annum equal to (i) in the case of Alternate Base Rate Loans, the Alternate Base Rate plus the Applicable Margin for such day and (ii) in the case of LIBOR Daily Floating Rate Loans, the LIBOR Daily Floating Rate plus the Applicable Margin. Changes in the rate of interest on that portion of any Loan maintained as an Alternate

Base Rate Loan or a LIBOR Daily Floating Rate Loan will take effect simultaneously with each change in the Alternate Base Rate or the LIBOR Daily Floating Rate, as applicable. Each Eurocurrency Loan (other than a LIBOR Daily Floating Rate Loan) shall bear interest on the outstanding principal amount thereof, for each day from and including the first day of the Interest Period applicable thereto to (but not including) the last day of such Interest Period at the Eurocurrency Base Rate determined pursuant to clause (a) of the definition thereof for the applicable period plus the Applicable Margin. No Interest Period may end after the Maturity Date.

Section 2.11 *Rates Applicable After Default.* During the continuance of a Default under Section 7.02 the Required Lenders may, at their option, by notice to the Borrower (which notice may be revoked at the option of the Required Lenders notwithstanding any provision of Section 8.02 requiring unanimous consent of the Lenders to changes in interest rates, and which election and notice shall not be required after a Default or Unmatured Default under Section 7.05 or 7.06), declare that interest on the overdue amount of the Loans shall be payable at a rate (after as well as before the commencement of any proceeding under any Debtor Relief Laws) equal to 2% per annum in excess of the rate otherwise payable thereon (and, with respect to any other overdue amounts, shall bear interest at a rate equal to the Alternate Base Rate *plus* the Applicable Margin applicable to Alternate Base Rate Loans *plus* 2% per annum) commencing on the date of such Default and continuing until such Default is cured or waived.

Section 2.12 *Method of Payment.* Except as otherwise specified herein, all payments by the Borrower of principal, interest and its other Obligations shall be made in Dollars. All payments of the Obligations hereunder shall be made, without setoff, deduction, or counterclaim, in immediately available funds to the Administrative Agent at the Administrative Agent's address specified pursuant to Article XIII, or at any other Lending Installation of the Administrative Agent specified in writing by the Administrative Agent to the Borrower, by 2:00 p.m. (New York time) on the date when due and shall be applied ratably by the Administrative Agent among the applicable Lenders entitled thereto. Each payment delivered to the Administrative Agent for the account of any Lender shall be delivered promptly by the Administrative Agent to such Lender in the same type of funds that the Administrative Agent received at such Lender's address specified pursuant to Article XIII or at any Lending Installation specified in a notice received by the Administrative Agent from such Lender.

Section 2.13 *Noteless Agreement; Evidence of Indebtedness.* (a) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrower to such Lender resulting from each Loan made by such Lender to the Borrower from time to time, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder.

(b) The Administrative Agent shall also maintain accounts in which it will record (A) the date and the amount of each Loan made hereunder, the Type thereof and the Interest Period applicable thereto, (B) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder, (C) the effective date and amount of each Assignment and Assumption delivered to and accepted by it and the parties thereto pursuant

to Section 12.01, (D) the amount of any sum received by the Administrative Agent hereunder from the Borrower and each Lender's share thereof, and (E) all other appropriate debits and credits as provided in this Agreement, including, without limitation, all fees, charges, expenses and interest. In the event of any conflict between the accounts and records maintained by the Administrative Agent and the accounts and records of any Lender in respect of such matters, the accounts and records of the Administrative Agent shall control absent manifest error.

(c) The entries maintained in the accounts maintained pursuant to clauses (a) and (b) above shall be *prima facie* evidence of the existence and amounts of the Obligations therein recorded; *provided, however*, that the failure of the Administrative Agent or any Lender to maintain such accounts or any error therein shall not in any manner affect the obligation of the Borrower to repay its Obligations in accordance with their terms.

(d) Any Lender may request that the Loans made or to be made by it be evidenced by a promissory note in substantially the form of Exhibit C (each, a "Note"). In such event, the Borrower shall prepare, execute and deliver to such Lender such Note or Notes payable to such Lender (or its registered assigns). Thereafter, the Loans evidenced by each such Note and interest thereon shall at all times (including after any assignment pursuant to Section 12.01) be represented by one or more Notes payable to the payee named therein or any assignee pursuant to Section 12.01, except to the extent that any such Lender or assignee subsequently returns any such Note for cancellation and requests that such Loans once again be evidenced as described in clauses (a) and (b) above.

Section 2.14 *Interest Payment Dates; Interest and Fee Basis.* Interest accrued on each Alternate Base Rate Loan and each LIBOR Daily Floating Rate Loan shall be payable in arrears on each Payment Date, commencing with the first such date to occur after the Borrowing Date with respect to such Alternate Base Rate Loan or LIBOR Daily Floating Rate Loan, as applicable, and on any date on which the Alternate Base Rate Loan or LIBOR Daily Floating Rate Loan, as applicable, is prepaid, whether due to acceleration or otherwise. Interest accrued on each Eurocurrency Loan (other than LIBOR Daily Floating Rate Loans) shall be payable on the last day of its applicable Interest Period and on any date on which such Eurocurrency Loan is prepaid, whether by acceleration or otherwise. Interest accrued on each Eurocurrency Loan having an Interest Period longer than three (3) months shall also be payable on the last day of each three-month interval during such Interest Period. Interest accrued pursuant to Section 2.11 shall be payable on demand. With respect to (a) interest on all Loans (other than Alternate Base Rate Loans where the interest is based on the Alternate Base Rate), Revolving Commitment Fees and other fees hereunder, such interest or fees shall be calculated for actual days elapsed on the basis of a 360-day year and (b) interest on Loans which are Alternate Base Rate Loans where the interest is based on the Alternate Base Rate, such interest shall be calculated for actual days elapsed on the basis of a 365/366-day year. Interest shall be payable for the day a Loan is made but not for the day of any payment on the amount paid if payment is received prior to 2:00 p.m. (New York time) at the place of payment. If any payment of principal of or interest on a Loan, any fees or any other amounts payable to the Administrative Agent or any Lender hereunder shall become due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day and, in the

case of a principal payment, such extension of time shall be included in computing interest, fees and commissions in connection with such payment.

Section 2.15 *Notification of Loans, Interest Rates, Prepayments and Commitment Reductions; Availability of Loans.*

Promptly after receipt thereof, the Administrative Agent will notify each Revolving Lender or Term Lender, as applicable, of the contents of each Revolving Commitment or Term Commitment, as applicable, reduction notice, Borrowing Notice, Conversion/Continuation Notice and prepayment notice received by it hereunder. The Administrative Agent will notify each Lender of the interest rate applicable to each Loan promptly upon determination of such interest rate and will give prompt notice of each change in the Alternate Base Rate. Not later than 1:00 p.m. (New York time) on each Borrowing Date, each Lender shall make available its Loan or Loans in funds immediately available to the Administrative Agent's Office for the applicable currency. The Administrative Agent will make the funds so received from the Lenders available to the Borrower at the Administrative Agent's aforesaid address.

Section 2.16 *Lending Installations.* Each Lender may book its Loans at any Lending Installation selected by such Lender and may change its Lending Installation from time to time. All terms of this Agreement shall apply to any such Lending Installation and the Loans and any Notes issued hereunder shall be deemed held by each Lender for the benefit of any such Lending Installation. Each Lender may, by written notice to the Administrative Agent and the Borrower in accordance with Article XIII, designate replacement or additional Lending Installations through which Loans will be made by it and for whose account Loan payments are to be made.

Section 2.17 *Payments Generally; Administrative Agent's Clawback.* (a) (i) *Funding by Lenders; Presumption by Administrative Agent.* Unless the Administrative Agent shall have received notice from a Lender prior to the proposed date of any Borrowing of Eurocurrency Loans (or, in the case of any Alternate Base Rate Loans or LIBOR Daily Floating Rate Loans, prior to 12:00 noon (New York time) on the date of the proposed Borrowing of such Loans) that such Lender will not make available to the Administrative Agent such Lender's share of such Loan, the Administrative Agent may assume that such Lender has made such share available on such date in accordance with Section 2.15 and may, in reliance upon such assumption, make available to the Borrower a corresponding amount. In such event, if a Lender has not in fact made its share of the applicable Loan available to the Administrative Agent, then the applicable Lender and the Borrower severally agree to pay to the Administrative Agent forthwith on demand such corresponding amount in Same Day Funds with interest thereon, for each day from and including the date such amount is made available to the Borrower to but excluding the date of payment to the Administrative Agent, at (A) in the case of a payment to be made by such Lender, the Overnight Rate and (B) in the case of a payment to be made by the Borrower, the interest rate applicable to Alternate Base Rate Loans. If the Borrower and such Lender shall pay such interest to the Administrative Agent for the same or an overlapping period, the Administrative Agent shall promptly remit to the Borrower the amount of such interest paid by the Borrower for such period. If such Lender pays its share of the applicable Loan to the Administrative Agent, then the amount so paid shall constitute such Lender's Loan included in

such Loan. Any payment by the Borrower shall be without prejudice to any claim the Borrower may have against a Lender that shall have failed to make such payment to the Administrative Agent.

(ii) *Payments by Borrower; Presumptions by Administrative Agent.* Unless the Administrative Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Administrative Agent for the account of the Lenders hereunder that the Borrower will not make such payment, the Administrative Agent may assume that the Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the Lenders the amount due. In such event, if the Borrower has not in fact made such payment, then each of the Lenders severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Lender in Same Day Funds with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at the Overnight Rate.

A notice of the Administrative Agent to any Lender or the Borrower with respect to any amount owing under this subsection (a) shall be conclusive, absent manifest error.

(b) *Obligations of Lenders Several.* The obligations of the Revolving Lenders and the Term Lenders hereunder to make Revolving Loans and Term Loans, respectively, and to make payments pursuant to Section 9.06(c) are several and not joint. The failure of any Revolving Lender or Term Lender to make any Revolving Loan or Term Loan, as applicable, or to make any payment under Section 9.06(c) on any date required hereunder shall not relieve any other applicable Lender of its corresponding obligation to do so on such date, and no Lender shall be responsible for the failure of any other Lender to so make its Loan or to make its payment under Section 9.06(c).

Section 2.18 *Replacement of Lender.* If any Lender requests compensation under Section 3.01 or 3.02, or if any Lender gives notice to the Borrower pursuant to Section 3.03, or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 3.05, or if any Lender is a Defaulting Lender, or if a Lender fails to consent to an amendment or waiver approved by the Required Lenders as to any matter for which such Lender's consent is needed, then the Borrower may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in, and consents required by, Section 12.01), all of its interests, rights and obligations under this Agreement and the related Loan Documents to an assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment), *provided* that:

(a) the Borrower shall have paid to the Administrative Agent the assignment fee specified in Section 12.01(b)(iv);

(b) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans, accrued interest thereon, accrued fees and all other amounts payable to it

hereunder and under the other Loan Documents (including any amounts under Section 3.04) from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrower (in the case of all other amounts);

(c) in the case of any such assignment resulting from a claim for compensation under Section 3.01 or payments required to be made pursuant to Section 3.05, such assignment will result in a reduction in such compensation or payments thereafter;

(d) such assignment does not conflict with applicable laws; and

(e) in the case of any such assignment resulting from a failure to consent to an amendment or waiver approved by the Required Lenders, such assignee shall have consented to the relevant amendment or waiver.

A Lender shall not be required to make any such assignment or delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrower to require such assignment and delegation cease to apply.

Section 2.19 *Sharing of Payments by Lenders.* Except as otherwise specified herein, if any Lender shall, by exercising any right of setoff or counterclaim or otherwise, obtain payment in respect of any principal of or interest on any of the Loans made by it resulting in such Lender's receiving payment of a proportion of the aggregate amount of such Loans and accrued interest thereon greater than its Pro Rata Share of the Revolving Facility or the Term Facility, as applicable, to which it is entitled pursuant hereto, then the Lender receiving such greater proportion shall (a) notify the Administrative Agent of such fact, and (b) purchase (for cash at face value) participations in the Loans of the other Revolving Lenders or Term Lenders, as applicable, or make such other adjustments as shall be equitable, so that the benefit of all such payments shall be shared by the applicable Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Loans and other amounts owing them, *provided that*:

(i) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest; and

(ii) the provisions of this Section shall not be construed to apply to (x) any payment made by the Borrower pursuant to and in accordance with the express terms of this Agreement (including the application of funds arising from the existence of a Defaulting Lender) or (y) any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans to any assignee or participant, other than to the Borrower or any Subsidiary thereof (as to which the provisions of this Section shall apply).

The Borrower for itself and solely with respect to its Obligations consents to the foregoing and agrees, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against the Borrower rights of

setoff and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of the Borrower in the amount of such participation.

Section 2.20 Defaulting Lenders. (a) *Adjustments.* Notwithstanding anything to the contrary contained in this Agreement, if any Lender becomes a Defaulting Lender, then, until such time as that Lender is no longer a Defaulting Lender, to the extent permitted by applicable law:

(i) *Waivers and Amendments.* That Defaulting Lender's right to approve or disapprove any amendment, waiver or consent with respect to this Agreement shall be restricted as set forth in Section 8.02 and the definition of Required Lender.

(ii) *Reallocation of Payments.* Any payment of principal, interest, fees or other amounts received by the Administrative Agent for the account of that Defaulting Lender under this Agreement or the other Loan Documents (whether voluntary or mandatory, at maturity, pursuant to Section 8.01 or otherwise, and including any amounts made available to the Administrative Agent by that Defaulting Lender pursuant to Section 11.01), shall be applied at such time or times as may be determined by the Administrative Agent as follows: *first*, to the payment of any amounts owing by that Defaulting Lender to the Administrative Agent hereunder; *second*, as the Borrower may request (so long as no Default or Unmatured Default exists), to the funding of any Loan in respect of which that Defaulting Lender has failed to fund its portion thereof as required by this Agreement, as determined by the Administrative Agent; *third*, if so determined by the Administrative Agent and the Borrower, to be held in a non-interest bearing deposit account (other than any interest earned on the investment of such deposits, which investments shall be made at the option and sole discretion of the Administrative Agent (provided that such cash collateral shall be invested solely in investments that provide for preservation of capital)) and released in order to satisfy obligations of that Defaulting Lender to fund Loans under this Agreement; *fourth*, to the payment of any amounts owing to the Lenders as a result of any judgment of a court of competent jurisdiction obtained by any Lender against that Defaulting Lender as a result of that Defaulting Lender's breach of its obligations under this Agreement; *fifth*, so long as no Default or Unmatured Default exists, to the payment of any amounts owing to the Borrower as a result of any judgment of a court of competent jurisdiction obtained by the Borrower against that Defaulting Lender as a result of that Defaulting Lender's breach of its obligations under this Agreement; and *sixth*, to that Defaulting Lender or as otherwise directed by a court of competent jurisdiction; *provided* that if (x) such payment is a payment of the principal amount of any Loans in respect of which that Defaulting Lender has not fully funded its appropriate share and (y) such Loans were made at a time when the conditions set forth in Section 4.02 were satisfied or waived, such payment shall be applied first to pay the Loans of all non-Defaulting Lenders on a pro rata basis prior to being applied as set forth above in this sub-clause (ii). Any payments, prepayments or other amounts paid or payable to a Defaulting Lender that are applied (or held) to pay amounts owed by a Defaulting Lender pursuant to this Section 2.20(a)(ii) shall be

deemed paid to and redirected by that Defaulting Lender, and each Lender irrevocably consents hereto.

(iii) *Certain Fees*. The Defaulting Lender shall not be entitled to receive any Revolving Commitment Fee pursuant to Section 2.05(c) for any period during which that Lender is a Defaulting Lender.

(b) *Defaulting Lender Cure*. If the Borrower and the Administrative Agent agree in writing in their sole discretion that a Defaulting Lender should no longer be deemed to be a Defaulting Lender, the Administrative Agent will so notify the parties hereto, whereupon as of the effective date specified in such notice and subject to any conditions set forth therein, that Lender will, to the extent applicable, purchase that portion of outstanding Revolving Loans or Term Loans, as applicable, of the other applicable Lenders or take such other actions as the Administrative Agent may determine to be necessary to cause the Loans to be held on a pro rata basis by the applicable Lenders in accordance with their Pro Rata Shares of the Revolving Facility and the Term Facility, whereupon that Lender will cease to be a Defaulting Lender; *provided* that no adjustments will be made retroactively with respect to fees accrued or payments made by or on behalf of the Borrower while that Lender was a Defaulting Lender; and *provided further*, that except to the extent otherwise expressly agreed by the affected parties, no change hereunder from Defaulting Lender to Lender will constitute a waiver or release of any claim of any party hereunder arising from that Lender's having been a Defaulting Lender.

