

RITE AID CORP
Form PRER14A
November 13, 2006
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

(Amendment No. 1)

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

Filed by the Registrant ☒ x

Filed by a Party other than the Registrant ☐ o

Check the appropriate box:

- | | |
|---------------------------------------|---|
| <input checked="" type="checkbox"/> x | Preliminary Proxy Statement |
| <input type="checkbox"/> o | Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2)) |
| <input type="checkbox"/> o | Definitive Proxy Statement |
| <input type="checkbox"/> o | Definitive Additional Materials |
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RITE AID CORPORATION

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- | | |
|---------------------------------------|--|
| <input type="checkbox"/> o | No fee required. |
| <input checked="" type="checkbox"/> x | Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11. |
| (1) | Title of each class of securities to which transaction applies:
The Jean Coutu Group (PJC) USA, Inc. common stock, par value \$1.00 per share, and preferred stock, par value \$1.00 per share (or, in the event the reorganization described in the proxy statement is completed prior to the closing, the JCG (PJC) USA, LLC membership interests). |
| (2) | Aggregate number of securities to which transaction applies:
236 shares of common stock and 3,000 shares of preferred stock of The Jean Coutu Group (PJC) USA, Inc. (or, in the event the reorganization described in the proxy statement is completed prior to the closing, 100 units of JCG (PJC) USA, LLC). |
| (3) | Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
\$530,770,000, calculated pursuant to Rule 0-11(c)(1)(i) and Rule 0-11(a)(4) of the Securities Exchange Act of 1934, as amended, which represents the book value of The Jean Coutu Group (PJC) USA, Inc. (the securities of which will be received by Rite Aid Corporation in the transaction). |
| (4) | Proposed maximum aggregate value of transaction:
\$530,770,000, calculated pursuant to Rule 0-11(c)(1)(i) and Rule 0-11(a)(4) of the Securities Exchange Act of 1934, as amended. |
| (5) | Total fee paid:
\$56,793 |
| <input checked="" type="checkbox"/> x | Fee paid previously with preliminary materials. |
| <input type="checkbox"/> o | Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing. |
| (1) | Amount Previously Paid: |

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- (2) Form, Schedule or Registration Statement No.:
 - (3) Filing Party:
 - (4) Date Filed:
-

**PRELIMINARY PROXY STATEMENT
SUBJECT TO COMPLETION**

[_____] , 2006

To the Stockholders of Rite Aid Corporation:

On behalf of the board of directors, we are pleased to deliver to you our proxy statement relating to Rite Aid's acquisition of the Brooks and Eckerd drugstore chains from The Jean Coutu Group (PJC) Inc., or Jean Coutu Group. This acquisition will dramatically accelerate our growth strategy, particularly in geographic areas where we have already been focusing our new and relocated store development, and improve our operating results by spreading fixed expenses over a larger store base. We believe the acquisition also will give Rite Aid the scale to compete more effectively in the very competitive retail pharmacy business.

In this transaction:

- We will acquire from Jean Coutu Group all of the capital stock of The Jean Coutu Group (PJC) USA, Inc., or Jean Coutu USA, the holding company for the Brooks and Eckerd drugstore chains, in exchange for the issuance of 250 million shares of Rite Aid common stock, \$1.45 billion in cash (subject to certain adjustments) and the intended assumption of \$850 million of Jean Coutu Group long-term notes (with the cash component increasing to \$2.3 billion if the notes are not assumed).
- Jean Coutu Group will become our largest stockholder, owning approximately 32.0% of our common stock, which will represent approximately 30.2% of the voting power of our outstanding voting securities upon completion of the transaction.
- We have entered into a stockholder agreement with Jean Coutu Group and certain Coutu family members that will become effective upon completion of the transaction and will govern Jean Coutu Group's ownership interest in Rite Aid. The stockholder agreement contains provisions relating to board and board committee composition, corporate governance, stock ownership, stock purchase rights, transfer restrictions, voting arrangements and other matters.

Our board of directors has approved the transaction after careful deliberation. We will hold a special meeting of stockholders at [_____] local time, at [_____] , on [_____] , 2006, to obtain the approval of Rite Aid stockholders for (1) the issuance of the shares of Rite Aid common stock to Jean Coutu Group, (2) an amendment to our restated certificate of incorporation to increase the number of authorized shares of Rite Aid common stock and (3) the adoption of a new equity compensation plan.

Our board of directors recommends that you vote FOR each of the proposals described in this proxy statement. We cannot complete the proposed acquisition of the Brooks and Eckerd drugstore chains unless the proposal for the issuance of the shares of Rite Aid common stock to Jean Coutu Group is approved. Accordingly, a vote against the proposal relating to the issuance of Rite Aid common stock effectively will be a vote against the transaction. The approval of the amendment to our restated certificate of incorporation to increase the number of authorized shares of Rite Aid common stock and the adoption of a new equity compensation plan are not required to complete the transaction. If the transaction is not completed for any reason, the amendment to our restated certificate of incorporation and the new equity compensation plan, even if approved by stockholders at the special meeting, will be abandoned and will not become effective.

