RITE AID CORP
Form PREM14A
October 02, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

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:

x	Preliminary Proxy Statement
o	Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
o	Definitive Proxy Statement
o	Definitive Additional Materials
o	Soliciting Material Pursuant to §240.14a-12

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):

o	No fee required.		
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
o	Fee paid previously with preliminary materials.		
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:
	(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.

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.

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	Mary F. Sammons
Chairman	*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 166.

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 (PJC) USA, Inc., a wholly-owned subsidiary of Jean Coutu Group and the 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 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.

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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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 166.

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 68 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 89 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 94 and the section entitled The Transaction Board of Directors and Management of Rite Aid Following the Transaction beginning on page 62 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 94 and the section entitled The Transaction Board of Directors and Management of Rite Aid Following the Transaction beginning on page 62 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 95 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 62 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 89 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 90 and the section entitled The Stockholder Agreement Open Market Purchase Rights beginning on page 91 for a more detailed discussion.

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 92 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 95 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 96 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 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 97 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 synergies will result in an overall decrease in its leverage ratio relative to adjusted EBITDA. See the section entitled The Transaction Financing Related to the Transaction beginning on page 57 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 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.

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 comensation plan. Your vote is important.

Q4: Who can vote at the special meeting?

A4: You can vote at the special meeting or any postponement or adjournment of the special meeting if you owned at the close of business on [________], which is the record date, shares of Rite Aid common stock or shares of 7% Series G Cumulative Convertible Pay-in-Kind Preferred Stock or 6% Series H Cumulative Convertible Pay-in-Kind Preferred Stock, which we refer to collectively as the LGP preferred stock.

At the close of business on the record date, we had outstanding and entitled to vote [_____] shares of common stock and [______] shares of LGP preferred stock (which, on an as-if-converted basis, are entitled to an aggregate of [______] votes).

Q5: Why is stockholder approval necessary for the issuance of Rite Aid common stock to Jean Coutu Group?

A5: 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.

Q6: **Why is Rite Aid seeking to amend the restated certificate of incorporation to increase the number of authorized shares of common stock?**

A6: After taking into account the 250 million shares of common stock to be issued to Jean Coutu Group, upon completion of the transaction Rite Aid will have approximately ten million authorized shares of common stock available for other purposes. The Rite Aid board of directors believes this amount is too low for the present and future needs of Rite Aid.

Q7: **Why is Rite Aid seeking approval of a new equity compensation plan?**

A7: The compensation committee of the Rite Aid board of directors 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, 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 new equity compensation plan will increase from approximately 10,000 to approximately 16,000.

Q8: **What vote of Rite Aid stockholders is required in connection with each of the proposals?**

A8: A quorum, consisting of the holders of [________] shares (a majority of the aggregate number of shares of Rite Aid common stock and LGP preferred stock (on an as-if-converted basis) issued and outstanding and entitled to vote as of the record date for the special meeting), must be present in person or by proxy before any action may be taken at the special meeting. Broker non-votes (which are described in response to question 13 below) and abstentions will be treated as shares that are present for purposes of determining the presence of a quorum.

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 (with Rite Aid common stock and the LGP preferred stock (on an as-if-converted basis) voting together as a single class), provided that the total votes cast on each proposal represent over 50% of the total combined voting power of Rite Aid common stock and LGP preferred stock entitled to vote on each proposal.

The proposal to approve the amendment to our restated certificate of incorporation must be approved by the affirmative vote of a majority of the total number of votes of Rite Aid common stock and LGP preferred stock (on an as-if-converted basis) outstanding and entitled to vote at the special meeting, voting together as a single class.

The completion of the acquisition of Jean Coutu USA is conditioned upon the approval of the issuance of Rite Aid common stock to Jean Coutu Group in accordance with the terms of the stock purchase agreement. As a result, a vote against the proposal relating to the issuance of Rite Aid common stock to Jean Coutu Group effectively will be a vote against the acquisition of Jean Coutu USA. The completion of the acquisition of Jean Coutu USA is not conditioned upon the approval of the proposals relating to the amendment to our restated certificate of incorporation or adoption of a new equity compensation plan.

Q9: **When is the transaction expected to be completed?**

A9: 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 85 for a more detailed discussion.

Q10: Do I need to send in my stock certificates if the transaction is completed?

A10: 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.

Q11: What do I need to do now?

A11: 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 36 and the section entitled The Special Meeting Proxies; Counting Your Vote on page 37 for a more detailed discussion.

Q12: What happens if I do not vote?

A12: As described above (see the response to question 8), 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.

Q13: If my shares are held in street name by my broker, will my broker vote my shares for me?

A13: 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.

Q14: May I change my vote after I have submitted a proxy by telephone or via the Internet or mailed my signed proxy card?

A14: 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.

Q15: If I want to attend the special meeting, what do I do?

A15: 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.

Q16: Who can help answer my questions?

A16: 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) 456-3442
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

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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 166. 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 33. 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 40)

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 68 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 89 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 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 97 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 65 for a more detailed discussion.

Amendment to Rite Aid s Restated Certificate of Incorporation (see page 98)

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 of Rite Aid 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 100)

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 57)**

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 incremental term loan facility and a $1.105 billion senior secured term loan facility. Rite Aid borrowed $145 million under the senior secured incremental term loan facility on October [__], 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, which may be increased by the $850 million aggregate principal amount of Jean Coutu Group 8.5% Senior Subordinated Notes due 2014 if not assumed by Rite Aid and (iii) borrow approximately $680 million under the $1.105 billion senior secured term loan facility. 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.

On or prior to the closing of the transaction, Rite Aid will use commercially reasonable efforts to obtain 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. In the event that Rite Aid does not receive the requisite consents to amend the credit agreement, Citicorp has agreed to refinance the credit agreement on similar terms and conditions as the credit agreement. In addition, if Rite Aid does not receive the requisite consents to amend the receivables financing agreements, Citicorp has agreed to provide to Rite Aid a new tranche of term loans that Rite Aid will use to terminate the receivables financing agreements. 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 amounts outstanding under its revolving credit facility by an identical amount, which were drawn upon to repay other Rite Aid indebtedness at its maturity.

Opinions of Rite Aid s Financial Advisors (see page 45)

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. 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 60 and 104)

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. 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 under their employment agreements upon the change in control triggered by the transaction.

Rite Aid also maintains the Supplemental Executive Retirement Plan, which is a defined contribution plan for the benefit of select officers, including certain executive officers. Ms. Sammons does not participate in the Supplemental Executive Retirement Plan. Under the Supplemental Executive Retirement Plan, participants vest in their accounts at the rate of 20% per year for each full year of participation in the plan at a five-year rolling rate, provided that the entire account balance for each participant as of the date of a change in control of Rite Aid vests upon the occurrence of the change in control. The change in control does not affect the participants rights to receive distributions or make withdrawals under the plan, and a participant must retire or otherwise terminate employment in order to receive plan benefits.

These interests upon a change in control of Rite Aid are described more fully in the section entitled The Transaction Interests of Rite Aid s Executive Officers and Directors in the Transaction beginning on page 60.

The executive officers and directors of Rite Aid also have certain interests in the approval of the Rite Aid Corporation 2006 Omnibus Equity Plan that are different from and in addition to your interests as a stockholder.

If the proposal regarding the new equity compensation plan is approved by Rite Aid stockholders, and the proposal to amend the restated certificate of incorporation is approved and the transaction is completed so that the plan becomes effective, executive officers and directors of Rite Aid will be eligible to receive certain types of awards under the plan, including stock options, stock appreciation rights, restricted stock, phantom stock, stock bonus awards, and other equity-based awards. Awards may or may not be based on the performance of Rite Aid common stock, and no individual is guaranteed to receive any awards under the new equity compensation plan. See the section entitled Proposal No. 3 Adoption, Ratification and Approval of the 2006 Omnibus Equity Plan Description of Principal Features of the 2006 Plan beginning on page 101 for further information regarding the types of awards potentially available under the new equity compensation plan.

The Companies

Rite Aid Corporation

Rite Aid Corporation
30 Hunter Lane
Camp Hill, Pennsylvania 17011

Rite Aid Corporation is the third largest national drugstore chain in the U.S. based on revenues and store count with 3,315 stores in 27 states and the District of Columbia as of September 2, 2006. Rite Aid s fiscal year 2006 revenues were $17.3 billion and it had 70,200 associates as of March 4, 2006. Rite Aid sells prescription drugs and approximately 25,000 front-end products, including over-the-counter medications, health and beauty aids, personal care items, cosmetics, household items, beverages, convenience foods, greeting cards, seasonal merchandise and numerous other everyday and convenience products, as well as photo processing. Rite Aid also offers approximately 2,700 products under the Rite Aid private brand.

The Jean Coutu Group (PJC) Inc.

The Jean Coutu Group (PJC) Inc.
530 Bériault Street
Longueuil, Québec, Canada J4G 1S8

The Jean Coutu Group (PJC) Inc. is the fourth largest drugstore chain in North America and the second largest in both the Eastern United States and Canada. The company and its combined network of 2,185 corporate-owned and franchised drugstores (under the banners of Brooks and Eckerd Pharmacy, PJC Jean Coutu, PJC Clinique and PJC Sante Beaute) employ more than 61,000 people, as of May 27, 2006.

Jean Coutu Group s U.S. operations, as of May 27, 2006, employ approximately 46,000 people and comprise 1,858 corporate owned stores located in 18 states of the Northeastern, mid-Atlantic and Southeastern United States. Jean Coutu Group s Canadian operations and franchised drugstores in its network, as of May 27, 2006, employ approximately 15,000 people and comprise 327 PJC Jean Coutu franchised stores in Québec, New Brunswick and Ontario.

The Jean Coutu Group (PJC) USA, Inc.

The Jean Coutu Group (PJC) USA, Inc.
50 Service Road
Warwick, Rhode Island 02886

The Jean Coutu Group (PJC) USA, Inc., a wholly-owned subsidiary of Jean Coutu Group, includes 1,858 drugstores (337 Brooks stores and 1,521 Eckerd stores) and six distribution centers, as of May 27, 2006, all located primarily on the East Coast and in the Mid-Atlantic states. Jean Coutu Group acquired the stores operating under the Eckerd banner from J.C. Penney in 2004. See the section entitled Jean Coutu USA Business Description beginning on page 117 for a more detailed discussion.

Board of Directors and Management of Rite Aid Following the Transaction (see page 62)

Following the transaction, the Rite Aid board of directors will be expanded to 14 directors, four of whom initially will be designated by Jean Coutu Group. Jean Coutu Group will have a continuing right to designate a certain number of director nominees for election to Rite Aid s board of directors subject to Jean Coutu Group s maintenance of specified percentage thresholds of Rite Aid s total voting power.

Upon the completion of the transaction, Jean Coutu Group designees André Belzile, François J. Coutu, Dennis Wood and Michel Coutu will become Rite Aid directors serving in the classes of directors whose terms expire in 2007, 2008, 2008 and 2009, respectively. These appointments will fill the vacancies on the board created by the increase in the size of the board by two directors and the resignations, effective and contingent upon the completion of the transaction, of current Rite Aid directors John G. Danhakl and Alfred M. Gleason. Other than these changes to the board, the other current directors of Rite Aid will remain directors upon completion of the transaction. Upon the completion of the transaction, Mr. Belzile will serve on the audit committee, Mr. Wood will serve on the compensation committee, Mr. François Coutu will serve on the nominating and governance committee and Mr. Michel Coutu will serve on the executive committee.

Under the terms of the stockholder agreement, Mary F. Sammons will continue to serve as chief executive officer of Rite Aid. In addition, Robert G. Miller will remain a Rite Aid director but step down as chairman of the board and Ms. Sammons will become the chairman of the board. Michel Coutu, currently president and chief executive officer of Jean Coutu USA, will become non-executive co-chairman of Rite Aid s board and a member of the board s executive committee. Pierre Legault, currently Jean

Coutu Group s executive vice president, will become Rite Aid senior executive vice president, chief administrative officer. Rite Aid s current senior management team will remain in place.

The Special Meeting of Rite Aid Stockholders (see page 35)

When and Where. A special meeting of Rite Aid stockholders will be held at [________], local time, on [____________], 2006 at [______].

Purpose of the Special Meeting. The purpose of the special meeting is to consider and vote on the proposals described 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 Jean Coutu Group in accordance with the stock purchase agreement between Rite Aid and Jean Coutu Group;

- Proposal No. 2 a proposal to approve an amendment to Rite Aid s restated certificate of incorporation to increase the authorized number of shares of Rite Aid common stock 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.

Approval of the issuance of Rite Aid common stock to Jean Coutu Group is a condition to the completion of the acquisition of Jean Coutu USA. The approval of the amendment to our restated certificate of incorporation and the adoption of the 2006 Omnibus Equity 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 2006 Omnibus Equity 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 the adoption of the 2006 Omnibus Equity Plan.

Record Date; Shares Entitled to Vote. Rite Aid has fixed the close of business on [_______], 2006 as the record date for the determination of holders of Rite Aid common stock and shares of 7% Series G Cumulative Convertible Pay-in-Kind Preferred Stock and 6% Series H Cumulative Convertible Pay-in-Kind Preferred Stock, which are collectively referred to in this proxy statement as the LGP preferred stock, entitled to notice of and to vote at the special meeting and any adjournment or postponement of the special meeting. No other shares of Rite Aid capital stock are entitled to notice of and to vote at the special meeting. At the close of business on the record date, Rite Aid had outstanding and entitled to vote [________] shares of common stock and [_______] shares of LGP preferred stock (which, on an as-if-converted basis, are entitled to an aggregate of [__________] votes).

Required Votes. A quorum, consisting of the holders of [________] shares (a majority of the aggregate number of shares of Rite Aid common stock and LGP preferred stock (on an as-if-converted basis) issued and outstanding and entitled to vote as of the record date for the special meeting), must be present in person or by proxy before any action may be taken at the special meeting. Broker non-votes and abstentions will be treated as shares that are present for purposes of determining the presence of a quorum.

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 (with Rite Aid common stock and the LGP preferred stock (on an as-if-converted basis) voting together as a single

class), provided that the total votes cast on each proposal represent over 50% of the total combined voting power of Rite Aid common stock and LGP preferred stock entitled to vote on each proposal.

The proposal to approve the amendment to our restated certificate of incorporation must be approved by 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 (with Rite Aid common stock and the LGP preferred stock (on an as-if-converted basis) voting together as a single class).

The approval of the issuance of Rite Aid common stock to Jean Coutu Group in accordance with the terms of the stock purchase agreement is a condition to the completion of the acquisition of Jean Coutu USA. As a result, a vote against the proposal relating to the issuance of Rite Aid common stock to Jean Coutu Group effectively will be a vote against the acquisition of Jean Coutu USA. The completion of the acquisition of Jean Coutu USA is not conditioned upon the approval of the proposals relating to the amendment to our restated certificate of incorporation or adoption of a new equity compensation plan.

Recommendation of the Rite Aid Board. The Rite Aid board of directors, by the unanimous vote of those directors present, has determined that the acquisition of Jean Coutu USA is fair to and in the best interests of Rite Aid and its stockholders and approved the issuance of Rite Aid common stock to Jean Coutu Group in accordance with the stock purchase agreement and approved the amendment to the restated certificate of incorporation to increase the number of authorized shares of Rite Aid common stock. The compensation committee of the Rite Aid board of directors and the Rite Aid board of directors have unanimously approved the 2006 Omnibus Equity Plan.

The Rite Aid board of directors recommends that you vote FOR approval of the issuance of Rite Aid common stock to Jean Coutu Group in accordance with the stock purchase agreement, FOR approval of the amendment to our restated certificate of incorporation and FOR approval of the adoption of the 2006 Omnibus Equity Plan.

The Stock Purchase Agreement (see page 68)

The stock purchase agreement, which is attached to this proxy statement as Appendix A, is described beginning on page 68. We urge you to read the stock purchase agreement in its entirety because this document is the legal document governing the proposed acquisition of Jean Coutu USA.

Consideration to be Paid in the Transaction. Upon the terms and conditions contained in the stock purchase agreement, Rite Aid will acquire all of the capital stock of Jean Coutu USA from Jean Coutu Group in exchange for 250 million shares of Rite Aid common stock, $1.45 billion in cash (subject to a working capital adjustment described below) 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). Immediately after completion of the acquisition, Jean Coutu Group will own approximately 30.2% of total Rite Aid voting power.

Working Capital Adjustment. The stock purchase agreement contains a closing working capital adjustment mechanism designed to ensure that Jean Coutu USA will have a specified level of working capital upon completion of the transaction. Under the working capital adjustment, Rite Aid may be required to pay Jean Coutu Group additional cash consideration in the event the closing working capital of Jean Coutu USA is above a specified level. Similarly, Jean Coutu Group may be required to repay to Rite Aid some of the cash consideration in the event the closing working capital of Jean Coutu USA is below a specified level.

Reorganization of Jean Coutu USA. Subject to certain conditions, Jean Coutu Group will have the right to carry out a reorganization of Jean Coutu USA prior to the completion of the transaction that is designed to unwind the existing intercompany financing structure. In the reorganization, JCG (PJC) USA, LLC, a Delaware limited liability company and wholly-owned subsidiary of Jean Coutu Group, would

become the holder of all of the capital stock of Jean Coutu USA. If the reorganization is completed prior to the completion of the transaction, Rite Aid would purchase in the transaction all of the membership interests of JCG (PJC) USA, LLC and, as a result, would become the indirect owner of all of the capital stock of Jean Coutu USA.

Completion of the Acquisition of Jean Coutu USA is Subject to Conditions. The respective obligations of each of Rite Aid and Jean Coutu Group to consummate the acquisition of Jean Coutu USA are subject to the satisfaction or waiver of the following conditions:

- Rite Aid stockholder approval of the issuance of Rite Aid common stock to Jean Coutu Group;

- the expiration or termination of the waiting period and any extensions of the waiting period applicable to the transaction pursuant to the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended;

- NYSE approval with respect to listing the shares of Rite Aid common stock to be issued to Jean Coutu Group; and

- the absence of any injunction or other legal restraint or prohibition against Rite Aid s acquisition of Jean Coutu USA.

Rite Aid s obligation to consummate the acquisition of Jean Coutu USA is subject to the satisfaction or waiver of, among others, the following additional conditions:

- the accuracy of Jean Coutu Group s representations and warranties as of the date of the stock purchase agreement and as of the closing date, other than those failures to be accurate that have not had or would not reasonably be expected to have, in the aggregate, a material adverse effect on Jean Coutu USA;

- the performance in all material respects by Jean Coutu Group of its obligations under the stock purchase agreement required to be performed by it at or prior to the closing date;

- the absence of threatened or pending litigation by a governmental authority 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 (with Rite Aid agreeing that a divestiture or the imposition of conditions affecting store-level adjusted EBITDA (as defined in the stock purchase agreement) of up to an aggregate of $60 million before advertising and corporate administration expenses, for the most recently completed fiscal year, is not materially adverse);

- the absence of a material adverse effect with respect to Jean Coutu USA;

- the receipt of financing proceeds sufficient to consummate the transaction; and

- the execution by Jean Coutu Group of a transition services agreement to provide information technology, network, support and other services to Jean Coutu USA for a period of time after the closing of the transaction to facilitate the transition of the businesses to Rite Aid.

Jean Coutu Group s obligation to consummate the sale of Jean Coutu USA is subject to the satisfaction or waiver of, among others, the following additional conditions:

- the accuracy of Rite Aid s representations and warranties as of the date of the stock purchase agreement and as of the closing date, other than those failures to be accurate that have not had or would not reasonably be expected to have, in the aggregate, a material adverse effect on Rite Aid;

- the performance in all material respects by Rite Aid of its obligations under the stock purchase agreement required to be performed by it at or prior to the closing date;

- the absence of threatened or pending litigation by a governmental authority seeking to prohibit Rite Aid s ownership of Jean Coutu USA or the operation of all or substantially all of Rite Aid s or Jean Coutu USA s businesses or assets;

- the absence of a material adverse effect with respect to Rite Aid; and

- the execution by Rite Aid of the transition services agreement.

Rite Aid Financing. Rite Aid is required to arrange sufficient financing for the acquisition of Jean Coutu USA on the terms and conditions described in the financing commitment of Citicorp North America, Inc. and Citigroup Global Markets Inc. to Rite Aid, including negotiating definitive agreements with respect to the financing on terms and conditions contained in the financing commitment and satisfying all conditions applicable to Rite Aid in such definitive agreements that are within its control.

If all other conditions have been satisfied (other than those conditions that by their nature have to be satisfied at the closing) and Jean Coutu Group and Rite Aid are prepared to close, Rite Aid has agreed that if the financing (other than the bridge facility) is not otherwise available, it will draw down from the bridge facility contemplated by the financing commitment the amount needed to pay the cash consideration for the transaction.

Non-Competition Covenant. Jean Coutu Group has agreed that for five years after completion of the transaction it will not engage in the retail pharmacy business in the United States or the pharmacy benefits management business in the United States.

The Stock Purchase Agreement May Be Terminated under Certain Circumstances. The stock purchase agreement may be terminated at any time prior to the closing, whether before or after approval by Rite Aid stockholders of the issuance of Rite Aid common stock to Jean Coutu Group in accordance with the terms of the stock purchase agreement, in any of the following ways:

- by mutual written consent of Rite Aid and Jean Coutu Group;

- by either Rite Aid or Jean Coutu Group if the closing has not occurred on or before May 23, 2007 (which may be extended to August 23, 2007 by either party if by May 23, 2007 the applicable antitrust waiting period has not yet expired or been terminated or if on May 23, 2007 there is pending litigation brought by a governmental authority seeking to prohibit Rite Aid s ownership of Jean Coutu USA), as long as the terminating party is not the cause of the failure to close;

- by either Rite Aid or Jean Coutu Group if a governmental authority prohibits the consummation of the transaction and the prohibition has become final and nonappealable;

- by either Rite Aid or Jean Coutu Group if Rite Aid stockholders do not approve the issuance of the shares of Rite Aid common stock to Jean Coutu Group; and

- by either Rite Aid or Jean Coutu Group if the other party materially breaches any of its covenants contained in the stock purchase agreement, or breaches any of its representations and warranties where the breach would be reasonably likely to result in a material adverse effect on that party, and such breach is not cured within 30 days of receiving notice of the breach.

Indemnification. The stock purchase agreement provides for indemnification for losses arising from breaches of representations and warranties, breaches of covenants and certain actions relating to the conduct of the business of Jean Coutu Group (other than Jean Coutu USA). Each party s indemnification obligation for breaches of representations and warranties is subject to a $35 million deductible and each party s indemnification obligation for breaches of representations and warranties and for breaches of

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covenants is subject to an aggregate cap of $450 million. The deductible and cap do not apply to losses arising from or relating to the conduct of the business of Jean Coutu Group. No claim for a breach of a representation and warranty may be brought by either party or included in the aggregate losses for purposes of satisfying the deductible unless it exceeds a minimum threshold of $10,000.

Jean Coutu Group also has agreed to indemnify Rite Aid for losses arising from pre-closing taxes of Jean Coutu USA, any breaches of tax representations and warranties or breaches of tax covenants and for half of any transfer taxes that result from the transaction. The deductible and cap do not apply to losses arising from tax matters.

The Stockholder Agreement (see page 89)

Concurrently with entering into the stock purchase agreement, Rite Aid, Jean Coutu Group and certain Coutu family members entered into a stockholder agreement. The stockholder agreement will become effective upon completion of the transaction and contains provisions relating to board and board committee composition, corporate governance, stock ownership, stock purchase rights, transfer restrictions, voting arrangements and other matters. The stockholder agreement, which is attached to this proxy statement as Appendix B, is described beginning on page 89. We urge you to read the stockholder agreement in its entirety because it is the legal document governing important aspects of the relationship among Rite Aid, Jean Coutu Group and certain Coutu family members after completion of the transaction.

Board and Board Committee Representation. The stockholder agreement provides that following consummation of the acquisition of Jean Coutu USA, the board of directors of Rite Aid will consist of 14 members, four of whom will be designated by Jean Coutu Group. Thereafter, Jean Coutu Group will have the right to designate a certain number of director nominees for election to Rite Aid s board of directors, taking into account Jean Coutu Group designees then serving in a class or classes of directors whose terms are not yet expiring, subject to Jean Coutu Group s maintenance of specified percentage thresholds of Rite Aid total voting power.

Percentage of Total Voting Power	Number of Directors/Director Nominees
25% and above	4
17.9% - 24.9%	3
10.7% - 17.8%	2
5% - 10.6%	1

For so long as Jean Coutu Group is entitled to designate at least two directors and subject to NYSE independence requirements for directors, Jean Coutu Group will have the right to designate one of its designees to each of the audit, compensation and nominating and governance committees of the Rite Aid board. In the event that only one of Jean Coutu Group s designees qualifies as an independent director of Rite Aid, that designee will be appointed to one of the three committees and other Jean Coutu Group designees will be provided observer status to attend committee meetings (subject to the committees meeting in executive session) of the other two committees.

Chairman; Non-Executive Co-Chairman. Upon the closing of the transaction, Mary F. Sammons, current Rite Aid chief executive officer, also will be elected to serve as chairman of the board. A Jean Coutu Group designated director, Michel Coutu, will be elected to serve as non-executive co-chairman of the board of directors and to serve on the executive committee of the board. The terms of both the chairman and the non-executive co-chairman will be two years commencing from the closing. After the second anniversary of the closing, the full board will elect a chairman of the board as it determines in its discretion.

Rite Aid Management. Mary F. Sammons, the current Rite Aid chief executive officer, will remain chief executive officer after the closing. Pierre Legault, currently executive vice president of Jean Coutu Group, will become senior executive vice president, chief administrative officer of Rite Aid effective as of the closing of the transaction and for a term of not less than two years.

Voting Arrangements. For a period of five years after the closing date, Jean Coutu Group has agreed to 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.

Right to Purchase Securities. For so long as Jean Coutu Group owns at least 20% of the total Rite Aid voting power, Jean Coutu Group will have the right to purchase securities in future issuances of Rite Aid voting securities (other than in certain types of issuances described below) to permit Jean Coutu Group to maintain the same percentage of total voting power it held prior to the issuance. These purchase rights will not apply to issuances of Rite Aid stock in connection with conversions of convertible preferred stock, equity compensation plan awards, acquisitions by Rite Aid, equity-for-debt exchanges and certain other types of issuances. Subject to certain conditions, under circumstances in which Jean Coutu Group is not permitted to purchase voting securities in a Rite Aid issuance of voting securities, Jean Coutu Group will be permitted to make open market purchases of Rite Aid common stock in order to maintain the same percentage of total voting power it held prior to the issuance.

Standstill Restrictions. For so long as Jean Coutu Group (or any Coutu family stockholder or group of Coutu family stockholders) owns at least 5% of the total voting power of Rite Aid and for nine months thereafter, Jean Coutu Group or such Coutu family stockholders or group of Coutu family stockholders will be subject to certain standstill restrictions on the acquisition of additional Rite Aid voting securities, other than with Rite Aid s consent or through the stock purchase rights discussed above, as well as restrictions on taking certain actions relating to Rite Aid.

Transfer Restrictions. The stockholder agreement includes restrictions on transfers of Rite Aid voting securities, other than transfers in accordance with Rule 144, in a registered public offering, in connection with a pro rata dividend, spinoff or distribution to Jean Coutu Group stockholders and certain other permitted transfers. In addition, subject to the foregoing, Jean Coutu Group 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.

Supermajority Board Approval. For so long as Jean Coutu Group owns at least 25% of the total voting power of Rite Aid, certain matters will require the approval of two-thirds of all of the Rite Aid board of directors, including increases in the number of authorized shares, significant issuances of Rite Aid equity securities, mergers, reorganizations, consolidations or similar business combinations involving Rite Aid, significant asset sales and certain other actions specified in the stockholder agreement.

The Registration Rights Agreement **(see page 97)**

Concurrently with entering into the stock purchase agreement, Jean Coutu Group and Rite Aid entered into a registration rights agreement. Pursuant to the registration rights agreement, subject to certain conditions, Jean Coutu Group has the right, on six occasions, to demand that Rite Aid register shares of Rite Aid common stock held by Jean Coutu Group for resale in an underwritten public offering, provided that the anticipated aggregate offering price would exceed $100 million or the registration is for at least 25% of the Rite Aid common stock held by Jean Coutu Group. Jean Coutu Group also may request that Rite Aid include those shares in certain registration statements that Rite Aid may file in the future in connection with underwritten offerings. The registration rights agreement, which is attached as

Appendix C, is described in more detail beginning on page 97. We urge you to read the registration rights agreement in its entirety because it is the legal document governing important aspects of the relationship between Rite Aid and Jean Coutu Group after completion of the transaction.

Regulatory Approvals Required for the Acquisition of Jean Coutu USA (see page 66)

Under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, or HSR Act, and the rules and regulations promulgated thereunder, certain transactions, including Rite Aid s acquisition of Jean Coutu USA, may not be consummated until required information and materials have been furnished to the Department of Justice, or DOJ, and the Federal Trade Commission, or FTC, and certain waiting period requirements have expired or been terminated. On September 18, 2006, each of Rite Aid and Jean Coutu Group filed a Pre-Merger Notification and Report Form pursuant to the HSR Act with the DOJ and the FTC. At any time before the closing of the acquisition, the DOJ, the FTC or others could take action under the antitrust laws with respect to the acquisition, including seeking to enjoin the consummation of the acquisition, to rescind the acquisition or to require the divestiture of certain assets of Rite Aid or Jean Coutu USA. There can be no assurance that a challenge to the acquisition on antitrust grounds will not be made or, if such a challenge is made, that it would not be successful.

Material U.S. Federal Income Tax Consequences of the Acquisition to Holders of Rite Aid Common Stock (see page 66)

Rite Aid s purchase of all of the capital stock of Jean Coutu USA will not result in the recognition of gain or loss by holders of Rite Aid common stock.