ARTICLE III YIELD PROTECTION; TAXES

Section 3.01 *Yield Protection*. If, after the date of this Agreement, any Change in Law:

(a) imposes, modifies or deems applicable any reserve, special deposit, compulsory loan, insurance charge or similar requirement against assets of, deposits with or for the account of, or credit extended or participated in by, any Lender (except any reserve requirement reflected in the Eurocurrency Rate);

(b) subjects any Lender to any Tax of any kind whatsoever (except for (i) Indemnified Taxes or Other Taxes covered by Section 3.05 and (ii) Excluded Taxes) on its loans, loan principal, letters of credit, commitments, or other obligations, or its deposits, reserves, other liabilities or capital attributable thereto; or

(c) imposes on any Lender or the London interbank market any other condition, cost or expense affecting this Agreement or Loans made by such Lender;

and the result of any of the foregoing shall be to increase the cost to such Lender of making, continuing, converting to or maintaining any Eurocurrency Loans or of maintaining its obligation to make any such Eurocurrency Loan, or to reduce the amount of any sum received or receivable by such Lender hereunder (whether of principal, interest or any other amount) then, upon request of such Lender, the Borrower shall pay to such Lender such additional amount or amounts as will

compensate such Lender for such additional costs incurred or reduction suffered. Notwithstanding the foregoing, no Lender shall be entitled to seek compensation under this Section 3.01 based on the occurrence of a Change in Law arising solely from (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives promulgated thereunder or issued in connection therewith or (y) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States regulatory authorities, in each case pursuant to Basel III, unless such Lender is generally seeking compensation from other borrowers that are similarly situated to and of similar creditworthiness with respect to its similarly affected commitments, loans and/or participations under agreements with such borrowers having provisions similar to this Section 3.01.

Section 3.02 *Changes in Capital Adequacy Regulations; Certificates for Reimbursement; Delay in Requests.* (a) *Changes in Capital Adequacy.* If any Lender determines that any Change in Law after the date of this Agreement affecting such Lender or any Lending Installation of such Lender or such Lender's holding company, if any, regarding capital or liquidity requirements has or would have the effect of reducing the rate of return on such Lender's capital or on the capital of such Lender's holding company, if any, as a consequence of this Agreement, the Commitments of such Lender or the Loans made by such Lender, to a level below that which such Lender or such Lender's holding company could have achieved but for such Change in Law (taking into consideration such Lender's policies and the policies of such Lender's holding company with respect to capital adequacy), then from time to time the Borrower will pay to such Lender such additional amount or amounts as will compensate such Lender or such Lender's holding company for any such reduction suffered. Notwithstanding the foregoing, no Lender shall be entitled to seek compensation under this Section 3.02 based on the occurrence of a Change in Law arising solely from (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives promulgated thereunder or issued in connection therewith or (y) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States regulatory authorities, in each case pursuant to Basel III, unless such Lender is generally seeking compensation from other borrowers that are similarly situated to and of similar creditworthiness with respect to its similarly affected commitments, loans and/or participations under agreements with such borrowers having provisions similar to this Section 3.02.

(b) *Certificates for Reimbursement.* A certificate of a Lender setting forth the amount or amounts necessary to compensate such Lender or its holding company, as the case may be, as specified in Section 3.01 or subsection (a) of this Section and delivered to the Borrower shall be conclusive absent manifest error. The Borrower shall pay to such Lender the amount shown as due on any such certificate within fifteen (15) days after receipt thereof.

(c) *Delay in Requests.* Failure or delay on the part of any Lender to demand compensation pursuant to the foregoing provisions of this Section or Section 3.01 shall not constitute a waiver of such Lender's right to demand such compensation, *provided* that the Borrower shall not be required to compensate a Lender pursuant to the foregoing provisions of

this Section or Section 3.01 for any increased costs incurred or reductions suffered more than nine months prior to the date that such Lender notifies the Borrower of the Change in Law giving rise to such increased costs or reductions and of such Lender's intention to claim compensation therefor (except that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the nine-month period referred to above shall be extended to include the period of retroactive effect thereof).

(d) *Additional Reserve Requirements.* The Borrower shall pay to each Lender, as long as such Lender shall be required to comply with any reserve ratio requirement or analogous requirement of any central banking or financial regulatory authority imposed in respect of the maintenance of the Commitments or the funding of the Loans, such additional costs (expressed as a percentage per annum and rounded upwards, if necessary, to the nearest five decimal places) equal to the actual costs allocated to such Commitment or Loan by such Lender (as determined by such Lender in good faith, which determination shall be conclusive), which shall be due and payable on each date on which interest is payable on such Loan, *provided* the Borrower shall have received at least 30 days' prior notice (with a copy to the Administrative Agent) of such additional costs from such Lender. Such Lender shall deliver a certificate to the Borrower setting forth in reasonable detail a calculation of such actual costs incurred by such Lender and shall certify that it is generally charging such costs to similarly situated customers of similar creditworthiness of the applicable Lender under agreements having provisions similar to this Section 3.02(d) after consideration of such factors as such Lender then reasonably determines to be relevant (which determination shall be made in good faith). If a Lender fails to give notice 30 days prior to the relevant Payment Date, such additional costs shall be due and payable 30 days from receipt of such notice. For the avoidance of doubt, any amounts paid under this Section 3.02(d) shall be without duplication of eurocurrency adjustments in the definition of "Eurocurrency Rate".

Section 3.03 *Illegality.* If any Lender determines that any law has made it unlawful, or that any Governmental Authority has asserted that it is unlawful, for any Lender or its applicable Lending Installation to make, maintain or fund Eurocurrency Loans, or to determine or charge interest rates based upon the Eurocurrency Base Rate, or any Governmental Authority has imposed material restrictions on the authority of such Lender to purchase or sell, or to take deposits of, Dollars in the London interbank market, then, on notice thereof by such Lender to the Borrower through the Administrative Agent, any obligation of such Lender to make or continue Eurocurrency Loans or to convert Alternate Base Rate Loans to Eurocurrency Loans shall be suspended until such Lender notifies the Administrative Agent and the Borrower that the circumstances giving rise to such determination no longer exist. Upon receipt of such notice, the Borrower shall, upon demand from such Lender (with a copy to the Administrative Agent), prepay or convert all Eurocurrency Loans of such Lender to Alternate Base Rate Loans, either on the last day of the Interest Period therefor, if such Lender may lawfully continue to maintain such Eurocurrency Loans to such day, or immediately, if such Lender may not lawfully continue to maintain such Eurocurrency Loans. Upon any such prepayment or conversion, the Borrower shall also pay accrued interest on the amount so prepaid or converted.

Section 3.04 Compensation for Losses. Upon demand of any Lender (with a copy to the Administrative Agent) from time to time, the Borrower shall, promptly compensate such Lender for and hold such Lender harmless from any loss, cost or expense incurred by it as a result of:

(a) any continuation, conversion, payment or prepayment of any Loan other than an Alternate Base Rate Loan or a LIBOR Daily Floating Rate Loan on a day other than the last day of the Interest Period for such Loan or other than upon at least three (3) Business Days' prior notice to the Administrative Agent (whether voluntary, mandatory, automatic, by reason of acceleration, or otherwise, but excluding any prepayment or conversion required pursuant to Section 3.03);

(b) any failure by the Borrower (for a reason other than the failure of such Lender to make a Loan) to prepay, borrow, continue or convert any Loan other than an Alternate Base Rate Loan or a LIBOR Daily Floating Rate Loan on the date or in the amount notified by the Borrower; or

(c) any assignment of a Eurocurrency Loan (other than a LIBOR Daily Floating Rate Loan) on a day other than the last day of the Interest Period therefor as a result of a request by the Borrower pursuant to Section 2.18;

including any foreign exchange losses and loss or expense arising from the liquidation or reemployment of funds obtained by it to maintain such Loan or from fees payable to terminate the deposits from which such funds were obtained or from the performance of any foreign exchange contract. The Borrower shall also pay any customary administrative fees charged by such Lender in connection with the foregoing.

For purposes of calculating amounts payable by the Borrower to the Lenders under this Section 3.04, each Lender shall be deemed to have funded each Eurocurrency Loan made by it at the Eurocurrency Rate for such Loan by a matching deposit or other borrowing in the London interbank eurodollar market and for a comparable amount and for a comparable period, whether or not such Eurocurrency Loan was in fact so funded.

Section 3.05 Taxes. (a) *Payments Free of Taxes; Obligation to Withhold; Payments on Account of Taxes.* (i) Any and all payments by or on account of any obligation of the Borrower hereunder or under any other Loan Document shall to the extent permitted by applicable laws be made free and clear of and without reduction or withholding for any Taxes. If, however, applicable laws require the Borrower or the Administrative Agent (as determined in the good faith discretion of the Administrative Agent) to withhold or deduct any Tax, such Tax shall be withheld or deducted in accordance with such laws as determined by the Borrower or the Administrative Agent, as the case may be, upon the basis of the information and documentation to be delivered pursuant to subsection (e) below.

(ii) If the Borrower or the Administrative Agent shall be required by applicable law to withhold or deduct any Taxes from any payment, then (A) the Borrower or the Administrative Agent, as applicable, shall withhold or make such deductions as are

determined by the Borrower or the Administrative Agent, as applicable, to be required based upon the information and documentation it, or the applicable taxing authority, has received pursuant to subsection (e) below (for the avoidance of doubt, in the case of any such information and documentation received by an applicable taxing authority, solely to the extent the Borrower or the Administrative Agent has been provided with a copy of such information and documentation or otherwise has actual knowledge of such information and documentation and, in each case, is entitled to rely thereon), (B) the Borrower or the Administrative Agent, as applicable, shall timely pay the full amount withheld or deducted to the relevant Governmental Authority in accordance with applicable law, and (C) to the extent that the withholding or deduction is made on account of Indemnified Taxes or Other Taxes, the sum payable by the Borrower shall be increased as necessary so that after any required withholding or the making of all required deductions (including deductions applicable to additional sums payable under this Section) the Administrative Agent or any Lender receives an amount equal to the sum it would have received had no such withholding or deduction been made.

(b) *Payment of Other Taxes.* Without limiting the provisions of subsection (a) above, the Borrower shall timely pay any Other Taxes to the relevant Governmental Authority in accordance with applicable laws.

(c) *Indemnification.* (i) Without limiting the provisions of subsection (a) or (b) above, the Borrower shall indemnify the Administrative Agent and each Lender, and shall make payment in respect thereof within thirty (30) days after written demand therefor, for the full amount of any Indemnified Taxes or Other Taxes (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section) withheld or deducted by the Borrower or the Administrative Agent or paid by the Administrative Agent or such Lender, and any reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. The Borrower shall also indemnify the Administrative Agent and shall make payment in respect thereof within thirty (30) days after demand therefor, for any amount which a Lender for any reason fails to pay indefeasibly to the Administrative Agent as required by clause (ii)(x)(1) of this subsection. A certificate as to the amount of any such payment or liability delivered to the Borrower by a Lender (with a copy to the Administrative Agent), or by the Administrative Agent on its own behalf or on behalf of a Lender, shall be conclusive absent manifest error.

(ii) Without limiting the provisions of subsection (a) or (b) above, each Lender shall, and does hereby, indemnify (x) the Borrower and the Administrative Agent, and shall make payment in respect thereof within thirty (30) days after demand therefor, against any and all Taxes and any and all related losses, claims, liabilities, penalties, interest and expenses (including the fees, charges and disbursements of any counsel for the Borrower or the Administrative Agent) incurred by or asserted against the Borrower or the Administrative Agent by any Governmental Authority as a result of (1) the failure by such Lender to deliver, or as a result of the inaccuracy, inadequacy or deficiency of, any documentation required to be delivered by such Lender to the Borrower or the

Administrative Agent pursuant to subsection (e) or (2) the failure of such Lender to comply with the provisions of Section 12.01(d) relating to the maintenance of a Participant Register and (y) the Administrative Agent against any Indemnified Taxes or Other Taxes attributable to such Lender (but only to the extent the Borrower has not already indemnified the Administrative Agent for such Indemnified Taxes or Other Taxes and without limiting the obligation of the Borrower to do so) or Excluded Taxes attributable to such Lender, and any reasonable expenses arising therefrom or with respect thereto, whether or not such Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. Each Lender hereby authorizes the Administrative Agent to set off and apply any and all amounts at any time owing to such Lender under this Agreement or any other Loan Document against any amount due to the Administrative Agent under this clause (ii). The agreements in this clause (ii) shall survive the resignation and/or replacement of the Administrative Agent, any assignment of rights by, or the replacement of, a Lender, the termination of the Aggregate Revolving Commitment or the Aggregate Term Commitment and the repayment, satisfaction or discharge of all other Obligations.

(d) *Evidence of Payments.* Upon request by the Borrower or the Administrative Agent, as the case may be, after any payment of Taxes by the Borrower or the Administrative Agent to a Governmental Authority as provided in this Section 3.05, the Borrower shall deliver to the Administrative Agent or the Administrative Agent shall deliver to the Borrower, as the case may be, the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of any return required by law to report such payment or other evidence of such payment reasonably satisfactory to the Borrower or the Administrative Agent, as the case may be.

(e) *Status of Lenders; Tax Documentation.* (i) Each Lender shall deliver to the Borrower and the Administrative Agent, at the time or times prescribed by applicable laws or when reasonably requested by the Borrower or the Administrative Agent, such properly completed and executed documentation prescribed by applicable laws or by the taxing authorities of any jurisdiction and such other reasonably requested information (A) to secure any applicable exemption from, or reduction in the rate of, deduction or withholding imposed by any jurisdiction in respect of any payments to be made by the Borrower to such Lender, and (B) as will permit the Borrower or the Administrative Agent, as the case may be, to determine (1) whether or not payments made hereunder or under any other Loan Document are subject to Taxes, (2) if applicable, the required rate of withholding or deduction, and (3) such Lender's entitlement to any available exemption from, or reduction of, applicable Taxes in respect of all payments to be made to such Lender by the Borrower pursuant to this Agreement or otherwise to establish such Lender's status for withholding tax purposes in the applicable jurisdiction.

(ii) Without limiting the generality of the foregoing, if the Borrower (or, if the Borrower is disregarded as an entity separate from its owner for U.S. federal income tax purposes, the Person treated as its owner for U.S. federal income tax purposes) is a "United States person" within the meaning of Section 7701(a)(30) of the Code,

(A) any Lender (or, if such Lender is disregarded as an entity separate from its owner for U.S. federal income tax purposes, the Person treated as its owner for U.S. federal income tax purposes) that is a “United States person” within the meaning of Section 7701(a)(30) of the Code shall deliver to the Borrower and the Administrative Agent on or prior to the date on which such Lender becomes a Lender under this Agreement (and from time to time thereafter upon the request of the Borrower or the Administrative Agent) executed originals of Internal Revenue Service Form W-9 or such other documentation or information prescribed by applicable laws or reasonably requested by the Borrower or the Administrative Agent as will enable the Borrower or the Administrative Agent, as the case may be, to determine whether or not such Lender is subject to backup withholding or information reporting requirements;

(B) each Foreign Lender (or, if such Foreign Lender is disregarded as an entity separate from its owner for U.S. federal income tax purposes, the Person treated as its owner for U.S. federal income tax purposes) that is entitled under the Code or any applicable treaty to an exemption from or reduction of withholding tax with respect to payments hereunder or under any other Loan Document shall deliver to the Borrower and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the request of the Borrower or the Administrative Agent, but only if such Foreign Lender (or, if such Foreign Lender is disregarded as an entity separate from its owner for U.S. federal income tax purposes, the Person treated as its owner for U.S. federal income tax purposes) is legally entitled to do so), whichever of the following is applicable:

(1) executed originals of Internal Revenue Service Form W-8BEN or W-BEN-E, as applicable, claiming eligibility for benefits of an income tax treaty to which the United States is a party,

(2) executed originals of Internal Revenue Service Form W-8ECI,

(3) executed originals of Internal Revenue Service Form W-8IMY and all required supporting documentation,

(4) in the case of a Foreign Lender (or, if such Foreign Lender is disregarded as an entity separate from its owner for U.S. federal income tax purposes, the Person treated as its owner for U.S. federal income tax purposes) claiming the benefits of the exemption for portfolio interest under section 881(c) of the Code, (x) a certificate to the effect that such Foreign Lender (or such other Person) is not (A) a “bank” within the meaning of section 881(c)(3)(A) of the Code, (B) a “10 percent shareholder” of the Borrower within the meaning of section 881(c)(3)(B) of the Code, or (C) a “controlled foreign corporation” described in section

881(c)(3)(C) of the Code and (y) executed originals of Internal Revenue Service Form W-8BEN or W-8BEN-E, as applicable, or

(5) executed originals of any other form prescribed by applicable laws as a basis for claiming exemption from or a reduction in U.S. federal withholding tax together with such supplementary documentation as may be prescribed by applicable laws to permit the Borrower or the Administrative Agent to determine the withholding or deduction required to be made.