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We encourage you to carefully review this proxy statement, which contains important information concerning Rite Aid, Jean Coutu Group and Jean Coutu USA, the proposed transaction and the proposals to be voted upon by stockholders at the special meeting. In addition, the section entitled Risk Factors beginning on page 27 contains a description of risks that you should consider in evaluating the proposals and the proposed transaction.

Your vote is very important. Whether or not you plan to attend the special meeting, please submit your proxy promptly by telephone or via the Internet in accordance with the instructions on the enclosed proxy card

or by completing, dating and returning your proxy card in the enclosed envelope. Returning the proxy card or otherwise submitting your proxy does not deprive you of your right to attend the special meeting and vote in person.

We are very excited about this transaction and believe it will better position Rite Aid to improve our operating results and capture future growth opportunities. Thank you for your support.

Robert G. Miller
Chairman

Mary F. Sammons
President, CEO and Director

Neither the Securities and Exchange Commission nor any U.S. state securities commission has approved or disapproved of the proposed issuance of shares of Rite Aid common stock in connection with the acquisition or determined whether this proxy statement is truthful or complete. Any representation to the contrary is a criminal offense.

This proxy statement is dated [____], 2006 and is first being mailed to Rite Aid stockholders on or about [____], 2006.

REFERENCE TO ADDITIONAL INFORMATION

This proxy statement incorporates by reference important business and financial information about Rite Aid from documents that are not included in or delivered with this proxy statement. You may obtain documents that are incorporated by reference in this proxy statement without charge by requesting them in writing or by telephone from Rite Aid at:

Rite Aid Corporation
30 Hunter Lane
Camp Hill, Pennsylvania 17011
Telephone: (717) 761-2633
Attention: Secretary

Please note that copies of the documents provided to you will not include exhibits, unless the exhibits are specifically incorporated by reference in the documents or this proxy statement.

In order to receive timely delivery of requested documents in advance of the special meeting, you should make your request by no later than [____], 2006. Documents will be distributed within one business day of receipt of such request.

For a more detailed description of the information incorporated by reference in this proxy statement and how you may obtain it, see the section entitled Where You Can Find More Information beginning on page 180.

**PRELIMINARY PROXY STATEMENT
SUBJECT TO COMPLETION**

**RITE AID CORPORATION
P.O. BOX 3165
HARRISBURG, PENNSYLVANIA 17105**

**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS
TO BE HELD ON [____], 2006**

To Our Stockholders:

What: Special meeting of stockholders

When: [____], 2006 at [____], local time

Where: [_____]

Why: At this special meeting, we plan to consider and vote upon the proposals listed below and any other matters that may properly come before the special meeting or any adjournment or postponement of the special meeting.

Proposal No. 1:

A proposal to approve the issuance of 250 million shares of Rite Aid common stock to The Jean Coutu Group (PJC) Inc., or Jean Coutu Group, in accordance with the stock purchase agreement by and between Rite Aid and Jean Coutu Group, which provides for the acquisition by Rite Aid of the Jean Coutu Group holding company for the Brooks and Eckerd drugstore chains;

Proposal No. 2:

A proposal to approve an amendment to Rite Aid's Restated Certificate of Incorporation to increase the number of authorized shares of Rite Aid common stock, \$1.00 par value per share, from 1 billion to 1.5 billion; and

Proposal No. 3:

A proposal to approve the adoption of the Rite Aid Corporation 2006 Omnibus Equity Plan.

The close of business on [____], 2006 has been fixed as the record date for determining those Rite Aid stockholders entitled to vote at the special meeting. Accordingly, only stockholders of record at the close of business on that date will receive this notice of, and be eligible to vote at, the special meeting and any adjournment or postponement of the special meeting. The items of business listed above are more fully described in the proxy statement that accompanies this notice.

If Rite Aid stockholders wish to approve the acquisition of the Brooks and Eckerd drugstore chains, they must approve Proposal No. 1 relating to the issuance of Rite Aid common stock to Jean Coutu Group.

The Rite Aid board of directors recommends that you vote **FOR each of the above proposals.**

Your vote is important. Please read the proxy statement and the instructions on the enclosed proxy card and then, whether or not you plan to attend the special meeting in person, and no matter how many shares you own, please submit your proxy promptly by telephone or via the Internet in accordance with the instructions on the enclosed proxy card, or by completing, dating and returning your proxy card in the envelope provided. This will not prevent you from voting in person at the special meeting. It will, however, help to assure a quorum and to avoid added proxy solicitation costs.

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You may revoke your proxy at any time before the vote is taken by delivering to the Secretary of Rite Aid a written revocation or a proxy with a later date (including a proxy by telephone or via the Internet) or by voting your shares in person at the special meeting, in which case your prior proxy would be disregarded.