Anticipated Accounting Treatment (see page 66)

The acquisition of Jean Coutu USA will be accounted for using the purchase method of accounting in accordance with accounting principles generally accepted in the United States of America under Statement of Financial Accounting Standards No. 141, *Business Combinations*. Rite Aid will be the acquiring entity for financial reporting purposes. Under the purchase method of accounting, the cost of the transaction will be allocated to the tangible and intangible assets and liabilities assumed of the acquired entity based on their estimated fair values, with any excess being recognized as goodwill. Under Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets*, goodwill will not be amortized, but will be subject to an annual impairment test.

COMPARATIVE HISTORICAL AND PRO FORMA PER SHARE DATA

The following table presents historical per share data for Rite Aid and Jean Coutu USA; pro forma per share data for Rite Aid after giving effect to the acquisition of Jean Coutu USA; and pro forma equivalent per share data for Jean Coutu USA with respect to the portion of the acquisition consideration that will be received in the form of shares of Rite Aid common stock. The Rite Aid pro forma per share data was derived by combining information from the historical consolidated financial statements of Rite Aid and Jean Coutu USA using the purchase method of accounting for the acquisition of Jean Coutu USA. You should read this table in conjunction with the historical audited and unaudited consolidated financial statements of Rite Aid that are filed with the SEC and incorporated by reference in this document and the historical consolidated financial statements of Jean Coutu USA contained elsewhere in this document. See the sections entitled Where You Can Find More Information beginning on page 166 and Jean Coutu USA Management s Discussion and Analysis of Financial Condition and Results of Operations beginning on page 146. You should not rely on the pro forma per share data as being necessarily indicative of actual results had the acquisition of Jean Coutu USA occurred in the past, or of future results.

The accompanying unaudited per share data gives effect to the acquisition of Jean Coutu USA assuming a purchase price of $1.450 billion in cash, the assumption of $850 million of Jean Coutu Group long-term notes, the issuance of new term loans and the issuance of 250 million shares of Rite Aid common stock, using the purchase method of accounting. The pro forma adjustments related to the acquisition of Jean Coutu USA are preliminary and do not reflect the final purchase price, final debt components or an allocation of the excess of the purchase price over the net book value of the assets of Jean Coutu USA, as the process to assign a fair value to the various tangible and intangible assets acquired has not yet occurred. Final adjustments are likely to result in a materially different purchase price, debt components or allocation of the purchase price.

The pro forma per share data does not reflect revenue opportunities and cost savings that we expect to realize after the acquisition of Jean Coutu USA. No assurance can be given with respect to the estimated revenue opportunities and operating cost savings that are expected to be realized as a result of the acquisition of Jean Coutu USA. The pro forma per share data does not reflect restructuring or exit costs that may be incurred by Rite Aid or Jean Coutu USA in connection with the acquisition of Jean Coutu USA.

	Rite Aid Historical	Rite Aid Pro Forma (1)	Jean Coutu USA Historical	Jean Coutu USA Equivalent Pro Forma
Net income per share basic:				
Fiscal year ended March 4, 2006	$ 2.36 (2)	$ 1.49	(3)	(3)
Thirteen weeks ended June 3, 2006	$ 0.01	$ (0.02)	(3)	(3)
Net income per share diluted:				
Fiscal year ended March 4, 2006	$ 1.89 (2)	$ 1.34	(3)	(3)
Thirteen weeks ended June 3, 2006	$ 0.01	$ (0.02)	(3)	(3)
Cash dividends per share:				
Fiscal year ended March 4, 2006				
Thirteen weeks ended June 3, 2006				
Book value per share as of June 3, 2006	$ 2.15	$ 2.81	$ 2,249,025.42 (4)	$ 2.12 (5)
(as of May 27, 2006 for Jean Coutu USA)				

(1) Rite Aid s pro forma data includes the effect of the acquisition of Jean Coutu USA and the related financing on the basis described in the notes to the unaudited pro forma combined condensed financial statements included elsewhere in this document.

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(2) Includes $2.35 per basic share and $1.90 per diluted share related to the recognition of net deferred tax assets as the result of the release of a tax valuation allowance.

(3) Jean Coutu USA is not a publicly traded company and, accordingly, no information is presented regarding its earnings per share or equivalent pro forma earnings per share.

(4) Book value per share for Jean Coutu USA is calculated by dividing the book value of Jean Coutu USA as of May 27, 2006 by the 236 shares of Jean Coutu USA common stock held by Jean Coutu Group at May 27, 2006.

(5) Equivalent book value per share of Jean Coutu USA is calculated by multiplying the historical book value per share of Jean Coutu USA by the exchange ratio of the number of Jean Coutu USA shares to the number of Rite Aid shares issued to consummate this transaction.

PER SHARE MARKET PRICE DATA

Rite Aid common stock trades on the New York Stock Exchange, or NYSE, and the Pacific Stock Exchange under the symbol RAD. The following table shows the high and low stock prices for Rite Aid common stock for the periods indicated, based on NYSE composite transactions.

	High	Low
Fiscal Year 2005		
First Quarter	5.75	4.53
Second Quarter	5.38	4.38
Third Quarter	4.58	3.35
Fourth Quarter	3.81	3.41
Fiscal Year 2006		
First Quarter	4.24	3.49
Second Quarter	4.82	3.96
Third Quarter	4.28	3.28
Fourth Quarter	4.10	3.45
Fiscal Year 2007		
First Quarter	4.85	3.79
Second Quarter	4.74	4.07
Third Quarter (through [__________], 2006)	[__]	[__]

The closing sale price of Rite Aid common stock as reported on the NYSE on August 23, 2006, the date prior to the public announcement of the proposed acquisition of Jean Coutu USA was $4.68 per share. The closing sale price of Rite Aid common stock as reported on the NYSE on [______] was $[____] per share. As of that date, there were [_____] holders of record of Rite Aid common stock based on information provided by our transfer agent. The number of stockholders of record does not reflect the actual number of individual or institutional stockholders that own Rite Aid common stock because most stock is held in the name of nominees. There are a substantially greater number of beneficial holders of Rite Aid common stock.

We have not declared or paid any cash dividends on our common stock since the third quarter of fiscal year 2000 and we do not anticipate paying cash dividends on our common stock in the foreseeable future. Our senior secured credit facility and some of the indentures that govern our other outstanding indebtedness restrict our ability to pay dividends.

SUMMARY SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA OF JEAN COUTU USA

The following information is being provided to aid in your analysis of the financial aspects of the acquisition of Jean Coutu USA. Jean Coutu USA derived this financial information from audited consolidated financial statements of Jean Coutu USA for fiscal years 2002 through 2006.

This information is only a summary. You should read it along with Jean Coutu USA s historical audited and unaudited consolidated financial statements contained in this proxy statement and related notes and the section entitled Jean Coutu USA Management s Discussion and Analysis of Financial Condition and Results of Operations beginning on page 146 of this proxy statement.

	Fiscal Year Ended				
	May 27, 2006 (52 weeks)(5)	**May 28, 2005 (52 weeks)(5)**	**May 29, 2004 (52 weeks)**	**May 31, 2003 (53 weeks)**	**May 25, 2002 (52 weeks)(6)**
	(Dollars in thousands)				
Summary of Operations:					
Revenues	$ 9,495,858	$ 8,200,445	$ 1,802,585	$ 1,757,035	$ 1,301,720
Costs and expenses:					
Cost of goods sold(1) & (2)	7,172,366	6,227,045	1,371,271	1,339,263	993,221
Selling, general and administrative expenses(1)	2,030,766	1,686,458	318,726	311,736	233,489
Depreciation and amortization	215,804	184,854	31,148	29,892	22,241
Interest expense	274,692	208,648	31,926	34,341	22,614
Foreign currency losses (gains)	12,670	(18,208)			
Interest income	(5,964)	(1,310)	(85)	(29)	(105)
Total costs and expenses	9,700,334	8,287,487	1,752,986	1,715,203	1,271,460
Income (loss) before income taxes	(204,476)	(87,042)	49,599	41,832	30,260
Income tax expense (benefit)	(76,893)	(32,616)	19,151	16,683	12,558
Net income (loss)	$ (127,583)	$ (54,426)	$ 30,448	$ 25,149	$ 17,702
Year-End Financial Position:					
Working capital(3)	$ 1,009,563	$ 986,418	$ 209,515	$ 201,759	$ 233,624
Property and equipment, net	1,113,898	1,179,248	307,652	289,396	254,925
Total assets	5,105,925	5,084,895	878,518	812,019	752,387
Total debt(4)	3,186,690	2,870,493	554,022	522,463	509,220
Stockholders equity	536,920	664,671	179,656	149,243	123,910
Other Data:					
Cash flows from operations provided by (used in):					
Operating activities	(15,665)	97,599	24,281	43,879	2,131
Investing activities	(94,868)	(2,650,696)	(47,464)	(57,944)	(280,112)
Financing activities	130,586	2,625,972	31,901	15,871	280,738
Capital expenditures	124,064	162,272	42,931	56,176	37,444
Number of retail drugstores	1,858	1,922	336	332	331
Number of associates	46,266	48,745	8,508	8,297	8,699

(1) Costs of goods sold and selling, general and administrative expenses for the fiscal years ended May 31, 2003 and May 25, 2002 have been reclassified to conform to current year s presentation of co-op advertising income and advertising expense in selling, general and administrative and distribution center costs (excluding depreciation) in costs of goods sold.

(2) Includes LIFO charges of $38,747 in 2006 and $18,456 in 2005. Jean Coutu USA changed from FIFO to LIFO in fiscal 2005.

(3) Working capital is defined as total current assets less total current liabilities.

(4) Total debt included capital lease obligations of $14,302 as of fiscal year ended May 27, 2006 and $16,335 as of fiscal year ended May 28, 2005.

(5) Fiscal year ended May 27, 2006 included the operating results of the 1,549 Eckerd stores for the full 52 week period. Fiscal year ended May 28, 2005 included the operating results of the 1,549 Eckerd stores for the 43 weeks beginning from the date of the acquisition.

(6) Fiscal year ended May 25, 2002 included the acquisition of 80 OSCO stores.

SUMMARY SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA OF RITE AID

The following information is being provided to aid in your analysis of the financial aspects of the acquisition of Jean Coutu USA. Rite Aid derived its financial information from audited financial statements for fiscal years 2002 through 2006 and from unaudited financial statements for the thirteen weeks ended June 3, 2006 and May 28, 2005. In the opinion of Rite Aid s management, this unaudited interim period information reflects all adjustments, consisting only of normal and recurring adjustments, necessary for a fair presentation of the results of operations and financial condition for the thirteen weeks ended June 3, 2006 and May 28, 2005. Results for interim periods should not be considered indicative of results for any other periods or for the year.

This information is only a summary. You should read it along with Rite Aid s historical audited and unaudited financial statements and related notes and the section entitled Management s Discussion and Analysis of Financial Condition and Results of Operations contained in Rite Aid s annual reports, quarterly reports and other information on file with the SEC and incorporated by reference into this document. See the section entitled Where You Can Find More Information beginning on page 166.

	Thirteen Weeks Ended		**Fiscal Year Ended**				
	June 3, 2006	**May 28, 2005**	**Mar. 4, 2006 (53 weeks)**	**Feb. 26, 2005 (52 weeks)**	**Feb. 28, 2004 (52 weeks)**	**Mar. 1, 2003 (52 weeks)**	**Mar. 2, 2002 (52 weeks)**
	(Dollars in thousands, except per share amounts)						
Summary of Operations:							
Revenues	$ 4,337,086	$ 4,221,436	$ 17,270,968	$ 16,816,439	$ 16,600,449	$ 15,791,278	$ 15,166,170
Costs and expenses:							
Cost of goods sold	3,153,086	3,041,980	12,571,860	12,202,894	12,163,735	11,611,829	11,252,229
Selling, general and administrative expenses(1)	1,085,597	1,046,276	4,307,421	4,127,536	4,029,220	3,900,553	3,850,134
Goodwill amortization(2)							21,007
Store closing and impairment charges	12,588	15,532	68,692	35,655	22,074	135,328	251,617
Interest expense	69,334	70,851	277,017	294,871	313,498	330,020	396,064
Interest rate swap contracts						278	41,894
Loss (gain) on debt modifications and retirements, net			9,186	19,229	35,315	(13,628)	221,054
Share of loss from equity investments							12,092
Loss (gain) on sale of assets and investments, net	791	(538)	(6,462)	2,247	2,023	(18,620)	(42,536)
Total costs and expenses	4,321,396	4,174,101	17,227,714	16,682,432	16,565,865	15,945,760	16,003,555
Income (loss) before income taxes	15,690	47,335	43,254	134,007	34,584	(154,482)	(837,385)
Income tax expense (benefit)	4,735	13,911	(1,229,752)	(168,471)	(48,795)	(41,940)	(11,745)
Net income (loss)	$ 10,955	$ 33,424	$ 1,273,006	$ 302,478	$ 83,379	$ (112,542)	$ (825,640)
Basic and diluted net income (loss) per share:							
Basic net income (loss) per share	$ 0.01	$ 0.05	$ 2.36	$ 0.50	$ 0.11	$ (0.28)	$ (1.81)
Diluted net income (loss) per share	$ 0.01	$ 0.05	$ 1.89	$ 0.47	$ 0.11	$ (0.28)	$ (1.81)
Financial Position:							
Working capital	$ 761,558	$ 1,424,639	$ 741,488	$ 1,335,017	$ 1,894,247	$ 1,676,889	$ 1,580,218
Property, plant and equipment, net	1,676,960	1,701,383	1,717,022	1,733,694	1,882,763	1,867,830	2,095,552
Total assets	6,946,190	5,847,557	6,988,371	5,932,583	6,245,634	6,132,766	6,491,281
Total debt(3)	3,039,028	3,147,316	3,051,446	3,311,336	3,891,666	3,862,628	4,056,468
Redeemable preferred stock(4)	19,996	19,893	19,970	19,868	19,766	19,663	19,561
Stockholders equity (deficit)	1,618,841	360,896	1,606,921	322,934	(8,277)	(129,938)	(7,527)
Other Data:							
Cash flows from operations provided by (used in):							
Operating activities	121,801	172,840	417,165	518,446	227,515	305,383	16,343

Investing activities	(62,020)	(22,146)	(231,084)	(118,985)	(242,150)	(72,214)	342,531
Financing activities	(24,756)	(178,478)	(272,835)	(571,395)	(15,931)	(211,903)	(107,109)
Capital expenditures	82,132	49,717	341,349	222,417	267,373	116,154	187,383
Basic weighted average shares	522,594	520,752	523,938,000	518,716,000	515,822,000	515,129,000	474,028,000
Diluted weighted average shares(5)	533,308	529,684	676,666,000	634,062,000	525,831,000	515,129,000	474,028,000
Number of retail drugstores	3,321	3,354	3,323	3,356	3,382	3,404	3,497
Number of associates	69,500	70,800	70,200	71,200	72,500	72,000	75,000

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(1) Includes stock-based compensation expense (benefit). Stock-based compensation expense for the fiscal years ended March 4, 2006, February 26, 2005 and February 28, 2004 and for the thirteen week period ended May 28, 2005 was determined using the fair value method set forth in Statement of Financial Accounting Standards (SFAS) No. 123, Accounting for Stock-Based Compensation. Stock-based compensation expense (benefit) for the fiscal years ended March 1, 2003 and March 2, 2002 was determined using the intrinsic method set forth in Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees. Effective March 5, 2006, Rite Aid adopted the provisions of SFAS No. 123(R) Share Based Payment. Stock-based compensation expense for the thirteen week period ended June 3, 2006 was determined using the fair value method set forth in SFAS 123(R).

(2) Effective March 3, 2002 we adopted SFAS No. 142, Goodwill and Intangible Assets , which specifies that goodwill and indefinite life intangibles shall no longer be amortized. Accordingly, no goodwill amortization expense was recorded for the fiscal years ended March 4, 2006, February 26, 2005, February 28, 2004, and March 1, 2003 and for the thirteen week periods ended June 3, 2006 and May 28, 2005.

(3) Total debt included capital lease obligations of $178.2 million, $168.3 million, $183.2 million, $176.2 million, $182.6 million, $188.9 million and $174.9 million as of March 4, 2006, February 26, 2005, February 28, 2004, March 1, 2003, March 2, 2002, June 3, 2006 and May 28, 2005, respectively.

(4) Redeemable preferred stock was included in Other Non-current liabilities as of March 4, 2006, February 26, 2005, February 28, 2004, June 3, 2006 and May 28, 2005, respectively.

(5) Diluted weighted average shares for the fiscal years ended March 4, 2006 and February 26, 2005 included the impact of stock options, as calculated under the treasury stock method and convertible debt and preferred stock, as calculated under the if-converted method. Diluted weighted average shares for the fiscal year ended February 28, 2004 and for the thirteen week periods ended June 3, 2006 and May 28, 2005 included the impact of stock options, as calculated under the treasury stock method.

SELECTED UNAUDITED PRO FORMA COMBINED CONDENSED FINANCIAL DATA OF RITE AID

The following describes the pro forma effect of the acquisition of Jean Coutu USA on (1) the balance sheet data of Rite Aid as of June 3, 2006, (2) the statement of operations data of Rite Aid for the fiscal year ended March 4, 2006 and (3) the statement of operations data for Rite Aid for the thirteen weeks ended June 3, 2006.

This information is only a summary. You should read the unaudited pro forma combined condensed financial statements and other information and the accompanying notes that are included elsewhere in this document.

You should also read the historical information and related notes of Rite Aid that are incorporated by reference into this document and the historical financial statements and related notes for Jean Coutu USA contained elsewhere in this document.

The unaudited pro forma combined condensed balance sheet data shows the estimated effects of the acquisition of Jean Coutu USA as if it had occurred on June 3, 2006. The unaudited pro forma combined condensed statements of operations data for the 53-week year ended March 4, 2006 and the thirteen week period ended June 3, 2006 show the estimated effects of the acquisition of Jean Coutu USA as if it had occurred on the first day of the period presented (*i.e.*, February 27, 2005 and March 5, 2006, respectively). We are providing the unaudited pro forma combined condensed financial data for informational purposes only. It does not necessarily represent or indicate what the financial position and results of operations of Rite Aid would actually have been had the acquisition of Jean Coutu USA and other pro forma adjustments in fact occurred at the dates indicated. It also does not necessarily represent or indicate the future financial position or results of operations Rite Aid will achieve after the acquisition of Jean Coutu USA.

The pro forma financial information does not reflect revenue opportunities and cost savings that we expect to realize after the acquisition of Jean Coutu USA. No assurance can be given with respect to the estimated revenue opportunities and operating cost savings that are expected to be realized as a result of the acquisition of Jean Coutu USA. The pro forma financial information also does not reflect non-recurring charges relating to integration activities or exit costs that may be incurred by Rite Aid or Jean Coutu USA in connection with the acquisition of Jean Coutu USA.

	Pro Forma 13 Weeks Ended June 3, 2006	**Pro Forma 53 Weeks Ended March 4, 2006**
	(In millions, except per share data)	
Statement of Operations Data:		
Revenues	$ 6,768.3	$ 26,766.9
Net income (loss)	(11.4)	1,194.5
Income (loss) per share basic	(0.02)	1.49
Income (loss) per share diluted	(0.02)	1.34
Balance Sheet Data:		
Total assets	$ 11,516.3	
Total debt	5,419.3	
Stockholders equity	2,670.9	

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RISK FACTORS

In addition to the other information included or incorporated by reference in this proxy statement, you should carefully consider the matters described below in deciding whether to vote for approval of the proposals presented in this proxy statement. Additional risks and uncertainties not presently known to us or that are not currently believed to be material, if they occur, also may adversely affect the proposed acquisition of the Brooks and Eckerd drugstore chains and Rite Aid following the acquisition.

Although we expect that the acquisition of the Brooks and Eckerd drugstore chains will result in benefits to Rite Aid, we may not realize those benefits because of integration difficulties and other challenges.

Integrating the operations of the Brooks and Eckerd drugstore chains successfully or otherwise realizing any of the anticipated benefits of the acquisition of the Brooks and Eckerd drugstore chains, including anticipated cost savings and additional revenue opportunities, involve a number of potential challenges. The failure to meet these challenges could seriously harm our results of operations.

Realizing the benefits of the acquisition will depend in part on the integration of information technology, operations and personnel. These integration activities are complex and time-consuming and we may encounter unexpected difficulties or incur unexpected costs, including:

- diversion of management attention from ongoing business concerns to integration matters;
- difficulties in consolidating and rationalizing information technology platforms and administrative infrastructures;
- difficulties in integrating the Brooks and Eckerd store operations to serve the combined customer base of Rite Aid and the Brooks and Eckerd drugstore chains;
- difficulties in combining corporate cultures, maintaining employee morale and retaining key employees; and
- challenges in demonstrating to customers of Rite Aid and to customers of the Brooks and Eckerd drugstore chains that the acquisition will not result in adverse changes in customer service standards or business focus.

Moreover, these integration activities are further complicated by the fact that the Brooks and Eckerd chains are not fully integrated with one another and in many instances operate using different systems.

We may not successfully integrate the operations of the Brooks and Eckerd drugstore chains in a timely manner, or at all, and we may not realize the anticipated benefits or synergies of the acquisition of the Brooks and Eckerd drugstore chains to the extent, or in the timeframe, anticipated. The anticipated benefits and synergies include cost savings associated with operational efficiencies, greater economies of scale and revenue enhancement opportunities. However, these anticipated benefits and synergies assume a successful integration and are based on projections, which are inherently uncertain, and other assumptions. Even if integration is successful, anticipated benefits and synergies may not be achieved. In addition to the integration risks discussed above, our ability to realize these benefits and synergies could be adversely impacted by practical or legal constraints on our ability to combine operations.

The market price of Rite Aid common stock may decline as a result of the acquisition of the Brooks and Eckerd drugstore chains.

The market price of Rite Aid common stock may decline as a result of the acquisition of the Brooks and Eckerd drugstore chains if, among other things, the integration of the Brooks and Eckerd drugstore chains is unsuccessful, if the operational cost savings estimates are not realized or if the transaction costs related to the acquisition are greater than expected or if the financing related to the transaction is on unfavorable terms. The market price also may decline if we do not achieve the perceived benefits of the acquisition as rapidly or to the extent anticipated by financial or industry analysts or if the effect of the acquisition on our financial results is not consistent with the expectations of financial or industry analysts.

Following the completion of the acquisition of the Brooks and Eckerd drugstore chains, for so long as Jean Coutu Group (and, if applicable, certain members of the Coutu family) maintain certain levels of Rite Aid stock ownership, Jean Coutu Group (and, if applicable, certain members of the Coutu family) will exercise significant influence over Rite Aid.

When the acquisition of the Brooks and Eckerd drugstore chains is completed, Jean Coutu Group will own approximately 30.2% of the voting power of Rite Aid. As a result, Jean Coutu Group (and, if applicable, certain members of the Coutu family) generally will have the ability to significantly influence the outcome of any matter submitted for the vote of Rite Aid stockholders. The stockholder agreement provides that Jean Coutu Group (and, if applicable, certain members of the Coutu family) will designate four of the fourteen members of the Rite Aid board of directors, subject to adjustment based on its ownership position in Rite Aid. Accordingly, Jean Coutu Group generally will be able to significantly influence the outcome of all matters that come before the Rite Aid board of directors. As a result of its significant interest in Rite Aid, Jean Coutu Group may have the power, subject to applicable law (including the fiduciary duties of the directors designated by Jean Coutu Group), to significantly influence actions that might be favorable to Jean Coutu Group, but not necessarily favorable to other Rite Aid stockholders. In addition, the ownership position and governance rights of Jean Coutu Group could discourage a third party from proposing a change of control or other strategic transaction concerning Rite Aid. As a result, the common stock of Rite Aid could trade at a price that does not reflect a takeover premium to the same extent as do the stocks of similarly situated companies that do not have a stockholder with an ownership interest as large as that of Jean Coutu Group.

Rite Aid will incur significant indebtedness in connection with the acquisition of the Brooks and Eckerd drugstore chains and the resulting debt service obligations may significantly limit our ability to execute our business strategy and increase the risk of default under our debt obligations.

We intend to borrow or assume an aggregate of approximately $2.4 billion in connection with our financing for the acquisition of the Brooks and Eckerd drugstore chains. It is a condition to the completion of the acquisition that we shall have received the proceeds of the financing in an amount sufficient to consummate the acquisition. Although we currently expect that such financing will be available on commercially reasonable terms, there can be no assurance of this. If Rite Aid is unable to consummate a permanent debt financing, Rite Aid may enter into a bridge facility of up to $870 million ($1.720 billion if we do not assume the $850 million of Jean Coutu Group long-term notes) that is likely to be on terms substantially more restrictive and is likely to be more costly than the terms of the contemplated financing. In addition, in connection with the acquisition, we intend to assume $850 million of Jean Coutu Group s long-term debt. The indenture governing the Jean Coutu Group notes sets forth conditions that must be satisfied in connection with our assumption of the notes, including satisfaction of a minimum consolidated fixed charge coverage ratio as defined in the indenture. Whether the consolidated fixed charge ratio will be met will not be known until the time of the closing is set and the ratio can be calculated. If we do not assume the $850 million of Jean Coutu Group long-term notes, we will need to raise additional funds, which could further exacerbate the risks described in the next paragraph. See the section entitled The Transaction Financing Related to the Transaction beginning on page 57 for a more detailed discussion.

Following the completion of the acquisition, our ability to meet our cash requirements, including our debt service obligations, will be dependent upon our ability to substantially improve our operating performance, which will be subject to general economic and competitive conditions and to financial, business and other factors affecting our operations, many of which are or may be beyond our control. In addition, some of these debt service obligations have interest payments that are subject to variable interest rates and are therefore dependent upon future interest rates which are beyond our control. We cannot provide assurance that our business will generate sufficient cash flows from operations to fund these cash requirements and debt service obligations. If our operating results, cash flow or capital resources prove inadequate, or if interest rates increase significantly, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt and other obligations. If we are unable to service our debt, we could be forced to reduce or delay planned expansions and capital expenditures, sell assets, restructure or refinance our debt or seek additional equity capital, and we may be unable to take any of these actions on satisfactory terms or in a timely manner. Further, any of these actions may not be sufficient to allow us to service our debt obligations or may have an adverse impact on our business. Our existing debt agreements limit our ability to take certain of these actions. Our failure to generate sufficient operating cash flow to pay our debts or to successfully undertake any of these actions could have a material adverse effect on us.

In addition, the degree to which we may be leveraged as a result of the indebtedness incurred in connection with the acquisition or otherwise could materially and adversely affect our ability to obtain financing for working capital, capital expenditures, acquisitions, debt service requirements or other purposes, could make us more vulnerable to general adverse economic, regulatory and industry conditions, could limit our flexibility in planning for, or reacting to, changes and opportunities in the markets in which we compete, could place us at a competitive disadvantage compared to our competitors that have less debt or could require us to dedicate a substantial portion of our cash flow to service our debt.

The announcement and pendency of the transaction may cause disruptions in the business of the Brooks and Eckerd drugstore chains, which could have an adverse effect on their business, financial condition or results of operations and, post-closing, Rite Aid s business, financial condition or results of operations.

The announcement and pendency of the transaction could cause disruptions of the business of the Brooks and Eckerd drugstore chains. Specifically:

- current and prospective employees of the Brooks and Eckerd drugstore chains may experience uncertainty about their future roles with Rite Aid, which might adversely affect the ability of the Brooks and Eckerd drugstore chains to attract and retain key personnel;

- current and prospective customers of the Brooks and Eckerd drugstore chains may experience uncertainty about the ability of the Brooks and Eckerd stores to meet their needs, which might cause customers to make purchases or fill their prescriptions elsewhere.

These disruptions could be exacerbated by a delay in the completion of the transaction and could have an adverse effect on the business, financial condition or results of operations of the Brooks and Eckerd drugstore chains prior to the completion of the transaction and on Rite Aid following the completion of the transaction.

The acquisition of the Brooks and Eckerd drugstore chains is subject to the receipt of consents and approvals from government entities that may not be received or that may impose conditions that could have an adverse effect on Rite Aid following the completion of the acquisition.

We cannot complete the acquisition unless we receive various consents, orders, approvals and clearances from antitrust and other authorities in the United States. While we believe that we will receive the requisite regulatory approvals from these authorities, there can be no assurance of this. In addition, these authorities may impose conditions on the completion of the acquisition of the Brooks and Eckerd drugstore chains or require changes to the terms of the acquisition. For example, the authorities may require divestiture of certain assets as a condition to the closing of the acquisition. We are not obligated to agree to divest assets in order to obtain regulatory approval of the proposed acquisition if such divestiture would be materially adverse to Rite Aid and its subsidiaries taken as a whole or would materially impair the overall benefits expected, as of the date the stock purchase agreement was executed, to be realized from the acquisition of the Brooks and Eckerd drugstore chains. However, pursuant to the stock purchase agreement, we have agreed that any proposed divestiture or release of assets representing, or the imposition of conditions affecting, store-level adjusted EBITDA (as defined in the stock purchase agreement) of up to an aggregate of $60 million before advertising and corporate administration expenses, for the most recently completed fiscal year, is not materially adverse to Rite Aid and its subsidiaries taken as a whole and would not materially impair the overall benefits expected to be realized from the acquisition of the Brooks and Eckerd drugstore chains. While we do not currently expect that any such conditions or changes would be imposed, there can be no assurance that they will not be, and such conditions or changes could have the effect of delaying completion of the acquisition or imposing additional costs on or limiting the revenues of Rite Aid following the acquisition, any of which may have an adverse effect on us following the acquisition. See the sections entitled The Transaction Regulatory Approvals Required for the Acquisition of Jean Coutu USA on page 66 and The Stock Purchase Agreement Conditions to Closing beginning on page 85 for a more detailed discussion.

Some of our executive officers and directors have interests in the transaction other than their interests as Rite Aid stockholders generally.

In considering the recommendation of Rite Aid s board of directors with respect to the transaction, you should be aware that some 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.