(C) each Lender shall deliver to the Administrative Agent and the Borrower such documentation reasonably requested by the Administrative Agent or the Borrower sufficient for the Administrative Agent and the Borrower to comply with their obligations under FATCA and to determine whether payments to such Lender are subject to withholding tax under FATCA. Solely for purposes of this sub-clause (C), "FATCA" shall include any amendments made to FATCA after the date of this Agreement.

(iii) Each Lender shall promptly (A) notify the Borrower and the Administrative Agent of any change in circumstances which would modify or render invalid any claimed exemption or reduction and (B) take such steps as shall not be materially disadvantageous to it, in the reasonable judgment of such Lender and as may be reasonably necessary (including the re-designation of its Lending Installation), to avoid any requirement of applicable laws of any jurisdiction that the Borrower or the Administrative Agent make any withholding or deduction for taxes from amounts payable to such Lender.

(f) *Treatment of Certain Refunds.* Unless required by applicable laws, at no time shall the Administrative Agent have any obligation to file for or otherwise pursue on behalf of a Lender, or have any obligation to pay to any Lender, any refund of Taxes withheld or deducted from funds paid for the account of such Lender. If the Administrative Agent or any Lender determines, in its sole discretion, exercised in good faith that it has received a refund of any Taxes or Other Taxes as to which it has been indemnified by the Borrower or with respect to which the Borrower has paid additional amounts pursuant to this Section, it shall pay to the Borrower an amount equal to such refund (but only to the extent of indemnity payments made, or additional amounts paid, by the Borrower under this Section with respect to the Taxes or Other Taxes giving rise to such refund), net of all out-of-pocket expenses incurred by the Administrative Agent or such Lender and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund), *provided* that the Borrower, upon the request of the Administrative Agent or such Lender, as the case may be, agrees to repay the amount paid over to the Borrower (plus any penalties, interest (to the extent accrued from the date such refund is paid over to the Borrower) or other charges imposed by the relevant Governmental Authority), to the Administrative Agent or such Lender in the event the Administrative Agent or such Lender is required to repay such refund to such Governmental Authority. This subsection shall not be construed to require the Administrative Agent or any

Lender to make available its Tax returns (or any other information relating to its Taxes that it deems confidential) to the Borrower or any other Person.

Section 3.06 *Mitigation Obligations.* If any Lender requests compensation under Section 3.01 or Section 3.02, or the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 3.05, or if any Lender gives a notice pursuant to Section 3.03, then such Lender shall use reasonable efforts to designate a different Lending Installation for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 3.01, 3.02 or 3.05, as the case may be, in the future, or eliminate the need for the notice pursuant to Section 3.03, as applicable, and (ii) in each case, would not subject such Lender to any unreimbursed cost or expense and would not otherwise be materially disadvantageous to such Lender. The Borrower hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

Section 3.07 *Inability to Determine Rates.*

(a) If the Required Lenders determine that for any reason in connection with any request for a Eurocurrency Loan or a conversion to or continuation thereof that (i) deposits are not being offered to banks in the London interbank eurodollar market for the applicable amount and Interest Period of such Eurocurrency Loan, (ii) adequate and reasonable means do not exist for determining the Eurocurrency Base Rate for any requested Interest Period with respect to a proposed Eurocurrency Loan, or (iii) the Eurocurrency Base Rate for any requested Interest Period with respect to a proposed Eurocurrency Loan does not adequately and fairly reflect the cost to such Lenders of funding such Loan, the Administrative Agent will promptly so notify the Borrower and each Lender. Thereafter, the obligation of the Lenders to make or maintain Eurocurrency Loans shall be suspended until the Administrative Agent (upon the instruction of the Required Lenders) revokes such notice. Upon receipt of such notice, the Borrower may revoke any pending request for the making of, conversion to, or continuation of, Eurocurrency Loans or, failing that, will be deemed to have converted such request into a request for Alternate Base Rate Loans in the amount specified therein.

(b) Notwithstanding anything to the contrary in this Agreement or any other Loan Documents, if the Administrative Agent determines (which determination shall be made by notice to the Borrower and shall be conclusive absent manifest error), or the Borrower or Required Lenders notify the Administrative Agent (with, in the case of the Required Lenders, a copy to Borrower) that the Borrower or Required Lenders (as applicable) have determined, that:

(i) (A) Dollar deposits are not being offered to banks in the London interbank eurodollar market for the applicable amount and Interest Period of any applicable Eurocurrency Loan or (B) adequate and reasonable means do not exist for ascertaining LIBOR for Dollars for any requested Interest Period, including, without limitation, because the Eurocurrency Base Rate is not available or published on a current basis, and in each case such circumstances are unlikely to be temporary, or

(ii) the administrator of the Eurocurrency Base Rate for the applicable currency or a Governmental Authority having jurisdiction over the Administrative Agent has made a public statement identifying a specific date after which LIBOR for Dollars or the Eurocurrency Base Rate for Dollars shall no longer be made available, or used for determining the interest rate of loans (such specific date, the “**Scheduled Unavailability Date**”), or

(iii) syndicated loans in the U.S. market denominated in Dollars being executed at the time, or that include language similar to that contained in this Section 3.07, are being generally executed or amended, as applicable, to incorporate or adopt, as applicable, a new benchmark interest rate to replace LIBOR for the applicable currency,

then, reasonably promptly after such determination by the Administrative Agent or receipt by the Administrative Agent of such notice, as applicable, the Administrative Agent and the Borrower may amend this Agreement (a “**LIBOR Successor Amendment**”) to replace the Eurocurrency Base Rate with respect to the applicable currency with an alternate benchmark rate, giving due consideration to any evolving or then existing convention for similar syndicated credit facilities in the U.S. market denominated in Dollars for such alternative benchmarks (any such proposed rate, a “**Replacement Rate**”) and any such amendment shall become effective at 5:00 p.m. (New York time) on the fifth Business Day after the Administrative Agent shall have posted such proposed amendment to all Lenders and the Borrower unless, prior to such time, Lenders comprising the Required Lenders have delivered to the Administrative Agent written notice that such Required Lenders do not accept such amendment.

If no Replacement Rate has been determined and the circumstances under clause (i) above exist or the Scheduled Unavailability Date has occurred (as applicable), the Administrative Agent will promptly so notify the Borrower and each Lender. Thereafter, (x) the obligation of the Lenders to make or maintain Eurocurrency Loans shall be suspended (to the extent of the affected Eurocurrency Loans or Interest Periods), and (y) the Eurocurrency Base Rate component shall no longer be utilized in determining the Alternate Base Rate. Upon receipt of such notice, the Borrower may revoke any pending request for a Borrowing of, conversion to or continuation of Eurocurrency Loans (to the extent of the affected Eurocurrency Loans or Interest Periods) or, failing that, will be deemed to have converted such request into a request for a Borrowing of Alternate Base Rate Loans (subject to the foregoing clause (y)) in the amount specified therein.

Section 3.08 *Survival.* All of the Borrower’s obligations under this Article III shall survive termination of the Aggregate Revolving Commitment and/or the Aggregate Term Commitment, repayment of all other Obligations hereunder and resignation of the Administrative Agent.

ARTICLE IV **CONDITIONS PRECEDENT**

Section 4.01 *Initial Effectiveness.* The Lenders’ Commitments shall become effective hereunder on and as of the first date (the “**Effective Date**”) on which the Borrower has

furnished to the Administrative Agent (or, in the case of Section 4.01(f) and (g), the Borrower shall have paid) the following:

(a) Copies of the articles of incorporation of the Borrower, together with all amendments thereto, and a certificate of good standing for the Borrower, each certified by the appropriate governmental officer in its jurisdiction of incorporation;

(b) Copies, certified by the Secretary, Assistant Secretary or General Counsel of the Borrower, of the Borrower's by-laws and of its Board of Directors' resolutions and of resolutions or actions of any other body authorizing the execution of the Loan Documents to which it is a party and a certification that there have been no changes to its articles of incorporation provided pursuant to Section 4.01(a);

(c) An incumbency certificate, executed by the Secretary, Assistant Secretary or General Counsel of the Borrower, which shall identify by name and title and bear the signatures of the Authorized Officers and any other officers or employees of the Borrower authorized to sign the Loan Documents to which the Borrower is a party and to request Loans hereunder, upon which certificate the Administrative Agent and the Lenders shall be entitled to rely until informed of any change in writing by the Borrower;

(d) An officer's certificate, substantially in the form of Exhibit F, dated as of the Effective Date, signed by an Authorized Officer of the Borrower, certifying that (x) on the Effective Date, no Default or Unmatured Default has occurred and is continuing and (y) the representations and warranties contained in Article V are true and correct in all material respects (except to the extent such representations and warranties are qualified by "materiality" or "Material Adverse Effect" or similar terms, in which case such representations and warranties shall be true and correct in all respects) as of the Effective Date, except to the extent any such representation or warranty is stated to relate solely to an earlier date, in which case such representation or warranty shall have been true and correct in all material respects (except to the extent such representations and warranties are qualified with "materiality" or "Material Adverse Effect" or similar terms, in which case such representations and warranties shall be true and correct in all respects) on and as of such earlier date;

(e) A written opinion (addressed to the Administrative Agent and the Lenders and dated the Effective Date) of Davis Polk & Wardwell LLP in form and substance reasonably acceptable to the Administrative Agent;

(f) Evidence satisfactory to the Administrative Agent that the Existing Term Loan Credit Agreement has been, or shall simultaneously on the Effective Date be, terminated (except for those provisions that expressly survive the termination thereof) and all loans outstanding and other amounts owed to the lenders or agents thereunder shall have been, or simultaneously with the occurrence of the Effective Date will, be paid in full; it being understood and agreed that, for any Borrowing of Loans requested by the Borrower to be funded on the Effective Date, the Loans comprising such Borrowing shall be deemed to repay the loans outstanding under the Existing Term Loan Credit Agreement on a dollar-for-dollar basis (with the balance, if any, to be funded to the Borrower in accordance with the Borrowing Notice delivered in connection

therewith) and that parties hereto agree that such deemed funding of the Loans on the Effective Date satisfy the requirements of Section 2.15 hereunder;

(g) All fees (including the Upfront Fee), costs and expenses due and payable to the Arranger or the Administrative Agent, for itself and on behalf of the Lenders, or its counsel on the Effective Date and (in the case of expenses) for which the Borrower has received an invoice at least three (3) Business Days prior to the Effective Date;

(h) At least three (3) Business Days prior to the Effective Date, the Borrower shall have provided the documentation and other information to the Administrative Agent that is required by bank regulatory authorities under applicable “know your customer” and anti-money laundering rules and regulations, including, without limitation, the U.S. Patriot Act, to the extent such information was reasonably requested by the Arranger (including on behalf of any Lender) in writing at least ten (10) days prior to the Effective Date; and

(i) From each party hereto either (i) a counterpart of this Agreement signed on behalf of such party or (ii) customary written evidence reasonably satisfactory to the Administrative Agent (which may include telecopy or electronic transmission of a signed signature page of this Agreement) that such party has signed a counterpart of this Agreement.

Sumitomo Mitsui Banking Corporation, being the sole “Lender” party to the Existing Term Loan Credit Agreement on the Effective Date, hereby waives any requirement of notice of prepayment of the Loans (as defined in the Existing Term Loan Credit Agreement) pursuant to Section 2.07 thereof and waives any additional notice or other requirements that might apply to such prepayment to the extent necessary to give effect to Section 4.01(f) above.

Without limiting the generality of the provisions of Section 8.02, for purposes of determining compliance with the conditions specified in this Section 4.01, each Lender that has signed this Agreement shall be deemed to have consented to, approved or accepted or to be satisfied with, each document or other matter required thereunder to be consented to or approved by or acceptable or satisfactory to a Lender unless the Administrative Agent shall have received notice from such Lender prior to the proposed Effective Date specifying its objection thereto.

Section 4.02 *Each Borrowing Date.* Each Lender’s obligations to make any Loan hereunder shall become effective upon the satisfaction or waiver (in accordance with Section 8.02) of the following conditions on or after the Effective Date:

(a) The Effective Date shall have occurred;

(b) No Default or Unmatured Default has occurred and is continuing, or would result from such Borrowing;

(c) Each of the representations and warranties contained in Article V (other than the representations and warranties contained in Sections 5.05 and 5.06 in the case of any Borrowings made after the Effective Date) are, in each case, true and correct in all material respects (except to the extent such representations and warranties are qualified by “materiality” or “Material

Adverse Effect” or similar terms, in which case such representations and warranties shall be true and correct in all respects) as of such Borrowing Date, except to the extent any such representation or warranty is stated to relate solely to an earlier date, in which case such representation or warranty shall have been true and correct in all material respects (except to the extent such representations and warranties are qualified by “materiality” or “Material Adverse Effect” or similar terms, in which case such representations and warranties shall be true and correct in all respects) on and as of such earlier date;

(d) The Administrative Agent shall have received a Borrowing Notice in accordance with Section 2.08.

Each Borrowing Notice shall constitute a representation and warranty by the Borrower as to the matters specified in paragraphs (b) and (c) of this Section.

ARTICLE V REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants as follows to each Lender and the Administrative Agent as of the Effective Date and thereafter on each date as required by Section 4.02 (it being agreed that the representations and warranties contained in Sections 5.05 and 5.06 shall be made only as of the Effective Date):

Section 5.01 *Existence and Standing.* The Borrower (a) is a corporation, partnership, limited liability company or other entity duly and properly incorporated or organized, as the case may be, validly existing and (to the extent such concept applies to such entity) in good standing under the laws of its jurisdiction of incorporation or organization and (b) has all requisite authority to conduct its business in each jurisdiction in which its business is conducted, except to the extent that the failure to have such authority would not reasonably be expected to have a Material Adverse Effect.

Section 5.02 *Authorization and Validity.* The Borrower has the power and authority and legal right to execute and deliver the Loan Documents and to perform its obligations thereunder. The execution and delivery by the Borrower of the Loan Documents and the performance of its obligations thereunder have been duly authorized by proper proceedings, and the Loan Documents constitute legal, valid and binding obligations of the Borrower enforceable against it in accordance with their terms, except as may be limited by bankruptcy, insolvency or similar laws relating to or affecting creditors’ rights generally and by general principles of equity, regardless of whether considered in a proceeding in equity or at law.

Section 5.03 *No Conflict; Government Consent.* (a) Neither the execution and delivery by the Borrower of the Loan Documents, nor the consummation of the transactions therein contemplated, nor compliance with the provisions thereof will violate (i) any law, rule, regulation, order, writ, judgment, injunction, decree or award binding on the Borrower, (ii) the Borrower’s bylaws, articles or certificate of incorporation, partnership agreement, certificate of partnership, operating agreement or other management agreement, articles or certificate of organization or other similar formation, organizational or governing documents, instruments

and agreements, as the case may be, or (iii) the provisions of any indenture, instrument or agreement to which the Borrower is a party or is subject, or by which it, or its Property, is bound, except in the case of clauses (i) and (iii) where such violation would not reasonably be expected to have a Material Adverse Effect.

(b) No order, consent, adjudication, approval, license, authorization, or validation of, or filing, recording or registration with, or exemption by, or other action in respect of any governmental or public body or authority, or any subdivision thereof, which has not been obtained by the Borrower, is required to be obtained by the Borrower in connection with the execution and delivery of the Loan Documents, the borrowings under the Loan Documents, the payment and performance by the Borrower of its Obligations or the legality, validity, binding effect or enforceability of the Loan Documents.

Section 5.04 *Financial Statements.* (i) The August 31, 2018 audited consolidated financial statements of the Borrower and its Subsidiaries heretofore delivered to the Administrative Agent and the Lenders, copies of which are included in the Borrower's Annual Report on Form 10-K as filed with the SEC, and, if applicable, the audited consolidated financial statements of the Borrower and its Subsidiaries as of the last day of the fiscal year for which the Borrower has most recently filed an annual report on Form 10-K, and (ii) if applicable, commencing with the fiscal quarter ending November 30, 2018, the unaudited consolidated financial statements of the Borrower and its Subsidiaries as of the last day of the most recent fiscal quarter for which the Borrower has most recently filed a quarterly report on Form 10-Q, (a) were prepared in accordance with GAAP, (b) fairly present in all material respects the consolidated financial condition and operations of the Borrower and its Subsidiaries at such dates and the consolidated results of their operations and cash flows for the period then ended and (c) show all material indebtedness and other liabilities, direct or contingent, of the Borrower and its Subsidiaries as of the date thereof that are required under Agreement Accounting Principles to be reflected thereon.