By order of the Board of Directors

Robert B. Sari
Secretary

Camp Hill, Pennsylvania
[____], 2006

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APPENDICES

Appendix A Stock Purchase Agreement
Appendix B Stockholder Agreement
Appendix C Registration Rights Agreement
Appendix D Form of Amended and Restated By-Laws
Appendix E Opinion of Citigroup Global Markets Inc.
Appendix F Opinion of Rothschild, Inc.
Appendix G Form of Rite Aid Corporation 2006 Omnibus Equity Plan

SUMMARY TERM SHEET

The following is a summary of the proposed transaction between Rite Aid Corporation, or Rite Aid, and The Jean Coutu Group (PJC) Inc., or Jean Coutu Group, in which Rite Aid proposes to acquire the Brooks and Eckerd drugstore chains. Rite Aid is seeking stockholder approval of the issuance of Rite Aid common stock to Jean Coutu Group in the transaction, as well as approval of an amendment to Rite Aid's restated certificate of incorporation to increase the number of authorized shares of Rite Aid common stock and the adoption of a new equity compensation plan.

This term sheet is a summary and does not contain all of the information that may be important to you. You should carefully read this entire document, including the appendices and the other documents to which this document refers you, for a more complete understanding of the matters being considered at this special meeting. See the section entitled "Where You Can Find More Information" beginning on page 180.

On August 23, 2006, Rite Aid entered into a stock purchase agreement with Jean Coutu Group to acquire all of the capital stock of The Jean Coutu Group (PJC) USA, Inc., or Jean Coutu USA, a wholly-owned subsidiary of Jean Coutu Group and the holding company for the Brooks and Eckerd drugstore chains.

- As consideration for the acquisition of Jean Coutu USA, Rite Aid will issue 250 million shares of Rite Aid common stock to Jean Coutu Group, pay Jean Coutu Group \$1.45 billion in cash (subject to a working capital adjustment) and intends to assume \$850 million of Jean Coutu Group long-term notes (with the cash component increasing to \$2.3 billion if the notes are not assumed). See the section entitled "The Stock Purchase Agreement - Consideration to be Paid in the Transaction" on page 72 for a more detailed discussion.
- Jean Coutu Group will become our largest stockholder, owning approximately 32.0% of our common stock, which will represent approximately 30.2% of the voting power of our outstanding voting securities upon completion of the transaction.
- Rite Aid, Jean Coutu Group and certain Coutu family members have entered into a stockholder agreement that will become effective upon completion of the transaction and will govern Jean Coutu Group's ownership interest in Rite Aid. The stockholder agreement contains provisions relating to board and board committee composition, corporate governance, stock ownership, stock purchase rights, transfer restrictions, voting arrangements and other matters. See the section entitled "The Stockholder Agreement" beginning on page 93 for a more detailed discussion.
- Under the stockholder agreement:

The Rite Aid board of directors will be expanded to 14 directors, of which, subject to maintenance of ownership thresholds, Jean Coutu Group will designate four directors. See the section entitled "The Stockholder Agreement - Board Representation" on page 98 and the section entitled "The Transaction - Board of Directors and Management of Rite Aid Following the Transaction" beginning on page 66 for a more detailed discussion.

Robert G. Miller will remain a Rite Aid director but will step down as chairman of the board and Mary F. Sammons will become chairman in addition to continuing in her roles as president and CEO. One of Jean Coutu Group's designees to the Rite Aid board, Michel Coutu, will become the non-executive co-chairman of the board and will serve on the board's executive committee. The terms of both the chairman and the non-executive co-chairman will be two years from completion of the transaction. See the section entitled "The Stockholder Agreement - Chairman; Non-Executive Co-Chairman" on page 98 and the section entitled "The Transaction - Board of Directors and Management of Rite Aid Following the Transaction" beginning on page 66 for a more detailed discussion.

Rite Aid's audit, compensation and nominating and governance committees each will be expanded by one member and one of the Jean Coutu Group designees who qualifies as an independent director will be added to each of the committees. See the section entitled "The

Stockholder Agreement Board Committee Representation on page 99 for a more detailed discussion.

Pierre Legault, currently executive vice president of Jean Coutu Group, will become senior executive vice president, chief administrative officer of Rite Aid. See the section entitled The Transaction Board of Directors and Management of Rite Aid Following the Transaction beginning on page 66 for a more detailed discussion.

For so long as Jean Coutu Group owns 5% or more of the voting power of Rite Aid's securities and for nine months thereafter, Jean Coutu Group cannot acquire any additional voting securities of Rite Aid, subject to certain exceptions to allow Jean Coutu Group to maintain its percentage of voting power. See the section entitled The Stockholder Agreement Standstill Restrictions beginning on page 93 for a more detailed discussion.

For so long as Jean Coutu Group owns 20% or more of the voting power of Rite Aid's securities, subject to certain limitations, Jean Coutu Group will have rights to purchase Rite Aid securities in future Rite Aid issuances or on the open market in order to maintain its percentage of voting power. See the section entitled The Stockholder Agreement Stock Purchase Rights in a Preemptive Issuance beginning on page 94 and the section entitled The Stockholder Agreement Open Market Purchase Rights beginning on page 95 for a more detailed discussion.

For so long as Jean Coutu Group owns 5% or more of the voting power of Rite Aid's securities and for nine months thereafter, Jean Coutu Group is limited in the manner in which it may sell or transfer its shares of Rite Aid common stock and, subject to certain exceptions, may not transfer shares to someone who, as a result of the transfer, would own more than 5% of the outstanding shares of Rite Aid common stock. See the section entitled The Stockholder Agreement Transfer Restrictions beginning on page 96 for a more detailed discussion.