The issuance of 250 million shares of Rite Aid common stock to the 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.

Also, executive officers of Rite Aid, other than Ms. Sammons, participate in a supplemental executive retirement plan. The issuance of 250 million shares of Rite Aid common stock to the Jean Coutu Group will constitute a change in control under the plan and cause accounts under the plan to become fully vested. See the section entitled The Transaction Interests of Rite Aid s Executive Officers and Directors in the Transaction beginning on page 60 for additional information regarding change in control implications with respect to the transaction.

If the market price of Rite Aid common stock increases prior to the completion of the acquisition of the Brooks and Eckerd drugstore chains, the market value of Rite Aid common stock to be issued in connection with the acquisition will increase correspondingly and, therefore, we may pay more than we intended for the Brooks and Eckerd drugstore chains.

The number of shares of Rite Aid common stock to be issued to Jean Coutu Group in connection with the acquisition of the Brooks and Eckerd drugstore chains is fixed and will not be adjusted in the event of any increase or decrease in the market price of Rite Aid common stock before the closing of the acquisition. As a result, the market value of the shares to be issued to Jean Coutu Group, as reflected in the market price of Rite Aid common stock, may be substantially higher at the time of the acquisition than the market value at the time we received fairness opinions from Citigroup Global Markets Inc. and Rothschild Inc. and the Rite Aid board of directors approved the acquisition. The market price of Rite Aid common stock may fluctuate due to, among other things, changes in our business, operations or prospects, market assessments of the likelihood of completion of the acquisition, the timing of the completion of the acquisition, general market and economic conditions and other factors.

Conflicts of interest may arise between Rite Aid and Jean Coutu Group, which may be resolved in a manner that adversely affects our business, financial condition or results of operations.

Conflicts of interest may arise between Rite Aid and Jean Coutu Group in areas relating to past, ongoing and future relationships, including corporate opportunities, potential acquisitions or financing transactions, sales or other dispositions by Jean Coutu Group of its interests in Rite Aid and the exercise by Jean Coutu Group of its influence over the management and affairs of Rite Aid. After the acquisition of the Brooks and Eckerd drugstore chains, a number of the directors on the Rite Aid board of directors will be persons who are also officers or directors of Jean Coutu Group or its subsidiaries. Service as a director or officer of both Rite Aid and Jean Coutu Group or its other subsidiaries could create conflicts of interest if such directors or officers are faced with decisions that could have materially different implications for Rite Aid and for Jean Coutu Group. Apart from a conflicts of interest policy contained in Rite Aid s Code of Ethics and Business Conduct and applicable to Rite Aid directors, the parties have not established any formal procedures for Rite Aid and Jean Coutu Group to resolve potential or actual conflicts of interest between them. There can be no assurance that any of the foregoing conflicts will be resolved in a manner that does not adversely affect the business, financial condition or results of operations of Rite Aid.

Following the completion of the acquisition of the Brooks and Eckerd drugstore chains, we will be dependent on Jean Coutu Group for certain transitional services pursuant to a transition services agreement. The failure of Jean Coutu Group to perform its obligations under the transition services agreement could adversely affect our business, financial condition or results of operations.

Our ability to effectively monitor and control the operations of the Brooks and Eckerd drugstore chains we are acquiring depends to a large extent on the proper functioning of our information technology and business support systems. Following the completion of the acquisition, we will be initially dependent upon Jean Coutu Group to continue to provide certain information technology, network and support services to Jean Coutu USA for a period of time after the completion of the acquisition to facilitate the transition of the Brooks and Eckerd drugstore chains. The terms of these arrangements will be governed by a transition services agreement to be entered into as of the closing of the acquisition. Rite Aid and Jean Coutu Group are obligated to negotiate in good faith the transition services agreement. If, however, we fail to reach a satisfactory agreement with respect to certain services or Jean Coutu Group fails to perform its obligations under the transition services agreement, we may not be able to perform such services ourselves or obtain such services from third parties at all or on terms favorable to us. In addition, upon termination of the transition services agreement, if we are unable to develop the necessary systems, resources and controls necessary to allow us to provide the services currently being provided by Jean Coutu Group or to obtain such services from third parties, it could adversely affect our business, financial condition or results of operations.

Subject to certain limitations, Jean Coutu Group may sell Rite Aid common stock at any time following the completion of the acquisition of the Brooks and Eckerd drugstore chains, which could cause our stock price to decrease.

The shares of Rite Aid common stock that Jean Coutu Group will receive following the completion of the acquisition of the Brooks and Eckerd drugstore chains are restricted, but Jean Coutu Group may sell these shares following the acquisition under certain circumstances, including pursuant to a registered underwritten public offering under the Securities Act or in accordance with Rule 144 under the Securities Act. We have entered into a registration rights agreement with Jean Coutu Group, which will give Jean Coutu Group the right to require us to register all or a portion of its shares at any time after Rite Aid files with the SEC its annual report for the fiscal year ending March 3, 2007. The sale of a substantial number of our shares by Jean Coutu Group or our other stockholders within a short period of time could cause our stock price to decrease, make it more difficult for us to raise funds through future offerings of Rite Aid common stock or acquire other businesses using Rite Aid common stock as consideration.

You will experience a reduction in percentage ownership and voting power with respect to Rite Aid common stock as a result of the acquisition of the Brooks and Eckerd drugstore chains.

In connection with the acquisition of the Brooks and Eckerd drugstore chains, we will issue to Jean Coutu Group 250 million shares of Rite Aid common stock. Therefore, following the completion of the acquisition, holders of Rite Aid common stock will experience a substantial reduction in their respective percentage ownership interests and effective voting power relative to their respective percentage ownership interests in Rite Aid common stock and effective voting power prior to the acquisition.

If the amendment to our restated certificate of incorporation to increase the number of authorized shares of Rite Aid common stock is approved and the transaction is completed, we will be able to issue more shares of our common stock than currently authorized. As a result, such future issuances of our common stock could have a dilutive effect on the earnings per share and voting power of current stockholders.

If the amendment to our restated certificate of incorporation to increase the number of authorized shares of Rite Aid common stock is approved by stockholders and the transaction is completed, we will be able to issue more shares of our common stock than currently authorized. Current Rite Aid stockholders do not have preemptive rights with respect to our common stock. If the Rite Aid board of directors elects to issue additional shares of common stock in the future, whether in public offerings, in connection with mergers and acquisitions, or otherwise, such additional issuances could dilute the earnings per share and voting power of current stockholders.

If the amendment to our restated certificate of incorporation to increase the number of authorized shares of Rite Aid common stock is approved and the transaction is completed, our ability to issue a greater number of authorized shares could have an anti-takeover effect under some circumstances.

If the amendment to our restated certificate of incorporation to increase the number of authorized shares of Rite Aid common stock is approved by stockholders and the transaction is completed, our ability to issue a greater number of authorized shares could have an anti-takeover effect under some circumstances. For example, in an event to obtain control of Rite Aid, it may be possible for us to seek to impede the takeover attempt by issuing shares of our common stock, which could dilute the voting power of the other outstanding shares and increase the potential cost to acquire control of Rite Aid. Therefore, the increase in the number of authorized shares may render more difficult or discourage an attempt to acquire control of Rite Aid. By potentially discouraging an unsolicited takeover attempt, the increase in the number of authorized shares of our common stock may also limit the opportunity for stockholders to dispose of their shares at a higher price generally available in takeover attempts or that may be available under a merger or acquisition proposal. The increase in the number of authorized shares may also have the effect of permitting Rite Aid management, including the board of directors, to retain its position, and place it in a better position to resist changes that stockholders may wish to make if they are dissatisfied with the conduct of the business.

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This proxy statement, as well as our other public filings or public statements, includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are identified by terms and phrases such as anticipate, believe, intend, estimate, expect, continue, should, could, may, plan, project, predict, will and similar expressions and i assumptions and relate to our future prospects, developments and business strategies. Without limiting the generality of the preceding sentence, statements contained in the sections Summary, The Transaction Rite Aid s Reasons for the Transaction, and The Transaction Opinions of Rite Aid s Financial Advisors include forward-looking statements. All statements other than statements of historical fact are statements that could be deemed forward-looking statements. For example, forward-looking statements include projections of earnings, revenues, synergies, accretion or other financial items; any statements of the plans, strategies and objectives of management for future operations, including the execution of integration and restructuring plans and the future management of Rite Aid; approvals relating to, and the closing of, the acquisition of all of the capital stock of Jean Coutu USA; any statements regarding future economic conditions or performance; statements of belief and any statement of assumptions underlying any of the foregoing; and statements relating to Rite Aid obtaining financing. These statements are not historical facts, but instead represent only Rite Aid s expectations, estimates and projections regarding future events.

The forward-looking statements contained or incorporated by reference in this proxy statement are not guarantees of future performance and involve certain risks and uncertainties that are difficult to predict.

Factors that could cause actual results to differ materially from those expressed or implied in such forward-looking statements include, but are not limited to:

- our high level of indebtedness;
- our ability to make interest and principal payments on our debt and satisfy the other covenants contained in our senior secured credit facility and other debt agreements;
- our ability to improve the operating performance of our existing stores in accordance with our long term strategy;
- our ability to hire and retain pharmacists and other store personnel;
- our ability to open or relocate stores according to our real estate development program;
- the efforts of private and public third party payors to reduce prescription drug reimbursement and encourage mail order;
- competitive pricing pressures and continued consolidation of the drugstore industry;
- changes in state or federal legislation or regulations;
- the outcome of lawsuits and governmental investigations;
- general economic conditions and inflation, interest rate movements and access to capital;
- our ability to consummate the transaction with Jean Coutu Group and realize the benefits of the transaction;
- our ability to assume the Jean Coutu Group long-term notes; and
- other risks and uncertainties described from time to time in our filings with the Securities and Exchange Commission (the SEC).

We undertake no obligation to update or revise the forward-looking statements included or incorporated by reference in this proxy statement, whether as a result of new information, future events or otherwise, after the date of this proxy statement. Our actual results, performance or achievements could differ materially from the results expressed in, or implied by, these forward-looking statements. Factors that could cause or contribute to such differences are discussed in the section entitled Risk Factors beginning on page 27 and the section entitled Risk Factors included in our Annual Report on Form 10-K for the fiscal year ended March 4, 2006, and risk factors detailed in Rite Aid s most recent quarterly reports on Form 10-Q.

THE SPECIAL MEETING

Date, Time and Place

A special meeting of Rite Aid stockholders will be held at [_______], local time, on [_______], 2006 at [_____________].

Purpose of the Special Meeting

The purpose of the special meeting is to consider and vote on the following proposals:

Proposal No. 1:	A proposal 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, which provides for the acquisition by Rite Aid of Jean Coutu USA, a wholly-owned subsidiary of Jean Coutu Group and the 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 approval of Proposal No. 1 for the issuance of Rite Aid common stock is a condition to the completion of the acquisition of Jean Coutu USA. Accordingly, if Rite Aid stockholders wish to approve the acquisition of Jean Coutu USA, they must approve Proposal No. 1.

The approval of Proposal No. 2 for the amendment to Rite Aid s restated certificate of incorporation and Proposal No. 3 for adoption of the 2006 Omnibus Equity 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 2006 Omnibus Equity 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 the adoption of the 2006 Omnibus Equity Plan.

At the special meeting, Rite Aid stockholders will also be asked to consider and vote on any other matter that may properly come before the special meeting or any adjournment or postponement of the special meeting.

At this time, the Rite Aid board of directors is unaware of any matters, other than those set forth above, that may properly come before the special meeting.

Record Date; Shares Outstanding and Entitled to Vote

Rite Aid has fixed the close of business on [________], 2006 as the record date for the determination of holders of Rite Aid common stock and shares of 7% Series G Cumulative Convertible Pay-in-Kind Preferred Stock and 6% Series H Cumulative Convertible Pay-in-Kind Preferred Stock, which are collectively referred to in this proxy statement as the LGP preferred stock, entitled to notice of and to vote at the special meeting and any adjournment or postponement of the special meeting. No other shares of Rite Aid capital stock are entitled to notice of and to vote at the special meeting. At the close of business on the record date, Rite Aid had outstanding and entitled to vote [_______] shares of common stock and [_______] shares of LGP preferred stock (which, on an as-if-converted basis, are entitled to an aggregate of [_______] votes).

How to Vote Your Shares

If you hold your shares in your own name, you may submit a proxy by telephone, via the Internet or by mail or vote by attending the special meeting and voting in person.

- *Submitting a Proxy by Telephone*: You can submit a proxy for your shares by telephone until 11:59 p.m. Eastern Standard Time on [____________], 2006 by calling the toll-free telephone number on the enclosed proxy card. Telephone proxy submission is available 24 hours a day. Easy-to-follow voice prompts allow you to submit a proxy for your shares and confirm that your instructions have been properly recorded. Our telephone proxy submission procedures are designed to authenticate stockholders by using individual control numbers.

- *Submitting a Proxy via the Internet*: You can submit a proxy via the Internet until 11:59 p.m. Eastern Standard Time on [____________], 2006 by accessing the web site listed on your proxy card and following the instructions you will find on the web site. Internet proxy submission is available 24 hours a day. As with telephone proxy submission, you will be given the opportunity to confirm that your instructions have been properly recorded.

- *Submitting a Proxy by Mail*: If you choose to submit a proxy by mail, simply mark the enclosed proxy card, date and sign it, and return it in the postage paid envelope provided.

By casting your vote in any of the three ways listed above, you are authorizing the individuals listed on the proxy to vote your shares in accordance with your instructions.

If your shares are held in the name of a bank, broker or other nominee, you will receive instructions from the holder of record that you must follow for your shares to be voted. Please follow their instructions carefully. Also, please note that if the holder of record of your shares is a broker, bank or other nominee and you wish to vote in person at the special meeting, you must request a legal proxy from your bank, broker or other nominee that holds your shares and present that proxy and proof of identification at the special meeting.

How to Change Your Vote

You will have the power to revoke your proxy at any time before it is exercised by:

- Delivering a written notice of revocation to the Secretary of Rite Aid, dated later than the proxy, before the vote is taken at the special meeting;

- Delivering a duly executed proxy to the Secretary of Rite Aid bearing a later date, before the vote is taken at the special meeting;

- Submitting a proxy on a later date by telephone or via the Internet (only your last telephone or Internet proxy will be counted), before 11:59 p.m. Eastern Standard Time on [________], 2006; or

- Attending the special meeting and voting in person (your attendance at the special meeting, in and of itself, will not revoke the proxy).

Any written notice of revocation, or later dated proxy, should be delivered to:

Rite Aid Corporation
30 Hunter Lane
Camp Hill, Pennsylvania 17011
Attention: Robert B. Sari, Secretary

Alternatively, you may hand deliver a written revocation notice, or a later dated proxy, to the Secretary at the special meeting before we begin voting.

If your shares of Rite Aid common stock are held by a bank, broker or other nominee, you must follow the instructions provided by the bank, broker or other nominee if you wish to change your vote.

Proxies; Counting Your Vote

If you provide specific voting instructions, your shares will be voted at the special meeting in accordance with your instructions. If you hold shares in your name and sign and return a proxy card or submit a proxy by telephone or via the Internet without giving specific voting instructions, your shares will be voted as follows:

- FOR approval of 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;
- FOR approval of the amendment to Rite Aid s restated certificate of incorporation to increase the authorized number of shares of Rite Aid common stock from 1 billion to 1.5 billion; and
- FOR the adoption of the Rite Aid Corporation 2006 Omnibus Equity Plan.

At this time, we are unaware of any matters, other than as set forth above, that may properly come before the special meeting. If any other matters properly come before the special meeting, the persons named in the enclosed proxy, or their duly constituted substitutes acting at the special meeting or any adjournment or postponement of the special meeting, will be deemed authorized to vote or otherwise act on such matters in accordance with their judgment.

The persons named in the enclosed proxy, or their duly constituted substitutes acting at the special meeting or any adjournment or postponement of the special meeting, may propose and vote for one or more adjournments or postponements of the special meeting, including adjournments or postponements to permit further solicitations of proxies. No proxy voted against the proposal to approve the issuance of shares of Rite Aid common stock will be voted in favor of any adjournment or postponement to permit further solicitation of proxies. Proxies solicited may be voted only at the special meeting and any adjournment or postponement of the special meeting and will not be used for any other Rite Aid meeting of stockholders.

Rite Aid s transfer agent, American Stock Transfer & Trust Company, will serve as proxy tabulator and count the votes. The results will be certified by the inspectors of election.

Abstentions and Broker Non-Votes

An abstention occurs when a stockholder sends in a proxy with explicit instructions to decline to vote regarding a particular matter. Broker non-votes are shares held by brokers or nominees for which voting instructions have not been received from the beneficial owners or the persons entitled to vote those shares and the broker or nominee does not have discretionary voting power under rules applicable to broker-dealers. Under rules applicable to broker-dealers, the proposal to approve the issuance of Rite Aid common stock to Jean Coutu Group in accordance with the terms of the stock purchase agreement and the proposal to approve the adoption of the Rite Aid Corporation 2006 Omnibus Equity Plan are not items on which brokerage firms may vote in their discretion on behalf of their clients if such clients have not furnished voting instructions within ten days of the special meeting. The proposal to approve the amendment to our restated certificate of incorporation to increase the number of authorized shares of Rite Aid common stock is an item on which brokerage firms may vote in their discretion on behalf of their clients, even if such clients have not furnished voting instructions.

Quorum and Required Votes

In deciding all matters that come before the special meeting, each holder of common stock as of the record date is entitled to one vote per share of common stock and each holder of LGP preferred stock as of the record date is entitled to approximately 18.18 votes per share of LGP preferred stock (one vote per share of common stock issuable upon conversion of the LGP preferred stock). As of the record date, the LGP preferred stock was convertible into an aggregate of [______] shares of common stock. The holders of the common stock and LGP preferred stock vote together as a single class, except for those matters on which the holders of LGP preferred stock are entitled to vote as a separate class.

A quorum, consisting of the holders of [_______] shares (a majority of the aggregate number of shares of Rite Aid common stock and LGP preferred stock (on an as-if-converted basis) issued and outstanding and entitled to vote as of the record date for the special meeting), must be present in person or by proxy before any action may be taken at the special meeting. Proxies marked Abstain and broker non-votes will be treated as shares that are present for purposes of determining the presence of a quorum.

Proposal No. 1: Proposal No. 1 to approve the issuance of Rite Aid common stock to Jean Coutu Group in accordance with the terms of the stock purchase agreement requires the affirmative vote of a majority of the total number of votes cast on the proposal (with Rite Aid common stock and LGP preferred stock voting together as a single class), provided that the total votes cast on the proposal represent over 50% of the total combined voting power of the Rite Aid common stock and LGP preferred stock entitled to vote on the proposal. Abstentions with respect to this proposal will have the same effect as a vote against the proposal. Failures to vote and broker non-votes 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. Accordingly, beneficial owners of Rite Aid shares should instruct their brokers or nominees how to vote. **The approval of Proposal No. 1 is a condition to the completion of the acquisition of Jean Coutu USA, and thus a vote against this proposal effectively will be a vote against the acquisition of Jean Coutu USA.**

Proposal No. 2: Proposal No. 2 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 (regardless of whether such holders are present in person or represented by proxy at the special meeting). There will be no broker non-votes on this proposal because brokerage firms may vote in their discretion on behalf of their clients on this proposal even if such clients have not furnished voting instructions with respect to this proposal. Failures to vote and abstentions will have the same effect as a vote against this proposal.

Proposal No. 3: Proposal No. 3 to approve the Rite Aid Corporation 2006 Omnibus Equity Plan requires the affirmative vote of a majority of the total number of votes cast on the proposal (with Rite Aid common stock and LGP preferred stock voting together as a single class), provided that the total votes cast on the proposal represent over 50% of the total combined voting power of the Rite Aid common stock and LGP preferred stock entitled to vote on the proposal. Abstentions with respect to this proposal will have the same effect as a vote against the proposal. Failures to vote and broker non-votes 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. Accordingly, beneficial owners of Rite Aid shares should instruct their brokers or nominees how to vote.

The completion of the acquisition of Jean Coutu USA is not conditioned upon the approval of Proposal No. 2 relating to the amendment to our restated certificate of incorporation or Proposal No. 3 relating to adoption of a new equity compensation plan. 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 2006 Omnibus Equity 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 the adoption of the 2006 Omnibus Equity Plan.

The directors and executive officers of Rite Aid and their respective affiliates collectively owned approximately [_____] shares (consisting of shares of Rite Aid common stock and LGP preferred stock on an as-if-converted basis) as of [____________], 2006 (inclusive of shares subject to stock options which may be exercised within 60 days following that date). Such shares represented approximately [__]% of the total Rite Aid voting power as of such date. Each member of the board of directors of Rite Aid has advised Rite Aid that such member intends to vote all of the shares of Rite Aid common stock or LGP preferred stock, as applicable, held, directly or indirectly, by such director in favor of each of the above proposals. Several members of our board of directors are affiliated with Green Equity Investors III, L.P., the holder of the LGP preferred stock, which as of the record date was convertible into an aggregate of [_________] shares of common stock, representing approximately [__]% of the total Rite Aid voting power as of such date. See the section entitled Security Ownership of Certain Beneficial Owners and Management of Rite Aid beginning on page 162.

As of the close of business on the record date for the special meeting, Jean Coutu Group and its affiliates did not beneficially own any shares of Rite Aid common stock and, to the knowledge of Jean Coutu Group, none of its directors or executive officers beneficially owned any shares of Rite Aid common stock.

Solicitation of Proxies

Rite Aid is soliciting proxies from its stockholders on behalf of its board of directors and will pay for all costs incurred by it in connection with the solicitation. In addition to solicitation by mail, the directors, officers and employees of Rite Aid, Jean Coutu Group and their respective subsidiaries may solicit proxies from stockholders of Rite Aid in person or by telephone, facsimile or other electronic methods without additional compensation other than reimbursement for their actual expenses.

Rite Aid has retained Innisfree M&A Incorporated, a proxy solicitation firm, to assist it in the solicitation of proxies for the special meeting. Rite Aid will pay Innisfree a fee of $25,000, and an additional $10,000 if stockholders approve the issuance of Rite Aid common stock in connection with the transaction, for its services. In addition, Rite Aid will reimburse Innisfree for its reasonable out-of-pocket expenses.

Arrangements also will be made with brokerage firms and other custodians, nominees and fiduciaries for the forwarding of solicitation material to the beneficial owners of stock held of record by such persons, and Rite Aid will reimburse such custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses in connection therewith.

Recommendation of the Rite Aid Board of Directors

The Rite Aid board of directors, by unanimous vote of those directors present, has determined that the acquisition of Jean Coutu USA is fair to and in the best interests of Rite Aid and its stockholders and approved the issuance of Rite Aid common stock to Jean Coutu Group in accordance with the stock purchase agreement and approved the amendment to the restated certificate of incorporation to increase the number of authorized shares of Rite Aid common stock. The compensation committee of the Rite Aid board of directors and the Rite Aid board of directors have unanimously approved the 2006 Omnibus Equity Plan. See the section entitled The Transaction Rite Aid s Reasons for the Transaction beginning on page 42 for a more detailed discussion.

The Rite Aid board of directors recommends that you vote FOR approval of the issuance of Rite Aid common stock to Jean Coutu Group in accordance with the stock purchase agreement, FOR approval of the amendment to our restated certificate of incorporation and FOR approval of the adoption of the 2006 Omnibus Equity Plan.

THE TRANSACTION

Background of the Transaction

We regularly evaluate the competitive position of our business and of the retail pharmacy industry. We face intense competition from local, regional and national companies, including other drugstore chains, independently owned drugstores, supermarkets, mass merchandisers, discount stores, dollar stores, and mail order pharmacies. We believe that to remain competitive and enhance stockholder value it will be necessary for us to increase our scale and customer base. Our strategy for new growth includes focusing on our most strategic markets allowing us to leverage already existing expenses like field management, distribution and advertising. We continuously explore and evaluate strategic opportunities as a part of our ongoing evaluation of changes in the marketplace, seeking opportunities to strengthen our business. As part of this process, our board of directors and management periodically consider and evaluate potential acquisition and consolidation opportunities that would further our strategic objectives.

We initially pursued the acquisition of the Eckerd drugstore chain from J.C. Penney Company, Inc. in late 2003 and early 2004. The Eckerd drugstore chain was ultimately divided into two parts and sold by J.C. Penney to CVS (1,260 stores) and Jean Coutu Group (1,539 stores). Only the stores purchased by Jean Coutu Group currently operate under the Eckerd banner.

On December 14, 2005, Rite Aid s board held a meeting to receive a briefing by Rite Aid management on potential acquisition scenarios. Following the meeting, Robert Miller, Rite Aid s chairman, contacted Mr. Jean Coutu, Jean Coutu Group s chairman and chief executive officer, and suggested a meeting to discuss the possibility of a transaction between the two companies. On January 10, 2006, Mary F. Sammons, Rite Aid s chief executive officer, and Mr. Miller met with Mr. Jean Coutu, François Coutu, Jean Coutu Group s vice-chairman, and Michel Coutu, Jean Coutu USA s chief executive officer, in Longueuil, Québec to explore a possible acquisition by Rite Aid of all or a portion of Jean Coutu USA. On February 17, 2006, Ms. Sammons and Mr. Miller met with Pierre Legault, Jean Coutu Group's executive vice president, and Michel Coutu in Kansas City, Kansas to continue the discussions of various acquisition scenarios.

On February 23, 2006, Rite Aid s board held a meeting to receive a briefing by Rite Aid management regarding the discussions with Jean Coutu Group and the board authorized management to continue exploratory discussions. After entering into a confidentiality agreement on February 28, 2006, representatives of Rite Aid and Jean Coutu Group held meetings to discuss the various acquisition scenarios, including a March 2, 2006 meeting between Ms. Sammons, Mr. Miller, Mr. Jean Coutu and Mr. Legault in Minneapolis, Minnesota. On March 6, 2006, Jean Coutu Group sent Rite Aid a memorandum detailing its statement of principles under which Rite Aid and Jean Coutu Group would pursue exploratory due diligence and discussions of various acquisition scenarios. Rite Aid and its financial advisors, Citigroup Global Markets Inc. and Rothschild, Inc., met with Jean Coutu Group and its financial advisor, J.P. Morgan Securities, Inc., on March 20, 2006 to discuss preliminary valuation issues and possible structures for a potential transaction.

On April 5, 2006, Rite Aid s board held a meeting to receive an update from management on the discussions with Jean Coutu Group and the board authorized management to continue the discussions. In April 2006, Rite Aid and Jean Coutu Group agreed to exchange financial data to facilitate discussions and exploratory due diligence commenced. In addition, on April 19, 2006, Ms. Sammons met with Mr. Jean Coutu and with Jean Coutu Group s general counsel to continue discussions regarding a potential transaction.

On May 1, 2006, J.P. Morgan, as financial advisor to Jean Coutu Group, sent Rite Aid a written request to submit a formal non-binding indication of interest in pursuing a transaction involving Rite Aid s acquisition of all or part of Jean Coutu Group s United States operations.

Rite Aid and its financial advisors attended a May 2, 2006 due diligence meeting with Jean Coutu Group s chief financial officer and financial staff. On May 16, 2006, Rite Aid s board met by conference call, received a briefing by Rite Aid regarding the discussions with Jean Coutu Group and approved the submission of a non-binding letter of interest to Jean Coutu Group. On May 17, 2006, Rite Aid submitted to J.P. Morgan, on behalf of Jean Coutu Group, a preliminary non-binding indication of interest, including a term sheet relating to corporate governance matters.

In a May 23, 2006 letter to Rite Aid s CEO, Jean Coutu Group responded to Rite Aid s non-binding indication of interest. On the same day, representatives of Rite Aid s and Jean Coutu Group s respective financial advisors, and Skadden, Arps, Slate, Meagher & Flom LLP, Rite Aid s outside counsel, and O Melveny & Myers LLP, Jean Coutu Group s outside counsel, met in New York to discuss Rite Aid s proposals. Discussions focused on operational structure, consideration for the transaction, corporate governance issues and the parties mutual preference to pursue discussions with respect to an acquisition by Rite Aid of all of Jean Coutu Group s United States operations. Ms. Sammons telephoned Mr. Jean Coutu on May 24, 2006 to discuss the previous day s meeting between the companies respective advisors.

On May 25, 2006, Jean Coutu Group s chairman and CEO delivered a letter to Rite Aid s CEO advising Rite Aid of a meeting of Jean Coutu Group s board scheduled for May 31, 2006 and requesting a modified indication of interest from Rite Aid by that date. Ms. Sammons telephoned Mr. Jean Coutu on May 26 to indicate that Rite Aid would submit a revised non-binding indication of interest by May 31, 2006 and to discuss certain personnel matters in connection with a possible transaction. On May 30, 2006, Rite Aid s CEO delivered a modified non-binding indication of interest, including a revised term sheet relating to corporate governance matters, to Jean Coutu Group s chairman and CEO.

On June 1, 2006, Jean Coutu Group s chairman and CEO delivered a letter to Rite Aid s CEO responding to Rite Aid s modified indication of interest and outlining the terms under which Jean Coutu Group would agree to continue the negotiation of a transaction. On June 5, 2006, Rite Aid s board met by conference call and approved the submission of another modified non-binding indication of interest to Jean Coutu Group to pursue the transaction and to proceed with the due diligence investigation.

On June 6, 2006, Rite Aid delivered the modified non-binding indication of interest to Jean Coutu Group. In addition, on June 8, 2006, Ms. Sammons and Rite Aid s general counsel met with Mr. Jean Coutu and François Coutu to discuss potential corporate governance issues, including the composition of Rite Aid s board of directors and management after a potential acquisition. Rite Aid delivered its legal due diligence request list to Jean Coutu Group on June 9, 2006. Rite Aid and Jean Coutu Group, together with their respective legal advisors, continued to engage in discussions relating to corporate governance matters contained in the non-binding indication of interest. On June 15, 2006, Rite Aid and Jean Coutu Group entered into a non-binding indication of interest, including a revised term sheet relating to corporate governance matters, acknowledging that the parties agreed to proceed with the negotiation of definitive agreements relating to the acquisition by Rite Aid of all of Jean Coutu Group s United States operations.