Section 5.05 *Material Adverse Effect.* Except as disclosed in the Borrower SEC Reports (excluding any disclosures set forth in any risk factor section and in any section relating to forward-looking or safe harbor statements), since August 31, 2018 there has been no material adverse effect on the financial condition, results of operations, business or Property of the Borrower and its Subsidiaries taken as a whole.

Section 5.06 *Litigation.* As of the Effective Date, there is no litigation, arbitration, governmental investigation, proceeding or inquiry pending or, to the knowledge of any of their officers, threatened against or affecting the Borrower or any of its Subsidiaries which has not been disclosed in the Borrower SEC Reports (a) that would reasonably be expected to have a Material Adverse Effect or (b) which seeks to prevent, enjoin or delay the making of any Loan or otherwise calls into question the validity of any Loan Document and as to which there is a reasonable possibility of an adverse decision.

Section 5.07 *Regulation U.* The Borrower is not engaged principally, or as one of its important activities, in the business of extending credit for the purpose, whether immediate, incidental or ultimate of buying or carrying margin stock (within the meaning of Regulation U

or Regulation X); and after applying the proceeds of the Loans, margin stock (as defined in Regulation U) constitutes not more than twenty-five percent (25%) of the value of those assets of the Borrower which are subject to any limitation on sale or pledge, or any other restriction hereunder.

Section 5.08 *Investment Company Act.* The Borrower is not an “investment company”, a company “controlled by” an “investment company” or a company required to register as an “investment company,” each as defined in the Investment Company Act of 1940, as amended.

Section 5.09 *OFAC, FCPA.* None of the Borrower, any of its Subsidiaries, or, to the knowledge of the Borrower, any directors or officers of the Borrower or any of its Subsidiaries, is the subject of Sanctions. None of the Borrower or its Subsidiaries is located, organized or resident in a country or territory that is the subject of Sanctions. No part of the proceeds of the Loans shall be used by the Borrower in violation of the United States Foreign Corrupt Practices Act of 1977, as amended or Sanctions.

Section 5.10 *Disclosure.* All information (other than financial projections and other forward-looking information and information of a general economic or industry nature) (as used in this Section 5.10, the “**Information**”) provided by or on behalf of the Borrower or its representatives to the Administrative Agent or the Lenders in written form in connection with the transactions contemplated hereby does not, when taken as a whole, and will not, when furnished and when taken as a whole, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained therein, when taken as a whole, not materially misleading when taken as a whole and in light of the circumstances under which such statements were made (giving effect to any supplements then or theretofore furnished).

ARTICLE VI **COVENANTS**

From the Effective Date, so long as any Lender shall have any Commitment hereunder, or any Loan or other Obligation hereunder (other than any contingent indemnification obligations for which no claim has been made) shall remain unpaid or unsatisfied:

Section 6.01 *Financial Reporting.* The Borrower will maintain, for itself and each Subsidiary, a system of accounting established and administered in accordance with GAAP, and furnish to the Administrative Agent for the Administrative Agent’s distribution to the Lenders:

(a) As soon as available, but in any event on or prior to the earlier of (i) the 90th day after the close of each of its fiscal years and (ii) the day that is five (5) Business Days after the date the Borrower’s annual report on Form 10-K is required to be filed with the SEC after giving effect to any extensions permitted by the SEC (commencing with the first fiscal year of the Borrower ending after the Effective Date), a consolidated balance sheet as of the end of such period, related statements of earnings, statements of equity and cash flows prepared in accordance with GAAP on a consolidated basis for itself and its Subsidiaries together with an audit report certified by independent certified public accountants of recognized standing whose

opinion shall not be qualified as to the scope of the audit or as to the status of the Borrower and its consolidated Subsidiaries as a going concern, accompanied by any management letter prepared by said accountants.

(b) As soon as available, but in any event on or prior to the earlier of (i) the 45th day after the close of the first three quarterly periods of each of its fiscal years and (ii) the day that is five (5) Business Days after the date the Borrower's quarterly report on Form 10-Q is required to be filed with the SEC after giving effect to any extensions permitted by the SEC (commencing with the first fiscal quarter of the Borrower ending after the Effective Date), for itself and its Subsidiaries, a consolidated unaudited balance sheet as at the close of each such period and consolidated unaudited statements of earnings, statements of equity and cash flows for the period from the beginning of such fiscal year to the end of such quarter, all certified by its chief financial officer, chief accounting officer or treasurer.

(c) Together with the financial statements required under Sections 6.01(a) and (b), a compliance certificate in substantially the form of Exhibit A signed by its chief financial officer, chief accounting officer or treasurer showing the calculations necessary to determine compliance with the financial covenant set forth in Section 6.10 and stating that no Default or Unmatured Default exists, or if any Default or Unmatured Default exists, stating the nature and status thereof, it being understood and agreed that in the event the Borrower delivers a notice to the Administrative Agent pursuant to the proviso to the definition of "Agreement Accounting Principles" the Borrower shall deliver an additional calculation of compliance with the financial covenant set forth in Section 6.10 demonstrating that notwithstanding GAAP in effect at such time, the Borrower has complied with Section 6.10 under GAAP as in effect and applied immediately before such change in GAAP (in the case of such a notice under "Agreement Accounting Principles"); *provided* that in no event shall the Borrower be required to furnish the Administrative Agent with more than one version of financial statements pursuant to Section 6.01(a) or Section 6.01(b) prepared in accordance with different versions of GAAP as a result of any such notice.

(d) Such other information with respect to the business, condition or operations, financial or otherwise, and Properties of the Borrower and its Subsidiaries as the Administrative Agent, including at the request of any Lender, may from time to time reasonably request.

Documents required to be delivered pursuant to Section 6.01(a) or (b) may be delivered electronically and if so delivered, shall be deemed to have been delivered on the date (i) on which the Borrower posts such documents, or provides a link thereto on the Borrower's website on the Internet at <http://investor.walgreensbootsalliance.com> or such other website with respect to which the Borrower may from time to time notify the Administrative Agent and to which the Lenders have access; or (ii) on which such documents are posted on the Borrower's behalf by the Administrative Agent on SyndTrak or another relevant website, if any, to which each Lender and the Administrative Agent have access (whether a commercial, third-party website or whether sponsored by the Administrative Agent) or filed electronically through EDGAR and available on the Internet at www.sec.gov; *provided* that the Borrower shall notify (which may be by facsimile or electronic mail) the Administrative Agent of the posting or filing of any such documents and

provide to the Administrative Agent by electronic mail electronic versions (i.e., soft copies) of such documents. The Administrative Agent shall have no obligation to request the delivery or to maintain copies of the documents referred to above, and in any event shall have no responsibility to monitor compliance by the Borrower with any such request for delivery.

The Borrower hereby acknowledges that (a) the Administrative Agent and/or the Arranger may make available to the Lenders materials and/or information provided by or on behalf of the Borrower hereunder (collectively, “**Borrower Materials**”) by posting the Borrower Materials on SyndTrak or another similar electronic system (the “**Platform**”) and (b) certain of the Lenders (each a “**Public Lender**”) may have personnel who do not wish to receive material non-public information with respect to the Borrower or its Affiliates, or the respective securities of any of the foregoing, and who may be engaged in investment and other market-related activities with respect to such Persons’ securities. The Borrower hereby agrees that (w) all Borrower Materials that are to be made available to Public Lenders shall be clearly and conspicuously marked “PUBLIC” which, at a minimum, shall mean that the word “PUBLIC” shall appear prominently on the first page thereof; (x) by marking Borrower Materials “PUBLIC,” the Borrower shall be deemed to have authorized the Administrative Agent, the Arranger and the Lenders to treat the Borrower Materials as not containing any material non-public information with respect to the Borrower or its securities for purposes of United States Federal and state securities laws (*provided, however*, that to the extent the Borrower Materials constitute Information, they shall be treated as set forth in Section 9.10); (y) all Borrower Materials marked “PUBLIC” are permitted to be made available through a portion of the Platform designated “Public Side Information;” and (z) the Administrative Agent and the Arranger shall be entitled to treat the Borrower Materials that are not marked “PUBLIC” as being suitable only for posting on a portion of the Platform that is not designated “Public Side Information.”

Section 6.02 Use of Proceeds. The Borrower will, and will cause each of its Subsidiaries to, use the proceeds of the Loans (i) to repay outstanding loans under the Existing Term Loan Credit Agreement and (ii) in the case of Revolving Loans for other general corporate purposes. The Borrower shall use the proceeds of the Loans in compliance with all applicable legal and regulatory requirements and any such use shall not result in a violation of any such requirements, including, without limitation, Regulation U and Regulation X, the Securities Act of 1933 and the Securities Exchange Act of 1934 and the regulations promulgated thereunder.

Section 6.03 Notice of Default. The Borrower will give prompt notice in writing to the Lenders of the occurrence of any Default or Unmatured Default after an Authorized Officer becomes aware of such Default or Unmatured Default.

Section 6.04 Conduct of Business. The Borrower will, and will cause each of its Major Subsidiaries to, except as otherwise permitted by Section 6.07, do all things necessary to remain duly incorporated or organized, validly existing and (to the extent such concept applies to such entity) in good standing as a corporation, partnership, limited liability company or other entity in its jurisdiction of incorporation or organization, as the case may be, and maintain all requisite authority to conduct its business in each jurisdiction in which its business is conducted,

except in each case (other than valid existence of the Borrower) where the failure to do so would not reasonably be expected to have a Material Adverse Effect.

Section 6.05 *Compliance with Laws.* The Borrower will, and will cause each of its Major Subsidiaries to, comply in all material respects with all applicable laws, rules, regulations and orders (such compliance to include, without limitation, compliance with ERISA and Environmental Laws and paying before the same become delinquent all taxes, assessments and governmental charges imposed upon it or upon its property except to the extent contested in good faith), except to the extent such noncompliance would not have a Material Adverse Effect.

Section 6.06 *Inspection; Keeping of Books and Records.* Subject to applicable law and third party confidentiality agreements entered into by the Borrower or any Subsidiary in the ordinary course of business, the Borrower will, and will cause each Subsidiary to, permit the Administrative Agent, during the continuance of a Default or Unmatured Default, by its representatives and agents, to inspect any of the Property, books and financial records of the Borrower and each Subsidiary, to examine and make copies of the books of accounts and other financial records of the Borrower and each Subsidiary, and to discuss the affairs, finances and accounts of the Borrower and each Subsidiary with their respective officers at such reasonable times and intervals as the Administrative Agent may designate but in all events upon reasonable prior notice to the Borrower's Finance Department, Attention: Chief Accounting Officer, with a copy to Vice President, Global Treasury. The Borrower shall keep and maintain, and cause each of its Subsidiaries to keep and maintain, in all material respects, proper books of record and account in which entries in conformity with GAAP shall be made of all dealings and transactions in relation to their respective businesses and activities.

Section 6.07 *Merger.* (a) The Borrower will not merge into or consolidate with any other Person, unless (i) the Person formed by such consolidation or into which the Borrower is merged shall be a Person organized and existing under the laws of the United States of America, any State thereof or the District of Columbia and shall expressly assume pursuant to an instrument executed and delivered to the Administrative Agent, and in form and substance reasonably satisfactory to the Administrative Agent, the Borrower's obligations for the due and punctual payment of the Obligations and the performance of every covenant of this Agreement on the part of the Borrower to be performed; and (ii) immediately after giving effect to such transaction, no Default or Unmatured Default shall have occurred and be continuing. For the avoidance of doubt, this Section 6.07 shall only apply to a merger or consolidation in which the Borrower is not the surviving Person.

(b) Upon any consolidation by the Borrower with or merger by the Borrower into any other Person, the successor Person formed by such consolidation or into which the Borrower is merged shall succeed to, and be substituted for, and may exercise every right and power of, the Borrower under this Agreement with the same effect as if such successor Person had been named as the Borrower herein.

Section 6.08 *Sale of Assets.* The Borrower will not lease, sell or otherwise dispose of, or permit one or more Subsidiaries to lease, sell or otherwise dispose of, all or substantially all of the Property of the Borrower and the Subsidiaries, taken as a whole, to any Person, unless,

immediately before and after giving effect thereto, no Default or Unmatured Default would exist.

Section 6.09 *Liens*. The Borrower will not, and will not permit any Major Subsidiary to, create or suffer to exist any Lien in, of or on any of its Property, in each case to secure or provide for the payment of any Indebtedness for Borrowed Money, except:

(a) Liens for taxes, assessments or governmental charges or levies on its Property if the same shall not at the time be delinquent or thereafter can be paid without penalty, or are being contested in good faith and by appropriate proceedings and for which adequate reserves in accordance with Agreement Accounting Principles shall have been set aside on its books.

(b) Liens for taxes, assessments or governmental charges or levies on its Property regardless of their delinquency or whether they can be paid without penalty *provided* such taxes, assessments, charges or levies do not in the aggregate at any one time exceed \$10,000,000.

(c) Liens imposed by law, such as carriers', warehousemen's and mechanics' liens and other similar liens arising in the ordinary course of business which secure payment of obligations not more than sixty (60) days past due or which are being contested in good faith by appropriate proceedings and for which adequate reserves in accordance with Agreement Accounting Principles shall have been set aside on its books.

(d) Liens arising out of pledges or deposits under worker's compensation laws, unemployment insurance, old age pensions, or other social security or retirement benefits, or similar legislation.

(e) Utility easements, building restrictions and such other encumbrances or charges against real property as the Borrower reasonably deems necessary or desirable consistent with past practices.

(f) Precautionary Liens provided by the Borrower or any Major Subsidiary in connection with the sale, assignment, transfer or other disposition of assets by the Borrower or any Major Subsidiary which transaction is determined by the Board of Directors of the Borrower or such Major Subsidiary to constitute a "sale" under accounting principles generally accepted in the United States.

(g) Liens existing on the date hereof securing Indebtedness for Borrowed Money (and the replacement, extension or renewal thereof upon or in the same property).

(h) Liens securing Indebtedness for Borrowed Money in an aggregate amount, immediately after giving effect to the incurrence of such Indebtedness for Borrowed Money, not to exceed 15% of Total Tangible Assets.

(i) Liens on deposits, cash or cash equivalents, if any, in favor of any issuer of one or more letters of credit issued under the Existing Revolving Credit Agreement to cash collateralize or otherwise secure the obligations of a defaulting lender to fund risk participations thereunder.

(j) Usual and customary set off rights with respect to bank accounts and brokerage accounts in the ordinary course of business.

(k) Usual and customary deposits in favor of lessors and similar deposits in the ordinary course of business.

(l) Liens existing on property of any Person acquired by the Borrower or Major Subsidiary, other than any such Lien or security interest created in contemplation of such acquisition (and the replacement, extension or renewal thereof upon or in the same property).

Section 6.10 *Financial Covenant.* As of the last day of each fiscal quarter of the Borrower, commencing with the first full fiscal quarter-end date occurring after the Effective Date, the ratio of Consolidated Debt to Total Capitalization shall not be greater than 0.60:1.00; *provided* that upon the consummation of any Material Acquisition and the written election of the Borrower to the Administrative Agent (which shall promptly notify the Lenders) no later than thirty days following the consummation of a Material Acquisition, the maximum permitted ratio of Consolidated Debt to Total Capitalization set forth above shall increase to 0.70 to 1.00 with respect to the last day of the fiscal quarter during which such Material Acquisition shall have been consummated and the last day of each of the immediately following three consecutive fiscal quarters; provided further that (i) the Borrower may only make an election pursuant to the immediately preceding proviso on two separate occasions prior to the Maturity Date and (ii) from the period beginning on the date the definitive documentation relating to any Material Acquisition is entered into (or, in the case of a Material Acquisition in the form of a tender offer or similar transaction, after the offer shall have been launched) prior to the date such Material Acquisition is consummated (or such definitive documentation is terminated), any Acquisition Debt and the proceeds thereof shall be excluded from the calculation of the ratio of Consolidated Debt to Total Capitalization.

Section 6.11 *Sanctions.* The Borrower and its Subsidiaries will not, directly or, to the knowledge of the Borrower, indirectly, (a) use the proceeds of the Loans, or (b) lend, contribute or otherwise make available such proceeds to any Subsidiary, joint venture partner or other individual or entity, in each case, to fund any activities or business (x) of or with any individual or entity named on the most current list of Specially Designated Nationals or Blocked Persons maintained by OFAC or the U.S. Department of State, or (y) in any country or territory, that, at the time of such funding, is, or whose government is, the subject of Sanctions, except in the case of (a) or (b) to the extent licensed by OFAC or otherwise permissible under U.S. law.

ARTICLE VII DEFAULTS

The occurrence of any one or more of the following events shall constitute a Default:

Section 7.01 *Breach of Representations or Warranties.* Any representation or warranty made by the Borrower to the Lenders or the Administrative Agent under this Agreement, or any certificate or information delivered in connection with this Agreement, shall be false in any material respect when made or deemed made.