For so long as Jean Coutu Group owns more than 25% of the voting power of Rite Aid's securities, certain matters, such as increases in the number of authorized shares, significant equity issuances, mergers, significant asset sales and voluntary bankruptcy filings, will require the approval of two-thirds of all of the Rite Aid directors then in office. See the section entitled The Stockholder Agreement Supermajority Vote Required for Certain Board Actions on page 99 for a more detailed discussion.

For five years after completion of the transaction, Jean Coutu Group will vote its shares for each Rite Aid director nominee recommended by the board. Thereafter, Jean Coutu Group will vote its shares for each Rite Aid director nominee it designated and, in its discretion, either for each other Rite Aid director nominee recommended by the board or for each other Rite Aid director nominee recommended by the board and for nominees recommended by other persons in the same proportion as votes cast by all other Rite Aid stockholders for those nominees. See the section entitled The Stockholder Agreement Voting Arrangements on page 100 for a more detailed discussion.

- Rite Aid and Jean Coutu Group also have entered into a registration rights agreement giving Jean Coutu Group certain rights with respect to the registration under the Securities Act of 1933 of the shares of Rite Aid common stock to be issued to Jean Coutu Group pursuant to the stock purchase agreement or acquired by Jean Coutu Group pursuant to certain stock purchase rights or open market purchase rights under the stockholder agreement. See the section entitled The Registration Rights Agreement on page 101 for a more detailed discussion.

In connection with the transaction:

- Rite Aid will fund the cash portion of the consideration \$1.45 billion (subject to adjustments), assuming that \$850 million of Jean Coutu Group long-term notes are assumed by Rite Aid primarily with a combination of new term loans and the issuance of new secured notes. If the Jean Coutu Group long-term notes are not assumed by Rite Aid resulting in a total cash consideration of \$2.3 billion (subject to adjustments) Rite Aid also may issue new unsecured notes in addition to secured notes. A financing commitment has been obtained from Citigroup North America, Inc. and Citigroup Global Markets Inc. This new indebtedness, together with any assumption of Jean Coutu Group notes, will result in an increase in Rite Aid's total debt upon completion of the transaction by approximately \$2.4 billion. As a result, Rite Aid will be a more highly-leveraged company than it is currently. However, between 12 and 24 months after completing the transaction, Rite Aid expects that the anticipated operating cash flows from the Brooks and Eckerd drugstore chains, the transaction-related net reductions in costs and expenses and other benefits and synergies will result in an overall decrease in its leverage ratio. See the section entitled "The Transaction Financing Related to the Transaction" beginning on page 61 for a more detailed discussion.
- Rite Aid will re-brand all of the Brooks and Eckerd stores to the Rite Aid banner and expects the transaction to be dilutive by \$0.03 to \$0.07 per diluted share for the first 12 months after completion of the transaction primarily due to increased interest expense and approximately \$87 million of integration-related non-recurring expenses that Rite Aid expects to incur during that 12-month period. Rite Aid expects to spend approximately \$450 million of integration-related capital expenditures in the first 12 months after completion of the transaction. In the second 12 months after completion of the transaction, Rite Aid expects the transaction to be accretive by \$0.09 to \$0.15 per diluted share primarily due to the full year benefit of anticipated transaction-related net reductions in costs and expenses. See the section entitled "The Transaction Integration Plan, Anticipated Net Reductions in Costs and Expenses, Other Benefits and Synergies, and Dilution and Accretion" beginning on page 46 for a more detailed discussion.

QUESTIONS AND ANSWERS

Q1: What is the transaction?

A1: Rite Aid has entered into a stock purchase agreement with Jean Coutu Group to acquire all of the capital stock of Jean Coutu USA, the holding company for the Brooks and Eckerd drugstore chains.

Q2: What am I being asked to vote on?

A2: You are being asked to vote to approve the issuance of 250 million shares of Rite Aid common stock to Jean Coutu Group in accordance with the stock purchase agreement between Rite Aid and Jean Coutu Group.

You are also being asked to vote to approve the following additional matters:

- an amendment to our restated certificate of incorporation to increase the authorized number of shares of Rite Aid common stock from 1 billion to 1.5 billion; and
- the adoption of a new equity compensation plan.

The approval of the amendment to our restated certificate of incorporation and the adoption of a new equity compensation plan are not required to complete the transaction.

If the transaction is not completed, the amendment to our restated certificate of incorporation to increase the number of authorized shares of Rite Aid common stock and the new equity compensation plan, even if approved by stockholders at the special meeting, will be abandoned and will not become effective.

In addition, approval of the amendment to our restated certificate of incorporation is a condition to adoption of the new equity compensation plan.

Q3: How does the Rite Aid board of directors recommend that I vote?

A3: The Rite Aid board of directors recommends that you vote **FOR** approval of the issuance of Rite Aid common stock to Jean Coutu Group, **FOR** approval of the amendment to our restated certificate of incorporation and **FOR** approval of the new equity compensation plan. Your vote is important.

Q4: Why is stockholder approval necessary for the issuance of Rite Aid common stock to Jean Coutu Group?