A virtual data room containing due diligence documents with respect to Jean Coutu Group was made available to Rite Aid beginning on June 21, 2006. Rite Aid and Jean Coutu Group met on June 23, 2006 to launch the formal due diligence process. Jean Coutu USA management held a due diligence presentation on June 28, 2006, which was attended by members of Rite Aid management, Rite Aid s financial and legal advisors and Jean Coutu Group s financial and legal advisors. The parties, together with their respective financial and legal advisors, continued to conduct their respective due diligence investigations through the remainder of June, July and through early August. On July 7, 2006, Rite Aid held a management presentation for members of Jean Coutu Group management and Jean Coutu Group s financial advisor. Also on July 7, 2006, Rite Aid s legal advisors delivered the draft stockholder agreement and draft registration rights agreement to Jean Coutu Group s legal advisors. On July 12, 2006, Rite Aid s legal advisors delivered the draft stock purchase agreement to Jean Coutu Group s legal advisors. On July 21, 2006, Jean Coutu Group s legal advisors provided revised draft agreements to Rite Aid s legal advisors. Through the remainder of July and early August, the parties legal advisors continued to discuss and negotiate the terms of these draft agreements.

From August 7, 2006 through August 9, 2006, Rite Aid s management and its financial and legal advisors met in New York with Jean Coutu Group s management and its financial and legal advisors to negotiate the terms of the stock purchase agreement, the stockholder agreement and the registration rights agreement. Thereafter, from August 10, 2006 through August 23, 2006, Rite Aid and Jean Coutu Group and their respective legal advisors continued to negotiate the terms of the three agreements.

On August 23, 2006, the Rite Aid board of directors held a special meeting to discuss the terms and conditions of the stock purchase agreement, the stockholder agreement and the registration rights agreement. At the meeting, the board of directors received presentations from management, including presentations as to the strategic benefits and risks and the proposed financing for the transaction. Skadden, Arps reviewed for the board the obligations of directors in considering the transaction and presented summaries of the terms of the stock purchase agreement, the stockholder agreement and the registration rights agreement. Citigroup and Skadden, Arps also presented summaries relating to the proposed financing for the transaction. At the meeting, representatives of Citigroup reviewed its material financial analyses prepared in connection with the preparation of its opinion. Citigroup then delivered its oral opinion, which was subsequently confirmed in writing, that, as of August 23, 2006, and based on and subject to the matters set forth in its opinion, the consideration to be paid by Rite Aid in the acquisition of Jean Coutu USA pursuant to the stock purchase agreement was fair, from a financial point of view, to Rite Aid. Also at the meeting, representatives of Rothschild reviewed its material financial analyses prepared in connection with the preparation of its opinion. Rothschild then delivered its oral opinion, which was subsequently confirmed in writing, that, as of August 23, 2006, and based on and subject to the matters set forth in its opinion, the consideration to be paid by Rite Aid in the acquisition of Jean Coutu USA pursuant to the stock purchase agreement was fair, from a financial point of view, to Rite Aid. After further discussion, the board of directors, by the unanimous vote of those directors present (with Messrs. Mariano and Sloan being absent), determined that the proposed transaction with Jean Coutu Group was fair to and in the best interests of Rite Aid and its stockholders, approved the stock purchase agreement and related agreements, directed that the issuance of Rite Aid common stock to Jean Coutu Group in accordance with the terms of the stock purchase agreement be submitted for consideration by Rite Aid stockholders at a special meeting of Rite Aid stockholders, and resolved to recommend that Rite Aid stockholders vote in favor of the issuance of Rite Aid common stock to Jean Coutu Group in accordance with the terms of the stock purchase agreement.

Following the meeting of the Rite Aid board of directors on August 23, 2006, and meetings of the Jean Coutu Group board of directors, held on August 14, 2006 and August 23, 2006, Rite Aid and Jean Coutu Group entered into the stock purchase agreement, stockholder agreement and registration rights agreement, each dated as of August 23, 2006, and the parties issued a joint press release on August 24, 2006, announcing that the parties had entered into a definitive agreement for Rite Aid to acquire Jean Coutu USA.

Rite Aid s Reasons for the Transaction

The Rite Aid board of directors has determined that the stock purchase agreement, the other agreements entered into in connection with the stock purchase agreement and the transactions contemplated by all of these agreements are fair to, and in the best interests of, Rite Aid and its stockholders. In approving these agreements and the transactions contemplated by them, the Rite Aid board of directors consulted with its financial advisors with respect to the financial aspects and fairness of the acquisition of Jean Coutu USA to Rite Aid from a financial point of view and with its legal counsel as to its fiduciary duties and the terms of the stock purchase agreement and the other agreements entered into in connection with the stock purchase agreement. In reaching its determination to approve these agreements and the transactions contemplated by these agreements, the Rite Aid board of directors, with advice from Rite Aid s executive officers and Rite Aid s financial and legal advisors, considered a number of factors, including the following material factors:

- The board of directors knowledge of Rite Aid s business, operations, financial condition and prospects and of Jean Coutu USA s business, operations, financial condition and prospects, taking into account the results of Rite Aid s due diligence review of Jean Coutu USA, discussions with management of Jean Coutu USA and Jean Coutu Group and the presentations and evaluations of Rite Aid s financial advisors.

- The board of directors knowledge of the current and prospective environment in which Rite Aid and Jean Coutu USA operate, including economic conditions, the competitive environment, the market for potential acquisitions and the likely effect of these factors on Rite Aid s and Jean Coutu USA s potential growth, profitability and strategic options.

- The board of directors assessment that the acquisition of Jean Coutu USA is reasonably likely to enhance Rite Aid s strategic goal of achieving the scale necessary to remain competitive with Rite Aid s major competitors.

- The board of directors understanding of the other strategic alternatives likely to be available to Rite Aid and the growth opportunities offered by such alternatives compared with the growth opportunities presented by the acquisition of Jean Coutu USA.

- The significant synergy opportunities identified by Rite Aid management in connection with the acquisition of Jean Coutu USA, including expected cost savings and increased revenue opportunities, and the timeline for achievement of these synergies projected by Rite Aid management following its due diligence investigation of Jean Coutu USA.

The opportunity for improved operating results as a consequence of spreading fixed expenses over a larger store base.

- The experience of certain members of Rite Aid s management in implementing previous retail mergers and leading the turnaround of Rite Aid, and the expectation that the combined company following the acquisition of Jean Coutu USA would continue to be managed by Rite Aid s experienced senior executives.

- The financial terms of the acquisition of Jean Coutu USA, together with the realization of the synergy opportunities projected in connection with the acquisition of Jean Coutu USA and the ability of Rite Aid s stockholders to continue to participate in any future growth of Rite Aid.

- The stockholder and regulatory approvals required in connection with the acquisition of Jean Coutu USA and the other terms of the stock purchase agreement, and the likelihood that, once the stock purchase agreement had been entered into, the acquisition of Jean Coutu USA would be completed if the issuance of Rite Aid common stock in accordance with the terms of the stock purchase agreement were approved by our stockholders and the acquisition of Jean Coutu USA were approved by applicable regulatory agencies.

- The financial analyses presented by Citigroup and Rothschild, as financial advisors to Rite Aid, and the opinions delivered by Citigroup and Rothschild to the effect that, as of August 23, 2006, and based upon and subject to the assumptions made, matters considered and limitations set forth in their respective opinions, the consideration to be paid by Rite Aid pursuant to the stock purchase agreement was fair to Rite Aid from a financial point of view. See the section entitled The Transaction Opinions of Rite Aid s Financial Advisors beginning on page 45 for a more detailed

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

In the course of its deliberations, the Rite Aid board of directors also considered a variety of risks, uncertainties and other potentially negative factors concerning the acquisition of Jean Coutu USA, including without limitation the risks described under Risk Factors beginning on page 27 and the following:

- The fact that Jean Coutu Group would hold approximately 30.2% of the voting power of Rite Aid s voting securities outstanding upon consummation of the acquisition of Jean Coutu USA.

- The terms of the stockholder agreement imposing restrictions on the board composition and corporate governance of Rite Aid following the acquisition of Jean Coutu USA and providing for certain rights of Jean Coutu Group to purchase Rite Aid securities to maintain its ownership percentage.

- The possibility that the synergies and other financial and strategic benefits expected to be achieved in the acquisition of Jean Coutu USA would not be obtained on a timely basis or at all.

- The diversion of management and employee attention during the period after the signing of the stock purchase agreement and the potential effect on Rite Aid s business.

- The risks and costs that could be borne by Rite Aid if the acquisition of Jean Coutu USA is not completed.

- The additional debt to be incurred by Rite Aid in connection with financing the acquisition of Jean Coutu USA.

- The risks and costs involved in integrating the acquired stores and in re-branding the Eckerd and Brooks stores as Rite Aid stores.

- The expectation that the transaction will be dilutive by $0.03 to $0.07 per diluted share for the first 12 months after completion of the transaction 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, and the expectation that Rite Aid will spend approximately $450 million of integration-related capital expenditures in the first 12 months after completion of the transaction.

The board of directors also took into account the fact that Citigroup s and Rothschild s opinions addressed only the fairness, from a financial point of view, of the consideration to be paid by Rite Aid and did not address strategic considerations or the other reasons the Board supported the transaction discussed above.

The foregoing discussion of the information considered by Rite Aid s board of directors is not intended to be exhaustive, but includes the material factors that Rite Aid s board of directors considered in approving and recommending the issuance of Rite Aid common stock in accordance with the terms of the stock purchase agreement. The Rite Aid board, together with Rite Aid management and Rite Aid s financial advisors, conducted numerous discussions of the factors described above. In view of the wide variety of factors considered by Rite Aid s board of directors in connection with its evaluation of the acquisition of Jean Coutu USA and the complexity of these factors, Rite Aid s board of directors did not consider it practical to, nor did it attempt to, quantify, rank or otherwise assign any specific or relative weights to the specific factors that it considered in the course of reaching its decision. In addition, in considering the factors described above, individual directors may have assigned different weights to different factors. The board of directors discussed the factors described above, including asking questions of Rite Aid s senior management and legal and financial advisors, and, by the unanimous vote of those directors present, determined that the acquisition of Jean Coutu USA was in the best interests of Rite Aid and its stockholders.

The above explanation of the reasoning of Rite Aid s board of directors and all other information presented in this section is forward-looking in nature and, therefore, should be read in light of the factors discussed under Cautionary Statement Concerning Forward-Looking Statements beginning on page 33.

For the reasons set forth above, Rite Aid s board of directors has approved the stock purchase agreement, the other agreements entered into in connection with the stock purchase agreement and the transactions contemplated by those agreements, has concluded that the transactions are advisable and in the best interests of Rite Aid and its stockholders and recommends that Rite Aid stockholders vote FOR approval of the issuance of Rite Aid common stock to Jean Coutu Group in accordance with the stock purchase agreement.

Opinions of Rite Aid s Financial Advisors

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, delivered on August 23, 2006, which was subsequently confirmed in writing, and the oral opinion of 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. 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 acquisition. Citigroup and Rothschild were not requested to opine as to, and their opinions do not in any manner address, Rite Aid s underlying business decision to proceed with or effect the transaction. Citigroup s and Rothschild s opinions did not constitute a recommendation of the acquisition 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.

Opinion of Citigroup

Citigroup rendered its opinion to Rite Aid s board of directors that, as of August 23, 2006 and based upon and subject to the factors and assumptions set forth in the opinion, the consideration consisting of (i) 250 million shares of common stock of Rite Aid and (ii) $2.3 billion in cash, which amount will be reduced by the principal amount of, and the accrued and unpaid interest to and including the closing date of the transaction on, Jean Coutu Group s 8.5% Senior Subordinated Notes due 2014 assumed by Rite Aid, is fair, from a financial point of view, to Rite Aid.

The full text of the written opinion of Citigroup, dated August 23, 2006, which sets forth the assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is attached as Appendix E to this proxy statement and is incorporated herein

by reference. Citigroup provided its advisory services and opinion for the information of the board of directors of Rite Aid in its evaluation of the transaction. Citigroup s opinion is not intended to be and does not constitute a recommendation to any stockholder as to how that stockholder should vote or act with respect to the issuance of Rite Aid common stock to Jean Coutu Group in connection with the transaction or any other matter described in this proxy statement. Citigroup was not requested to consider, and its opinion does not address, the relative merits of the transaction compared to any alternative business strategies that might exist for Rite Aid or the effect of any other transaction in which Rite Aid might engage. This summary of Citigroup s opinion in this proxy statement is qualified in its entirety by reference to the full text of the opinion.

In arriving at its opinion, Citigroup:

- reviewed a draft dated August 19, 2006 of the stock purchase agreement;

- held discussions with certain senior officers, directors and other representatives and advisors of Rite Aid and certain senior officers and other representatives and advisors of Jean Coutu Group concerning the businesses, operations and prospects of Rite Aid and Jean Coutu USA;

- examined certain publicly available business and financial information relating to Rite Aid and Jean Coutu USA as well as certain financial forecasts and other information and data relating to Rite Aid and Jean Coutu USA which were provided to or discussed with Citigroup by the respective managements of Rite Aid and Jean Coutu Group, including information relating to the potential strategic implications and operational benefits (including the amount, timing and achievability thereof) anticipated by the management of Rite Aid to result from the transaction;

- reviewed the financial terms of the transaction as set forth in the stock purchase agreement in relation to, among other things, current and historical market prices of Rite Aid common stock, the historical and projected earnings and other operating data of Rite Aid and Jean Coutu USA and the capitalization and financial condition of Rite Aid and Jean Coutu USA;

- considered, to the extent publicly available, the financial terms of certain other transactions which Citigroup considered relevant in evaluating the transaction and analyzed certain financial, stock market and other publicly available information relating to the businesses of other companies whose operations Citigroup considered relevant in evaluating those of Rite Aid and Jean Coutu USA;

- evaluated certain pro forma financial effects of the transaction on Rite Aid; and

- conducted such other analyses and examinations and considered such other information and financial, economic and market criteria as Citigroup deemed appropriate in arriving at its opinion.

In rendering its opinion, Citigroup assumed and relied, without assuming any responsibility for independent verification, upon the accuracy and completeness of all financial and other information and data publicly available or provided to or otherwise reviewed by or discussed with it and upon the assurances of the managements of Rite Aid and Jean Coutu Group that they were not aware of any relevant information regarding Rite Aid or Jean Coutu USA, as applicable, that had been omitted or remained undisclosed to Citigroup. With respect to financial forecasts and other information and data provided to or otherwise reviewed by or discussed with Citigroup relating to Rite Aid and Jean Coutu USA and, in the case of certain potential pro forma financial effects of, and strategic implications and operational benefits resulting from, the transaction, Citigroup was advised by the respective managements of Rite Aid and Jean Coutu Group that those forecasts and other information and data were reasonably prepared on bases reflecting the best then currently available estimates and judgments of the managements of Rite Aid and Jean Coutu Group as to the future financial performance of Rite Aid and Jean Coutu USA, the potential strategic implications and operational benefits and the other matters covered thereby.

Citigroup assumed, with Rite Aid s consent, that the transaction will be consummated in accordance with its terms, without waiver, modification or amendment of any material term, condition or agreement and that, in the course of obtaining the necessary regulatory or third party approvals, consents and releases for the transaction, no delay, limitation, restriction or condition will be imposed that would have an adverse effect on Rite Aid, Jean Coutu USA or the contemplated benefits to Rite Aid of the transaction. Representatives of Rite Aid have advised Citigroup, and Citigroup further has assumed, that the final terms of the stock purchase agreement will not vary materially from those set forth in the draft reviewed by Citigroup. Citigroup has further assumed that the liabilities of Rite Aid under the indemnities in the stock purchase agreement will not be material and consummation of the Reorganization (as defined in the stock purchase agreement) does not have any consequences that are material to its opinion. Citigroup neither made nor was it provided with an independent evaluation or appraisal of the assets or liabilities (contingent or otherwise) of Rite Aid or Jean Coutu USA. In addition, Citigroup did not make any physical inspection of the properties or assets of Rite Aid or Jean Coutu USA.

Citigroup was not requested to, and it did not, nor was it requested to consider, and its opinion does not address, the relative merits of the transaction as compared to any alternative business strategies that might exist for Rite Aid, any alternative means for financing the transaction, the price at which Rite Aid common stock will trade at any time or the effect of any other transaction in which Rite Aid might engage. Citigroup s opinion was necessarily based upon information available to it, and financial, stock market and other conditions and circumstances existing, as of the date of the opinion.

Citigroup acted as financial advisor to Rite Aid in connection with the transaction. Pursuant to Citigroup s engagement letter, Rite Aid agreed to pay Citigroup the following fees for its services rendered in connection with the transaction: (i) a fee of $2 million payable promptly upon delivery by Citigroup of its opinion and (ii) an additional fee equal to $10 million (less any amounts previously paid by Rite Aid upon delivery by Citigroup of its opinion), payable promptly upon consummation of the transaction. In addition, Rite Aid has agreed, subject to certain limitations, to reimburse Citigroup for its reasonable expenses, including attorneys fees and disbursements. Rite Aid has also agreed to indemnify Citigroup and related persons for certain liabilities that may arise out of the rendering of its opinion, including certain liabilities under the federal securities laws.

Citigroup and its affiliates in the past have provided, and are currently providing, services to Rite Aid unrelated to the transaction, for which services Citigroup and such affiliates have received and expect to receive compensation, including, without limitation, having acted as:

- sole bookrunner on Rite Aid s offering of $200 million 7.5% Senior Secured Notes due 2015, which closed on January 4, 2005;
- co-manager on Rite Aid s equity offering of 2.3 million shares, which closed on January 26, 2005;
- joint bookrunner on Rite Aid s equity offering of 4.6 million shares, which closed on August 16, 2005;
- joint lead agent and bookrunner on Rite Aid s $950 million revolving credit facility due 2009, which closed on September 22, 2004;
- joint lead agent and bookrunner on Rite Aid s $450 million Term A Loan facility due 2009, which closed on September 22, 2004;
- joint lead agent and bookrunner for Rite Aid s $1.750 billion revolving facility due 2010, which closed on September 13, 2005; and
- lead arranger on Rite Aid s $175 million securitization renewal which closed on September 20, 2005.

Citigroup and its affiliates received for these services an aggregate of approximately $6.92 million in 2004 and 2005 from Rite Aid.

Citigroup and its affiliates are currently providing services to Rite Aid related to the transaction, for which services Citigroup and such affiliates expect to receive compensation, including, without limitation, acting as:

- lead arranger and bookrunner for the $1.105 billion senior secured term loan facility;

- sole bookrunner for the $1.720 billion offering of Rite Aid notes or, to the extent Rite Aid does not issue notes, the $1.720 billion senior secured bridge facility, in either case which amount will be reduced by the principal amount, if any, of Jean Coutu Group s 8.5% Senior Subordinated Notes due 2014 assumed by Rite Aid on the closing date of the transaction; and

- lender and syndication agent for the Rite Aid $145 million senior secured incremental loan facility, which closed on October [__], 2006.

In the ordinary course of its business, Citigroup and its affiliates may actively trade or hold the securities of Rite Aid and Jean Coutu Group for its own account or for the account of its customers and, accordingly, may at any time hold a long or short position in such securities. In addition, Citigroup and its affiliates (including Citigroup Inc. and its affiliates) may maintain relationships with Rite Aid, Jean Coutu Group and their respective affiliates.

Citigroup is an internationally recognized investment banking firm and, as part of its investment banking activities, is regularly engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and valuations for corporate and other purposes. Rite Aid selected Citigroup as its financial advisor because it is an internationally recognized investment banking firm that has substantial experience in transactions similar to the proposed transaction.

Financial Analyses of Citigroup

The preparation of a fairness opinion is a complex analytical process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances and is not necessarily susceptible to partial analysis or summary description. A description of the material financial analyses of Citigroup performed in connection with the preparation of its fairness opinion is set forth below. The following summary does not, however, purport to be a complete description of all the financial analyses performed by Citigroup in connection with its fairness opinion. In arriving at its opinion, Citigroup also reviewed certain financial information for Rite Aid and Jean Coutu Group and compared it to corresponding financial information, ratios and multiples for the other and certain other publicly traded companies. Citigroup believes that the analyses and factors described below must be considered as a whole and that selecting portions of such analyses and factors or focusing on information presented in tabular format, without considering all analyses and factors or the narrative description of its analyses, could create a misleading or incomplete view of the processes underlying its analyses and opinion. In arriving at its fairness determination, Citigroup considered the results of all of its analyses and did not attribute any particular weight to any factor or analysis considered by it. Rather, Citigroup made its determination as to fairness on the basis of its experience and professional judgment after considering the results of all of its analyses.

No limitations were imposed by Rite Aid on the scope of Citigroup s investigation or the procedures to be followed by Citigroup in rendering its opinion. In its analyses, Citigroup made numerous assumptions with respect to industry performance, regulatory, general business, economic, market and financial conditions and other matters, many of which are beyond the control of Rite Aid and Jean Coutu USA. Analyses based upon forecasts of future results are not necessarily indicative of actual future results, which may be significantly more or less favorable than suggested by those analyses. The analyses do not purport to be appraisals or to reflect the prices at which businesses or securities actually may be sold. Because these analyses are inherently subject to uncertainty, being based upon numerous factors or events beyond the control of the parties or their respective advisors, none of Rite Aid, Jean Coutu Group, Citigroup, their respective affiliates or any other person assumes responsibility if future results are materially different from those forecast.

As described above, Citigroup s opinion to Rite Aid s board of directors was one of many factors taken into consideration by Rite Aid s board of directors in making its determination to approve the transaction, the stock purchase agreement and the issuance of Rite Aid common stock in the transaction.

The order of the analyses described does not represent relative importance or weight given to those analyses by Citigroup. Some of the summaries of the financial analyses include information presented in tabular format. To the extent the following quantitative information reflects market data, except as otherwise indicated, Citigroup based this information on market data existing on or before August 23, 2006, the last trading day before detailed news reports of the proposed transaction. Accordingly, this information does not necessarily reflect current or future market conditions.

Comparable Companies Analysis. Citigroup compared financial, operating, stock market information and forecasted financial information for Rite Aid and Jean Coutu Group with selected publicly traded companies that operate in the drug store chain sector. The selected comparable companies considered by Citigroup were:

- Walgreen Co.;
- CVS Corporation; and
- Longs Drug Stores Corporation.

For Rite Aid and each of the comparable companies Citigroup derived firm value as a multiple of, among other things, last twelve months, or LTM, earnings before interest, taxes, depreciation and amortization, or EBITDA. Citigroup calculated firm value as (a) equity value, based on the per share price and fully diluted shares outstanding as reflected in each company s latest publicly available information, assuming the exercise of all in-the-money options, warrants and convertible securities outstanding, less the proceeds from such exercise; plus (b) non-convertible indebtedness; plus (c) non-convertible preferred stock; plus (d) minority interests; plus (e) all out-of-the-money convertible securities; minus (f) investments in unconsolidated affiliates and cash and cash equivalents.

Historical financial information for the comparable companies, Rite Aid and Jean Coutu was obtained from public filings. Estimated financial data for the selected companies were based on mean estimates as of August 11, 2006 from the Institutional Brokerage Estimate System, a data service that compiles Wall Street research analysts estimates.

At August 11, 2006 Share Prices	**Firm Value/ LTM EBITDA**
Comparable Company Mean	11.0 x
Comparable Company Median	11.0
Rite Aid	8.9
Jean Coutu Group	9.3

Based upon the comparable companies analysis and taking into consideration other performance metrics, Citigroup selected a reference range of 8.5x to 9.5x LTM EBITDA, which corresponds to an implied estimated firm value reference range of approximately $3.134 billion to $3.503 billion.

Precedent Transactions Analysis. Citigroup reviewed publicly available information for fourteen merger or acquisition transactions in the drugstore chain sector publicly announced since November 30, 1995:

Announcement Date	Acquirer	Target
01/23/06	CVS	Sav-on Drug
04/05/04	Jean Coutu	Eckerd
04/05/04	CVS	Eckerd
12/23/03	Oakhill Partners	Duane Reade Inc.
11/19/99	Kohlberg Kravis Roberts & Co.	Shoppers Drug Mart
11/24/98	J.C. Penney	Genovese Drug Stores
02/09/98	CVS	Arbor Drugs
12/23/03	DLJ Merchant Banking Partners	Duane Reade Inc
02/06/97	CVS	Revco D. S., Inc.
11/03/96	J.C. Penney	Eckerd Corp.
10/13/96	Rite Aid	Thrifty Payless
10/27/96	Revco	Big B
08/05/96	J. C. Penney	Fay s Inc.
11/30/95	Rite Aid	Revco

For each selected precedent transaction and for the transaction, Citigroup derived and compared, among other things:

- the ratio of firm value of the acquired company based on the consideration paid in the transaction to EBITDA, for the last twelve-month period prior to the announcement of the transaction for which financial results were available (LTM EBITDA);
- the ratio of firm value of the acquired company based on the consideration paid in the transaction to sales for the last twelve-month period prior to the announcement of the transaction for which financial results were available; and
- the ratio of firm value of the acquired company to the number of stores owned by the acquired company.

With respect to the financial information for the companies involved in the selected precedent transactions, Citigroup relied on information available in public documents, company press releases and information published by Securities Data Corporation. Firm value in this analysis is equal to the aggregate consideration paid for the enterprise value of the target in the respective transaction as determined by the acquirer.

The following table presents the results of this analysis for the precedent transactions:

	Median	Mean
Ratio of Firm Value to LTM Sales	0.5 x	0.6 x
Ratio of Firm Value to LTM EBITDA	9.2	9.4
Ratio of Firm Value to Stores	2.0	2.7

Based upon the precedent transactions analysis and taking into consideration other performance metrics, Citigroup selected a reference range of 8.5x to 10.0x LTM EBITDA, which corresponds to an implied estimated firm value reference range of approximately $3.134 billion to $3.687 billion.

Discounted Cash Flow Analysis. Citigroup performed a discounted cash flow analysis to calculate the estimated present value of the standalone unlevered, after-tax free cash flows estimated to be generated by Jean Coutu USA for fiscal years 2007 through 2011. This discounted cash flow analysis excludes the value from synergies expected to result from the transaction and the expected acceleration of usage of Rite Aid s net operating losses.

Estimated terminal values for Jean Coutu USA were calculated by applying to Jean Coutu USA s fiscal year ended February 28, 2011 estimated EBITDA a range of EBITDA terminal value multiples of 8.5x to 9.5x. The unlevered, after-tax free cash flows and terminal values were then discounted to present value using discount rates ranging from 7.5% to 8.5%, which discount range was derived taking into account, among other things, the estimated weighted average cost of capital for Jean Coutu USA utilizing selected data from Rite Aid management. This analysis indicated an implied firm enterprise value reference range for Jean Coutu USA, as of February 28, 2006, of approximately $3.497 billion to $4.023 billion.

Opinion of Rothschild

Rothschild was retained to act as financial advisor to Rite Aid in connection with its acquisition of Jean Coutu USA, a wholly-owned subsidiary of the Jean Coutu Group. Pursuant to Rite Aid s engagement letter agreement with Rothschild, dated October 20, 2005 and amended May 25, 2006, Rothschild rendered an opinion to Rite Aid s board of directors on August 23, 2006, to the effect that, as of the date of the opinion, and based upon and subject to the considerations and limitations set forth in the opinion, Rothschild s work described below and other factors Rothschild deemed relevant, the consideration (as described below in The Stock Purchase Agreement Consideration to be Paid in the Transaction , and referred to below in this summary as the consideration) to be paid by Rite Aid in the transactions contemplated by the stock purchase agreement (referred to below in this summary as the transaction) was fair, from a financial point of view, to Rite Aid.

The full text of Rothschild s opinion, which sets forth the assumptions made, general procedures followed, matters considered and limits on the review undertaken, is included as Appendix F to this proxy statement. The summary of Rothschild s opinion set forth below is qualified in its entirety by reference to the full text of the opinion. We urge you to read the Rothschild opinion carefully and in its entirety.

The Rothschild opinion was limited solely to the fairness of the consideration to be paid by Rite Aid in the transaction from a financial point of view as of the date of the opinion. Neither the Rothschild opinion nor the related analyses constituted a recommendation to the Rite Aid board of directors to approve the proposed transaction. Rothschild makes no recommendation to any stockholder regarding how such stockholder should vote or act with respect to the issuance of Rite Aid common stock to Jean Coutu Group in connection with the transaction or any other matter described in this proxy statement.

In arriving at its opinion, Rothschild:

- reviewed the financial terms and conditions of (i) the August 21, 2006 draft of the stock purchase agreement and (ii) the August 21, 2006 draft of the stockholder agreement to be entered into among Rite Aid, the Jean Coutu Group and certain Coutu family members concerning board composition, voting, share transfers and other matters;

- reviewed certain publicly available business and financial information relating to Rite Aid;

- reviewed certain publicly available business and financial information relating to the Jean Coutu Group in so far as it relates to Jean Coutu USA;

- reviewed certain audited and unaudited financial statements relating to Jean Coutu USA and certain other financial and operating data, including financial forecasts, provided by the management of Rite Aid;

- participated in management presentations held on June 28, 2006 and July 7, 2006 and informal discussions on June 23, 2006 with members of management of Rite Aid and Jean Coutu USA regarding the past and current operations and financial condition and prospects of Rite Aid and Jean Coutu USA, respectively;

- reviewed the reported price and trading activity for the shares of Rite Aid common stock and shares of the Jean Coutu Group s common stock and compared the financial performance of Rite Aid and the Jean Coutu Group with those of certain other publicly traded companies that Rothschild deemed to be relevant;
- reviewed, to the extent publicly available, the financial terms of certain transactions that it deemed to be relevant;
- discussed the terms of the transaction with Rite Aid and its other advisors and consultants; and
- considered such other factors and information, and conducted such other analyses, as it deemed appropriate.