Section 7.02 *Failure to Make Payments When Due.* Nonpayment of (a) principal of any Loan when due, or (b) interest upon any Loan, any Revolving Commitment Fee or other payment Obligations under any of the Loan Documents within five (5) Business Days after such interest, fee or other Obligation becomes due.

Section 7.03 *Breach of Covenants.* The breach by the Borrower of (a) any of the terms or provisions of Section 6.03, 6.07, 6.08, 6.09 or 6.10 or (b) any of the other terms or provisions of this Agreement which is not remedied within thirty (30) days after an Authorized Officer of the Borrower knows of the occurrence thereof.

Section 7.04 *Cross Default.* (a) The Borrower or any Major Subsidiary shall fail to pay any principal of or premium or interest on (x) any Indebtedness for Borrowed Money which is outstanding in a principal amount of at least the Requisite Amount in the aggregate (but excluding indebtedness arising hereunder) or (y) a Capitalized Lease in respect of any single Property in an amount equal to at least \$500,000,000, in each case, of the Borrower or such Major Subsidiary (as the case may be), when the same becomes due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise), and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Indebtedness for Borrowed Money or Capitalized Lease, as applicable, unless adequate provision for any such payment has been made in form and substance satisfactory to the Required Lenders.

(b) Any (x) Indebtedness for Borrowed Money of the Borrower or any Major Subsidiary which is outstanding in a principal amount of at least the Requisite Amount in the aggregate or (y) Capitalized Lease in respect of any single Property in an amount equal to at least \$500,000,000, in each case, shall be declared to be due and payable, or required to be prepaid (other than by a scheduled required prepayment), redeemed, purchased or defeased, or an offer to prepay, redeem, purchase or defease such Indebtedness for Borrowed Money or Capitalized Lease, as applicable, shall be required to be made, in each case prior to the stated maturity thereof as a result of a breach by the Borrower or such Major Subsidiary (as the case may be) of the agreement or instrument relating to such Indebtedness for Borrowed Money or Capitalized Lease, as applicable, and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Indebtedness for Borrowed Money or Capitalized Lease, as applicable, unless adequate provision for the payment of such Indebtedness for Borrowed Money or Capitalized Lease, as applicable, has been made in form and substance satisfactory to the Required Lenders.

(c) The Borrower or any of its Major Subsidiaries shall admit in writing its inability to pay its debts generally as they become due.

Section 7.05 *Voluntary Bankruptcy; Appointment of Receiver; Etc.* The Borrower or any of its Major Subsidiaries shall (a) have an order for relief entered with respect to it under the Federal bankruptcy laws as now or hereafter in effect, (b) make an assignment for the benefit of creditors, (c) apply for, seek, consent to, or acquiesce in, the appointment of a receiver, custodian, trustee, examiner, liquidator or similar official for it or any Substantial Portion of its Property, (d) institute any proceeding seeking an order for relief under the Federal

bankruptcy laws as now or hereafter in effect or seeking to adjudicate it bankrupt or insolvent, or seeking dissolution, winding up, liquidation, reorganization, arrangement, adjustment or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors or fail to file an answer or other pleading denying the material allegations of any such proceeding filed against it, (e) take any corporate or partnership action to authorize or effect any of the foregoing actions set forth in this Section 7.05, or (f) fail to contest in good faith any appointment or proceeding described in Section 7.06

Section 7.06 *Involuntary Bankruptcy; Appointment of Receiver; Etc.* Without the application, approval or consent of the Borrower or any of its Major Subsidiaries, a receiver, trustee, custodian, examiner, liquidator or similar official shall be appointed for the Borrower or any of its Major Subsidiaries or any Substantial Portion of its Property, or a proceeding described in Section 7.05(d) shall be instituted against the Borrower or any of its Major Subsidiaries, and such appointment continues undischarged, or such proceeding continues undismissed or unstayed, in each case, for a period of sixty (60) consecutive days.

Section 7.07 *Judgments.* The Borrower or any of its Major Subsidiaries shall fail within sixty (60) days to pay, bond or otherwise discharge one or more judgments or orders for the payment of money (except to the extent covered by independent third party insurance and as to which the insurer has not disclaimed coverage) in excess of the Requisite Amount (or the equivalent thereof in currencies other than Dollars) in the aggregate, which judgment(s), in any such case, is/are not stayed on appeal or otherwise being appropriately contested in good faith.

Section 7.08 *Unfunded Liabilities.* (i) The aggregate Unfunded Liabilities of all Plans would reasonably be expected to result in a material adverse effect on the financial condition, results of operations, business or Property of the Borrower and its Subsidiaries taken as a whole; (ii) the present value of the unfunded liabilities to provide the accrued benefits under all Foreign Pension Plans in the aggregate would reasonably be expected to result in a material adverse effect on the financial condition, results of operations, business or Property of the Borrower and its Subsidiaries taken as a whole; or (iii) any Reportable Event shall occur in connection with any Plan and such Reportable Event would reasonably be expected to result in a material adverse effect on the financial condition, results of operations, business or Property of the Borrower and its Subsidiaries taken as a whole.

Section 7.09 *Reserved.*

Section 7.10 *Other ERISA Liabilities.* The Borrower, any Subsidiary or any other member of the Controlled Group shall have been notified by the sponsor of a Multiemployer Plan that it has incurred withdrawal liability or become obligated to make contributions to a Multiemployer Plan in an amount which, when aggregated with all other amounts required to be paid to Multiemployer Plans by the Borrower, any Subsidiary or any other member of the Controlled Group as withdrawal liability (determined as of the date of such notification), would reasonably be expected to result in a material adverse effect on the financial condition, results of operations, business or Property of the Borrower and its Subsidiaries taken as a whole.

Section 7.11 *Invalidity of Loan Documents.* Any material provision of any Loan Document, at any time after its execution and delivery and for any reason other than as expressly permitted hereunder or thereunder or satisfaction in full of all the Obligations (other than contingent indemnification obligations that survive the termination of this Agreement), ceases to be in full force and effect; or the Borrower contests in any manner the validity or enforceability of any Loan Document; or the Borrower denies that it has any or further liability or obligation under any Loan Document, or purports to revoke, terminate or rescind any Loan Document for any reason other than as expressly permitted hereunder or thereunder.

ARTICLE VIII

ACCELERATION, WAIVERS, AMENDMENTS AND REMEDIES

Section 8.01 *Acceleration, Etc.* If any Default described in Section 7.05 or 7.06 occurs, the obligations of the Lenders to make Loans shall automatically terminate and the Obligations of the Borrower shall immediately become due and payable without any election or action on the part of the Administrative Agent or any Lender. If any other Default occurs, the Required Lenders (or the Administrative Agent with the consent of the Required Lenders) may terminate or suspend (in whole or in part) the obligations of the Lenders to make Loans or declare the Obligations of the Borrower to be due and payable (in whole or in part), whereupon such Obligations shall become immediately due and payable, without presentment, demand, protest or notice of any kind, all of which the Borrower hereby expressly waives. Promptly upon any acceleration of the Obligations, the Administrative Agent will provide the Borrower with notice of such acceleration.

If, within thirty (30) days after acceleration of the maturity of the Obligations of the Borrower or termination of the obligations of the Lenders to make Loans hereunder as a result of any Default (other than any Default as described in Section 7.05 or 7.06) and before any judgment or decree for the payment of the Obligations due shall have been obtained or entered, the Required Lenders (in their sole discretion) shall so direct, the Administrative Agent shall, by notice to the Borrower, rescind and annul such acceleration and/or termination.

Section 8.02 *Amendments.* Subject to the provisions of this Article VIII and except as otherwise specified herein (including pursuant to a LIBOR Successor Amendment), the Required Lenders (or the Administrative Agent with the consent in writing of the Required Lenders) and the Borrower may enter into agreements supplemental hereto for the purpose of adding or modifying any provisions to the Loan Documents or changing in any manner the rights of the Lenders or the Borrower hereunder or thereunder or waiving any Default hereunder or thereunder; *provided, however*, that no such supplemental agreement shall:

(a) Extend the final maturity of any of the Loans of any Lender or forgive all or any portion of the principal amount thereof payable to any Lender, or reduce the rate or extend the scheduled time of payment of interest or fees thereon (other than a waiver of the application of the default rate of interest pursuant to Section 2.11 hereof) payable to any Lender, without the consent of each Lender affected thereby.

(b) Reduce the percentage specified in the definition of Required Lenders or any other percentage of Lenders specified to be the applicable percentage in this Agreement to act on specified matters or amend Section 2.19 or the definition of “Pro Rata Share”, without the consent of all Lenders affected thereby. For the sake of clarity, the increase or addition of one or more term loan or revolving credit facilities or an extension of the maturity of a portion of the Term Facility or Revolving Facility and similar modifications shall be permitted with the consent of the Required Lenders and the Lenders agreeing to participate in the new facility or to increase the amount of their commitment or extend the maturity of their Loans.

(c) Extend the Maturity Date or any Facility Termination Date as it applies to any Lender, or increase the amount or otherwise extend the term of the Revolving Commitment or Term Commitment of any Lender hereunder without the consent of each Lender affected thereby.

(d) Permit the Borrower to assign its rights or obligations under this Agreement except as provided in Section 6.07 without the consent of all Lenders.

(e) Amend this Section 8.02 without the consent of all Lenders.

provided further, that (i) no amendment of any provision of this Agreement relating to the Administrative Agent shall be effective without the written consent of the Administrative Agent; (ii) no amendment, waiver or consent shall, unless in writing and signed by the Administrative Agent in addition to the Lenders required above, affect the rights or duties of the Administrative Agent under this Agreement or any other Loan Document; (iii) any provision of this Agreement or any other Loan Document may be amended by an agreement in writing entered into by the Borrower and the Administrative Agent to cure any ambiguity, omission, defect or inconsistency (including, without limitation, amendments, supplements or waivers to any of documents executed by the Borrower or any Subsidiary in connection with this Agreement if such amendment, supplement or waiver is delivered in order to cause such related documents to be consistent with this Agreement and the other Loan Documents) and (iv) the Administrative Agent and the Borrower may enter into amendments or modifications to this Agreement or enter into additional documentation as the Administrative Agent reasonably deems appropriate in order to implement any Replacement Rate or otherwise effectuate the terms of Section 3.07(b) in accordance with the terms of Section 3.07(b). Notwithstanding anything to the contrary herein, no Defaulting Lender shall have any right to approve or disapprove any amendment, waiver or consent hereunder, (it being specifically understood and agreed that any amendment, waiver or consent which by its terms requires the consent of all Lenders or each affected Lender may be effected with the consent of the applicable Lenders other than Defaulting Lenders), except that (A) the Commitment of such Lender may not be increased or extended without the consent of such Lender and (B) any waiver, amendment or modification requiring the consent of all Lenders or each affected Lender that by its terms affects any Defaulting Lender more adversely than other affected Lenders shall require the consent of such Defaulting Lender.

Section 8.03 *Preservation of Rights.* No delay or omission of the Lenders or the Administrative Agent to exercise any right under the Loan Documents shall impair such right or be construed to be a waiver of any Default or an acquiescence therein, and the making of a Loan notwithstanding the existence of a Default or Unmatured Default or the inability of the

Borrower to satisfy the conditions precedent to such Loan shall not constitute any waiver or acquiescence. Any single or partial exercise of any such right shall not preclude other or further exercise thereof or the exercise of any other right, and no waiver, amendment or other variation of the terms, conditions or provisions of the Loan Documents whatsoever shall be valid unless in writing signed by, or by the Administrative Agent with the consent of, the requisite number of Lenders required pursuant to Section 8.02, and then only to the extent in such writing specifically set forth. All remedies contained in the Loan Documents or by law afforded shall be cumulative and all shall be available to the Administrative Agent and the Lenders until all of the Obligations have been paid in full.

ARTICLE IX

GENERAL PROVISIONS

Section 9.01 *Survival of Representations.* All representations and warranties made hereunder and in any other Loan Document or other document delivered pursuant hereto or thereto or in connection herewith or therewith shall survive the execution and delivery hereof and thereof. Such representations and warranties have been or will be relied upon by the Administrative Agent and each Lender, regardless of any investigation made by the Administrative Agent, any Lender or on their behalf and notwithstanding that the Administrative Agent, any Lender may have had notice or knowledge of any Default at the time of any Loan, and shall continue in full force and effect as long as any Loan or any other Obligation hereunder (other than any contingent indemnification obligations for which no claim has been made) shall remain unpaid or unsatisfied.

Section 9.02 *Governmental Regulation.* Anything contained in this Agreement to the contrary notwithstanding, no Lender shall be obligated to extend credit to the Borrower in violation of any limitation or prohibition provided by any applicable statute or regulation.

Section 9.03 *Headings.* Section headings in the Loan Documents are for convenience of reference only, and shall not govern the interpretation of any of the provisions of the Loan Documents.

Section 9.04 *Entire Agreement.* The Loan Documents embody the entire agreement and understanding among the Borrower, the Administrative Agent, the Arranger and the Lenders party thereto and supersede all prior agreements and understandings among the Borrower, the Administrative Agent, the Arranger and the Lenders, as applicable, relating to the subject matter thereof.

Section 9.05 *Several Obligations; Benefits of this Agreement.* The respective obligations of the Lenders hereunder are several and not joint and no Lender shall be the partner or agent of any other (except to the extent to which the Administrative Agent is authorized to act as such). The failure of any Lender to perform any of its obligations hereunder shall not relieve any other Lender from any of its obligations hereunder. Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants to the extent provided in Section 12.01(d) and, to the extent expressly contemplated hereby, the Related Parties of each

of the Administrative Agent and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement; *provided, however*, that the parties hereto expressly agree that the Arranger shall enjoy the benefits of the provisions of Sections 2.05(b), 9.06, 9.09 and 10.07 to the extent specifically set forth therein and shall have the right to enforce such provisions on its own behalf and in its own name to the same extent as if it were a party to this Agreement.

Section 9.06 Expenses; Indemnification. (a) *Costs and Expenses.* The Borrower shall reimburse (i) all reasonable and documented out-of-pocket expenses incurred by, without duplication, the Administrative Agent, the Arranger and their respective Affiliates (including the reasonable fees, charges and disbursements of Sidley Austin LLP), in connection with the syndication of the credit facilities provided for herein, the preparation, negotiation, execution, delivery and administration of this Agreement and the other Loan Documents or any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions contemplated hereby or thereby shall be consummated) and (ii) all reasonable and documented out-of-pocket expenses incurred by the Administrative Agent and the Lenders (including the reasonable fees, charges and disbursements of one primary counsel (and to the extent reasonably determined to be necessary, one local counsel and one regulatory counsel in any applicable jurisdiction) for the Administrative Agent and the Lenders) in connection with the enforcement or protection of its rights (A) in connection with this Agreement and the other Loan Documents, including its rights under this Section, or (B) in connection with the Loans made hereunder, including all such reasonable and documented out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans.

(b) *Indemnification by the Borrower.* The Borrower shall indemnify the Administrative Agent (and any sub-agent thereof) and each Lender, and each Related Party of any of the foregoing Persons (each such Person being called an “**Indemnitee**”) against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and the reasonable and documented out-of-pocket legal and other related expenses (including the reasonable fees, charges and disbursements of any counsel for any Indemnitee), in each case to the extent arising out of any investigation, litigation, claim or proceeding in connection with or as a result of (i) the execution or delivery of this Agreement, any other Loan Document or any agreement or instrument contemplated hereby or thereby, the performance by the parties hereto of their respective obligations hereunder or thereunder, the consummation of the transactions contemplated hereby or thereby, or, in the case of the Administrative Agent (and any sub-agent thereof) and its Related Parties only, the administration of this Agreement and the other Loan Documents (including in respect of any matters addressed in Section 3.05), (ii) any Loan or the use or proposed use of the proceeds therefrom, (iii) any actual or alleged presence or release of Hazardous Materials on or from any property owned, leased or operated by the Borrower or any of its Subsidiaries, or any Environmental Liability related in any way to the Borrower or any of its Subsidiaries or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory, whether brought by a third party or by the Borrower, and regardless of whether any Indemnitee is a party thereto; *provided* that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of

competent jurisdiction by final and nonappealable judgment to have resulted from (x) the bad faith, gross negligence or willful misconduct of such Indemnitee or its Related Parties, (y) a material breach of such Indemnitee's or its Related Parties' obligations hereunder or under any other Loan Document or (z) a dispute among two or more Indemnitees not arising from any act or omission of the Borrower or its Subsidiaries hereunder (but not including any such dispute that involves a Lender to the extent such Lender is acting in a different capacity (i.e., the Administrative Agent or the Arranger) under any Loan Document). This Section 9.06(b) shall not apply with respect to Taxes other than any Taxes that represent losses, claims, damages, etc. arising from any non-Tax claim.