A4: Rite Aid's common stock is listed on the New York Stock Exchange, or the NYSE. NYSE rules require stockholder approval before the issuance of common stock if the common stock to be issued will have voting power equal to or greater than 20 percent of the voting power of the corporation outstanding before the issuance, or if the number of shares of common stock to be issued will be equal to or greater than 20 percent of the number of shares of common stock outstanding before the issuance.

The 250 million shares of Rite Aid common stock to be issued to Jean Coutu Group exceed the thresholds under the NYSE rule and, therefore, the issuance requires the approval of our stockholders.

Q5: When is the transaction expected to be completed?

A5: Rite Aid and Jean Coutu Group are working toward completing the transaction as quickly as possible. The closing of the transaction could be as early as Rite Aid's fiscal 2007 fourth quarter, which begins December 3, 2006 and ends March 3, 2007. In addition to stockholder approval of the issuance of Rite Aid common stock, there are a number of additional conditions, including, but not limited to, expiration or termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, that must be satisfied before we can complete the transaction. See the section entitled "The Stock Purchase Agreement - Conditions to Closing" beginning on page 89 for a more detailed discussion.

Q6: Do I need to send in my stock certificates if the transaction is completed?

A6: No. You will not be required to exchange your certificates representing shares of Rite Aid common stock in connection with this transaction. You will not receive any cash or securities in the acquisition, but instead you will continue to hold your existing shares of Rite Aid common stock.

Q7: What do I need to do now?

A7: After carefully reading and considering the information contained in this proxy statement, please submit your proxy by telephone or via the Internet in accordance with the instructions set forth in the enclosed proxy card, or fill out, sign and date the proxy card, and then mail your signed proxy card in the enclosed prepaid envelope as soon as possible so that your shares may be voted at the special meeting. See the section entitled "The Special Meeting: How to Vote Your Shares" on page 37 and the section entitled "The Special Meeting: Proxies; Counting Your Vote" on page 38 for a more detailed discussion.

Q8: What happens if I do not vote?

A8: The proposals to approve the issuance of Rite Aid common stock to Jean Coutu Group in accordance with the terms of the stock purchase agreement and to approve the adoption of a new equity compensation plan must be approved by the affirmative vote of a majority of the votes cast on each proposal, provided that the total votes cast on each proposal represent over 50% of the total voting power entitled to vote on each proposal. The failure to vote on either of these proposals could have the same effect as a vote cast against approval if it causes the total votes cast on the matter to be 50% or less of the total voting power entitled to vote on the proposal. In addition, the failure to vote on these proposals, by failing to either submit a proxy or attend the special meeting, may make it more difficult to establish a quorum at the special meeting.

The proposal to approve the amendment to our restated certificate of incorporation requires the affirmative vote of a majority of the total number of votes of Rite Aid common stock and LGP preferred stock outstanding and entitled to vote at the special meeting, voting together as a single class. Because of this vote requirement, the failure to vote on this proposal is effectively a vote against the proposal. The approval of the amendment to our restated certificate of incorporation is not required to complete the transaction but approval of the amendment is a condition to adoption of the new equity compensation plan.

Q9: If my shares are held in street name by my broker, will my broker vote my shares for me?

A9: If your shares are held in the name of a bank or broker or other nominee, you will receive separate instructions from your bank, broker or other nominee describing how to vote your shares. The availability of telephonic or Internet voting will depend on the bank's or broker's voting process. Please check with your bank or broker and follow the voting procedures your bank or broker provides.

You should instruct your bank, broker or other nominee how to vote your shares. Although NYSE rules grant your broker discretionary authority to vote your shares without receiving your instructions on certain matters, your broker does not have discretionary authority to vote your shares for the issuance of Rite Aid common stock or for the adoption of a new equity compensation plan. If your broker does not receive voting instructions from you regarding these proposals, your shares will not be voted on those proposals. Broker "non-votes" where the broker does not vote regarding a proposal for which he has no authority to vote could have the same effect as votes cast against approval if they cause the total votes cast on the matter to be 50% or less of the total voting power entitled to vote on the proposal. Shares represented by broker "non-votes" will, however, be counted for the purpose of determining whether there is a quorum with respect to such matters.

On the other hand, NYSE rules allow your broker to vote your shares with respect to the proposal to approve the amendment to the restated certificate of incorporation to increase the authorized number of shares of Rite Aid common stock, even if your broker does not receive instructions from you, so long as it holds your shares in its name.

Q10: May I change my vote after I have submitted a proxy by telephone or via the Internet or mailed my signed proxy card?

A10: Yes. You may change your vote at any time before your proxy is voted at the special meeting. You can do this in several ways. You can send a written notice stating that you want to revoke your proxy, or you can complete and submit a new proxy card. If you choose either of these methods, you must submit your notice of revocation or your new proxy card to Rite Aid's Secretary at Rite Aid, Attention: Secretary, 30 Hunter Lane, Camp Hill, Pennsylvania 17011. You can also change your vote by submitting a proxy at a later date by telephone or via the Internet, in which case your later-submitted proxy will be recorded and your earlier proxy revoked.