In rendering its opinion, Rothschild assumed and relied upon, and did not independently verify or assume any responsibility for independent verification of, any information, whether publicly available or furnished to it, concerning Rite Aid or Jean Coutu USA, including without limitation, any financial information considered by it in connection with the rendering of its opinion. With respect to the financial forecasts and other information and operating data for Rite Aid and Jean Coutu USA, including the expected cost savings and other potential synergies (including the amount, timing and achievability thereof) anticipated to result from the transaction, provided to or discussed with Rothschild by the management of Rite Aid and Jean Coutu USA, respectively, Rothschild was advised, and did assume, that such forecasts and information as to the future financial performance of Rite Aid or Jean Coutu USA, as the case may be, and the expected cost savings and other potential synergies were reasonably prepared on bases reflecting the best then available estimates and judgments of the management of Rite Aid or Jean Coutu USA, respectively. Rothschild expressed no view as to the reasonableness of such forecasts and projections or the assumptions on which they were based.

With respect to tax and regulatory matters, Rothschild relied, with the consent of Rite Aid s board of directors, on the advice of counsel, experts and advisors to Rite Aid and, further, on discussions with, and information and materials furnished to Rothschild by, the management of Rite Aid regarding the tax position of Jean Coutu USA, Rite Aid and, in the event the Reorganization (as described below under The Stock Purchase Agreement The Jean Coutu USA Reorganization) occurs, JCG (PJC) USA, LLC, in each case before and after the giving effect to the transaction. Rothschild also assumed, at the direction of Rite Aid s board of directors, that there had not occurred any material change in the assets, financial condition, results of operations, business or prospects of Rite Aid or Jean Coutu USA since the respective dates on which the most recent financial statements or other financial and business information relating to Rite Aid and Jean Coutu USA were made available to Rothschild. Rothschild further assumed, with the consent of Rite Aid s board of directors, that the representations and warranties of the parties to each of the stock purchase agreement and the stockholder agreement were true and correct, that each of the parties to each of the stock purchase agreement and the stockholder agreement will perform all of the covenants and agreements to be performed by it under each of the stock purchase agreement and the stockholder agreement and that the transaction will be consummated in all material respects in accordance with the terms and conditions described in the stock purchase agreement and the stockholder agreement and related documents without any waiver or modification thereof. Rothschild also assumed, with the consent of Rite Aid s board of directors, (i) that all governmental, regulatory or other consents and approvals necessary for the consummation of the transaction will be obtained without any adverse effect on Rite Aid, Jean Coutu USA or the transaction, (ii) that no divestitures or asset sales from Rite Aid or Jean Coutu USA other than the divestitures contemplated by the second sentence of Section 4.7(d) of the stock purchase agreement will be required as a result of the transaction, and (iii) that the financing required by Rite Aid for the transaction was or would be obtained on terms no less favorable than the terms Rothschild reviewed, in each case that would in any respects be material to its analysis. Rothschild did not assume responsibility for making an independent evaluation, appraisal or physical inspection of any of the assets or liabilities (contingent or otherwise) of Rite Aid or Jean Coutu USA, nor did Rothschild evaluate the solvency or fair value of Jean Coutu USA under any state, federal or foreign laws relating to bankruptcy, insolvency or similar matters.

Rothschild noted that its opinion relates to the relative values of Rite Aid and Jean Coutu USA. Rothschild did not express any opinion as to what the value of Rite Aid common stock actually will be when issued to the Jean Coutu Group or the prices at which such Rite Aid common stock will trade subsequent to the transaction. Rothschild also assumed that the final stock purchase agreement and the stockholder agreement were substantially the same as the drafts reviewed by it.

In connection with rendering its opinion, Rothschild was not requested to consider, and its opinion did not address, the relative merits of the transaction as compared to any alternative business strategies that might exist for Rite Aid or the effect of any other transaction in which Rite Aid might engage. Rothschild s opinion was necessarily based upon information available to it, and economic, monetary and market and other conditions and circumstances existing, as of the date of its opinion. Rothschild has not been asked to and assumed no obligation to update its opinion or its analysis.

Financial Analyses of Rothschild

In connection with rendering its opinion, Rothschild made a presentation to the Rite Aid board of directors on August 23, 2006, with respect to the material analyses performed by Rothschild in evaluating the fairness to Rite Aid of the consideration to be paid by Rite Aid in the transaction. The following is a summary of that presentation. The summary includes information presented in tabular format. **In order to understand fully the financial analyses used by Rothschild, these tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses.** The following quantitative information, to the extent it is based on market data, is, except as otherwise indicated, based on market data as it existed at or prior to August 11, 2006, and is not necessarily indicative of current or future market conditions.

Comparable Companies Valuation. Rothschild compared financial and stock market data and forecasted financial information for selected publicly traded public companies that operate retail drugstore chains that Rothschild deemed appropriate with similar information for each of Rite Aid and the Jean Coutu Group. The selected comparable companies considered by Rothschild were:

- CVS Corporation;
- Longs Drug Stores Corporation; and
- Walgreen Co.

The forecasted financial information used by Rothschild for CVS Corporation, Longs Drug Stores Corporation, Rite Aid and Walgreen Co. in the course of this analysis was based on projections published by Thomson First Call Research. Thomson First Call Research compiles summaries of financial forecasts published by various investment banking and research firms. The forecasted financial information used by Rothschild for Rite Aid (in addition to the information provided by Thomson First Call Research) and the Jean Coutu Group was based on projections provided by the management of Rite Aid. The historical financial information used by Rothschild in the course of this analysis was based on publicly available historical information. In order to present the financial forecasts and historical financial information on comparable bases, Rothschild calendarized and made certain other adjustments to this information. With respect to Rite Aid, the Jean Coutu Group and the comparable companies, calculations were made based on the closing price per share of each company s common stock as of August 11, 2006.

For each of the selected comparable companies, Rite Aid and the Jean Coutu Group, Rothschild derived and compared among other things:

- the ratio of each company s enterprise value as of August 11, 2006 to its revenues for the last twelve-month, or LTM, period for which financial results were available and its estimated revenues for each of calendar years 2006 and 2007;

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- the ratio of each company s enterprise value as of August 11, 2006 to its earnings before interest expense, taxes, depreciation and amortization (EBITDA) for the LTM period for which financial results were available and its estimated EBITDA for each of calendar years 2006 and 2007; and

- the ratio of each company s stock price as of August 11, 2006 to its estimated earnings per share for the calendar years 2006 and 2007.

The following tables set forth the results of this analysis:

Comparable companies analysis

	EV / Revenue			EV / EBITDA			P / E	
Company	LTM	2006P	2007P	LTM	2006P	2007P	2006P	2007P
CVS Corporation	0.77 x	0.79 x	0.69 x	11.2 x	11.3 x	9.3 x	22.4 x	18.2 x
Longs Drug Stores Corporation	0.35	0.32	0.30	8.1	7.9	7.0	22.2	19.4
Walgreen Co.	1.05	0.98	0.87	14.7	13.9	12.2	26.9	23.4
Mean	**0.72**	**0.70**	**0.62**	**11.3**	**11.0**	**9.5**	**23.8**	**20.3**
Median	**0.77**	**0.79**	**0.69**	**11.2**	**11.3**	**9.3**	**22.4**	**19.4**
Company								
Rite Aid Forecast	**0.33 x**	**0.33 x**	**0.31 x**	**8.9 x**	**8.5 x**	**7.9 x**	**N/A**	**N/A**
First Call Consensus	**0.33**	**0.33**	**0.32**	**8.9**	**8.6**	**8.2**	**N/A**	**N/A**
Jean Coutu Group	**0.42**	**0.41**	**0.39**	**9.3**	**8.6**	**7.7**	**18.9**	**14.4**

Note: Projections were adjusted to a December 31st year-end.

Based on this analysis, Rothschild applied a range of multiples of 8.0x to 10.0x and 7.0x to 9.0x to LTM adjusted EBITDA and to February 2007 adjusted EBITDA, respectively, to Jean Coutu USA. Using the results of these calculations, Rothschild derived a reference range for the implied enterprise value range for Jean Coutu USA (i) of between \$2.95 billion and \$3.69 billion based on LTM adjusted EBITDA, (ii) without assuming any synergies, of between \$2.65 billion and \$3.41 billion based on February 2007 adjusted EBITDA and (iii) assuming net run-rate synergies of \$148.7 million, of between \$3.69 billion and \$4.75 billion based on February 2007 adjusted EBITDA. The estimates of the net run-rate synergies were provided by management of Rite Aid.

Comparable Transaction Analysis. Rothschild also reviewed and analyzed selected recent transactions involving the acquisition of companies that operate retail drugstore chains and, as background, also reviewed and analyzed related historical transactions involving acquisitions of such companies. In performing these analyses, Rothschild reviewed and assessed certain financial data and transaction multiples relating to the companies in the selected transactions and compared this information to corresponding information for Jean Coutu USA. Using publicly available information, Rothschild calculated, with respect to the acquired company, (i) the enterprise value per store, (ii) the ratio of the enterprise value to sales in the LTM period for which financial results were available and (iii) the ratio of enterprise value to its EBITDA in the LTM period for which financial results were available.

The recent comparable transactions which have been analyzed and the results of these calculations are set forth below:

Announcement Date	Acquirer	Target
January 2006	CVS Corporation	Sav-on Drug Stores
April 2004	Jean Coutu Group	Eckerd
April 2004	CVS Corporation	Eckerd
December 2003	Oak Hill Capital Partners	Duane Reade Inc.

For the acquired companies, the mean enterprise value per store was $2.4 million, whereas the median enterprise value per store was $2.2 million. For the acquired companies, the mean and median ratio of the enterprise value to sales in the LTM period for which financial results were available was 0.4x. For the acquired companies, the mean ratio of enterprise value to EBITDA in the LTM period for which financial results were available was 9.1x, whereas the median ratio of enterprise value to EBITDA in the LTM period for which financial results were available was 9.3x. The corresponding calculations for Jean Coutu USA produced an enterprise value per store of $1.8 million, a ratio of enterprise value to sales in the LTM period for which financial results were available of 0.36x and a ratio of enterprise value to its EBITDA in the LTM period for which financial results were available to EBITDA of 9.2x.

Based on this analysis, Rothschild applied a range of multiples from 8.0x to 10.0x to the LTM EBITDA for Jean Coutu USA. Using the results of these calculations, Rothschild derived a reference range for the implied enterprise value range for Jean Coutu USA of between $2.95 billion and $3.69 billion based on LTM EBITDA.

The historical comparable transactions which have been analyzed and the results of these calculations are set forth below:

Announcement Date	Acquirer	Target
November 1999	Kohlberg Kravis Roberts & Co.	Shopper s Drug Mart
November 1998	J. C. Penney Company, Inc.	Genovese Drug Stores
February 1998	CVS Corporation	Arbor Drugs
May 1997	DLJ Merchant Banking Partners	Duane Reade Inc.
February 1997	CVS Corporation	Revco D.S., Inc.
November 1996	J. C. Penney Company, Inc.	Eckerd
October 1996	Rite-Aid	Thrifty Payless Inc.
October 1996	Revco D.S., Inc.	Big B Inc.
August 1996	J. C. Penney Company, Inc.	Fay s Inc.
November 1995	Rite-Aid	Revco

For the acquired companies, the mean enterprise value per store was $2.7 million, whereas the median enterprise value per store was $2.0 million. For the acquired companies, the mean ratio of the enterprise value to sales in the LTM period for which financial results were available was 0.7x, whereas the median ratio of the enterprise value to sales in the LTM period for which financial results were available was 0.59x. For the acquired companies, the mean ratio of enterprise value to EBITDA in the LTM period for which financial results were available was 11.5x, whereas the median ratio of enterprise value to EBITDA in the LTM period for which financial results were available was 10.2x.

Discounted Cash Flow Analysis. Rothschild also conducted a discounted cash flow analysis of Jean Coutu USA as a standalone company using estimates of future cash flows of Jean Coutu USA. Rothschild used discount rates ranging from 7.3% to 9.3% and terminal value EBITDA multiples ranging from 8.0x to 10.0x, which in each case were determined by Rothschild using its experience and judgment. The estimates of future cash flows used by Rothschild were developed by the management of Rite Aid for Jean Coutu USA as if it were a standalone company.

Rothschild conducted this analysis using two cases; in one case, the estimates of future cash flows used by Rothschild did not include synergies, dis-synergies, incremental operating expenses and transition costs that were part of Rite Aid s pro forma operating plan for the combined company. Based on this information, Rothschild calculated implied enterprise values for Jean Coutu USA ranging from $3.21 billion to $4.25 billion and also calculated percentages of Jean Coutu USA s implied enterprise value represented by terminal value ranges for 2011 ranging from 85.3% to 88.3%. In the other case, the estimates of future cash flows used by Rothschild were adjusted for the effects of assumed synergies, dis-synergies, integration costs and other operating adjustments to Rite Aid s operating plan and the increased utilization of Rite Aid s net operating loss carry forwards that were part of Rite Aid s pro forma operating plan for the combined company. Based on this information, Rothschild calculated implied enterprise values for Jean Coutu USA ranging from $4.36 billion to $5.70 billion and also calculated percentages of Jean Coutu USA s implied enterprise value represented by terminal value ranges for 2011 ranging from 79.9% to 83.8%.

*   *   *

The preceding discussion is a summary of the material financial analyses furnished by Rothschild to the Rite Aid board of directors, but it does not purport to be a complete description of the analyses performed by Rothschild or of its presentation to the Rite Aid board of directors. The preparation of financial analyses and fairness opinions is a complex process involving subjective judgments and is not necessarily susceptible to partial analysis or summary description. Rothschild made no attempt to assign specific weights to particular analyses or factors considered, but rather made qualitative judgments as to the significance and relevance of all the analyses and factors considered and determined to give its fairness opinion as described above. Accordingly, Rothschild believes that its analyses, and the summary set forth above, must be considered as a whole, and that selecting portions of the analyses and the factors considered by Rothschild, without considering all of the analyses and factors, could create a misleading or incomplete view of the processes underlying the analyses conducted by Rothschild and its opinion. With regard to the comparable companies analysis and comparable transaction analysis summarized above, Rothschild selected comparable public companies and comparable transactions on the basis of various factors, including size and similarity of the line of business of the relevant entities; however, no company and no transaction utilized in this analysis is identical to Jean Coutu USA.

In its analyses, Rothschild made numerous assumptions with respect to Rite Aid, the Jean Coutu Group, Jean Coutu USA, industry performance, general business, economic, market and financial conditions and other matters, many of which are beyond the control of Rite Aid, the Jean Coutu Group and Jean Coutu USA. Any estimates contained in Rothschild s analyses are not necessarily indicative of actual values or predictive of future results or values, which may be significantly more or less favorable than those suggested by these analyses. Estimates of values of companies do not purport to be appraisals or necessarily to reflect the prices at which companies may actually be sold. Because these estimates are inherently subject to uncertainty, none of Rite Aid, the Jean Coutu Group, Jean Coutu USA, the Rite Aid board of directors, Rothschild or any other person assumes responsibility if future results or actual values differ materially from the estimates.

Rothschild s analyses were prepared solely as part of Rothschild s analysis of the fairness of the consideration to be paid by Rite Aid in the transaction from a financial point of view and were provided to the Rite Aid board of directors in that connection. The opinion of Rothschild was only one of the factors taken into consideration by the Rite Aid board of directors in making its determination to approve the transaction.

The Board selected Rothschild as its financial advisor because it is an internationally recognized investment banking firm that has substantial experience in merger and acquisition transactions. Pursuant to its engagement letter with Rite Aid, Rothschild is entitled to $10 million in fees for its services, a portion of which was payable upon delivery of the fairness opinion, a portion of which is payable upon the approval by Rite Aid stockholders of the issuance of Rite Aid common stock to Jean Coutu Group in connection with the transaction and a significant portion of which is payable contingent upon the consummation of the transaction. Rothschild is also advising Rite Aid in connection with the financing for the transaction and is reviewing with members of Rite Aid s management its ongoing strategic plan and business alternatives and will receive $2.5 million in fees for its services, but is not providing any of the financing. Rite Aid has also agreed to reimburse Rothschild for its reasonable travel and other expenses incurred in connection with its engagement, including the reasonable fees and expenses of its counsel, and to indemnify Rothschild against specific liabilities and expenses relating to or arising out of its engagement, including liabilities under the federal securities laws. Rothschild in the past has provided and will continue to provide strategic and financial advice to Rite Aid and will be entitled to certain fees for such services. In addition, Rothschild or its affiliates may, in the future, provide financial advisory or other services to Rite Aid, the Jean Coutu Group and/or their respective affiliates and may receive fees for such services. In the ordinary course of business, Rothschild and its affiliates may trade the debt and equity securities of Rite Aid or the

Jean Coutu Group for its and/or their own accounts or for the accounts of customers and may, therefore, at any time hold a long or short position in such securities. Rothschild and its affiliates also may maintain relationships with Rite Aid, the Jean Coutu Group and their respective affiliates or related parties.

Financing Related to the Transaction

Rite Aid s obligation to complete the acquisition is subject to a financing condition. Rite Aid expects to pay to Jean Coutu Group $1.45 billion in cash, subject to a working capital adjustment, and also intends to assume $850 million aggregate principal amount of Jean Coutu Group s 8.5% Senior Subordinated Notes due 2014. Rite Aid will reduce the amount of cash that it will pay to Jean Coutu Group for any accrued and unpaid interest earned up to the closing date of the acquisition by the Jean Coutu Senior Subordinated Notes that are assumed by Rite Aid. If for any reason Rite Aid does not assume the Jean Coutu Group Senior Subordinated Notes, Rite Aid will pay Jean Coutu an amount in cash equal to the aggregate principal amount of Jean Coutu Group Senior Subordinated Notes that Rite Aid did not assume, for a total cash consideration of $2.3 billion, subject to a working capital adjustment. Rite Aid will fund the cash portion of the consideration primarily with a combination of new term loans and the issuance of new secured notes. If the Jean Coutu Group Senior Subordinated 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. This new indebtedness, together with any assumption of the Jean Coutu Group Senior Subordinated 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 synergies will result in an overall decrease in its leverage ratio relative to adjusted EBITDA.

Rite Aid entered into a commitment letter, dated August 23, 2006, with Citicorp North America, Inc. (Citicorp) and Citigroup Global Markets Inc (Citigroup). Pursuant to the commitment letter, Citicorp agreed to commit to a $145 million senior secured incremental term loan facility (the Incremental Term Loan Facility), a $1.105 billion senior secured term loan facility (the Term Loan Facility) and a $1.720 billion senior secured bridge facility (the Bridge Facility). In addition, if Rite Aid is unable to obtain the requisite consents to amend its Credit Agreement, dated as of June 27, 2001, to permit the closing of the acquisition, Citicorp will be obligated to acquire up to $100 million of outstanding lending commitments and outstanding loans, if any, and to vote such commitments and outstanding loans in favor of the amendment to the Credit Agreement. If after Citicorp s acquisition of $100 million of outstanding lending commitments and outstanding loans, if any, the requisite amount of lenders do not consent to the amendment to the Credit Agreement, Citicorp has committed to refinance the Credit Agreement. Citicorp has also agreed to provide Rite Aid with a new tranche of term loans under the Credit Agreement in an aggregate amount of $400 million for Rite Aid to refinance its Receivables Financing Agreements, dated as of September 21, 2004, if Rite Aid is unable to obtain the requisite consents to amend the Receivables Financing Agreements to permit the closing of the acquisition.

Incremental Term Loan Facility. Pursuant to the commitment letter, Citicorp agreed to provide to Rite Aid the Incremental Term Facility. On October [ ], 2006, Rite Aid borrowed $145 million under a new tranche of term loans under the existing Credit Agreement of like aggregate principal amount under the existing Credit Agreement and used the proceeds (i) to repay loans under the existing revolving credit facility, the proceeds of which 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 (ii) for general corporate purposes.

At Rite Aid s option, the Incremental Term Loan Facility bears interest at a rate per annum equal to either (i) an Adjusted LIBO Rate plus between 1.25% and 1.75% (based on availability under the existing revolving credit facility) or (ii) the Alternate Base Rate (which is the higher of (a) Citicorp s prime rate and (b) the Federal Funds Effective Rate plus 0.5%) plus between 0.25% and 0.75% (based on availability under the existing revolving credit facility.) The Incremental Term Loan Facility is guaranteed by all of Rite Aid s subsidiaries that guarantee the Credit Agreement and will also be guaranteed by all wholly-owned domestic subsidiaries that Rite Aid acquires pursuant to the acquisition. The Incremental Term Loan Facility and the guarantees thereof are secured by a first priority security interest in Rite Aid s and the subsidiary guarantors cash, cash equivalents, deposit accounts, securities accounts, accounts receivable, instruments, chattel paper, investment property, documents in respect of inventory in transit, inventory and script lists (collectively, the Collateral). Rite Aid must make mandatory prepayments of the Incremental Term Loan Facility if at any time there is a shortfall in Rite Aid s borrowing base (which is based on Rite Aid s accounts receivable, script lists and inventory) and no loans or uncollateralized letters of credit are outstanding under the existing revolving credit facility. The Incremental Term Loan Facility will mature on September 30, 2010.

Term Loan Facility. Pursuant to the commitment letter, Citicorp agreed to provide to Rite Aid the Term Loan Facility. On the closing date of the acquisition, Rite Aid will draw approximately $680 million of the Term Loan Facility and will use the proceeds to pay a portion of the acquisition consideration and for other acquisition related costs. Rite Aid will draw the remaining approximately $425 million on or around the time that Rite Aid files its first post-closing balance sheet with the SEC, subject to the satisfaction of certain conditions, and will use the proceeds to pay down amounts outstanding under its revolving credit facility by an identical amount, which will be drawn upon to repay other Rite Aid indebtedness at its maturity.

The Term Loan Facility will mature on the seventh anniversary of the closing date of the acquisition and will bear interest at a rate per annum equal to, at Rite Aid s option, either (i) an Adjusted LIBO Rate plus an interest rate spread to be determined based on market conditions or (ii) the Alternate Base Rate plus an interest rate spread to be determined based on market conditions. The Term Loan Facility will be guaranteed by all of Rite Aid s subsidiaries that guarantee the Credit Agreement, including all of Rite Aid s domestic subsidiaries that are acquired from the Jean Coutu Group. The Term Loan Facility and the guarantees by the foregoing subsidiaries will initially be secured by a first priority lien on all the equity interests of the newly acquired companies. On or around Rite Aid s filing with the SEC of its first post-closing balance sheet, the liens on the equity interests will be released and the Term Loan Facility will be secured by a first priority interest in the Collateral. Rite Aid must make mandatory prepayments of the Term Loan Facility with the proceeds of the asset dispositions (including by casualty or condemnation) by Rite Aid and its subsidiaries (subject to certain limitations and reinvestment rights), with a portion of any excess cash flow generated by Rite Aid and its subsidiaries and with a portion of the proceeds of certain issuances of debt or equity by Rite Aid and its subsidiaries. If at any time there is a shortfall in Rite Aid s borrowing base (which is based on Rite Aid s accounts receivables, script lists and inventory), and no loans or uncollateralized letters of credit are outstanding under the existing revolving credit facility, Rite Aid must mandatorily prepay the Incremental Term Loan Facility and the Term Loan Facility (on a pro rata basis in accordance with principal amounts outstanding thereunder) to eliminate such shortfall.

Senior Notes. Pursuant to the commitment letter, on the closing date of the acquisition, Rite Aid has agreed to issue and sell one or more tranches of notes. Rite Aid will use the proceeds of the notes offering to pay Jean Coutu Group and for other acquisition related costs. Rite Aid expects to issue $870 million aggregate principal amount of senior secured notes. However, if Rite Aid does not assume all of the Jean Coutu Group s 8.5% Senior Subordinated Notes due 2014, Rite Aid intends to issue additional notes, which may be secured or unsecured, equal to the amount of outstanding Jean Coutu Group Senior Subordinated Notes that Rite Aid will not assume. Rite Aid has agreed to use Citigroup Global Markets Inc. as lead underwriter or lead placement agent for the notes offering.

The senior secured notes will be guaranteed by all of Rite Aid s subsidiaries that guarantee Rite Aid s outstanding senior secured notes and will also be guaranteed by all wholly-owned domestic subsidiaries that Rite Aid acquires pursuant to the acquisition. The senior secured notes and the guarantees by the newly acquired subsidiaries will initially be secured by second priority liens on the equity interests of the acquired companies, subject to certain limitations. There will be no liens on the equity interest of any Rite Aid subsidiary that is owned by Rite Aid prior to the acquisition. On or around Rite Aid s filing with the SEC of its first post-closing balance sheet and following the release of the first priority liens relating to the

Term Loan Facility, the second priority liens on the equity interests of the acquired companies will become first priority liens.

Amendment of Credit Agreement, Receivables Financing Agreements and Bridge Facility. Rite Aid has agreed to seek consents to amend its Credit Agreement and Receivables Financing Agreements to permit the closing of the acquisition. Pursuant to the commitment letter, Citicorp has agreed to purchase, if necessary, up to $100 million of outstanding lending commitments and outstanding loans, if any, from lenders under the Credit Agreement in order for Rite Aid to receive the requisite number of consents to amend its Credit Agreement. Citicorp has agreed to refinance the Credit Agreement if Rite Aid is unable to obtain the requisite consents to amend the Credit Agreement. In addition, if Rite Aid is unable to obtain the requisite consent to amend its Receivables Financing Agreements, Citicorp has agreed to provide Rite Aid an incremental term loan facility in an aggregate principal amount of $400 million, the proceeds of which Rite Aid will use to refinance all outstanding debt under the Receivables Financing Agreements.

Citicorp has also agreed to provide Rite Aid up to a $1.720 billion senior secured bridge facility. The bridge facility is available if Rite Aid is unable to sell the full amount of notes required by the commitment letter and/or to assume all of the Jean Coutu Group s 8.5% Senior Subordinated Notes due 2014. Outstanding amounts under the bridge facility must be exchanged for exchange notes on the first anniversary of the closing date of the acquisition. Any exchange notes would mature on the tenth anniversary of the closing date of the acquisition. The interest rate escalates during the time the loans or the exchange notes are outstanding, up to a maximum of 12.50%. Rite Aid has the option to pay any interest above 11.50% in additional loans or exchange notes, as applicable.

Commitment Letter Conditions

Negotiation of Definitive Agreements. The commitment of Citicorp and Citigroup in connection with the financings is subject to the negotiation of definitive financing agreements consistent with the terms of the commitment letter, in a form satisfactory to Citigroup. Also, the required guaranties and security agreements are subject to the negotiation of definitive security arrangements consistent with the terms of the commitment letter in a form satisfactory to Citigroup.

General Conditions. The commitments are subject to the other conditions set forth in the commitment letter, including the conditions that:

- Since March 4, 2006, there has not occurred any material adverse effect on the business, financial condition, financial position, or results of operations of Rite Aid, excluding any effects resulting from (x) events or circumstances adversely affecting any principal markets served by Rite Aid or the industry in which Rite Aid operates, except any changes that affect the business of Rite Aid materially disproportionately to its competitors, (y) general economic conditions or (z) changes or effects arising out of the execution, delivery, announcement or performance of the acquisition agreement or the consummation of any transaction contemplated thereby.

- Since May 27, 2006, there has not occurred any material adverse effect on the business, financial condition, financial position, or results of operations of Jean Coutu USA, excluding any effects resulting from (x) events or circumstances adversely affecting any principal markets served by Jean Coutu USA or the industry in which Jean Coutu USA operates, except any changes that affect the business of Jean Coutu USA materially disproportionately to its competitors, (y) general economic conditions or (z) changes or effects arising out of the execution, delivery, announcement or performance of the acquisition agreement or the consummation of any transaction contemplated thereby.

- The reports, financial statements, certificates or other information of Rite Aid, Jean Coutu Group and Jean Coutu USA provided to Citicorp and Citigroup, taken as a whole, do not contain any material misstatement of fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not materially misleading.

Additional Conditions to the Term Loan Facility and Bridge Facility

The borrowings under the Term Loan Facility and, if necessary, the Bridge Facility, are subject to the following additional conditions:

- The acquisition shall have been consummated or shall be consummated simultaneously with the closings under the facilities.

- With respect to the Term Loan Facility and the Bridge Facility, loans under the other facility (or, in the case of the Term Loan Facility, the senior notes) shall, prior to or simultaneously with the funding under such facility, be funded or issued.

- Rite Aid will have obtained the requisite consents to amend the Credit Agreement or, if it was unable to receive such consents, Rite Aid will have refinanced the Credit Agreement.

- Rite Aid will have obtained the requisite consents to amend the Receivables Financing Agreements or, if it was unable to receive such consents, Rite Aid will have terminated the Receivables Financing Agreements with the proceeds of a new term loan.

- After giving effect to the transactions, Rite Aid will have repaid in full its 4.75% convertible notes due December 2006 and 7.125% notes due January 2007.

- The lenders will have received (a) audited financial statements of Rite Aid and Jean Coutu USA for each of the three most recently completed fiscal years and (b) unaudited financial statements for each subsequent fiscal quarter and pro forma financial information of Rite Aid for each relevant period.

- With respect to the Bridge Facility, Rite Aid will have prepared customary offering memoranda or prospectus supplements for the senior notes offerings at least 45 days prior to the closing date of the acquisition.

- All material governmental and third party approvals or consents have been obtained.

- Other customary closing conditions.