(c) *Reimbursement by Lenders.* To the extent that the Borrower for any reason fails to indefeasibly pay any amount required under subsection (a) of this Section or the Borrower for any reason fail to indefeasibly pay or cause to be paid any amount required under subsection (b) of this Section, in each case, to be paid to the Administrative Agent (or any sub-agent thereof) or any Related Party of any of the foregoing, each Lender severally agrees to pay to the Administrative Agent (or any such sub-agent) or such Related Party, as the case may be, such Lender's ratable share (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount, *provided* that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent (or any such sub-agent) in its capacity as such, or against any Related Party of any of the foregoing acting for the Administrative Agent (or any such sub-agent) in connection with such capacity. The obligations of the Lenders under this subsection (c) are subject to the provisions of Section 2.17(b).

(d) *Waiver of Consequential Damages, Etc.* To the fullest extent permitted by applicable law, each party hereto shall not assert, and hereby waives, any claim against any other party hereto, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Loan Document or any agreement or instrument contemplated hereby, the transactions contemplated hereby or thereby, any Loan or the use of the proceeds thereof (it being agreed that the Borrower's indemnity and contribution obligations set forth in this Section 9.06 shall apply in respect of any special, indirect, consequential or punitive damages that may be awarded against any Indemnitee in connection with a claim by a third party unaffiliated with the Indemnitee). No Indemnitee referred to in subsection (b) above shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed to such unintended recipients by such Indemnitee through telecommunications, electronic or other information transmission systems in connection with this Agreement or the other Loan Documents or the transactions contemplated hereby or thereby other than for direct or actual damages resulting from the gross negligence, bad faith or willful misconduct of such Indemnitee or its Related Parties or a material breach of such Indemnitee's or its Related Parties' obligations hereunder or under any other Loan Document, in each case, as determined by a final and nonappealable judgment of a court of competent jurisdiction.

(e) *Payments.* All amounts due under this Section shall be payable not later than ten (10) Business Days after written demand therefor.

(f) *Survival*. The agreements in this Section shall survive the resignation of the Administrative Agent, the replacement of any Lender, the termination of the Aggregate Revolving Commitment and/or the Aggregate Term Commitment and the repayment, satisfaction or discharge of all the other Obligations.

Section 9.07 *Accounting*. Except as provided to the contrary herein, all accounting terms used herein shall be interpreted and all accounting determinations hereunder shall be made in accordance with the Agreement Accounting Principles.

Section 9.08 *Severability of Provisions*. Any provision in any Loan Document that is held to be inoperative, unenforceable, or invalid in any jurisdiction shall, as to that jurisdiction, be inoperative, unenforceable, or invalid without affecting the remaining provisions in that jurisdiction or the operation, enforceability, or validity of that provision in any other jurisdiction, and to this end the provisions of all Loan Documents are declared to be severable. Without limiting the foregoing provisions of this Section 9.08, if and to the extent that the enforceability of any provisions in this Agreement relating to Defaulting Lenders shall be limited by Debtor Relief Laws, as determined in good faith by the Administrative Agent, then such provisions shall be deemed to be in effect only to the extent not so limited.

Section 9.09 *Nonliability of Lenders*. The relationship between the Borrower on the one hand and the Lenders, the Arranger and the Administrative Agent on the other hand shall be solely that of borrower and lender. None of the Administrative Agent, the Arranger or any Lender shall have any fiduciary responsibilities to the Borrower. None of the Administrative Agent, the Arranger or any Lender undertakes any responsibility to the Borrower to review or inform the Borrower of any matter in connection with any phase of the Borrower's business or operations.

Section 9.10 *Confidentiality*. Each of the Administrative Agent and the Lenders agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its Affiliates and to its and its Affiliates' respective partners, directors, officers, employees, agents, trustees, advisors and representatives on a confidential basis (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential and with the Person, to the extent such compliance is within its control, disclosing such information being responsible for such compliance), (b) to the extent requested by any state, federal or foreign authority or examiner regulating banks or banking or otherwise purporting to have jurisdiction over it or its Affiliates (including any self-regulatory authority, such as the National Association of Insurance Commissioners); *provided* that the Administrative Agent and the Lenders, as applicable, shall, to the extent practicable and not prohibited by applicable law, give the Borrower reasonable notice thereof before complying therewith, except to the extent in connection with an audit or examination conducted by a regulatory authority having jurisdiction over it or its affiliates, (c) as may be compelled in a judicial or administrative proceeding or as otherwise required by applicable laws or regulations or by any subpoena or similar legal process, *provided* that the Administrative Agent and the Lenders, as applicable, shall, except with respect to regulatory audit or examination conducted by accountants or any governmental

or regulatory authority exercising examination or regulatory authority, to the extent practicable and not prohibited by applicable law, give the Borrower reasonable notice thereof before complying therewith, except to the extent in connection with an audit or examination conducted by a regulatory authority having jurisdiction over it or its affiliates, (d) to any other party hereto, (e) in connection with the exercise of any remedies or the enforcement of rights hereunder or under any other Loan Document in any suit, action or proceeding relating thereto to the extent such disclosure is reasonably necessary in connection with such suit, action or proceeding (provided that the Borrower shall be given notice thereof and a reasonable opportunity, in each case to the extent reasonably practicable and to the extent permitted by applicable law, to seek a protective court order with respect to such Information prior to such disclosure (it being understood that the refusal by a court to grant such a protective order shall not prevent the disclosure of such Information thereafter)), (f) subject to the acknowledgment and acceptance by any such party that such information is being disseminated on a confidential basis in accordance with the standard syndication process of the Arranger or customary market standards for dissemination of such types of information, subject to customary confidentiality restrictions that are no less restrictive in any material respect than those in this Section, which shall in any event require “click through” or other affirmative actions on the part of recipient to access such information, to (i) any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement or (ii) any actual or prospective counterparty (or its advisors) to any swap or derivative transaction relating to the Borrower and its obligations, (g) with the consent of the Borrower, (h) to the extent such Information (x) is or becomes publicly available other than as a result of a breach of this Section or (y) becomes available to the Administrative Agent, any Lender or any of their respective Affiliates from a source, other than the Borrower or its Affiliates, that is not to such Person’s knowledge subject to any confidentiality or fiduciary obligation to the Borrower with respect to such Information or (i) to the extent that such information is independently developed by the Administrative Agent or Lender, as applicable other than as a result of a breach of this Section.

In addition, on a confidential basis (except to the extent publicly available other than as a result of a breach of this Section), the Administrative Agent and each Lender may disclose the existence of this Agreement and the information about this Agreement to market data collectors, similar services providers to the lending industry, and service providers to the Administrative Agent and the Lenders in connection with the administration and management of this Agreement and the other Loan Documents.

For purposes of this Section, “**Information**” means all information received from the Borrower or any Subsidiary relating to the Borrower or any Subsidiary or any of their respective businesses, other than any such information that is available to the Administrative Agent or any Lender on a nonconfidential basis prior to disclosure by the Borrower or any Subsidiary. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

Each of the Administrative Agent and the Lenders acknowledges that (a) the Information may include material non-public information concerning the Borrower or a Subsidiary, as the case may be, (b) it has developed compliance procedures regarding the use of material non-public information and (c) it will handle such material non-public information in accordance with applicable law, including United States Federal and state securities laws.

Section 9.11 *Nonreliance.* Each of the Lenders hereby represents that it is not relying on or looking to any margin stock (as defined in Regulation U) as collateral in the extension or maintenance of the credit provided for herein.

Section 9.12 *Disclosure.* The Borrower and each Lender hereby acknowledge and agree that the Administrative Agent and/or its respective Affiliates and certain of the other Lenders and/or their respective Affiliates from time to time may hold investments in, make other loans to or have other relationships with the Borrower and its Affiliates.

ARTICLE X

THE ADMINISTRATIVE AGENT

Section 10.01 *Appointment and Authority.* Each of the Lenders hereby irrevocably appoints Sumitomo Mitsui Banking Corporation to act on its behalf as the Administrative Agent hereunder and under the other Loan Documents and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms hereof or thereof, together with such actions and powers as are reasonably incidental thereto. The provisions of this Article, other than Section 10.06 below, are solely for the benefit of the Administrative Agent and the Lenders, and the Borrower shall not have rights as a third party beneficiary of any of such provisions (other than as provided in Section 10.06 below). It is understood and agreed that the use of the term “agent” herein or in any other Loan Documents (or any other similar term) with reference to the Administrative Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable law. Instead such term is used as a matter of market custom, and is intended to create or reflect only an administrative relationship between contracting parties.

Section 10.02 *Rights as a Lender.* The Person serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent and the term “Lender” or “Lenders” shall, unless otherwise expressly indicated or unless the context otherwise requires, include the Person serving as the Administrative Agent hereunder in its individual capacity. Such Person and its Affiliates may accept deposits from, lend money to, act as the financial advisor or in any other advisory capacity for and generally engage in any kind of business with the Borrower or any Subsidiary or other Affiliate thereof as if such Person were not the Administrative Agent hereunder and without any duty to account therefor to the Lenders.

Section 10.03 *Reliance by Administrative Agent.* The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing (including any electronic

message, Internet or intranet website posting or other distribution) believed by it to be genuine and to have been signed, sent or otherwise authenticated by the proper Person; *provided* that the foregoing shall not relieve the Administrative Agent of its obligations to comply with the procedures set forth in Section 2.08, including the requirement to orally confirm the location and number of the Borrower's account to which proceeds of an Loans are to be disbursed. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to have been made by the proper Person, and shall not incur any liability for relying thereon. In determining compliance with any condition hereunder to the making of a Loan that by its terms must be fulfilled to the satisfaction of a Lender, the Administrative Agent may presume that such condition is satisfactory to such Lender unless the Administrative Agent shall have received notice to the contrary from such Lender prior to the making of such Loan. The Administrative Agent may consult with legal counsel (who may be counsel for the Borrower), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in good faith in accordance with the advice of any such counsel, accountants or experts.

Section 10.04 Exculpatory Provisions. The Administrative Agent shall not have any duties or obligations except those expressly set forth herein and in the other Loan Documents. Without limiting the generality of the foregoing, the Administrative Agent:

(a) shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing;

(b) shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby or by the other Loan Documents that the Administrative Agent is required to exercise as directed in writing by the Required Lenders (or such other number or percentage of the Lenders as shall be expressly provided for herein or in the other Loan Documents), *provided* that the Administrative Agent shall not be required to take any action that, in its opinion or the opinion of its counsel, may expose the Administrative Agent to liability or that is contrary to any Loan Document or applicable law, including for the avoidance of doubt any action that may be in violation of the automatic stay under any Debtor Relief Law or that may effect a forfeiture, modification or termination of property of a Defaulting Lender in violation of any Debtor Relief Law; and

(c) shall not, except as expressly set forth herein and in the other Loan Documents, have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Borrower or any of its Affiliates that is communicated to or obtained by the Person serving as the Administrative Agent or any of its Affiliates in any capacity.

The Administrative Agent shall not be liable for any action taken or not taken by it (i) with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary, or as the Administrative Agent shall believe in good faith shall be necessary, under the circumstances as provided in Article VIII) or (ii) in the absence of its own gross negligence or willful misconduct as determined by a court of competent jurisdiction by final and nonappealable judgment. The Administrative Agent shall be deemed not

to have knowledge of any Default unless and until written notice describing such Default is given to the Administrative Agent by the Borrower or a Lender.

The Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with this Agreement or any other Loan Document, (ii) the contents of any certificate, report or other document delivered hereunder or thereunder or in connection herewith or therewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein or therein or the occurrence of any Default, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement, any other Loan Document or any other agreement, instrument or document or (v) the satisfaction of any condition set forth in Article IV or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent.

Section 10.05 *Delegation of Duties.* The Administrative Agent may perform any and all of its duties and exercise its rights and powers hereunder or under any other Loan Document by or through any one or more sub-agents appointed by the Administrative Agent. The Administrative Agent and any such sub-agent may perform any and all of its duties and exercise its rights and powers by or through their respective Related Parties. The exculpatory provisions of this Article shall apply to any such sub-agent and to the Related Parties of the Administrative Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent. The Administrative Agent shall not be responsible for the negligence or misconduct of any sub-agents except to the extent that a court of competent jurisdiction determines in a final and non-appealable judgment that the Administrative Agent acted with gross negligence or willful misconduct (or breached its material obligations under the Loan Documents) in the selection of such sub-agents.

Section 10.06 *Resignation of Administrative Agent.* The Administrative Agent may at any time give notice of its resignation to the Lenders and the Borrower. Upon receipt of any such notice of resignation, the Required Lenders shall have the right, subject to, so long as no Default has occurred and is continuing, the consent of the Borrower (such consent not to be unreasonably withheld or delayed), to appoint a successor, which shall be a bank with an office in the United States, or an Affiliate of any such bank with an office in the United States. If no such successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent may on behalf of the Lenders, appoint a successor Administrative Agent meeting the qualifications set forth above, subject to, so long as no Default has occurred and is continuing, the consent of the Borrower (such consent not to be unreasonably withheld or delayed); *provided* that if the Administrative Agent shall notify the Borrower and the Lenders that no qualifying Person has accepted such appointment, then such resignation shall nonetheless become effective in accordance with such notice and (1) the retiring Administrative Agent shall be discharged from its duties and obligations hereunder and under the other Loan Documents and (2) except for any indemnity payments or other amounts then owed to the retiring Administrative Agent, all payments, communications and

determinations provided to be made by, to or through the Administrative Agent shall instead be made by or to each Lender directly, until such time as the Required Lenders appoint a successor Administrative Agent as provided for above in this Section. Upon the acceptance of a successor's appointment as Administrative Agent hereunder, such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring (or retired) Administrative Agent (other than as provided in Section 3.08 and other than any rights to indemnity payments or other amounts owed to the retiring Administrative Agent as of the effective date of its resignation), and the retiring Administrative Agent shall be discharged from all of its duties and obligations hereunder or under the other Loan Documents (if not already discharged therefrom as provided above in this Section). The fees payable by the Borrower to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Borrower and such successor. After the retiring Administrative Agent's resignation hereunder and under the other Loan Documents, the provisions of this Article and Section 9.06 shall continue in effect for the benefit of such retiring Administrative Agent, its sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while the retiring Administrative Agent was acting as Administrative Agent.

Section 10.07 *Non-Reliance on Administrative Agent and Other Lenders.* Each of the Lenders acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender or any of their Related Parties and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each of the Lenders also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender or any of their Related Parties and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any other Loan Document or any related agreement or any document furnished hereunder or thereunder.

Section 10.08 *No Other Duties, Etc..* Anything herein to the contrary notwithstanding, the Arranger listed on the cover page hereof shall not have any powers, duties or responsibilities under this Agreement or any of the other Loan Documents, except in its capacity, as applicable, as the Administrative Agent or a Lender hereunder.

Section 10.09 *Administrative Agent May File Proofs of Claim.* In case of the pendency of any proceeding under any Debtor Relief Law or any other judicial proceeding relative to the Borrower, the Administrative Agent (irrespective of whether the principal of any Loan shall then be due and payable as herein expressed or by declaration or otherwise and irrespective of whether the Administrative Agent shall have made any demand on the Borrower) shall be entitled and empowered (but not obligated), by intervention in such proceeding or otherwise:

(a) to file and prove a claim for the whole amount of the principal and interest owing and unpaid in respect of the Loans and all other Obligations that are owing and unpaid and to file such other documents as may be necessary or advisable in order to have the claims of the Lenders and the Administrative Agent (including any claim for the reasonable compensation,

expenses, disbursements and advances of the Lenders and the Administrative Agent and their respective agents and counsel and all other amounts due the Lenders and the Administrative Agent) allowed in such judicial proceeding; and

(b) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Lender to make such payments to the Administrative Agent and, in the event that the Administrative Agent shall consent to the making of such payments directly to the Lenders, to pay to the Administrative Agent any amount due for the reasonable compensation, expenses, disbursements and advances of the Administrative Agent and its agents and counsel, and any other amounts due to the Administrative Agent.

Nothing contained herein shall be deemed to authorize the Administrative Agent to authorize or consent to or accept or adopt on behalf of any Lender any plan of reorganization, arrangement, adjustment or composition affecting the Obligations or the rights of any Lender to authorize the Administrative Agent to vote in respect of the claim of any Lender in any such proceeding.

Section 10.10 ERISA.