You can also attend the special meeting and vote in person. Simply attending the special meeting, however, will not revoke your proxy. To revoke your earlier proxy, you must vote at the special meeting.

If you have instructed a broker to vote your shares, the preceding instructions do not apply, and you must follow the voting procedures received from your broker to change your vote.

Q11: If I want to attend the special meeting, what do I do?

A11: You should come to [____], at [____] local time, on [____]. Stockholders of record as of the record date for the special meeting ([____]) can vote in person at the special meeting. If your shares are held in street name, then you are not the stockholder of record and you must ask your bank, broker or other nominee holder how you can vote at the special meeting.

Q12: Who can help answer my questions?

A12: If you have any questions or need assistance in voting your shares, please call the firm assisting us in the solicitation of proxies:

INNISFREE M&A INCORPORATED
501 Madison Avenue, 20th Floor
New York, New York 10022
Stockholders call toll-free: (877) 750-5836
Banks and Brokers may call collect: (212) 750-5833

You may also contact:

Rite Aid Corporation
30 Hunter Lane
Camp Hill, Pennsylvania 17011
Attention: Investor Relations
Telephone: (717) 761-2633 ext. 5066

SUMMARY

This summary highlights selected information from this proxy statement. It does not contain all of the information that may be important to you. You should carefully read this entire document, including the appendices and the other documents to which this document refers you, for a more complete understanding of the matters being considered at the special meeting. See the section entitled "Where You Can Find More Information" beginning on page 180. Additionally, some of the statements contained in, or incorporated by reference into, this proxy statement are forward-looking statements. See the section entitled "Cautionary Statement Concerning Forward-Looking Statements" beginning on page 34. All references in this proxy statement to dollars or \$ are to U.S. dollars. In this proxy statement, unless otherwise indicated, we refer to accounting principles generally accepted in the U.S. as GAAP.

The Transaction (see page 41)

Rite Aid entered into a stock purchase agreement with Jean Coutu Group to acquire all of the capital stock of The Jean Coutu Group (PJC) USA, Inc., or Jean Coutu USA, a wholly-owned subsidiary of Jean Coutu Group and the holding company for the Brooks and Eckerd drugstore chains. In the transaction, Rite Aid will issue 250 million shares of Rite Aid common stock to Jean Coutu Group in accordance with the terms of the stock purchase agreement, pay Jean Coutu Group \$1.45 billion in cash (subject to a working capital adjustment) and intends to assume \$850 million of Jean Coutu Group long-term notes (with the cash component increasing to \$2.3 billion if the notes are not assumed). Following the completion of the transaction, Jean Coutu Group will be Rite Aid's largest stockholder, owning approximately 32% of Rite Aid common stock, which will represent approximately 30.2% of the voting power of Rite Aid voting securities then-outstanding. See the section entitled "The Stock Purchase Agreement" beginning on page 72 for a more detailed discussion.

In connection with entering into the stock purchase agreement, Rite Aid entered into a stockholder agreement with Jean Coutu Group and certain Coutu family members that will become effective upon completion of the transaction and will govern Jean Coutu Group's ownership interest in Rite Aid. The stockholder agreement contains provisions relating to board and board committee composition, corporate governance, stock ownership, stock purchase rights, transfer restrictions, voting arrangements and other matters. See the section entitled "The Stockholder Agreement" beginning on page 93 for a more detailed discussion.

Rite Aid and Jean Coutu Group also entered into a registration rights agreement giving Jean Coutu Group certain rights with respect to the registration under the Securities Act of 1933, as amended, of the shares of Rite Aid common stock to be issued to Jean Coutu Group pursuant to the stock purchase agreement or acquired by Jean Coutu Group pursuant to certain stock purchase rights or open market purchase rights under the stockholder agreement. See the section entitled "The Registration Rights Agreement" on page 101 for a more detailed discussion. Rite Aid and Jean Coutu Group also agreed to enter into a transition services agreement at the closing of the transaction for Jean Coutu Group to provide certain services for a period of time after the closing, including information technology, network and support services, to the Brooks and Eckerd drugstore chains to facilitate the transition of the businesses to Rite Aid.

In connection with the transaction, Rite Aid has adopted amended and restated by-laws, subject to and effective upon completion of the transaction. The amendments provide for the new position of non-executive co-chairman of the board of directors, update certain provisions to provide for changes in technology and applicable law, address certain administrative matters and amend the provisions relating to notice of stockholder proposals and nominations for election to the board of directors. See the section entitled "The Transaction Post-Transaction Amended and Restated By-laws of Rite Aid" beginning on page 69 for a more detailed discussion.