8.5% Senior Subordinated Notes due 2014

In connection with the transaction, Rite Aid intends to assume $850 million aggregate principal amount of Jean Coutu Group s 8.5% Senior Subordinated Notes due 2014. The notes mature on August 1, 2014 and interest is payable semi-annually on February 1 and August 1 of each year. The notes will be redeemable, in whole or in part, at any time on or after August 1, 2009. The indenture governing the notes contains certain covenants with respect to, among others, limitations on consolidated and subsidiary debt and preferred stock, limitations on restricted payments and investments, limitations on restrictions concerning distributions and transfers by subsidiaries, limitations on liens and guarantees, limitations on mergers, consolidations and certain sales and purchases of assets. The notes will be unsecured obligations of Rite Aid. The notes will continue to be guaranteed by the Jean Coutu Group entities that Rite Aid acquires. Additionally, the notes will be guaranteed by the Rite Aid subsidiaries that currently guarantee Rite Aid s high yield indebtedness. These guarantees will be unsecured. The notes and the related guarantees will be subordinated to the senior debt of Rite Aid and the senior debt of the subsidiaries of Rite Aid that are guarantors of the notes, respectively.

Interests of Rite Aid s Executive Officers and Directors in the Transaction

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 with certain officers and directors 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.

A change in control for purposes of the individual award agreements and employment agreements and Rite Aid plans discussed below is deemed to occur if, among other things, any person or entity

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becomes the beneficial owner, directly or indirectly, of 25% or more of the combined voting power of Rite Aid s outstanding voting securities. Upon the completion of the transaction, Jean Coutu Group will own approximately 30.2% of the voting power of Rite Aid, triggering a change in control for purposes of these agreements and plans. 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 pursuant to their employment agreements upon a change in control triggered by this transaction.

Equity Awards. Each of our non-employee directors holds stock options to acquire shares of Rite Aid common stock. Pursuant to their award agreements under Rite Aid s equity compensation plans, any stock options issued to the non-employee directors in their capacity as non-employee directors and that remain unvested as of the date of a change in control of Rite Aid will become fully vested and exercisable as of the date of the change in control. 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, as follows: Mr. Anderson, 150,000 shares; Mr. Friedman, 149,999 shares; Mr. Gleason, 0 shares; Mr. Golleher, 99,999 shares; Mr. Mariano, 150,000 shares; Mr. Miller, 99,999 shares; Mr. Satre, 149,999 shares; Mr. Sloan, 99,999 shares; and Ms. Syms, 150,000 shares. The weighted average exercise price of these stock options is $4.15 per share.

Similarly, pursuant to his employment agreement with Rite Aid, one of our executive officers holds stock options to acquire shares of Rite Aid common stock that will become fully vested upon a change in control of Rite Aid. As of August 31, 2006, the number of shares underlying unvested stock options to purchase Rite Aid common stock held by this executive officer is 43,750 shares. The exercise price of these stock options is $2.58 per share.

Supplemental Executive Retirement Plan. Rite Aid maintains the Supplemental Executive Retirement Plan, which is a defined contribution plan for the benefit of a select group of management employees, including certain of our executive officers (the Plan). Ms. Sammons does not participate in the Plan. Under the Plan, Rite Aid credits a specific sum to an individual account established for Messrs. Mastrian, Panzer, Sari and Twomey, and other participating executive officers, on a monthly basis. The amount credited is equal to 2% of the participant s annual base compensation, up to a maximum of $15,000 per month. Participants vest in their accounts at the rate of 20% per year for each full year of participation in the Plan at a five-year rolling rate, provided that the entire account balance for each participant as of the date of a change in control of Rite Aid vests upon the occurrence of the change in control. Amounts credited to participant accounts after the change in control will continue to vest in accordance with the normal vesting schedule under the Plan. The change in control does not affect the participants' rights to receive distributions or make withdrawals under the Plan, and a participant must retire or otherwise terminate employment in order to receive Plan benefits.

The table below shows, as of August 31, 2006, the unvested account balance under the Plan of each of Messrs. Mastrian, Panzer, Sari and Twomey, and two other executive officers who participate in the Plan as a group. Under the terms of the Plan, in the event that the transactions contemplated by the stock purchase agreement are completed, the unvested account balance of each participant in the Plan will become fully vested.

Name	Unvested Account Balance as of August 31, 2006 ($)
Mr. Mastrian	0(1)
Mr. Panzer	410,132
Mr. Sari	237,814
Mr. Twomey	238,237
All Other Executive Officers as a Group (2 persons)	420,935

(1) Mr. Mastrian has satisfied the vesting requirements under the Plan and, accordingly, a change in control of the Company will have no effect on the vested status of his account balance.

Board of Directors and Management of Rite Aid Following the Transaction

Rite Aid Board of Directors. Rite Aid s board is currently comprised of 12 directors and divided into three classes, with each class serving a staggered three-year term. Following the completion of the transaction, the Rite Aid board of directors will continue to be divided into three classes, with each class serving a staggered three-year term. The board will be expanded to 14 directors, four of whom initially will be designated by Jean Coutu Group. Jean Coutu Group will have a continuing right to designate a certain number of director nominees for election to Rite Aid s board of directors subject to Jean Coutu Group s maintenance of specified percentage thresholds of Rite Aid s total voting power. The number of directors/director nominees that may be designated by Jean Coutu Group decreases as Jean Coutu Group owns lower percentages of voting power of Rite Aid s securities and Jean Coutu Group will have no right to designate a director or director nominee if it owns less than 5% of the voting power of Rite Aid securities. See the section entitled The Stockholder Agreement Board Representation on page 94 for a more detailed discussion.

Upon the completion of the transaction, Jean Coutu Group designees André Belzile, François J. Coutu, Dennis Wood and Michel Coutu will become Rite Aid directors serving in the classes of directors whose terms expire in 2007, 2008, 2008 and 2009, respectively. These appointments will fill the vacancies on the board created by the increase in the size of the board by two directors and the resignations, effective and contingent upon the completion of the transaction, of current Rite Aid directors John G. Danhakl and Alfred M. Gleason. Other than these changes to the board, the other current directors of Rite Aid will remain directors upon completion of the transaction. Upon the completion of the transaction, Mr. Belzile will serve on the audit committee, Mr. Wood will serve on the compensation committee, Mr. François Coutu will serve on the nominating and governance committee and Mr. Michel Coutu will serve on the executive committee.

The following table sets forth information regarding the initial designees of Jean Coutu Group to the board of directors of Rite Aid, effective and contingent upon the completion of the transaction:

Name	Age	Position with Rite Aid	Term as Director Will Expire(1)
Michel Coutu	53	Non-Executive Co-Chairman	2009
André Belzile	45	Director	2007
François J. Coutu	51	Director	2008
Dennis Wood	67	Director	2008

(1) Directors terms of office are scheduled to expire at the annual meeting of stockholders to be held in the year indicated.

The following is biographical information for the four initial designees of Jean Coutu Group to the Rite Aid board of directors:

Michel Coutu. Mr. Michel Coutu is president of the U.S. operations of Jean Coutu Group and chief executive officer of Jean Coutu USA and has held these positions since 1986. He has also been a member of the board of directors of Jean Coutu Group since December 1985. Mr. Coutu holds a degree in finance and a license in law from the University of Sherbrooke and a masters in business administration from the Simon School of Business at the University of Rochester. He also serves as a director of the National Association of Chain Drug Stores, a trade association.

André Belzile. Mr. Belzile has been the senior vice-president, finance and corporate affairs of Jean Coutu Group since May 2004. Prior to serving in this position, from 1992 until May 2004 he served as vice-president and chief financial officer of Cascades Inc., a producer and marketer of packaging products. Mr. Belzile is a chartered accountant who earned a bachelor s degree at Les Hautes Études Commerciales (HEC MONTRÉAL). Mr. Belzile also serves as a director and member of the audit committee of NB Capital Corporation, a U.S. subsidiary of the National Bank of Canada, and as a director of Radiologie Montérégie Inc., a private clinic.

François J. Coutu. Mr. François J. Coutu has served as president of Canadian operations and vice-chairman of the board of directors of Jean Coutu Group since 2005. Previously, Mr. Coutu held the positions of president and chief executive officer from 2002 to 2005 and president and chief operating officer of Jean Coutu Group from 1992 to 2002. Mr. Coutu has been a member of the board of directors of Jean Coutu Group since December 1985. He is a pharmacist by profession, holds a bachelor s degree in administration from McGill University and a bachelor s degree in pharmacy from Samford University. He is a current director and former chair of the Canadian Association of Chain Drug Stores, a trade association, and previously served as a member of the board of directors of the National Bank of Canada, where he was a member of the human resources and credit committees. He also serves on the boards of directors of the following nonprofit organizations: the Fonds de développement du Collège Jean-de-Brébeuf, Radiologie Laënnec and the School of Pharmacy of Samford University.

Dennis Wood, O.C. Mr. Wood is chairman of the board, president and chief executive officer of Dennis Wood Holdings Inc., a privately-owned portfolio company, a position he has held since 1973. Since April 2005, he has served as interim president and chief executive officer of Groupe Bocenor Inc., a window and door manufacturer, and also serves as a director and chair of its executive committee. Between 1992 and 2001, Mr. Wood served as chairman, president and chief executive officer of C-MAC Industries Inc., a designer and manufacturer of integrated electronic manufacturing solutions. Mr. Wood has been a member of the board of Jean Coutu Group since March 2004. He currently is a member of the audit committee and chairs the liaison and strategic planning committee and the U.S. advisory board of Jean Coutu Group. He is also a member of the board of directors of the following public companies:

Transat A.T. Inc., Victhom Human Bionics Inc. and Azimut Exploration Inc. Furthermore, Mr. Wood serves on the boards of Blue Mountain Wallcoverings Inc., a privately-held company, and the National Bank Trust.

Compensation Arrangement with Michel Coutu. Effective as of and contingent upon completion of the transaction, Michel Coutu will be appointed as a director of Rite Aid and non-executive co-chairman of the board of directors. In this capacity, Mr. Coutu will be entitled to receive an annual retainer of $500,000, payable quarterly in arrears and pro-rated for the first calendar quarter ended after the completion of the transaction. Mr. Coutu also will be entitled to receive benefits and annual equity awards in accordance with Rite Aid s policies for directors and the terms of Rite Aid s equity compensation plans.

The following table sets forth information regarding the current directors of Rite Aid who will continue to serve as directors on our board and their positions after completion of the transaction:

Name	Age	Position with Rite Aid	Year First Became Director	Term as Director Will Expire(1)
Mary F. Sammons	59	Chairman, President and Chief Executive Officer	1999	2007
Joseph B. Anderson, Jr.	63	Director	2005	2009
Michael A. Friedman, MD	63	Director	2004	2008
George G. Golleher	58	Director	2002	2007
Robert A. Mariano	56	Director	2005	2009
Robert G. Miller	62	Director	1999	2008
Philip G. Satre	57	Director	2005	2007
Stuart M. Sloan	62	Director	2000	2007
Jonathan D. Sokoloff	49	Director	1999	2009
Marcy Syms	55	Director	2005	2009

(1) Directors terms of office are scheduled to expire at the annual meeting of stockholders to be held in the year indicated.

Information about the current Rite Aid directors can be found in Rite Aid s proxy statement for its 2006 annual meeting of stockholders.

Management of Rite Aid. Under the terms of the stockholder agreement, Mary Sammons will continue to serve as chief executive officer of Rite Aid. In addition, Robert G. Miller will step down as chairman of the board and Ms. Sammons will become chairman of the board. Michel Coutu, currently president of U.S. operations of the Jean Coutu Group and chief executive officer of Jean Coutu USA, will become non-executive co-chairman of Rite Aid s board and a member of the board s executive committee. Pierre Legault, currently Jean Coutu Group s executive vice president, will become Rite Aid senior executive vice president, chief administrative officer. Rite Aid s current senior management team will remain in place.

The following is biographical information for Pierre Legault, who will serve as Rite Aid s senior executive vice president, chief administrative officer, effective and contingent upon the completion of the transaction:

Pierre Legault. Mr. Legault has been the executive vice-president of Jean Coutu Group since January 2006 and has been a director of Jean Coutu Group since August 2004. Prior to serving as executive vice president of Jean Coutu Group, Mr. Legault held several senior positions with Sanofi-Aventis and predecessor companies over a period of 16 years, last serving in the position of president and chief executive officer of the Global Dermatology division of Sanofi-Aventis Group until December 2005. Some of the positions held by Mr. Legault were senior vice-president and chief financial officer for the North American business of Aventis from 2000 to 2003, global senior vice-president finance and treasury of

Hoechst Marion Roussel, Inc. from 1998 to 2000, vice-president & chief financial officer/chief information officer, North America finance, information services and administration of Marion Merrell Dow, Inc. from 1997 to 1998 and vice-president, Canada finance, information services and administration and chief financial officer of Marion Laboratories Inc. from 1990 to 1996. Mr. Legault is a chartered accountant who earned a bachelor s degree at Les Hautes Études Commerciales (HEC MONTRÉAL) and a masters in business administration from McGill University. He has also completed additional studies at the Harvard Business School. He is also a member of the Financial Executives Institute.

Employment Agreement with Pierre Legault. Rite Aid intends to enter into an employment agreement with Pierre Legault, effective and contingent upon completion of the transaction, pursuant to which Mr. Legault will serve as senior executive vice president, chief administrative officer of Rite Aid. The employment agreement will have an initial term of two years, commencing on the completion of the transaction, unless terminated earlier under the terms of the employment agreement. The employment term will automatically renew for an additional year on each anniversary of the effective date of the agreement, unless either Mr. Legault or Rite Aid provides the other with notice of non-renewal at least 180 days prior to the renewal date.

The employment agreement will provide Mr. Legault with a base salary of $750,000 and if Rite Aid s performance meets certain targets in the future, Mr. Legault may receive an annual bonus that, if awarded, will equal or exceed 110% of his annual base salary then in effect, which bonus opportunity will be pro-rated for the partial fiscal year at the beginning of the employment period. These benefits may be reviewed periodically for increase by the compensation committee of the Rite Aid board of directors. Under the employment agreement, subject to the approval of and at the first meeting of the compensation committee of Rite Aid s board of directors following completion of the transaction, Mr. Legault will be granted an option to purchase 400,000 shares of Rite Aid common stock and will be awarded 100,000 shares of restricted common stock under the terms and conditions of Rite Aid s equity compensation plans. The stock option grant will vest ratably over a four year period and the restricted stock grant will similarly vest over a three year period, generally subject to Mr. Legault s continued employment. Subject to the approval of the compensation committee, Mr. Legault will be granted an additional 100,000 shares of restricted common stock at the first meeting of the compensation committee of Rite Aid s board of directors following the first anniversary of the completion of the transaction. Mr. Legault will also be eligible to participate in Rite Aid s fringe benefit and perquisite programs and savings plans pursuant to the employment agreement.

Upon written notice, the employment agreement will be terminable by either Rite Aid or Mr. Legault. The termination and change in control provisions under Mr. Legault s employment agreement generally are the same as those under the employment agreements for Rite Aid executives Messrs. Mastrian, Panzer, Sari and Twomey described in the sections of this proxy statement entitled Employment and Employment-Related Agreements and Termination of Employment Executive Employment Agreements beginning on page 112.

Post-Transaction Amended and Restated By-laws of Rite Aid

In connection with the transaction, Rite Aid agreed to amend its current restated by-laws, subject to and effective upon the closing. The amended and restated by-laws of Rite Aid, among certain other things:

- provide for the new position and duties of non-executive co-chairman of the board of directors (see the section entitled The Stockholder Agreement Chairman; Non-Executive Co-Chairman on page 94 for a more detailed discussion);

- update the means by which stockholders and proxyholders may participate in meetings and submit information to account for advances in technology and recent developments in Delaware corporate law;

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- modify certain administrative matters relating to stockholder meetings; and

- amend the provisions relating to notice of stockholder proposals and nominations for election to the board of directors.

The form of amended and restated by-laws is attached as Appendix D to this proxy statement. The amended and restated by-laws have been adopted by the Rite Aid board of directors, subject to the closing of the transaction, and will become effective upon the closing. The material differences between the amended and restated by-laws and Rite Aid s current restated by-laws are described in Rite Aid s Current Report on Form 8-K that was filed with the SEC on August 28, 2006, which is incorporated herein by reference. See the section entitled Where You Can Find More Information beginning on page 166.

Regulatory Approvals Required for the Acquisition of Jean Coutu USA

Under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, or HSR Act, and the rules and regulations promulgated thereunder, certain transactions, including Rite Aid s acquisition of Jean Coutu USA, may not be consummated until required information and materials have been furnished to the Department of Justice, or DOJ, and the Federal Trade Commission, or FTC, and certain waiting period requirements have expired or been terminated. On September 18, 2006, each of Rite Aid and Jean Coutu Group filed a Pre-Merger Notification and Report Form pursuant to the HSR Act with the DOJ and the FTC. At any time before the closing of the acquisition, the DOJ, the FTC or others could take action under the antitrust laws with respect to the acquisition, including seeking to enjoin the consummation of the acquisition, to rescind the acquisition or to require the divestiture of certain assets of Rite Aid or Jean Coutu USA. There can be no assurance that a challenge to the acquisition on antitrust grounds will not be made or, if such a challenge is made, that it would not be successful.

Anticipated Accounting Treatment

The acquisition of Jean Coutu USA will be accounted for using the purchase method of accounting in accordance with accounting principles generally accepted in the United States of America under Statement of Financial Accounting Standards No. 141, *Business Combinations*. Rite Aid will be the acquiring entity for financial reporting purposes. Under the purchase method of accounting, the cost of the transaction will be allocated to the tangible and intangible assets and liabilities assumed of the acquired entity based on their estimated fair values, with any excess being recognized as goodwill. Under Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets*, goodwill will not be amortized, but will be subject to an annual impairment test.

Material U.S. Federal Income Tax Consequences of the Acquisition to Holders of Rite Aid Common Stock

Rite Aid s purchase of all of the capital stock of Jean Coutu USA will not result in the recognition of gain or loss by holders of Rite Aid common stock.

No Appraisal Rights

Under applicable law, Rite Aid stockholders do not have the right to an appraisal of the value of their shares in connection with the acquisition of Jean Coutu USA.

PROPOSAL NO. 1
APPROVAL OF THE ISSUANCE OF RITE AID COMMON STOCK TO JEAN COUTU GROUP

Under the terms of the stock purchase agreement, Rite Aid will acquire all of the capital stock of 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 in accordance with the terms of the stock purchase agreement (the Rite Aid Stock Issuance), 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). 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.

Under Rule 312.03 of the New York Stock Exchange, a company listed on the New York Stock Exchange is required to obtain 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

- 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, and you are being asked to approve the Rite Aid Stock Issuance.

Vote Required and Board of Directors Recommendation

Approval of the Rite Aid Stock Issuance requires the affirmative vote of a majority of the votes cast on the proposal (with Rite Aid common stock and LGP preferred stock (on an as-if-converted basis) voting together as a single class), provided that the total votes cast on the proposal represent over 50% of the total combined voting power of the Rite Aid common stock and LGP preferred stock entitled to vote on the proposal. Abstentions with respect to this proposal will have the same effect as a vote against the proposal. Failures to vote on this proposal and broker non-votes could have the same effect as a vote 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. Accordingly, beneficial owners of Rite Aid shares should instruct their brokers or nominees how to vote. **The approval of Proposal No. 1 is a condition to the completion of the acquisition of Jean Coutu USA, and thus a vote against this proposal effectively will be a vote against the acquisition of Jean Coutu USA.**

The Rite Aid board of directors, by the unanimous vote of those directors present, has determined that the acquisition of Jean Coutu USA is fair to and in the best interests of Rite Aid and its stockholders and approved the Rite Aid Stock Issuance and recommends that you vote FOR approval of the Rite Aid Stock Issuance.

For a more detailed description of the stock purchase agreement and the transactions contemplated by the stock purchase agreement, see the sections below entitled The Stock Purchase Agreement, The Stockholder Agreement and The Registration Rights Agreement.

THE STOCK PURCHASE AGREEMENT

The following is a summary of selected provisions of the stock purchase agreement and is qualified in its entirety by reference to the stock purchase agreement, a copy of which is attached to this proxy statement as Appendix A and which we incorporate by reference into this document. This summary may not contain all of the information about the stock purchase agreement that is important to you. We urge you to read the entire stock purchase agreement carefully because this document is the legal document governing the proposed acquisition of Jean Coutu USA.

The description of the stock purchase agreement in this proxy statement has been included to provide you with information regarding its terms, and we recommend that you read carefully the stock purchase agreement in its entirety. Except for its status as the contractual document that establishes and governs the legal relations among the parties with respect to the transaction, we do not intend for its text to be a source of factual, business or operational information about Rite Aid or Jean Coutu Group. That kind of information can be found elsewhere in this proxy statement and in the documents incorporated herein by reference. The stock purchase agreement contains representations and warranties of the parties as of specific dates and may have been used for the purposes of allocating risk between the parties other than establishing matters as facts. Those representations and warranties are qualified in several important respects, which you should consider as you read them in the stock purchase agreement, including contractual standards of materiality that may be different from what may be viewed as material to stockholders. Only the parties themselves may enforce and rely on the terms of the stock purchase agreement. As stockholders, you are not third party beneficiaries of the stock purchase agreement and therefore may not directly enforce or rely upon its terms and conditions and you should not rely on its representations, warranties or covenants as characterizations of the actual state of facts or condition of Rite Aid, Jean Coutu Group, Jean Coutu USA or any of their respective affiliates. Moreover, information concerning the subject matter of the representations and warranties may have changed since the date of the stock purchase agreement and subsequently developed or new information qualifying a representation or warranty may have been included in this proxy statement.

Consideration to be Paid in the Transaction

Pursuant to the stock purchase agreement, Rite Aid will acquire (1) all of the issued and outstanding shares of common stock, par value $1.00 per share, and all of the issued and outstanding shares of preferred stock, par value $1.00 per share, of The Jean Coutu Group (PJC) USA, Inc., a Delaware corporation and a wholly-owned subsidiary of Jean Coutu Group, or (2) in the event Jean Coutu Group consummates the reorganization of Jean Coutu USA (as described below in Jean Coutu USA Reorganization) prior to the closing of the transaction, all of the membership interests in JCG (PJC) USA, LLC, a Delaware limited liability company and a wholly-owned subsidiary of Jean Coutu Group, in either case for consideration consisting of the following:

- $2.3 billion in cash, subject to a working capital adjustment (described below), and, if Rite Aid assumes Jean Coutu Group s 8.5% Senior Subordinated Notes due 2014 (the Jean Coutu Group s 8.5% notes), reduced by the sum of the aggregate principal amount of the Jean Coutu Group s 8.5% notes assumed by Rite Aid and the amount of accrued and unpaid interest on the Jean Coutu Group s 8.5% notes assumed by Rite Aid to and including the closing date of the transaction; and

- 250 million shares of Rite Aid common stock, par value $1.00 per share. The shares of Rite Aid common stock to be issued in connection with the acquisition of Jean Coutu USA will represent approximately 32.0% of the outstanding shares of Rite Aid common stock, and approximately 30.2% of the voting power of outstanding Rite Aid voting securities, upon completion of the transaction.

Closing Working Capital Adjustment

The stock purchase agreement contains a closing working capital adjustment mechanism. Pursuant to the closing working capital adjustment, the $2.3 billion cash consideration (to be reduced by the assumption of the Jean Coutu Group s 8.5% notes, if assumed) will be increased or decreased depending upon whether estimated and actual closing working capital, each as described below and pursuant to the adjustment mechanism described below, of Jean Coutu USA and its consolidated subsidiaries is greater than or less than a baseline working capital band of $1.212 billion to $1.188 billion, respectively.

Under the terms of the stock purchase agreement, not later than the fifth business day prior to the scheduled closing date, Jean Coutu Group is required to deliver to Rite Aid a statement setting forth Jean Coutu Group s estimate of closing working capital (the estimated closing working capital) and Jean Coutu Group s calculation of that estimate in reasonable detail. Jean Coutu Group is required to prepare the estimated closing working capital statement in good faith and in accordance with GAAP applied consistently with the application of GAAP in the audited financial statements for Jean Coutu USA and its consolidated subsidiaries for the fiscal year ended May 27, 2006.

For purposes of the closing working capital adjustment, working capital, with respect to Jean Coutu USA and its consolidated subsidiaries, means the amount equal to current assets minus current liabilities and adjusted for the following exclusions: cash at stores (including safe funds, weekend change fund and petty cash); LIFO reserve; intercompany receivables; intercompany payables; balances due, as of May 27, 2006, to J.C. Penney Company, Inc. and CVS Corporation related to Jean Coutu Group s 2004 acquisition-related agreements with these companies; income tax accruals (representing total included income taxes payable and short-term deferred tax liability from the May 27, 2006 Jean Coutu USA audited financial statements and franchise taxes payable); and current portion of long-term debt.

The estimated cash consideration to be paid by Rite Aid to Jean Coutu Group at the closing date will equal $2.3 billion (to be reduced by the assumption of the Jean Coutu Group s 8.5% notes, if assumed) (i) plus the amount, if any, by which estimated closing working capital exceeds $1.212 billion, or (ii) minus the amount, if any, by which estimated closing working capital is less than $1.188 billion or (iii) with no adjustment if estimated closing working capital is an amount between $1.188 billion and $1.212 billion (inclusive).

Under the terms of the stock purchase agreement, within 90 days after the closing date, Rite Aid is required to prepare and deliver to Jean Coutu Group (i) a consolidated balance sheet of Jean Coutu USA as of and including the closing date (the closing date balance sheet), prepared in accordance with GAAP, applied consistently with the application of GAAP in the 2006 Jean Coutu USA audited financial statements and (ii) a statement (the closing working capital statement) setting forth Rite Aid s calculation of working capital as of and including the closing date (the closing working capital). Jean Coutu Group will have 45 days after delivery thereof by Rite Aid to notify Rite Aid in writing of any good faith disagreement with the closing date balance sheet and/or the closing working capital statement. If Jean Coutu Group does not deliver a notice of disagreement to Rite Aid within 45 days, Jean Coutu Group will be deemed to agree in all respects with the closing date balance sheet and the closing working capital statement and they will become final and binding. The stock purchase agreement provides mechanisms to address any disputes between Rite Aid and Jean Coutu Group relating to the closing date balance sheet and closing working capital statement.

The final cash consideration will equal $2.3 billion (to be reduced by the assumption of the Jean Coutu Group s 8.5% notes, if assumed) (i) plus the amount, if any, by which closing working capital exceeds $1.212 billion, or (ii) minus the amount, if any, by which closing working capital is less than $1.188 billion, or (iii) with no adjustment if closing working capital is an amount between $1.188 billion and $1.212 billion (inclusive).

Within three business days after the calculation of closing working capital becomes final pursuant to the terms of the stock purchase agreement, (i) Rite Aid is required to pay to Jean Coutu Group an amount equal to the amount, if any, by which the final cash consideration exceeds the estimated cash consideration, or (ii) Jean Coutu Group is required to pay to Rite Aid an amount equal to the amount, if any, by which the estimated cash consideration exceeds the final cash consideration (such amount, in either case, is referred to as the final payment). In addition, Rite Aid or Jean Coutu Group, as applicable, is required to pay to the other interest on the final payment at the rate per annum equal to the prime rate as set forth from time to time in The Wall Street Journal Money Rates column from and including the closing date to, but excluding, the date of such payment and giving effect to any amounts uncontested and already paid pursuant to the terms of the stock purchase agreement.

Closing

Unless the parties agree otherwise, the closing of the acquisition of Jean Coutu USA will take place at the offices of Skadden, Arps, Slate, Meagher & Flom LLP, 4 Times Square, New York, New York, on the Friday immediately prior to the close of the then current monthly fiscal accounting period of Jean Coutu USA after the satisfaction or waiver of all closing conditions, except for the conditions that, by their nature, have to be satisfied at the closing, but subject to the satisfaction or waiver of those conditions. See the section below entitled Conditions to Closing beginning on page 85 for a more detailed discussion.

Representations and Warranties

Jean Coutu Group made customary representations and warranties in the stock purchase agreement, on behalf of itself and Jean Coutu USA, and Rite Aid made customary representations and warranties in the stock purchase agreement, on behalf of itself and its subsidiaries. These representations are subject, in some cases, to specified exceptions and qualifications contained in the stock purchase agreement or in information provided pursuant to certain disclosure obligations set forth in the stock purchase agreement. Some of the representations and warranties are qualified as to materiality or material adverse effect. For the purposes of the stock purchase agreement, a material adverse effect with respect to either Jean Coutu USA or Rite Aid, as applicable, means a material adverse effect on the business, financial condition, financial position, or results of operation of Jean Coutu USA and its subsidiaries or Rite Aid and its subsidiaries, as applicable, taken as a whole, excluding any effects resulting from:

- events or circumstances adversely affecting any principal markets served by Jean Coutu USA or Rite Aid, as applicable, or the industry in which Jean Coutu USA or Rite Aid, as applicable, operates, except any changes that affect the business materially disproportionately to that company s competitors;

- general economic conditions; or

- changes or effects arising out of the execution, delivery, announcement or performance of the stock purchase agreement or the consummation of any transaction contemplated by the stock purchase agreement.