(a) Each Lender (x) represents and warrants, as of the date such Person became a Lender party hereto, to, and (y) covenants, from the date such Person became a Lender party hereto to the date such Person ceases being a Lender party hereto, that at least one of the following is and will be true:

(i) such Lender is not using “plan assets” (within the meaning of Section 3(42) of ERISA or otherwise) of one or more Benefit Plans in connection with the Loans or the Commitments,

(ii) the transaction exemption set forth in one or more PTEs, such as PTE 84-14 (a class exemption for certain transactions determined by independent qualified professional asset managers), PTE 95-60 (a class exemption for certain transactions involving insurance company general accounts), PTE 90-1 (a class exemption for certain transactions involving insurance company pooled separate accounts), PTE 91-38 (a class exemption for certain transactions involving bank collective investment funds) or PTE 96-23 (a class exemption for certain transactions determined by in-house asset managers), is applicable with respect to such Lender’s entrance into, participation in, administration of and performance of the Loans, the Commitments and this Agreement,

(iii) (A) such Lender is an investment fund managed by a “Qualified Professional Asset Manager” (within the meaning of Part VI of PTE 84-14), (B) such Qualified Professional Asset Manager made the investment decision on behalf of such Lender to enter into, participate in, administer and perform the Loans, the Commitments

and this Agreement, (C) the entrance into, participation in, administration of and performance of the Loans, the Commitments and this Agreement satisfies the requirements of sub-sections (b) through (g) of Part I of PTE 84-14 and (D) to the best knowledge of such Lender, the requirements of subsection (a) of Part I of PTE 84-14 are satisfied with respect to such Lender's entrance into, participation in, administration of and performance of the Loans, the Commitments and this Agreement, or

(iv) such other representation, warranty and covenant as may be agreed in writing between the Administrative Agent, in its sole discretion, and such Lender.

(b) In addition, unless either (1) sub-clause (i) in the immediately preceding clause (a) is true with respect to a Lender or (2) a Lender has provided another representation, warranty and covenant in accordance with sub-clause (iv) in the immediately preceding clause (a), such Lender further (x) represents and warrants, as of the date such Person became a Lender party hereto, to, and (y) covenants, from the date such Person became a Lender party hereto to the date such Person ceases being a Lender party hereto, for the benefit of, the Administrative Agent, the Arranger and their respective Affiliates, and not, for the avoidance of doubt, to or for the benefit of the Borrower, that none of the Administrative Agent, the Arranger or any of their respective Affiliates is a fiduciary with respect to the assets of such Lender involved in the Loans, the Commitments and this Agreement (including in connection with the reservation or exercise of any rights by the Administrative Agent under this Agreement, any Loan Document or any documents related to hereto or thereto).

ARTICLE XI SETOFF

Section 11.01 *Setoff.* In addition to, and without limitation of, any rights of the Lenders under applicable law, if any Default occurs, any and all deposits (including all account balances, whether provisional or final and whether or not collected or available) and any other Indebtedness at any time held or owing by any Lender or any Affiliate of any Lender to or for the credit or account of the Borrower may be offset and applied toward the payment of the Obligations of the Borrower then owing to such Lender to the extent the Obligations shall then be due; *provided*, that in the event that any Defaulting Lender shall exercise any such right of setoff, (x) all amounts so set off shall be paid over immediately to the Administrative Agent for further application in accordance with the provisions of Section 2.20(a)(ii) and, pending such payment, shall be segregated by such Defaulting Lender from its other funds and deemed held in trust for the benefit of the Administrative Agent and the Lenders, and (y) the Defaulting Lender shall provide promptly to the Administrative Agent a statement describing in reasonable detail the Obligations owing to such Defaulting Lender as to which it exercised such right of setoff.

ARTICLE XII BENEFIT OF AGREEMENT; ASSIGNMENTS; PARTICIPATIONS

Section 12.01 *Successors and Assigns.* (a) *Successors and Assigns Generally.* The provisions of this Agreement and the other Loan Documents shall be binding upon and inure to

the benefit of the parties hereto and thereto and their respective successors and assigns permitted hereby, except that the Borrower may not assign or otherwise transfer any of its rights or obligations hereunder or thereunder without the prior written consent of the Administrative Agent and each Lender and no Lender may assign or otherwise transfer any of its rights or obligations hereunder except (i) to an assignee in accordance with the provisions of subsection (b) of this Section, (ii) by way of participation in accordance with the provisions of subsection (d) of this Section or (iii) by way of pledge or assignment of a security interest subject to the restrictions of subsection (f) of this Section (and any other attempted assignment or transfer by any party hereto shall be null and void).

(b) *Assignments by Lenders.* Any Lender may at any time assign to one or more assignees all or a portion of its rights and obligations under this Agreement and the other Loan Documents (including all or a portion of its Commitment and the Loans at the time owing to it); *provided* that any such assignment shall be subject to the following conditions:

(i) *Minimum Amounts.*

(A) in the case of an assignment of the entire remaining amount of the assigning Lender's Commitment and the Loans at the time owing to it or in the case of an assignment to a Lender, an Affiliate of a Lender or an Approved Fund, no minimum amount need be assigned; and

(B) in any case not described in subsection (b)(i)(A) of this Section, the aggregate amount of the Commitment (which for this purpose includes Loans outstanding thereunder) or, if the Commitment is not then in effect, the principal outstanding balance of the Loans of the assigning Lender subject to each such assignment, determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent or, if "Trade Date" is specified in the Assignment and Assumption, as of the Trade Date, shall not be less than \$10,000,000 unless each of the Administrative Agent and, so long as no Default under Sections 7.02, 7.05 or 7.06 has occurred and is continuing, the Borrower otherwise consents (each such consent not to be unreasonably withheld or delayed); *provided, however*, that concurrent assignments to members of an Assignee Group and concurrent assignments from members of an Assignee Group to a single Eligible Assignee (or to an Eligible Assignee and members of its Assignee Group) will be treated as a single assignment for purposes of determining whether such minimum amount has been met.

(ii) *Proportionate Amounts.* Each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement with respect to the Loans or the Commitment assigned.

(iii) *Required Consents.* No consent shall be required for any assignment except to the extent required by subsection (b)(i)(B) of this Section and, in addition:

(A) the prior written consent of the Borrower (such consent (x) not to be unreasonably withheld or delayed in the case of an assignment of Term Loans (*provided* that it shall be deemed “reasonable” for the Borrower to withhold its consent if the assignment is to any assignee other than a commercial banking institution with a credit rating for senior, unsecured, long-term indebtedness for borrowed money equal to or better than BBB- with S&P and Baa3 with Moody’s), and (y) in all other cases, to be provided in the Borrower’s sole discretion) shall be required unless a Default under Sections 7.02, 7.05 or 7.06 has occurred and is continuing at the time of such assignment; and

(B) the prior written consent of the Administrative Agent (such consent not to be unreasonably withheld or delayed) shall be required if such assignment is to a Person that is not a Lender, an Affiliate of such Lender or an Approved Fund with respect to such Lender.

(iv) *Assignment and Assumption.* The parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption, together with a processing and recordation fee in the amount of \$3,500; *provided, however,* that the Administrative Agent may, in its sole discretion, elect to waive such processing and recordation fee in the case of any assignment. The assignee, if it is not a Lender, shall deliver to the Administrative Agent an administrative questionnaire.

(v) *No Assignment to Borrower.* No such assignment shall be made to the Borrower or any of its Affiliates or Subsidiaries.

(vi) *No Assignment to Natural Persons.* No such assignment shall be made to a natural person.

(vii) *No Assignment to Defaulting Lenders.* No such assignment shall be made to a Defaulting Lender.

(viii) *Certain Additional Payments.* In connection with any assignment of rights and obligations of any Defaulting Lender hereunder, no such assignment shall be effective unless and until, in addition to the other conditions thereto set forth herein, the parties to the assignment shall make such additional payments to the Administrative Agent in an aggregate amount sufficient, upon distribution thereof as appropriate (which may be outright payment, purchases by the assignee of participations or subparticipations, or other compensating actions, including funding, with the consent of the Borrower and the Administrative Agent, the Pro Rata Share of Loans previously requested but not funded by the Defaulting Lender, to each of which the applicable assignee and assignor hereby irrevocably consent), to (x) pay and satisfy in full all payment liabilities then owed by such Defaulting Lender to the Administrative Agent or any Lender hereunder (and interest accrued thereon) and (y) acquire (and fund as appropriate) its full Pro Rata Share of all Loans. Notwithstanding the foregoing, in the event that any assignment of rights and obligations of any Defaulting Lender hereunder shall become effective under applicable law without compliance with the provisions of

this paragraph, then the assignee of such interest shall be deemed to be a Defaulting Lender for all purposes of this Agreement until such compliance occurs.

Subject to acceptance and recording thereof by the Administrative Agent pursuant to subsection (c) of this Section, from and after the effective date specified in each Assignment and Assumption, the assignee thereunder shall be a party to this Agreement and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto) but shall continue to be entitled to the benefits of Sections 3.01, 3.03, 3.04, 3.05, and 9.06 with respect to facts and circumstances occurring prior to the effective date of such assignment. Upon request, the Borrower (at its expense) shall execute and deliver a Note to the assignee Lender. Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this subsection shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with subsection (d) of this Section.

(c) *Register.* The Administrative Agent, acting solely for this purpose as a non-fiduciary agent of the Borrower, shall maintain at the Administrative Agent's Office a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitments of, and principal amounts (and stated interest) of the Loans owing to, each Lender pursuant to the terms hereof from time to time (the "**Register**"). The entries in the Register shall be conclusive, absent manifest error, and the Borrower, the Administrative Agent and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. In addition, the Administrative Agent shall maintain on the Register information regarding the designation, and revocation of designation, of any Lender as a Defaulting Lender. The Register shall be available for inspection by the Borrower at any reasonable time and from time to time upon reasonable prior notice. In addition, at any time that a request for a consent for a material or substantive change to the Loan Documents is pending, any Lender may request and receive from the Administrative Agent a copy of the Register.

(d) *Participations.* Any Lender may, with the prior written consent of the Borrower ((i) such consent (x) not to be unreasonably withheld or delayed in the case of sale of participations in Term Loans (*provided* that it shall be deemed "reasonable" for the Borrower to withhold its consent if the sale of the participation is to any participant other than a commercial banking institution with a credit rating for senior, unsecured, long-term indebtedness for borrowed money equal to or better than BBB- with S&P and Baa3 with Moody's), and (y) in all other cases, to be provided in the Borrower's sole discretion and (ii) such consent not to be required if a Default under Sections 7.02, 7.05 or 7.06 has occurred and is continuing at the time of the sale of the applicable participation), sell participations to any Person (other than a natural person, Defaulting Lender or the Borrower or any of its Affiliates or Subsidiaries) (each, a

“**Participant**”), in all or a portion of such Lender’s rights and/or obligations under this Agreement (including all or a portion of its Commitment and/or the Loans); *provided* that (i) such Lender’s obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Borrower, the Administrative Agent and the Lenders shall continue to deal solely and directly with such Lender in connection with such Lender’s rights and obligations under this Agreement.

Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; *provided* that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, waiver or other modification described in the first proviso to Section 8.02 that affects such Participant. Subject to subsection (e) of this Section, the Borrower agrees that each Participant shall be entitled to the benefits of Sections 3.01, 3.03, 3.04 and 3.05 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to subsection (b) of this Section. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 11.01 as though it were a Lender, *provided* that such Participant agrees to be subject to Section 2.19 as though it were a Lender.

Each Lender that sells a participation shall, acting solely for this purpose as a nonfiduciary agent of the Borrower, maintain a register on which it enters the name and address of each Participant and the principal amounts (and stated interest) of each Participant’s interest in the Loans or other Obligations under the Loan Documents (the “**Participant Register**”); *provided* that no Lender shall have any obligation to disclose all or any portion of the Participant Register (including the identity of any Participant or any information relating to a Participant's interest in any Commitments, Loans or its other Obligations under any Loan Document) to any Person except to the extent that such disclosure is necessary to establish that such Commitment, Loan or other Obligation is in registered form under Section 5f.103-1(c) of the United States Treasury Regulations. The entries in the Participant Register shall be conclusive absent manifest error, and such Lender shall treat each Person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement notwithstanding any notice to the contrary. For the avoidance of doubt, the Administrative Agent (in its capacity as Administrative Agent) shall have no responsibility for maintaining a Participant Register.

(e) *Limitations upon Participant Rights.* A Participant shall not be entitled to receive any greater payment under Section 3.01, 3.03, 3.04 or 3.05 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrower’s prior written consent. A Participant shall not be entitled to the benefits of Section 3.05 unless such Participant agrees to comply with Section 3.05 as though it were a Lender (it being understood that the documentation required under Section 3.05(e) shall be delivered to the Lender who sells the participation).

(f) *Certain Pledges.* Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement (including under its Note, if any) to secure

obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank or other central banking authority having jurisdiction over such Lender; *provided* that no such pledge or assignment shall release such Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

Section 12.02 *Dissemination of Information.* The Borrower authorizes each of the Lenders to disclose to any Participant or any other Person acquiring an interest in the Loan Documents by operation of law (each a “**Transferee**”) and any prospective Transferee any and all information in such Lender’s possession concerning the creditworthiness of the Borrower and its Subsidiaries, including without limitation any information contained in any reports or other information delivered by the Borrower pursuant to Section 6.01; *provided* that each Transferee and prospective Transferee agrees to be bound by Section 9.10 of this Agreement or other provisions at least as restrictive as Section 9.10 including making the acknowledgments set forth therein.

Section 12.03 *Tax Treatment.* If any interest in any Loan Document is transferred to any Transferee which is organized under the laws of any jurisdiction other than the United States or any State thereof, the transferor Lender shall cause such Transferee, concurrently with the effectiveness of such transfer, to comply with the provisions of Section 3.05(e); provided, that damages for any breach of this Section 12.03 shall in no event exceed the reasonable out-of-pocket expenses incurred by the Borrower in collecting or attempting to collect from the Transferee any forms it reasonably requires in order to determine its withholding and reporting obligations in accordance with Section 3.05(e) herein.

ARTICLE XIII **NOTICES**

Section 13.01 *Notices; Effectiveness; Electronic Communication.* (a) *Notices Generally.* Except in the case of notices and other communications expressly permitted to be given by telephone (and except as provided in subsection (b) below), all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopier as follows, and all notices and other communications expressly permitted hereunder to be given by telephone shall be made to the applicable telephone number, as follows:

(i) if to the Borrower or the Administrative Agent, to the address, telecopier number, electronic mail address or telephone number set forth on Schedule 13.01; and

(ii) if to any other Lender, to the address, telecopier number, electronic mail address or telephone number specified in its administrative questionnaire.

Notices and other communications sent by hand or overnight courier service, or mailed by certified or registered mail, shall be deemed to have been given when received; notices and other communications sent by telecopier shall be deemed to have been given when sent (except that, if not given during normal business hours for the recipient, shall be deemed to have been given at the opening of business on the next Business Day for the recipient). Notices and other

communications delivered through electronic communications to the extent provided in paragraph (b) below, shall be effective as provided in said paragraph (b).

(b) *Electronic Communications.* Notices and other communications to the Lenders hereunder may be delivered or furnished by electronic communication (including e-mail and internet or intranet websites) pursuant to procedures approved by the Administrative Agent or as otherwise determined by the Administrative Agent, *provided* that the foregoing shall not apply to notices to any Lender pursuant to Article II if such Lender has notified the Administrative Agent that it is incapable of receiving notices under such Article by electronic communication. The Administrative Agent or the Borrower may, in its respective discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it or as it otherwise determines, *provided* that such determination or approval may be limited to particular notices or communications.

Unless the Administrative Agent otherwise prescribes, (i) notices and other communications sent to an e-mail address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgement), *provided* that if such notice or other communication is not given during the normal business hours of the recipient, such notice or communication shall be deemed to have been given at the opening of business on the next Business Day for the recipient, and (ii) notices or communications posted to an Internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient at its e-mail address as described in the foregoing clause (i) of notification that such notice or communication is available and identifying the website address therefor.

(c) *The Platform.* THE PLATFORM (IF ANY) IS PROVIDED "AS IS" AND "AS AVAILABLE." THE AGENT PARTIES (AS DEFINED BELOW) DO NOT WARRANT THE ACCURACY OR COMPLETENESS OF THE BORROWER MATERIALS OR THE ADEQUACY OF THE PLATFORM, AND EXPRESSLY DISCLAIM LIABILITY FOR ERRORS IN OR OMISSIONS FROM THE BORROWER MATERIALS. NO WARRANTY OF ANY KIND, EXPRESS, IMPLIED OR STATUTORY, INCLUDING ANY WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NON-INFRINGEMENT OF THIRD PARTY RIGHTS OR FREEDOM FROM VIRUSES OR OTHER CODE DEFECTS, IS MADE BY ANY AGENT PARTY IN CONNECTION WITH THE BORROWER MATERIALS OR THE PLATFORM. In no event shall the Administrative Agent or any of its Related Parties (collectively, the "**Agent Parties**") have any liability to the Borrower, any Lender, or any other Person for losses, claims, damages, liabilities or expenses of any kind (whether in tort, contract or otherwise) arising out of the Borrower's or the Administrative Agent's transmission of Borrower Materials through the Internet, except to the extent that such losses, claims, damages, liabilities or expenses are determined by a court of competent jurisdiction by a final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Agent Party; *provided, however*, that in no event shall any Agent Party have any liability to the Borrower, any Lender, or any other Person for indirect, special, incidental, consequential or punitive damages (as opposed to direct or actual damages).