Integration Plan, Anticipated Net Reductions in Costs and Expenses, Other Benefits and Synergies, and Dilution and Accretion (see page 46)

In connection with the transaction, Rite Aid has no specific plans to close or dispose of a particular number of stores. It is possible, however, that the Federal Trade Commission, or FTC, or other governmental authorities may require Rite Aid to divest certain operations in some overlapping geographic areas as a condition to approval of the transaction under antitrust laws. Under the terms of the stock purchase agreement, Rite Aid is not obligated to complete the transaction if any governmental authority imposes conditions seeking to limit Rite Aid's ownership or operation of a material portion of Rite Aid's or Jean Coutu USA's businesses or assets, or which the Rite Aid board of directors reasonably determines is materially adverse to Rite Aid or would materially impair the overall benefits expected to be realized from the acquisition. Rite Aid and Jean Coutu Group have agreed that, for closing the transaction, a divestiture or the imposition of conditions affecting store-level adjusted EBITDA (as defined in the stock purchase agreement) in excess of an aggregate of \$60 million before advertising and corporate administration expenses, for the most recently completed fiscal year, will be deemed materially adverse to Rite Aid. See the section entitled "The Stock Purchase Agreement - Antitrust Filings" beginning on page 82 for a more detailed discussion.

Rite Aid's integration plan is to convert all of the acquired stores to the Rite Aid banner and systems during the first 12 months after the closing of the transaction. The integration plan includes approximately \$87 million of integration-related non-recurring expenses and capital expenditures of approximately \$450 million in the acquired stores and distribution centers in the first year. For several years thereafter, Rite Aid will invest, as needed, up to a total of \$500 million of capital expenditures in additional acquired store remodels and relocations and acquired distribution center upgrades.

Rite Aid estimates that net reductions in costs and expenses of approximately \$150 million, which is net of an assumed loss of the \$60 million store-level adjusted EBITDA (as defined in the stock purchase agreement) and \$40 million of additional labor and benefit expense, will be realized after a one-year integration period, with approximately \$35 million of net reductions realized during the first year. The general categories of anticipated cost and expense reduction opportunities are primarily cost of product, administrative expenses and advertising expenses.

Rite Aid expects the transaction to be dilutive by \$0.03 to \$0.07 per diluted share for the first 12 months after completion of the transaction and expects the transaction to be accretive by \$0.09 to \$0.15 per diluted share for the second 12 months after completion of the transaction.

Rite Aid expects other benefits and synergies that are not included in the above net reductions in costs and expenses and per share dilution and accretion that are related to additional operational efficiencies, greater economies of scale and revenue enhancement opportunities. However, the timing and amount of these other benefits and synergies cannot be currently determined.

Amendment to Rite Aid's Restated Certificate of Incorporation (see page 102)

The board of directors has adopted, subject to stockholder approval and subject to the completion of the acquisition of Jean Coutu USA, a resolution recommending that Rite Aid's restated certificate of incorporation be amended to increase the number of authorized shares of Rite Aid's common stock to 1.5 billion shares from 1 billion shares. After taking into account the 250 million shares of common stock to be issued to Jean Coutu Group in connection with the acquisition of Jean Coutu USA, upon consummation of the transaction Rite Aid will have approximately ten million authorized shares of common stock remaining available for other purposes. The board of directors believes this amount is an insufficient reserve of shares of common stock for the present and future needs of Rite Aid. If the transaction is not completed, the amendment to the restated certificate of incorporation, even if approved by stockholders at the special meeting, will be abandoned and will not become effective. Approval of the

amendment to the restated certificate of incorporation is not a condition to completing the transaction but is a condition to adoption of the new equity compensation plan.

Adoption of the Rite Aid Corporation 2006 Omnibus Equity Plan (see page 104)

The compensation committee of the Rite Aid board of directors and the Rite Aid board of directors have determined, contingent upon stockholder approval and subject to the completion of the acquisition of Jean Coutu USA, to adopt the Rite Aid Corporation 2006 Omnibus Equity Plan. The compensation committee believes that the new plan will help ensure that Rite Aid has a reasonable number of additional shares available for future equity-based incentive awards to attract and retain Rite Aid's associates and key personnel and officers, as well as reward officers and non-employee directors for the attainment of long-term achievements. Following the acquisition of the Brooks and Eckerd drugstore chains, the number of persons eligible to participate in the 2006 Omnibus Equity Plan will increase from approximately 10,000 to approximately 16,000. If the transaction is not completed, the 2006 Omnibus Equity Plan, even if approved by stockholders at the special meeting, will not become effective. In addition, approval of the amendment to the restated certificate of incorporation to increase the number of authorized shares of Rite Aid common stock is a condition to the adoption of the 2006 Omnibus Equity Plan.

Financing Related to the Transaction (see page 61)

Rite Aid has received a commitment letter from Citicorp North America, Inc. and Citigroup Global Markets Inc. with respect to a \$145 million senior secured term loan facility and a \$1.105 billion senior secured term loan facility. Rite Aid borrowed \$145 million under a senior secured term loan facility on November 8, 2006, and used the proceeds to repay borrowings on its existing revolving credit facility. The borrowings on the revolving credit facility were used to repay approximately \$142 million aggregate principal amount of Rite Aid's 12.5% Senior Secured Notes due 2006 plus accrued interest and for general corporate purposes.