Jean Coutu Group Representations and Warranties. Jean Coutu Group s representations and warranties relate to, among other things:

- corporate organization, qualification to do business and good standing of Jean Coutu Group, Jean Coutu USA and its subsidiaries;

- authority of Jean Coutu Group to enter into the stock purchase agreement and the other ancillary agreements and to consummate the transactions contemplated by these agreements;

- absence of conflicts with organizational documents, laws or agreements as a result of entering into and consummating the transactions contemplated by the stock purchase agreement and the other ancillary agreements;
- absence of need for filings with and consents of governmental authorities;
- capital structure of Jean Coutu USA and its subsidiaries;
- title of Jean Coutu Group to the outstanding capital stock or membership interests, as applicable, of Jean Coutu USA;
- proper filing of documents with the SEC, applicable Canadian securities regulatory authorities and the Toronto Stock Exchange and the accuracy and compliance with applicable laws of the information contained in those documents; conformity with Canadian generally accepted accounting principles of Jean Coutu Group s financial statements filed with the SEC;
- preparation of 2006, 2005 and 2004 audited annual financial statements of Jean Coutu USA and its subsidiaries, and interim monthly and quarterly financial statements from the date of the stock purchase agreement, in accordance with GAAP;
- absence of undisclosed liabilities related to Jean Coutu USA and its subsidiaries;
- absence of certain adverse changes to Jean Coutu USA and its subsidiaries since May 27, 2006;
- compliance with applicable laws, including healthcare laws, and possession of permits required to conduct the businesses of Jean Coutu USA;
- absence of any undisclosed litigation, investigation or injunction;
- title to real and personal property and validity and enforceability of leases relating to leased property;
- owned and leased real property;
- validity and enforceability of the material contracts concerning the businesses of Jean Coutu USA, and the absence of any material contracts of certain types and in certain amounts;
- absence of undisclosed affiliate arrangements between Jean Coutu USA and its subsidiaries, on the one hand, and Jean Coutu Group, on the other hand;
- tax matters;
- employee benefit plans and ERISA;
- employee and labor relations matters;
- intellectual property and information technology;
- insurance;
- compliance with environmental laws;

- receivables and accounts payable;
- inventories;
- suppliers;
- investment intention for the acquisition of Rite Aid common stock;

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- acknowledgement that the Rite Aid common stock to be issued to Jean Coutu Group will be restricted securities under the Securities Act of 1933;
- certain matters relating to the effect of the transaction under the indenture governing the Jean Coutu Group s 8.5% notes;
- absence of brokers fees relating to the transaction; and
- absence of any other representations and warranties of Rite Aid other than those included in the stock purchase agreement.

Rite Aid Representations and Warranties. Rite Aid s representations and warranties relate to, among other things:

- corporate organization, qualification to do business and good standing of Rite Aid;
- authority of Rite Aid to enter into the stock purchase agreement and the other ancillary agreements and to consummate the transactions contemplated by these agreements;
- absence of conflicts with organizational documents, laws or agreements as a result of entering into and consummating the transactions contemplated by the stock purchase agreement and the other ancillary agreements;
- capital structure of Rite Aid;
- absence of need for filings with and consents of governmental authorities;
- proper filing of documents with the SEC and the accuracy and compliance with the Securities Exchange Act of 1934 of the information contained in those documents; conformity with GAAP of Rite Aid s financial statements filed with the SEC;
- absence of any undisclosed litigation, investigation or injunction;
- Rite Aid s financing commitments;
- certain matters relating to the effect of the transaction under Rite Aid indentures;
- absence of undisclosed liabilities;
- compliance with applicable laws;
- absence of certain adverse changes to Rite Aid since March 4, 2006;
- absence of brokers fees relating to the transaction; and
- absence of any other representations and warranties of Jean Coutu Group other than those included in the stock purchase agreement.

Conduct of Business of Jean Coutu USA Prior to Closing

Jean Coutu Group has agreed that, during the period from the date of the stock purchase agreement to the closing, it will cause Jean Coutu USA and its subsidiaries to conduct its business in the ordinary and usual course consistent with past practice and in compliance with all applicable laws and to use their reasonable best efforts to:

- preserve intact their assets and current business organizations;
- retain the services of current key officers and employees (including pharmacists and store managers);

- maintain Medicare and Medicaid provider status and other pharmacy licenses and permits; and
- preserve the goodwill of customers, suppliers and others with whom Jean Coutu USA and its subsidiaries do business.

Jean Coutu Group has further agreed that, during the same time period, subject to certain exceptions or unless Rite Aid has given its prior written consent, Jean Coutu Group will not, and will cause Jean Coutu USA and its subsidiaries not to, among other things:

- amend the organizational documents of Jean Coutu USA or its subsidiaries;
- adopt a plan or agreement of complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other reorganization;
- issue, sell, pledge, dispose of or encumber the Jean Coutu USA shares or membership interests, as applicable, or any of its subsidiaries or any other voting securities or securities convertible into or exercisable or exchangeable for, or any rights, warrants or options to acquire, any of the foregoing;
- split, combine, subdivide or reclassify the Jean Coutu USA shares or membership interests, as applicable, or any shares of capital stock of any of its subsidiaries;
- declare, set aside or pay any dividend or distribution (whether in cash, stock or other property) in respect of any capital stock or other equity interests (other than dividends or distributions from Jean Coutu USA or its subsidiaries payable to Jean Coutu Group, Jean Coutu USA and/or one or more of Jean Coutu USA s subsidiaries);
- repurchase, redeem or otherwise acquire any shares of its capital stock or other equity interests or any securities convertible into or exchangeable or exercisable for any shares of its capital stock or other equity interests;
- transfer, sell, pledge, dispose of or encumber the Jean Coutu USA shares or membership interests, as applicable;
- incur or modify any material indebtedness or other liability;
- mortgage, pledge or encumber any assets (including capital stock of any Jean Coutu USA subsidiary);
- other than in the ordinary and usual course of business, transfer, lease, sublease, license, guarantee, sell or dispose of, any assets (including capital stock of any Jean Coutu USA subsidiary);
- amend or supplement the Jean Coutu Group s 8.5% notes indenture;
- make any acquisition of, or investment in, or capital contribution to, any person, other than a Jean Coutu USA subsidiary that is wholly-owned, directly or indirectly, by Jean Coutu USA;
- modify its advertising and promotional activities, and pricing and purchasing policies, other than in the ordinary course of business consistent with past practice;
- manage working capital other than in the ordinary course of business, including not extending the payment of accounts payable, accelerating the collection of accounts receivable or failing to maintain and manage inventory levels, in each case, other than in the ordinary course of business consistent with past practice;
- other than in the ordinary course of business consistent with past practices:

exercise any option or first refusal rights or any rights of renewal relating to any real property;

enter into any lease or lease commitment; or

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enter into or materially modify any contract relating to real property;

- grant or agree to grant to any employee who is an officer of Jean Coutu USA or its subsidiaries any increase in wages or bonus, severance, profit sharing, retirement, deferred compensation, insurance or other compensation or benefits, or establish any new benefit plans, or amend or agree to amend any existing compensation or benefit plans covering any such employee, except:

as may be required by law;

pursuant to the normal severance policies or practices of Jean Coutu USA or its subsidiaries as in effect on August 23, 2006 and previously disclosed to Rite Aid;

increases in salary or wages payable or to become payable in the ordinary course of business consistent with past practice; or

pursuant to benefit plans maintained by Jean Coutu Group;

- terminate the employment of any officer employed by Jean Coutu USA or its subsidiaries other than for willful misconduct or malfeasance;

- enter into, amend in any material respect, breach, terminate or allow to lapse any material contract, other than in the ordinary course of business consistent in nature and amount with past practice;

- amend, breach, terminate or allow to lapse or become subject to default or termination any permit, other than amendments required by applicable law;

- make or incur any capital expenditure or other financial commitment requiring payments between August 23, 2006 and the closing date in excess of $1,000,000 individually or $25,000,000 in the aggregate;

- make or change any material election in respect of taxes, make any material change to any tax accounting principles, methods or practices, adopt or change any accounting method in respect of taxes, enter into any closing agreement, settle any material claim or material assessment in respect of taxes or consent to any extension or waiver of the limitation period applicable to any claim or assessment in respect of taxes;

- enter into any compromise or settlement of, or take any material action with respect to, any litigation, action, suit, claim, proceeding or investigation in which the damages or fines to be paid or received are in excess of $750,000 individually or $5,000,000 in the aggregate, other than the prosecution, defense and settlement of litigation, actions, suits, claims, proceedings or investigations in the ordinary course of business consistent with past practice;

- enter into, modify, extend or cancel any third-party payor contracts (which contracts are for amounts in excess of $750,000 per annum), other than in the ordinary course of business consistent with past practice;

- make any material change in accounting policies, except as required by any changes in GAAP or applicable law and promptly disclosed to Rite Aid; and

- authorize, or commit or agree to do, whether in writing or otherwise, any of the foregoing.

Conduct of Business of Rite Aid Prior to Closing

Rite Aid has agreed that, during the period from the date of the stock purchase agreement to the closing, subject to certain exceptions or unless Jean Coutu Group has given prior written consent, Rite Aid will not, and will cause its subsidiaries not to, among other things:

- adopt any amendment to Rite Aid s organizational documents;
- adopt a plan or agreement of complete liquidation, dissolution, merger, consolidation, restructuring, recapitalization (which will not be deemed to include a refinancing of indebtedness of Rite Aid or its subsidiaries existing as of August 23, 2006) or other reorganization;
- issue or sell Rite Aid common stock, preferred stock or any other shares of Rite Aid capital stock or any other voting securities or securities convertible into or exercisable or exchangeable for, or any rights, warrants or options to acquire, any of the foregoing, other than shares issued pursuant to any Rite Aid employee benefit plan or the exercise of options or other rights granted thereunder and other than shares issued pursuant to the conversion of convertible securities which are convertible at the option of the holder thereof and outstanding as of August 23, 2006;
- split, combine, subdivide or reclassify Rite Aid common stock, preferred stock or any other shares of Rite Aid capital stock;
- declare, set aside or pay any extraordinary dividend or distribution (whether in cash, stock or other property) in respect of any Rite Aid capital stock; and
- authorize, or commit to agree to do, whether in writing or otherwise, any of the foregoing.

Jean Coutu USA Reorganization

Jean Coutu Group will have the right, but not the obligation, to carry out a reorganization of Jean Coutu USA prior to the closing that is designed to unwind the existing intercompany financing structure. The reorganization would result in JCG (PJC) USA, LLC, a Delaware limited liability company and wholly-owned subsidiary of Jean Coutu Group, becoming the record owner of all of the capital stock of Jean Coutu USA. If the reorganization is completed prior to the closing, Rite Aid would purchase all the membership interests of JCG (PJC) USA, LLC instead of all the capital stock of Jean Coutu USA. Jean Coutu Group s right to effect the reorganization will expire on October 22, 2006 (60 days after the date of the stock purchase agreement) unless Jean Coutu Group has notified Rite Aid in writing, not later than October 22, 2006, of its intention to effect the reorganization. Jean Coutu Group s right to effect the reorganization is subject to Jean Coutu Group providing to Rite Aid an opinion of KPMG LLP, Jean Coutu Group s tax advisor, in form and substance reasonably satisfactory to Rite Aid, with respect to the effects of the reorganization.

Jean Coutu Group has agreed that, during the period from the date of the stock purchase agreement to the closing, it will cause JCG (PJC) USA, LLC to not conduct any business or activities, enter into any contract or incur or guarantee the payment or performance of any liabilities, except as expressly contemplated by the terms of the stock purchase agreement or required under the terms of Jean Coutu Group s indebtedness.

Matters Relating to Jean Coutu Group Indebtedness and Intercompany Arrangements

For purposes of the stock purchase agreement, indebtedness means:

- the aggregate principal amount of the Jean Coutu Group s 8.5% notes and the amount of accrued and unpaid interest on such notes to and including the closing date;

- the aggregate principal amount of Jean Coutu Group s 7.625% Senior Notes due 2012 and the amount of accrued and unpaid interest on such notes to and including the closing date;

- all other indebtedness for borrowed money of Jean Coutu USA or its subsidiaries pursuant to the Senior Credit Agreement, dated as of July 30, 2004, among Jean Coutu Group, Jean Coutu USA and the lender parties named therein (other than the letters of credit to be released in accordance with the stock purchase agreement);

- any obligations evidenced by bonds, debentures, notes or other similar instruments;

- any obligations to pay the deferred purchase price of property or services; and

- any guaranty of any of the foregoing; other than, in each case, trade accounts payable and other current liabilities (other than liabilities for borrowed money) arising in the ordinary course of business.

Jean Coutu Group has agreed that, prior to or as of the closing, it will cause:

- each contract between Jean Coutu USA or any of its subsidiaries, on the one hand, and Jean Coutu Group or any of its affiliates (other than Jean Coutu USA or any of its subsidiaries), on the other hand, to be terminated;

- Jean Coutu USA and its subsidiaries to be fully and irrevocably released from all indebtedness, any other guaranties of liabilities or any other mutual liabilities relating to Jean Coutu Group or any of its affiliates (other than Jean Coutu USA and its subsidiaries), except with respect to the obligations of Jean Coutu USA under the Jean Coutu Group s 8.5% notes in the event that Rite Aid assumes such obligations at closing;

- all indebtedness and any other amounts payable or receivable among Jean Coutu USA or any of its subsidiaries, on the one hand, and Jean Coutu Group or any of its affiliates (other than Jean Coutu USA or any of its subsidiaries), on the other hand, to be contributed to the capital of the respective entity or otherwise cancelled with no adjustment made to the final purchase price as a result of any such contribution or cancellation;

- all indebtedness of Jean Coutu USA and any of its subsidiaries to be paid in full and any and all liens, other than permitted liens, securing any such indebtedness to be terminated or released;

- any and all pledges of capital stock or other equity interests of Jean Coutu USA and any of its subsidiaries to be released from any Jean Coutu Group indebtedness; and

- in the event that Rite Aid assumes the Jean Coutu Group s 8.5% notes, the subsidiaries of Jean Coutu Group (other than Jean Coutu USA or any of its subsidiaries) that are subsidiary guarantors of the Jean Coutu Group s 8.5% notes, to be dissolved or merged into Jean Coutu Group and such subsidiaries to be released from their guarantee of the Jean Coutu Group s 8.5% notes.

Rite Aid Assumption of Certain Jean Coutu Group Agreements

Immediately prior to the closing, Jean Coutu Group will assign to Jean Coutu USA all of Jean Coutu Group s rights and obligations under the following Jean Coutu Group agreements related to the Eckerd and Brooks stores, in each case other than certain excluded rights and obligations identified in the stock purchase agreement: the Framework Agreement, dated as of April 4, 2004, among CVS Pharmacy, Inc., CVS Corporation, Brooks Pharmacy, Inc. and Jean Coutu Group, as amended (the Framework Agreement); the Assumption Agreement, dated as of September 17, 2004, among Jean Coutu Group, J.C. Penney Company, Inc. (J.C. Penney) and National Union Fire Insurance Company of Pittsburgh, PA, as amended (the Assumption Agreement); and the Umbrella Sharing Agreement, dated as of July 31, 2004,

among Jean Coutu Group, J.C. Penney, Eckerd Corporation, CVS Pharmacy, Inc. and National Union Fire Insurance Company of Pittsburgh, PA, as amended (the Umbrella Agreement). With respect to these agreements, from and after the closing, Rite Aid will indemnify Jean Coutu Group from and against all losses Jean Coutu Group incurs arising out of these agreements resulting from events or actions occurring after the closing, in each case other than certain excluded obligations identified in the stock purchase agreement.

In addition, with respect to the Stock Purchase Agreement, dated as of April 4, 2004, among Jean Coutu Group, J.C. Penney and TDI Consolidated Corporation, as amended (the J.C. Penney Agreement), from and after the closing, Jean Coutu Group agrees to indemnify Rite Aid from and against all losses Rite Aid incurs, directly or indirectly, for which Jean Coutu Group or its affiliates prior to the closing were entitled to receive indemnification pursuant to the J.C. Penney Agreement. Jean Coutu Group is required to keep the J.C. Penney Agreement in effect and give Rite Aid the benefit of such agreement to the same extent as if it had been assigned to Rite Aid, and Rite Aid agrees to take all such actions as necessary to monitor or otherwise administer the J.C. Penney Agreement on behalf of Jean Coutu Group, including the administration of any and all claims made on behalf of or against Jean Coutu Group, Jean Coutu USA or any of their respective affiliates. However, if, prior to the closing, Jean Coutu Group has obtained the consent of J.C. Penney to assign the rights and obligations under the J.C. Penney Agreement to Rite Aid, then Jean Coutu Group will assign to Rite Aid all of Jean Coutu Group s rights and obligations under the J.C. Penney Agreement, subject to certain rights and obligations to be shared with Jean Coutu Group identified in the stock purchase agreement, and Jean Coutu Group will be relieved of any indemnification obligation under the J.C. Penney Agreement to Rite Aid after the closing.

Notwithstanding anything in the stock purchase agreement to the contrary, neither Rite Aid nor Jean Coutu USA will be required to assume any liabilities arising out of the Framework Agreement, the Assumption Agreement and the Umbrella Agreement and Rite Aid will not be required to assume any liabilities arising out of the J.C. Penney Agreement, in each case which arise out of events or conditions in existence prior to the closing or which occurred prior to the closing, and Jean Coutu Group agrees to indemnify Rite Aid from and against all losses incurred by Rite Aid arising out of any pre-closing claim. Rite Aid will control all legal proceedings relating to any pre-closing claim under the Framework Agreement, the Assumption Agreement and the Umbrella Agreement and, if Jean Coutu Group has obtained the consent of J.C. Penney to assign the J.C. Penney Agreement prior to the closing and Rite Aid has assumed the rights and obligations under the J.C. Penney Agreement, then also under the J.C. Penney Agreement. However, Jean Coutu Group will be entitled to designate a representative to evaluate and receive information with respect to any pre-closing proceeding, Rite Aid agrees to not settle any pre-closing claim without Jean Coutu Group s written consent, and Jean Coutu Group agrees to reimburse Rite Aid for all costs and expenses incurred by Rite Aid in respect of any pre-closing proceeding. If the J.C. Penney consent is not obtained prior to the closing, Rite Aid will be entitled to designate a representative to evaluate and receive information with respect to any pre-closing proceeding.

The indemnification rights and obligations with respect to these agreements will survive the closing and will not be subject to the general indemnification baskets and caps of the stock purchase agreement.

No Solicitation of Transactions With Respect to Jean Coutu USA

Until the closing date, Jean Coutu Group agrees not to, and to cause Jean Coutu USA and its subsidiaries not to, nor will Jean Coutu Group, directly or indirectly, authorize or permit any of their respective officers, directors, employees, agents or representatives (including investment bankers, financial advisors, attorneys, consultants and accountants) to, directly or indirectly, encourage, initiate, solicit or engage in discussions or negotiations with, or provide any information to, any person, other than Rite Aid (and its affiliates and representatives), with respect to a sale of all or any substantial portion of the assets of Jean Coutu USA or any of its subsidiaries, or a merger, recapitalization, consolidation, business combination, sale of all or any substantial portion of the capital stock or other equity interests of Jean Coutu USA or any of its subsidiaries, or the liquidation, reorganization or similar extraordinary transaction with respect to Jean Coutu USA or any of its subsidiaries.

Jean Coutu Group agrees not to, and to cause Jean Coutu USA and its subsidiaries not to, release any person from, or waive any provision of, any confidentiality or standstill agreement that relates to Jean Coutu USA or any of its subsidiaries.

Antitrust Filings

Each of Rite Aid and Jean Coutu Group agree to:

- submit their respective Notification and Report Form filing(s) in accord with the HSR Act as promptly as practicable after the date of the stock purchase agreement (each of Rite Aid and Jean Coutu Group filed its respective Notification and Report Form on September 18, 2006);

- use reasonable best efforts to promptly respond to any oral or written request for information, documents or questions from the Federal Trade Commission or Department of Justice during the initial thirty-day HSR Act mandated waiting period;

- use reasonable best efforts to substantially comply with a Request for Additional Information issued in accord with the rules and regulations implementing the HSR Act upon receipt; and

- act in good faith and cooperate with the other party in connection with any filing or submission to the Federal Trade Commission, Department of Justice or any other governmental authority as regards any filing or submission in connection with addressing or resolving any investigation or inquiry of the Federal Trade Commission or Department of Justice or other governmental authority under the antitrust laws with respect to the transaction.

To the extent not prohibited by applicable laws, Rite Aid and Jean Coutu Group further agree to:

- use all reasonable best efforts to furnish to the other party all information required for any application, filing or submission to be made pursuant or related to the HSR Act, or any applicable laws in connection with the transactions contemplated by the stock purchase agreement;

- give the other party reasonable prior notice of any communication with, or any intention to enter into, any proposed understanding, undertaking, order or agreement with the Federal Trade Commission, Department of Justice or any other governmental authority;

- not independently participate in any meeting or engage in any substantive conversation with the Federal Trade Commission, Department of Justice or any other governmental authority with respect to any formal or informal investigation of, or inquiry into, the transactions contemplated by the stock purchase agreement, without giving the other party prior notice of the meeting or conversation and, unless prohibited by such governmental authority, the opportunity to attend and participate in any meeting or substantive conversation;

- consult and cooperate with one another in connection with any analyses, appearances, presentations, memoranda, briefs, arguments, opinions and proposals made or submitted by or on behalf of either of them in connection with proceedings under or relating to the HSR Act or other antitrust laws.

Subject to the conditions described in the next paragraph, each of Rite Aid and Jean Coutu Group agree to use its reasonable best efforts to resolve any objections as may be asserted by any governmental authority with respect to the transaction under the antitrust laws. Subject to the conditions described in the next paragraph, if any administrative or judicial action or proceeding is instituted (or threatened to be instituted) challenging the transaction as inconsistent with or violative of any antitrust law, each of Rite Aid and Jean Coutu Group agree (by negotiation, litigation or otherwise) to cooperate and use its reasonable best efforts to vigorously contest and resist any such action or proceeding, including any administrative or judicial action, and to have vacated, lifted, reversed or overturned any decree, judgment, injunction or other order whether temporary, preliminary or permanent, that is in effect and that prohibits, prevents, delays or restricts consummation of the transactions contemplated by the stock purchase agreement, including by vigorously pursuing all available administrative and judicial appeals, unless, by mutual agreement, Rite Aid and Jean Coutu Group decide that litigation is not in their respective best interests. Nevertheless, nothing in the stock purchase agreement will limit the right of Rite Aid or Jean Coutu Group to terminate the stock purchase agreement if any governmental authority has taken any final and nonappealable action restraining or prohibiting consummation of the transaction, so long as such party has until that time complied in all material respects with its antitrust review-related obligations under the stock purchase agreement. Each of Rite Aid and Jean Coutu Group agrees to use its reasonable best efforts to take such action as may be required to cause the expiration of the notice periods under the HSR Act or other antitrust laws as promptly as possible.

Notwithstanding anything to the contrary in the stock purchase agreement, neither Rite Aid nor Jean Coutu USA will be required in order to resolve any objections asserted under antitrust laws by any governmental authority with respect to the transaction to divest any of its businesses or assets, or take or agree to take any other action or agree to any limitation or restriction, that the board of directors of Rite Aid reasonably determines in good faith, after considering the advice of its management and legal and financial advisors, to be materially adverse to Rite Aid and its subsidiaries taken as a whole or would materially impair the overall benefits expected, as of the date the stock purchase agreement was executed, to be realized from the acquisition of the Jean Coutu USA business. Rite Aid agrees that the divestiture or release of assets (tangible or intangible) representing, or the imposition of conditions affecting, store-level Adjusted EBITDA (as defined below) of up to an aggregate of $60 million before advertising and corporate administration expenses, for the most recently completed fiscal year (referred to herein as the $60 million Adjusted EBITDA threshold) is not materially adverse to Rite Aid and its subsidiaries taken as a whole nor would it materially impair the overall benefits expected to be realized from the acquisition of the Jean Coutu USA business. However, if the $60 million Adjusted EBITDA threshold is exceeded, the divestiture, release of assets or imposition of conditions will be deemed to materially impair the overall benefits expected to be realized by Rite Aid with respect to the acquisition of the Jean Coutu USA business. For purposes of the stock purchase agreement, Adjusted EBITDA means net earnings before interest expense, income tax expense, depreciation and amortization expense and other non-cash charges, or certain adjustments for non-operating items identified in the stock purchase agreement.

All Reasonable Best Efforts Covenant

Subject to the conditions described in the immediately preceding paragraph, each of Rite Aid and Jean Coutu Group agrees to use its reasonable best efforts to take all actions and to assist and cooperate with each other in doing all things necessary, sufficient, proper or advisable to consummate, in the most expeditious manner practicable, the transactions contemplated by the stock purchase agreement, including:

- obtaining all necessary actions or nonactions, waivers, consents, licenses, permits, authorizations, orders and approvals from governmental authorities and making all other necessary registrations and filings (including filings with governmental authorities, if any);

- preparing this special meeting proxy statement;

- executing and delivering any additional instruments reasonably necessary to consummate the transactions contemplated by, and to fully carry out the purposes of, the stock purchase agreement; and

- providing all such information concerning such party, its affiliates and its affiliates officers, directors, employees and partners as may be reasonably requested in connection with any of the matters set forth in the provisions of the stock purchase agreement relating to antitrust review of the transaction.

Rite Aid Stockholders Meeting; Proxy Statement

The stock purchase agreement requires Rite Aid to call and hold a special meeting of its stockholders as promptly as practicable to approve and/or adopt:

- the issuance of the 250 million shares of Rite Aid common stock to Jean Coutu Group pursuant to the stock purchase agreement;

- an amendment to Rite Aid s restated certificate of incorporation to increase the number of authorized shares of common stock to 1.5 billion shares; and

- a material amendment to its existing equity compensation plan or the adoption of a new equity compensation plan.

Rite Aid agreed to, as promptly as practicable, file with the SEC a proxy statement, containing the recommendation of the Rite Aid board of directors that stockholders vote in favor of the matters identified above, respond promptly to any SEC comments with respect to the proxy statement, mail a definitive proxy statement to Rite Aid stockholders and solicit proxies from stockholders for approval of the matters identified above.

Jean Coutu Group agreed to cooperate with and assist Rite Aid, including providing Rite Aid promptly upon request with the information concerning Jean Coutu Group and Jean Coutu USA required to be included in this proxy statement. Jean Coutu Group agreed that such information will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

Non-Competition

For a period of five years after the closing date, Jean Coutu Group agrees that it will not, and will cause its affiliates (except for Michel Coutu, for whom the applicable period will be for three years after the closing date and whose obligation is contained in a letter agreement between Michel Coutu and Rite Aid, dated as of August 23, 2006) not to, directly or indirectly, whether as principal, agent, partner, officer, director, stockholder, employee, consultant or otherwise, alone or in association with any other person (other than as a stockholder of Rite Aid and through its designees on Rite Aid s Board of Directors), own, manage, operate, control, participate in, acquire more than three percent of (or the right to acquire more than three percent of) any class of voting securities of, perform services for, or otherwise carry on, either a retail pharmacy business in the United States or a pharmacy benefits management business in the United States. Rite Aid and Jean Coutu Group agree that $1 million of the cash portion of the final purchase price will be allocated to the covenant not to compete, and agree to act in accordance with such allocation for all purposes, including in any relevant tax returns or filings.

Jean Coutu Group acknowledges and agrees that the remedy at law for any breach, or threatened breach, of the covenant not to compete will be inadequate and, accordingly, Jean Coutu Group agrees that Rite Aid will, in addition to any other rights and remedies which Rite Aid may have at law, be entitled to equitable relief, including injunctive relief, and to the remedy of specific performance with respect to any breach or threatened breach of the covenant. In addition, Jean Coutu Group and Rite Aid agree that the terms of the covenant not to compete are fair and reasonable in light of Rite Aid s plans for the Jean Coutu USA business and are necessary to accomplish the full transfer of the goodwill and other intangible assets contemplated by the stock purchase agreement. In the event that any aspect of covenant not to compete is determined by any court of competent jurisdiction to be unenforceable for any reason, then any such provision will not be deemed void, and the parties agree that the limits may be modified by the court and that the covenant not to compete will be amended in accordance with such modification, with the desire of the parties that the covenant not to compete be enforced to the full extent of its terms and conditions or if a court finds the scope of the covenant unenforceable, the court should redefine the covenant so that it complies with applicable law.

Non-Solicitation of Employees

Through the second anniversary of the closing date, Jean Coutu Group agrees not to (and to cause its affiliates not to), without the prior written consent of Rite Aid, directly or indirectly, solicit or hire any employee of Jean Coutu USA or any of its subsidiaries (other than clerical or non-salaried employees). However, Jean Coutu Group is not prohibited from:

- engaging in the general solicitation (whether by newspaper, trade publication or other periodical) of employees (or hiring any employees that respond to such general solicitation) so long as such solicitation is not targeted or focused at employees of Jean Coutu USA or any of its subsidiaries; or

- soliciting or hiring any such employee (other than clerical or non-salaried employees) who is no longer employed by Jean Coutu USA or any of its subsidiaries and has not been an employee of Jean Coutu USA or any of its subsidiaries for at least six months prior to such solicitation or employment by Jean Coutu Group or its affiliates.

NYSE Listing Approval

Rite Aid is required to apply for, and to use its reasonable best efforts to obtain prior to the closing date, approval to list on the NYSE the shares of Rite Aid common stock to be issued to Jean Coutu Group at closing, subject to official notice of issuance.

Rite Aid Financing

Rite Aid is required to arrange sufficient financing for the acquisition of Jean Coutu USA on the terms and conditions described in the financing commitment of Citicorp and Citigroup to Rite Aid, including negotiating definitive agreements with respect to the financing on terms and conditions contained in the financing commitment and satisfying all conditions applicable to Rite Aid in such definitive agreements that are within its control.

If all other conditions (including all conditions under the financing commitment that are required to be satisfied on the closing date) have been satisfied (other than those conditions that by their nature have to be satisfied at the closing) and Jean Coutu Group and Rite Aid are prepared to close, Rite Aid agrees that if the financing (other than the bridge facility) is not otherwise available, it will draw down from the bridge facility contemplated by the financing commitment an amount not less than the amount needed to pay the estimated cash consideration, and will take such actions as are reasonably necessary to cause the closing to occur no later than the dates described in the second bullet under the section below entitled Termination.