(d) *Change of Address, Etc.* Each of the Borrower and the Administrative Agent may change its address, telecopier or telephone number for notices and other communications hereunder by written notice to the other parties hereto. Each other Lender may change its address, telecopier or telephone number for notices and other communications hereunder by written notice to the Borrower and the Administrative Agent. In addition, each Lender agrees to notify the Administrative Agent from time to time to ensure that the Administrative Agent has on record (i) an effective address, contact name, telephone number, telecopier number and electronic mail address to which notices and other communications may be sent and (ii) accurate wire instructions for such Lender. Furthermore, each Public Lender agrees to cause at least one individual at or on behalf of such Public Lender to at all times have selected the “Private Side Information” or similar designation on the content declaration screen of the Platform in order to enable such Public Lender or its delegate, in accordance with such Public Lender’s compliance procedures and applicable law, including United States Federal and state securities laws, to make reference to Borrower Materials that are not made available through the “Public Side Information” portion of the Platform and that may contain material non-public information with respect to the Borrower or its securities for purposes of United States Federal or state securities laws.

(e) *Reliance by Administrative Agent and Lenders.* The Administrative Agent and the Lenders shall be entitled to rely and act upon any notices purportedly given by or on behalf of the Borrower so long as such notices appear on their face to be authentic even if (i) such notices were not made in a manner specified herein, were incomplete or were not preceded or followed by any other form of notice specified herein, or (ii) the terms thereof, as understood by the recipient, varied from any confirmation thereof. The Borrower shall indemnify the Administrative Agent, each Lender and the Related Parties of each of them from all losses, costs, expenses and liabilities resulting from the reliance by such Person on each notice purportedly given by or on behalf of the Borrower. All telephonic communications with the Administrative Agent may be recorded by the Administrative Agent, and each of the parties hereto hereby consents to such recording.

ARTICLE XIV

COUNTERPARTS; INTEGRATION; EFFECTIVENESS; ELECTRONIC EXECUTION

Section 14.01 *Counterparts; Effectiveness.* This Agreement may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. Except as provided in Article IV, this Agreement shall become effective when it shall have been executed by the Administrative Agent and when the Administrative Agent shall have received counterparts hereof which, when taken together, bear the signatures of each of the parties hereto, and thereafter shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Delivery of an executed counterpart of a signature page of this Agreement by telecopy or email shall be effective as delivery of a manually executed counterpart of this Agreement.

Section 14.02 *Electronic Execution of Assignments.* The words “execute,” “execution,” “signed,” “signature,” and words of like import in or related to any document to be signed in connection with this Agreement and the transactions contemplated hereby (including without limitation Assignment and Assumptions, amendments or other modifications, Borrowing Notices, waivers and consents) shall be deemed to include electronic signatures, the electronic matching of assignment terms and contract formations on electronic platforms approved by the Administrative Agent, or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act; *provided* that notwithstanding anything contained herein to the contrary, the Administrative Agent is under no obligation to agree to accept electronic signatures in any form or in any format unless expressly agreed to by the Administrative Agent pursuant to procedures approved by it.

ARTICLE XV

CHOICE OF LAW; CONSENT TO JURISDICTION; WAIVER OF JURY TRIAL

Section 15.01 *Choice of Law.* THE LOAN DOCUMENTS AND OBLIGATIONS OF THE PARTIES THEREUNDER (INCLUDING, WITHOUT LIMITATION, ANY CLAIMS SOUNDING IN CONTRACT LAW OR TORT LAW ARISING OUT OF THE SUBJECT MATTER THEREOF AND ANY DETERMINATIONS WITH RESPECT TO POST-JUDGMENT INTEREST) SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO CONFLICTS OF LAW PRINCIPLES THEREOF THAT WOULD REQUIRE THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION.

Section 15.02 *Consent to Jurisdiction.* EACH OF THE BORROWER, THE ADMINISTRATIVE AGENT, THE ARRANGER AND THE LENDERS HEREBY IRREVOCABLY SUBMITS TO JURISDICTION OF any Federal COURT OF THE UNITED STATES OF AMERICA SITTING IN THE BOROUGH OF MANHATTAN OR, IF THAT COURT DOES NOT HAVE SUBJECT MATTER JURISDICTION, IN ANY STATE COURT LOCATED IN THE CITY AND COUNTY OF NEW YORK IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO ANY LOAN DOCUMENTS AND HEREBY IRREVOCABLY AGREES THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN ANY SUCH COURT AND IRREVOCABLY WAIVES ANY OBJECTION IT MAY NOW OR HEREAFTER HAVE AS TO THE VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN SUCH A COURT OR THAT SUCH COURT IS AN INCONVENIENT FORUM. NOTHING HEREIN SHALL LIMIT THE RIGHT OF THE ADMINISTRATIVE AGENT, THE ARRANGER OR ANY LENDER TO BRING PROCEEDINGS AGAINST THE BORROWER IN THE COURTS OF ANY OTHER JURISDICTION. ANY JUDICIAL PROCEEDING BROUGHT BY THE BORROWER, DIRECTLY OR INDIRECTLY, IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH ANY LOAN DOCUMENT SHALL BE

BROUGHT ONLY IN A COURT IN ANY FEDERAL COURT OF THE UNITED STATES OF AMERICA SITTING IN THE BOROUGH OF MANHATTAN OR, IF THAT COURT DOES NOT HAVE SUBJECT MATTER JURISDICTION, IN ANY STATE COURT LOCATED IN THE CITY AND COUNTY OF NEW YORK.

EACH OF THE BORROWER, THE ADMINISTRATIVE AGENT, THE ARRANGER AND THE LENDERS HEREBY AGREES FURTHER THAT SERVICE OF ALL PROCESS IN ANY SUCH PROCEEDING IN ANY SUCH COURT MAY BE MADE BY REGISTERED OR CERTIFIED MAIL, RETURN RECEIPT REQUESTED, TO THE APPLICABLE PERSON AT ITS ADDRESS PROVIDED IN ACCORDANCE WITH SECTION 13.01 AND AGREES THAT SUCH SERVICE IS SUFFICIENT TO CONFER PERSONAL JURISDICTION OVER THE APPLICABLE PERSON IN ANY SUCH PROCEEDING IN ANY SUCH COURT, AND OTHERWISE CONSTITUTES EFFECTIVE AND BINDING SERVICE IN EVERY RESPECT. NOTHING HEREIN SHALL LIMIT THE RIGHT OF THE ADMINISTRATIVE AGENT, THE ARRANGER OR LENDERS TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW.

Section 15.03 *Waiver of Jury Trial.* EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

Section 15.04 *U.S. Patriot Act Notice.* Each Lender that is subject to the U.S. Patriot Act and the Administrative Agent (for itself and not on behalf of any Lender) hereby notifies the Borrower that pursuant to the requirements of the U.S. Patriot Act, it is required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow such Lender or the Administrative Agent, as applicable, to identify the Borrower in accordance with the U.S. Patriot Act. The Borrower shall, promptly following a request by the Administrative Agent or any Lender, provide all documentation and other information that the Administrative Agent or such Lender requests in order to comply with its ongoing obligations under applicable “know your customer” and anti-money laundering rules and regulations, including the U.S. Patriot Act.

Section 15.05 *No Advisory or Fiduciary Responsibility.* In connection with all aspects of each transaction contemplated hereby (including in connection with any amendment, waiver

or other modification hereof or of any other Loan Document), the Borrower acknowledges and agrees, and acknowledges its Affiliates' understanding, that: (i) (A) the arranging and other services regarding this Agreement provided by the Administrative Agent, the Arranger and the Lenders are arm's-length commercial transactions between the Borrower and its Affiliates, on the one hand, and the Administrative Agent, the Arranger and the Lenders, on the other hand, (B) the Borrower has consulted its own legal, accounting, regulatory and tax advisors to the extent it has deemed appropriate, and (C) the Borrower is capable of evaluating, and understands and accepts, the terms, risks and conditions of the transactions contemplated hereby and by the other Loan Documents; (ii) (A) each of the Administrative Agent, the Arranger and the Lenders is and has been acting solely as a principal and, except as expressly agreed in writing by the relevant parties, has not been, is not, and will not be acting as an advisor, agent or fiduciary for the Borrower or any of its Affiliates, or any other Person and (B) neither the Administrative Agent nor the Arranger nor any of the Lenders has any obligation to the Borrower or any of its Affiliates with respect to the transactions contemplated hereby except those obligations expressly set forth herein and in the other Loan Documents; and (iii) the Administrative Agent, the Arranger, the Lenders and their respective Affiliates may be engaged in a broad range of transactions that involve interests that differ from those of the Borrower and its Affiliates, and neither the Administrative Agent nor the Arranger nor any of the Lenders has any obligation to disclose any of such interests to the Borrower or its Affiliates. To the fullest extent permitted by law, the Borrower hereby agrees and covenants that it will not make any claims that it may have against the Administrative Agent, the Arranger and the Lenders with respect to any breach or alleged breach of agency or fiduciary duty in connection with any aspect of any transaction contemplated hereby.

Section 15.06 *Judgment Currency.* If, for the purposes of obtaining judgment in any court, it is necessary to convert a sum due hereunder or any other Loan Document in one currency into another currency, the rate of exchange used shall be that at which in accordance with normal banking procedures the Administrative Agent could purchase the first currency with such other currency on the Business Day preceding that on which final judgment is given. The obligation of the Borrower in respect of any such sum due from it to the Administrative Agent or any Lender hereunder or under the other Loan Documents shall, notwithstanding any judgment in a currency (the "Judgment Currency") other than that in which such sum is denominated in accordance with the applicable provisions of this Agreement (the "Agreement Currency"), be discharged only to the extent that on the Business Day following receipt by the Administrative Agent or such Lender, as the case may be, of any sum adjudged to be so due in the Judgment Currency, the Administrative Agent or such Lender, as the case may be, may in accordance with normal banking procedures purchase the Agreement Currency with the Judgment Currency. If the amount of the Agreement Currency so purchased is less than the sum originally due to the Administrative Agent or any Lender from the Borrower in the Agreement Currency, the Borrower agrees, as a separate obligation and notwithstanding any such judgment, to indemnify the Administrative Agent or such Lender, as the case may be, against such loss. If the amount of the Agreement Currency so purchased is greater than the sum originally due to the Administrative Agent or any Lender in such currency, the Administrative Agent or such Lender, as the case may be, agrees to return the amount of any excess to the Borrower (or to any other Person who may be entitled thereto under applicable law).

Section 15.07 *Acknowledgement and Consent to Bail-In of EEA Financial Institutions*. Notwithstanding anything to the contrary in any Loan Document or in any other agreement, arrangement or understanding among any such parties, each party hereto acknowledges that any liability of any EEA Financial Institution arising under any Loan Document, to the extent such liability is unsecured, may be subject to the Write-Down and Conversion Powers of an EEA Resolution Authority and agrees and consents to, and acknowledges and agrees to be bound by:

- (a) the application of any Write-Down and Conversion Powers by an EEA Resolution Authority to any such liabilities arising hereunder which may be payable to it by any party hereto that is an EEA Financial Institution;
- (b) the effects of any Bail-In Action on any such liability, including, if applicable:
 - (i) a reduction in full or in part or cancellation of any such liability;
 - (ii) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such EEA Financial Institution, its parent undertaking, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Agreement or any other Loan Document; or
 - (iii) the variation of the terms of such liability in connection with the exercise of the Write-Down and Conversion Powers of any EEA Resolution Authority.

[Signature Pages Follow]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

WALGREENS BOOTS ALLIANCE, INC.,
as the Borrower

By: _____
Name:
Title:

By: _____
Name:
Title:

[Signature Page to Credit Agreement]

ADMINISTRATIVE AGENT AND LENDER:

SUMITOMO MITSUI BANKING CORPORATION,
as the Administrative Agent and
as a Lender

By: _____
Name:
Title:

[Signature Page to Credit Agreement]

Schedule 1.01

**PRICING SCHEDULE
TO CREDIT AGREEMENT**

Index Debt Rating (Moody's or S&P)	Applicable Revolving Commitment Fee Rate	Applicable Margin for Eurocurrency Loans (including, with respect to Revolving Loans, LIBOR Daily Floating Rate Loans)	Applicable Margin for Alternate Base Rate Loans
Rating Category 1: \geq BBB/Baa2	0.110%	0.75%	0.00%
Rating Category 2: \leq BBB-/Baa3	0.150%	1.00%	0.00%

For purposes of the foregoing, “**Index Debt**” means senior, unsecured, long-term Indebtedness for Borrowed Money of the Borrower that is not guaranteed by any other person or subject to any other credit enhancement. If (i) either Moody's or S&P shall not have in effect a rating for the Index Debt (other than by reason of the circumstances referred to in the last sentence of this paragraph), then such rating agency shall be deemed to have established a rating in Rating Category 2; (ii) the ratings established or deemed to have been established by Moody's and S&P for the Index Debt shall fall within different Rating Categories, the Applicable Margin and Applicable Revolving Commitment Fee Rate shall be based on the higher of the two ratings, and (iii) the ratings established or deemed to have been established by Moody's and S&P for the Index Debt shall be changed (other than as a result of a change in the rating system of Moody's or S&P), such change shall be effective as of the date on which it is first announced by the applicable rating agency. Each change in the Applicable Margin and the Applicable Revolving Commitment Fee Rate shall apply during the period commencing on the effective date of such change and ending on the date immediately preceding the effective date of the next such change. If the rating system of Moody's or S&P shall change, or if either such rating agency shall cease to be in the business of rating corporate debt obligations, the Borrower and the Lenders shall negotiate in good faith to amend this definition to reflect such changed rating system or the unavailability of ratings from such rating agency and, pending the effectiveness of any such amendment, the Applicable Margin and Applicable Revolving Commitment Fee Rate shall be determined by reference to the rating most recently in effect prior to such change or cessation.

Schedule 2.01

**COMMITMENT SCHEDULE
TO CREDIT AGREEMENT**

[On file with Administrative Agent]

Schedule 13.01

CERTAIN ADDRESSES FOR NOTICES

1. Address of the Borrower:

Attention:
Aidan Clare; Senior Vice President and Global Treasurer
108 Wilmot Road
Deerfield, IL 60015
Phone: (847) 315-3593
Fax: (847) 315-3652
Email: Aidan.Clare@wba.com

With a copy to:

Attention:
Marco Pagni; Executive Vice President, Global Chief Administrative Officer and General Counsel
108 Wilmot Road
Deerfield, IL 60015
Phone: (847) 315-2665
Fax: (847) 315-3652
Email: Marco.Pagni@wba.com

With copies to:

Attention:
Gráinne Kelly; Vice President, Global Treasury
108 Wilmot Road
Deerfield, IL 60015
Phone: (847) 315-2634
Fax: (847) 315-3652
Email: Grainne.Kelly@wba.com

Garrett Jenks; Director, Global Treasury
108 Wilmot Road
Deerfield, IL 60015
Phone: (847) 315-3705
Fax: (847) 315-3652
Email: Garrett.Jenks@wba.com

2. Address for the Administrative Agent:

Sumitomo Mitsui Banking Corporation, NY Branch
277 Park Avenue
New York, NY 10172
Telephone: 212-224-4008
Attn: Randall Wernes
E-Mail: Randall_Wernes@smbcgroup.com

3. Wiring Instructions for the Administrative Agent

Sumitomo Mitsui Banking Corp. []
Account Name: []
Account Number: []

CERTIFICATION

I, Stefano Pessina, certify that:

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

/s/

Stefano Pessina

Chief Executive Officer

Date: April 2, 2019

Stefano Pessina

CERTIFICATION

I, James Kehoe, certify that:

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

/s/

James Kehoe

Global Chief Financial Officer

Date: April 2, 2019

James Kehoe

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

In connection with the Quarterly Report of Walgreens Boots Alliance, Inc., a Delaware corporation (the "Company"), on Form 10-Q for the quarter ended February 28, 2019 as filed with the Securities and Exchange Commission (the "Report"), I, Stefano Pessina, Chief Executive Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Stefano Pessina

Stefano Pessina

Chief Executive Officer

Dated: April 2, 2019

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

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

In connection with the Quarterly Report of Walgreens Boots Alliance, Inc., a Delaware corporation (the "Company"), on Form 10-Q for the quarter ended February 28, 2019 as filed with the Securities and Exchange Commission (the "Report"), I, James Kehoe, Global Chief Financial Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ James Kehoe

James Kehoe
Global Chief Financial Officer
Dated: April 2, 2019

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