On the closing date of the acquisition, Rite Aid intends to (i) assume the Jean Coutu Group 8.5% Senior Subordinated Notes due 2014, (ii) issue and sell one or more tranches of notes in an aggregate amount of \$870 million and (iii) borrow approximately \$680 million under the \$1.105 billion senior secured term loan facility. In addition, on or before the closing date of the acquisition, Rite Aid intends to borrow approximately \$450 million under its existing revolving credit facility to repay other Rite Aid indebtedness at its maturity. Rite Aid will borrow the remaining approximately \$425 million available under the \$1.105 billion senior secured term loan facility on or around the date that Rite Aid files its first post-closing balance sheet with the SEC, assuming the satisfaction of certain conditions, and will use the proceeds to pay down \$425 million of loans outstanding under its revolving credit facility used on or before the closing date of the acquisition to repay other Rite Aid indebtedness at its maturity. Under the terms of the commitment letter, Citicorp has also agreed to provide Rite Aid up to a \$1.720 billion senior secured bridge facility if Rite Aid is unable to sell the full amount of notes required by the commitment letter and/or to assume all of Jean Coutu Group's 8.5% Senior Subordinated Notes due 2014.

Assumption of the Jean Coutu 8.5% Senior Subordinated Notes is subject to the satisfaction of certain conditions. The conditions include, but are not limited to, satisfaction of a minimum Consolidated Fixed Charge Coverage Ratio (as such term is defined in the 8.5% Senior Subordinated Notes Indenture) and the receipt of an amendment to the 8.5% Senior Subordinated Notes Indenture. Whether the Consolidated Fixed Charge Coverage Ratio will be met will not be known until the time the closing is set and the ratio can be calculated. If Rite Aid does not assume the Jean Coutu 8.5% Senior Subordinated Notes, Rite Aid would issue additional notes, which may be secured notes and/or unsecured notes, up to an aggregate principal amount of \$850 million. The bridge facility referenced above includes amounts that may be used if Rite Aid is unable to issue these additional notes.

Rite Aid has obtained the requisite consents to amend its senior secured credit agreement, dated as of June 27, 2001, which we refer to as the credit agreement, and its receivables financing agreements, dated as of September 21, 2004, which we refer to as the receivables financing agreements, to permit Rite Aid to close the acquisition.

Opinions of Rite Aid's Financial Advisors (see page 47)

In deciding to approve the acquisition of the Brooks and Eckerd drugstore chains, Rite Aid's board of directors considered the oral opinion of Citigroup Global Markets Inc., which we refer to in this proxy statement as Citigroup, delivered on August 23, 2006, which was subsequently confirmed in writing, and the oral opinion of Rothschild, Inc., which we refer to in this proxy statement as Rothschild, delivered on August 23, 2006, which was subsequently confirmed in writing, in each case, that, as of that date and based upon and subject to the assumptions, limitations and considerations set forth in the respective opinions, the consideration to be paid by Rite Aid to Jean Coutu Group to acquire the Brooks and Eckerd drugstore chains pursuant to the stock purchase agreement was fair, from a financial point of view, to Rite Aid.

The written opinion of Citigroup is attached as Appendix E to this proxy statement, and the written opinion of Rothschild is attached as Appendix F to this proxy statement. Each of Citigroup and Rothschild has consented to the inclusion of its opinion in this proxy statement. We urge you to read the Citigroup and Rothschild opinions carefully and in their entirety. Each of these opinions was provided for the information of the Rite Aid board of directors in its evaluation of the proposed acquisition of Jean Coutu USA and was limited solely to the fairness from a financial point of view as of the date of the opinion of the consideration to be paid by Rite Aid in the transaction. Citigroup's and Rothschild's opinions did not constitute a recommendation of the transaction to the Rite Aid board of directors and Citigroup and Rothschild make no recommendation to any stockholder as to how such stockholder should vote or act on any matters relating to the acquisition of the Brooks and Eckerd drugstore chains from Jean Coutu Group.

The opinions of Citigroup and Rothschild will not reflect any developments that may occur or may have occurred after the date of such opinions and prior to completion of the transaction. Rite Aid did not request, and does not currently expect that it will request, an updated opinion from Citigroup or Rothschild.

Interests of Rite Aid's Executive Officers and Directors in the Transaction and in the Proposal to Adopt a New Equity Compensation Plan (see pages 65 and 108)

When considering the recommendation of Rite Aid's board of directors, you should be aware that certain of our executive officers and directors have interests in the transaction other than their interests as Rite Aid stockholders generally, pursuant to individual agreements and Rite Aid's Supplemental Executive Retirement Plan. These interests are different from your interests as a Rite Aid stockholder, however, the members of our board of directors have taken these additional interests into consideration.

The issuance of 250 million shares of Rite Aid common stock to Jean Coutu Group, as proposed, would constitute a change in control of Rite Aid for purposes of certain of Rite Aid's plans and agreements. Pursuant to individual award agreements or employment agreements, unvested stock options held by our non-employee directors and by one executive officer will become fully vested as a result of the transaction. As of August 31, 2006, our non-employee directors held unvested stock options to purchase an aggregate of 1,049,995 shares of Rite Aid common stock at a weighted average exercise price of \$4.15 per share. As of August 31, 2006, the one executive officer held unvested stock options to purchase 43,750 shares at an exercise price of \$2.58 per share. Although the transaction will result in a change in control of Rite Aid under the employment agreements of Mary Sammons, our president and chief executive officer, and Robert Miller, our current chairman of the board, Ms. Sammons and Mr. Miller have each waived any

rights they would have und