Jean Coutu Group agrees to provide, and to cause Jean Coutu USA and its subsidiaries and its and their representatives, attorneys, independent auditors and advisors to provide, all reasonable cooperation in connection with the arrangement of the financing as Rite Aid may reasonably request (provided that such requested cooperation does not unreasonably interfere with the ongoing operations of Jean Coutu USA and its subsidiaries), including, without limitation:

- participation in meetings, drafting sessions and due diligence sessions;

- furnishing Rite Aid and its financing sources and its and their attorneys, independent auditors and advisors with financial and other pertinent information regarding Jean Coutu USA and its subsidiaries as may be reasonably requested by Rite Aid;

- assisting Rite Aid and its financing sources in the preparation of (1) offering documents for any debt raised to complete the transactions contemplated by the stock purchase agreement, (2) materials for rating agency presentations, and (3) business projections and financial statements (including historical financial statements of Jean Coutu USA and its subsidiaries prepared in accordance with GAAP, pro forma financial statements and other financial information required pursuant to Regulation S-X of the Securities Act of 1933);

- reasonably cooperating with the marketing efforts of Rite Aid and its financing sources for any debt raised by Rite Aid to complete the transactions contemplated by the stock purchase agreement;

- providing and executing such documents as may be reasonably requested by Rite Aid;

- reasonably facilitating the pledge of collateral; and

- using reasonable best efforts to cause legal counsel to provide customary legal opinions and an independent auditor of Jean Coutu USA to provide any unqualified opinions, consents or customary comfort letters with respect to the financial statements of Jean Coutu USA and its subsidiaries as may be reasonably requested by Rite Aid, however, Jean Coutu Group will not be required to pay any commitment or other similar fee or incur any other liability in connection with the financing.

Transition Services Agreement

Jean Coutu Group and Rite Aid agreed, promptly following the date of the stock purchase agreement and prior to the closing, to negotiate in good faith, and at the closing to execute and deliver, a transition services agreement consistent with certain principles set forth in the stock purchase agreement. Jean Coutu Group will agree to provide for a period of up to nine months following the closing date, subject to a three-month extension, certain transition services, including information technology, network and support services, to Jean Coutu USA to facilitate the transition of the businesses to Rite Aid.

Employee Matters

Jean Coutu Group and Rite Aid have agreed that, during the period prior to the closing, Rite Aid will have reasonable access to Jean Coutu USA personnel for the purpose of employment discussions and determining the staffing needs of the business following the closing. Rite Aid and Jean Coutu Group have also agreed to cooperate in order to facilitate the implementation of the various benefits provisions summarized below.

Rite Aid has agreed to provide each employee of Jean Coutu USA who continues to be employed in the business following the closing with:

- a position providing base pay or wage levels that are at least equal to the level that applied immediately prior to the closing, for no less than three months following the closing; and

- other employee benefits, other than equity based compensation, that are substantially similar in the aggregate to such benefits provided by Jean Coutu USA prior to the closing or the benefits provided by Rite Aid to its similarly situated employees, for no less than six months following the closing.

For a period of at least twelve months following the closing, Rite Aid has also agreed to provide employees of Jean Coutu USA with the severance benefits that apply under the Transition Pay Plan maintained by Jean Coutu USA. With respect to retention letters entered into or to be entered into with approximately 50 key employees of Jean Coutu USA, Jean Coutu Group and Rite Aid have agreed that the aggregate cost of the retention payments will be shared equally between Jean Coutu Group and Rite Aid, except that Rite Aid s liability for such retention payments is capped.

Rite Aid has agreed to give each employee of Jean Coutu USA who remains employed with the business following the closing full credit for service credited by Jean Coutu USA for purposes of eligibility, vesting and determining the amount of vacation benefits accrued, under any Jean Coutu Group employee benefit plan made available to the employees of Jean Coutu USA following the closing. Rite Aid has also agreed to:

- waive any limitations as to pre-existing conditions, exclusions and waiting periods with respect to participation and coverage requirements under any welfare benefit plan available to employees who remain employed after the closing, to the extent the Jean Coutu USA employees were not subject to such pre-existing condition, exclusion and waiting period under the comparable Jean Coutu USA welfare benefit plan; and

- provide each Jean Coutu USA employee who remains employed with the business with credit for any co-payments and deductibles paid prior to the closing in satisfying any applicable deductible or out-of-pocket requirements under any welfare plans that such employees are eligible to participate in after the closing.

On or about the time that Rite Aid makes its own annual bonus payments to eligible employees in respect of the 2007 fiscal year of Rite Aid, Rite Aid has agreed to cause Jean Coutu USA to pay pro rata bonuses at target levels to each bonus-eligible Jean Coutu USA employee in respect of the fiscal year in which the closing occurs, to the extent of the accrual for such bonuses on Jean Coutu USA s financial statements. Rite Aid and Jean Coutu Group have also agreed that Jean Coutu Group will be responsible for the payment of a special incentive bonus to certain bonus-eligible associates employed in specific Jean Coutu USA facilities on or about November 30, 2006.

Notwithstanding the obligations described above, Rite Aid is not required to retain any Jean Coutu USA employees pursuant to the stock purchase agreement for any period after the closing. Pursuant to the stockholder agreement, Rite Aid will employ Pierre Legault, currently executive vice president of Jean Coutu Group, to become senior executive vice president, chief administrative officer of Rite Aid, effective and contingent upon completion of the transaction, for a term of not less than two years, subject to the terms of an employment agreement. See the sections entitled The Stockholder Agreement Rite Aid Management beginning on page 94 and The Transaction Board of Directors and Management of Rite Aid Following the Transaction beginning on page 62 for a more detailed discussion.

Other Covenants

The parties agreed to a number of other material covenants under the stock purchase agreement, including:

- to cooperate with each other in providing access to each other s books, contracts, accounts, records and other information as reasonably requested, and to cooperate with each other for purposes of compliance with periodic reporting requirements and the Sarbanes-Oxley Act after the completion of the transactions;

- to maintain the confidentiality of all non-public information provided by the other party;

- to provide notice to the other party of the following:

material breaches of representations, warranties or covenants contained in the stock purchase agreement;

any facts that could prevent or materially delay any conditions precedent to a party s obligations under the stock purchase agreement being satisfied;

any material adverse effect;

any notice from any governmental authority with respect to the transactions;

any notice from any person claiming that consent of such person is required for the consummation of the transactions;

the commencement or, to such party s knowledge, threatened commencement of any material claims, actions, or proceedings before any governmental authority or any arbitration against Jean Coutu USA or any of its subsidiaries or against Rite Aid, as applicable;

to such party s knowledge, the commencement of any investigations or formal or informal inquiries by any governmental authority against or relating to Jean Coutu USA or any of its subsidiaries or Rite Aid, as applicable;

the commencement of any material internal investigations or the receipt of any material and reasonably credible whistle-blower complaints relating to Jean Coutu USA or any of its subsidiaries or Rite Aid, as applicable; and

the entry of any material judgments, injunctions or orders of any governmental authority relating to Jean Coutu USA or any of its subsidiaries or Rite Aid, as applicable;

- to cooperate with regard to any public announcement concerning the transactions contemplated by the stock purchase agreement and the ancillary agreements;

- to allocate any liability under the Workers Adjustment and Retraining Notification Act;

- that Rite Aid will have the right to conduct non-invasive environmental inspections of the Jean Coutu USA real property;

- that Jean Coutu Group will make available for Rite Aid s review copies of any existing title policies or surveys for Jean Coutu USA real property;

- that Jean Coutu Group will provide a list of outstanding letters of credit of Jean Coutu USA and its subsidiaries and that Rite Aid will obtain a binding written release of Jean Coutu Group under such letters of credit as of the closing; and

- that each party will bear its own direct and indirect expenses, including in connection with the procurement of consents.

Conditions to Closing

The obligations of the parties to complete the transactions are subject to the satisfaction or waiver of each of the following mutual conditions:

- the absence of any governmental decree, judgment, injunction, order, or other law prohibiting, enjoining, materially delaying or interfering with the consummation of the transactions contemplated by the stock purchase agreement;

- the waiting period, and any extensions of the waiting period, applicable to the transactions contemplated by the stock purchase agreement pursuant to the HSR Act must have expired or been terminated;

- the issuance of Rite Aid common stock to Jean Coutu Group pursuant to the stock purchase agreement must have been approved by the requisite vote of Rite Aid stockholders; and

- Rite Aid must have received approval to list on the NYSE the shares of Rite Aid common stock to be issued to Jean Coutu Group at closing, subject to official notice of issuance.

Rite Aid s obligation to complete the transactions is subject to the satisfaction or waiver of each of the following additional conditions:

- Jean Coutu Group s representations and warranties must be true and correct in all material respects as of August 23, 2006 and as of the closing date (without considering materiality or material adverse effect qualifications), except where failure of the representations and warranties to be true and correct in all material respects has not had and would not reasonably be expected to have a material adverse effect with respect to Jean Coutu USA;

- performance, in all material respects, by Jean Coutu Group of all agreements, covenants and obligations required by the stock purchase agreement to be performed on or prior to the closing date;

- the delivery by Jean Coutu Group of an officer s certificate certifying that the foregoing additional conditions have been satisfied;

- absence of threatened or pending action by any governmental authority seeking to limit Rite Aid s ownership or operation of, or to compel Rite Aid to dispose of, a material portion of Rite Aid s or Jean Coutu USA s businesses or assets, or which the Board of Directors of Rite Aid reasonably determines is materially adverse to Rite Aid or would materially impair the overall benefits expected to be realized from the acquisition of Jean Coutu USA (with Rite Aid agreeing that a divestiture or the imposition of conditions affecting up to the $60 million Adjusted EBITDA threshold (as defined above in the section above entitled Antitrust Filings beginning on page 78) is not materially adverse);

- absence of any material adverse effect with respect to Jean Coutu USA;

- receipt by Rite Aid of sufficient financing proceeds to consummate the transactions contemplated by the stock purchase agreement;

- execution by Jean Coutu Group of the transition services agreement; and

- delivery by Jean Coutu Group of customary closing documentation.

Jean Coutu Group s obligation to complete the transactions is subject to the satisfaction or waiver of each of the following additional conditions:

- Rite Aid s representations and warranties must be true and correct in all material respects as of August 23, 2006 and as of the closing date (without considering materiality or material adverse effect qualifications), except where failure of the representations and warranties to be true and correct in all material respects has not had and would not reasonably be expected to have a material adverse effect with respect to Rite Aid;

- performance, in all material respects, by Rite Aid of all agreements, covenants and obligations required by the stock purchase agreement to be performed on or prior to the closing date;

- delivery by Rite Aid of an officer s certificate certifying that the foregoing additional conditions have been satisfied;

- absence of threatened or pending action by any governmental authority seeking to limit Rite Aid s ownership or operation of all or substantially all of Rite Aid s or Jean Coutu USA s businesses or assets;

- absence of any material adverse effect with respect to Rite Aid;

- execution by Rite Aid of the transition services agreement; and

- delivery by Rite Aid of additional customary closing documentation.

Survival of Representations, Warranties and Covenants; Indemnification

Survival. Under the stock purchase agreement, the representations and warranties of Jean Coutu Group generally survive until the later of July 31, 2008 or 18 months after the closing, except for:

- representations and warranties related to Jean Coutu Group s authority to enter into the transaction, capital structure, title to Jean Coutu USA shares or membership interests that are being transferred, and the Jean Coutu Group s 8.5% notes indenture, which survive forever;

- representations and warranties related to Jean Coutu Group s employee benefit plans and compliance with environmental laws, which survive for six months beyond the expiration of the applicable statute of limitations (taking into account all extensions); and

- representations and warranties related to taxes of Jean Coutu Group, which survive until 15 days following the expiration of the applicable statute of limitations (taking into account all extensions).

Under the stock purchase agreement, the representations and warranties of Rite Aid generally survive until the later of July 31, 2008 or 18 months after the closing, except for representations and warranties related to Rite Aid s authority to enter into the transaction, the Rite Aid common stock to be issued to Jean Coutu Group and Rite Aid s indentures, which survive forever.

All covenants and other agreements contained in the stock purchase agreement that have effect or by their terms are to be performed after the closing survive indefinitely, other than those that terminate pursuant to their terms.

Indemnification. Under the stock purchase agreement, except indemnification with respect to tax matters which is described below, Jean Coutu Group will indemnify Rite Aid for losses it incurs:

- arising from any breach of a representation and warranty made by Jean Coutu Group, without giving effect to any materiality or material adverse effect qualifiers;

- arising from any breach or nonperformance of a covenant or other agreement made and to be performed by Jean Coutu Group, without giving effect to any materiality or material adverse effect qualifiers; and

- arising from or relating to the conduct of the business of Jean Coutu Group (other than Jean Coutu USA).

Under the stock purchase agreement, Rite Aid will indemnify Jean Coutu Group for losses it incurs arising from:

- any breach of a representation and warranty made by Rite Aid, without giving effect to any materiality or material adverse effect qualifiers; and

- any breach or nonperformance of a covenant or other agreement made and to be performed by Rite Aid, without giving effect to any materiality or material adverse effect qualifiers.

Each party s indemnification obligation for breaches of representations is subject to a $35 million deductible and each party s indemnification obligation for breaches of representations and for breaches of covenants is subject to an aggregate cap of $450 million. No claim for a breach of a representation and warranty may be brought by either party or included in the aggregate losses for purposes of satisfying the deductible unless it exceeds a de minimis threshold of $10,000.

The deductible and cap do not apply (*i.e.*, losses are subject to indemnification from the first dollar) to the following:

- breaches of any of the representations of either party that survive forever;

- the obligations of either party under the prior Jean Coutu Group acquisition agreements;

- losses arising from or relating to the conduct of the business of Jean Coutu Group (other than Jean Coutu USA); and

- with respect to tax matters.

Jean Coutu Group s indemnification obligations with respect to taxes or losses related to taxes are described below.

Tax Matters

Indemnification. Under the stock purchase agreement, Jean Coutu Group has agreed to indemnify Rite Aid for losses it incurs arising from, out of or related to:

- pre-closing taxes of Jean Coutu USA, including any taxes that result from the possible reorganization of Jean Coutu Group;

- any inaccuracy or breach of any representation of Jean Coutu Group that relates to taxes, without giving effect to any materiality or material adverse effect qualifiers;

- half of any transfer taxes that result from the transaction; and

- any breach or nonperformance of a covenant or other agreement which relates to taxes made and to be performed by Jean Coutu Group, without giving effect to any materiality or material adverse effect qualifiers.

Transfer Taxes. Under the stock purchase agreement, transfer taxes that result from the transaction shall be borne equally.

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Preparation and Filing of Tax Returns. Under the stock purchase agreement, Rite Aid will prepare and file any tax returns of Jean Coutu USA not filed or prepared prior to the closing. Tax returns of Jean Coutu USA for which Jean Coutu Group may have an indemnification obligation pursuant to the tax indemnity are subject to the review of Jean Coutu Group. In the event that Rite Aid and Jean Coutu Group encounter a dispute regarding such tax returns, Rite Aid and Jean Coutu Group have agreed to submit such dispute to an independent accountant for review, provided that Jean Coutu Group s position shall be adopted upon a determination by such accountant that Jean Coutu Group s position is more likely than not to prevail.

Tax Refunds. Pursuant to the stock purchase agreement, Rite Aid will use commercially reasonable efforts to apply for and obtain refunds for Jean Coutu USA on behalf of Jean Coutu Group for any pre-closing period or pre-closing portion of a straddle period of Jean Coutu USA, unless Rite Aid reasonably determines that Rite Aid would be adversely affected by applying for and obtaining such refund.

Tax Claims. Under the stock purchase agreement, Rite Aid controls all proceedings relating to tax claims against Jean Coutu USA, except for those tax claims that, if successful, would result in an indemnification obligation by Jean Coutu Group under the tax indemnity.

Termination

The stock purchase agreement may be terminated prior to the closing as follows:

- by mutual written consent of Jean Coutu Group and Rite Aid;

- by either Jean Coutu Group or Rite Aid if the closing has not occurred on or before May 23, 2007 (the date that is nine months following the date of the stock purchase agreement), so long as the failure to close does not result from the terminating party s failure to fulfill any obligation under the stock purchase agreement. If, as of May 23, 2007, the HSR Act waiting period, and any extensions of the waiting period, has not expired or been terminated or there is a pending action by any governmental authority seeking to prohibit Rite Aid s ownership of Jean Coutu USA or the operation of all or substantially all of Rite Aid s or Jean Coutu USA s businesses or assets, then either Jean Coutu Group or Rite Aid may, in its sole discretion, extend this date to August 23, 2007;

- by either Jean Coutu Group or Rite Aid if a governmental authority prohibits the consummation of the transaction and the prohibition has become final and nonappealable;

- by either Jean Coutu Group or Rite Aid if the Rite Aid stockholders do not approve the issuance of the shares of Rite Aid common stock to Jean Coutu Group; and

- by either Rite Aid or Jean Coutu Group if the other party materially breaches any of its covenants contained in the stock purchase agreement, or breaches any of its representations and warranties where the breach would be reasonably likely to result in a material adverse effect on that party, and such breach is not cured within 30 days of receiving notice of the breach.

Amendment and Waiver

The stock purchase agreement may not be amended except by mutual written agreement of the parties. Failure to enforce any provision of the stock purchase agreement will not be construed as waiver of any such provision or affect the validity of the stock purchase agreement. A party may only waive any breach or non-compliance with the stock purchase agreement if it does so in writing.

THE STOCKHOLDER AGREEMENT

Concurrently with entering into the stock purchase agreement, Rite Aid, Jean Coutu Group and certain Coutu family members entered into a stockholder agreement. The stockholder agreement will become effective only upon the closing of the acquisition of Jean Coutu USA. The following is a summary of selected provisions of the stockholder agreement and is qualified in its entirety by reference to the stockholder agreement, a copy of which is attached to this proxy statement as Appendix B and which we incorporate by reference into this document. This summary may not contain all of the information about the stockholder agreement that is important to you. We urge you to read the entire stockholder agreement carefully because it is the legal document governing important aspects of the relationship among Rite Aid, Jean Coutu Group and certain Coutu family members after completion of the transaction.

The stockholder agreement governs Jean Coutu Group s ownership interest in Rite Aid upon consummation of the transaction. The 250 million shares of Rite Aid common stock to be issued to Jean Coutu Group pursuant to the stock purchase agreement will represent approximately 32.0% of the total issued and outstanding common stock of Rite Aid immediately after the completion of the transaction and approximately 30.2% of the total voting power of Rite Aid.

Standstill Restrictions

Under the terms of the stockholder agreement, for so long as Jean Coutu Group and its affiliates (or any Coutu family member or group of Coutu family members) own 5% or more of the total voting power of Rite Aid and for nine months thereafter (such period is referred to as the standstill period), Jean Coutu Group and members of the Coutu family will be subject to certain standstill restrictions.

Prohibited Purchases of Additional Rite Aid Voting Securities. During the standstill period, Jean Coutu Group and Coutu family members cannot purchase or otherwise acquire additional Rite Aid voting securities, except:

- by way of stock dividend, stock split, reorganization, recapitalization, merger, consolidation or other like distributions made available to holders of Rite Aid common stock generally;
- pursuant to the exercise of preemptive or other stock purchase rights granted under the stockholder agreement; or
- with the consent of a majority of the Rite Aid board of directors, not including the directors designated by Jean Coutu Group pursuant to the stockholder agreement.

These provisions do not prevent Jean Coutu Group from acquiring an entity that beneficially owns voting securities of Rite Aid, provided that such other entity beneficially owns securities constituting no more than 2% of the total voting power of Rite Aid and Jean Coutu Group uses its reasonable best efforts to divest a sufficient number of Rite Aid voting securities as promptly as practicable such that Jean Coutu Group beneficially owns no more voting securities than it would otherwise be permitted to own pursuant to the stockholder agreement.

Prohibited Actions. During the standstill period, Jean Coutu Group and Coutu family members are prohibited from, directly or indirectly, taking any of the following actions:

- making, or in any way participating in, any solicitation of proxies with respect to any Rite Aid voting securities, becoming a participant in any election contest with respect to Rite Aid or seeking to advise, encourage or influence any person (other than an affiliate of Jean Coutu Group, including its officers and directors, or any Coutu family stockholder) with respect to the voting of any Rite Aid voting securities, except that Jean Coutu Group is not prohibited from being a participant in support of the management of Rite Aid, by reason of the membership of the Jean Coutu Group director designees on the Rite Aid board or the inclusion of the Jean Coutu Group director designees on the slate of nominees for election to the Rite Aid board;

- initiating or participating in the solicitation of stockholders for the approval of a stockholder proposal with respect to Rite Aid or knowingly inducing any other individual or entity to initiate any such stockholder proposal;

- forming or in any way participating in a group as defined in the Exchange Act (other than a group including only Coutu family stockholders and their respective affiliates), acting in concert with any other person or entity or otherwise taking any action that would cause it to be deemed a person under the Exchange Act with respect to any Rite Aid voting securities;

- participating in or encouraging the formation of any group which seeks or offers to acquire Rite Aid voting securities or which seeks or offers to affect control of Rite Aid or for the purpose of circumventing any provision of the stockholder agreement;

- seeking or offering to effect, negotiating with or providing any information to any party with respect to, making any statement or proposal to the Rite Aid board, to any director or officer of Rite Aid or to any other Rite Aid stockholder with respect to, or otherwise formulating any plan or making any public filing under the Exchange Act, or taking action to cause Rite Aid to make any such filing, with respect to:

any form of business combination, restructuring, recapitalization or other transaction involving Rite Aid or any of its affiliates, including, without limitation, a merger, exchange offer or liquidation of Rite Aid s assets;

any acquisition or disposition of assets material to Rite Aid;

any request to amend, waive or terminate the provisions of the stockholder agreement; or

any proposal or other statement inconsistent with the terms of the stockholder agreement;

- otherwise acting, alone or in concert with others (including by providing financing for another party), to seek or offer to control or influence, in any manner, the management, board of directors or policies of Rite Aid, except that the Jean Coutu Group director designees are not prohibited from participating in, or otherwise seeking to affect the outcome of, discussions and votes of the Rite Aid board (or any board committee) with respect to matters coming before it;

- instigating, encouraging, having discussions with or entering into any arrangements, agreements or understandings with any third party (including acting as a joint or co-bidder with another party) to take any of the prohibited actions; or

- publicly disclosing any proposal regarding any of the prohibited actions.

If at any time Jean Coutu Group, the immediate Coutu family members or any of their respective affiliates is approached by any person requesting them to instigate, encourage, join, act in concert with or assist any person in any prohibited actions, Jean Coutu Group or the immediate Coutu family members, as the case may be, are required to promptly inform Rite Aid of the nature of such contact and the parties that approached them.

Stock Purchase Rights in a Preemptive Issuance

For so long as Jean Coutu Group owns at least 20% of the total Rite Aid voting power, at any time Rite Aid effects an issuance of voting securities solely for cash (a preemptive issuance), Jean Coutu Group will have the right to purchase securities in such issuance (other than for certain types of issuances

described below) to maintain the same total voting power as Jean Coutu Group owned immediately prior to such issuance. Jean Coutu Group s purchase rights will not apply to the following issuances:

- in connection with any stock split, subdivision, stock dividend (including dividends on existing or future preferred stock whether in the form of shares of preferred stock or common stock) or pro rata recapitalization (including any exchange of one or more series of preferred stock for another series of preferred stock) by Rite Aid;

- upon conversion of shares of Rite Aid s current or future issued convertible preferred stock (whether such conversion is mandatory or discretionary);

- in connection with any restricted stock, stock option, incentive or other award of Rite Aid common stock pursuant to Rite Aid s equity compensation plans or other employee, consultant or director compensation arrangements approved by the Rite Aid board or a board committee;

- in connection with acquisitions by Rite Aid whether by merger, asset purchase, stock purchase or other reorganization, including financings the proceeds of which are intended to be used to fund acquisitions;

- in connection with the issuance of Rite Aid common stock in exchange for notes, debentures or other forms of current or future Rite Aid indebtedness; and

- in which the number of voting securities that otherwise would be issued to Jean Coutu Group pursuant to the purchase right would require the approval of Rite Aid s stockholders under the rules of the New York Stock Exchange relating to issuances of stock to related parties. In this case only the excess amount of voting securities that would trigger the stockholder approval requirement would be excluded from the voting securities that Jean Coutu Group would have a right to purchase.

Prior to any preemptive issuance, Rite Aid is required to provide Jean Coutu Group with 15 business days prior written notice (or if such notice period is not reasonably practicable under the circumstances, the maximum prior written notice that is reasonably practicable) of the proposed preemptive issuance. Jean Coutu Group may exercise its right to purchase by providing written notice to Rite Aid within 10 business days after receipt of the notice (and, in any event, not later than the date of pricing in the case of an underwritten public offering or an offering pursuant to Rule 144A under the Securities Act and the date of signing or date of public announcement of the transaction, if earlier, in all other preemptive issuances). Jean Coutu Group is required to effect the purchase concurrently with the issuance. If Jean Coutu Group gives timely notice of its intent to exercise its purchase right but has not paid for and otherwise effected the purchase on the issuance date, then Jean Coutu Group will be deemed to have waived its purchase right with respect to that issuance.

Open Market Purchase Rights

For so long as Jean Coutu Group owns at least 20% of the total Rite Aid voting power, at any time Rite Aid effects an issuance of voting securities and Jean Coutu Group does not have the right to purchase additional voting securities pursuant to its preemptive purchase rights because of the circumstances described below, Jean Coutu Group will have the right to make open market purchases of Rite Aid common stock in accordance with the terms of the stockholder agreement in order to increase its percentage of total voting power generally to the percentage that it held prior to such issuance.

The circumstances under which Jean Coutu Group s preemptive purchase rights will not have attached and under which it will have open market purchase rights are:

- the issuance is not solely for cash;

- the issuance relates to the conversion of shares of Rite Aid s convertible preferred stock issued after August 23, 2006 (other than issuances or the conversion of shares of Rite Aid s convertible preferred stock issued after August 23, 2006 as pay-in-kind stock dividends with respect to shares of convertible preferred stock issued prior to August 23, 2006 or issued as further pay-in-kind stock dividends on those dividends), but only to the extent that Jean Coutu Group s right to purchase that convertible preferred stock under the provisions relating to preemptive purchase rights was limited by the terms of the preemptive purchase rights;

- the issuance is in connection with any restricted stock, stock option, incentive or other award of Rite Aid common stock pursuant to Rite Aid s equity compensation plans or other employee, consultant or director compensation arrangements approved by the Rite Aid board or a board committee, in each case awarded on or after August 23, 2006;

- the issuance is in connection with acquisitions by Rite Aid whether by merger, asset purchase, stock purchase or other reorganization, including financings the proceeds of which are intended to be used to fund acquisitions;

- the issuance is in connection with the issuance of Rite Aid common stock in exchange for notes, debentures or other forms of current or future Rite Aid indebtedness; or

- the purchase by Jean Coutu Group of voting securities (other than convertible preferred stock) was limited due to the restriction on preemptive rights that would otherwise require stockholder approval under NYSE rules relating to issuances of stock to related parties.

Within 12 days following the end of each fiscal quarter, Rite Aid is required to provide to Jean Coutu Group a written notice listing, for the most recently completed fiscal quarter, the issuances of voting securities, if any, of the types described above and the total Rite Aid voting power outstanding as of the beginning and as of the end of the fiscal quarter. In order to make open market purchases of Rite Aid common stock, within 10 business days after receipt of the notice, Jean Coutu Group must provide written notice to Rite Aid of its election to make such purchases to maintain the percentage of total voting power that it held prior to the issuances from which it was not permitted to participate.

Jean Coutu Group is required to make such open market purchases only during the window periods following Rite Aid s public release of quarterly earnings results in which Rite Aid s directors and executive officers are permitted to trade in Rite Aid s securities, and Jean Coutu Group is limited to aggregate purchases of 8 million shares in any window period. Accordingly, under certain circumstances Jean Coutu Group s open market purchases may span more than one window period. However, if Jean Coutu Group does not purchase at least 95% of the full number of shares that it is entitled to purchase during a particular window period, it will be deemed to have waived its right to make any additional open market purchases of Rite Aid common stock during succeeding window periods with respect to a particular open market purchase right.

Transfer Restrictions

Under the terms of the stockholder agreement, Jean Coutu Group and its affiliates cannot sell, dispose of or transfer Rite Aid voting securities, except for transfers:

- pursuant to Rule 144 under the Securities Act (regardless of whether the volume and manner of sale restrictions of Rule 144 are otherwise applicable by law to Jean Coutu Group or its applicable affiliate);

- pursuant to a firm commitment, underwritten distribution of voting securities to the public, registered under the Securities Act, or a privately negotiated offering of voting securities exempt from the registration requirements of the Securities Act. In either case, such distribution must be in

a manner calculated to achieve a broad distribution of the voting securities, such that, to the knowledge of Jean Coutu Group after due inquiry, the distribution will not result in the acquisition of voting securities by any person who after consummation of the offering would own Rite Aid common stock representing in the aggregate more than 5% of the outstanding shares of Rite Aid common stock, and the distribution must be reasonably acceptable to Rite Aid;

- to any person, or persons acting in a group, who after consummation of the transfer, to the knowledge of Jean Coutu Group after due inquiry, would not own in the aggregate more than 5% of the outstanding shares of Rite Aid common stock;

- to Jean Coutu Group stockholders in a pro rata dividend, spin-off, distribution or similar recapitalization (a stockholder pro rata distribution); provided that:

Jean Coutu Group must provide at least 20 business days prior written notice to Rite Aid of its intention to effect such a distribution;

the manner of the distribution must be reasonably acceptable to Rite Aid;

any voting securities transferred to any Coutu family stockholder will be subject to and bound by the terms and conditions of, and will enjoy the governance and all other rights under the stockholder agreement for so long as any such Coutu family stockholder, either individually, or as a member of a group with one or more Coutu family stockholders, own voting securities constituting 5% or more of the total Rite Aid voting power; provided that the rights of all such 5% Coutu family stockholders, in the aggregate, cannot exceed the rights that Jean Coutu Group would have had if the stockholder pro rata distribution had not occurred); and

any voting securities transferred to any non-Coutu family stockholder of Jean Coutu Group that will own more than 5% of the total Rite Aid voting power after the distribution will be subject to and bound by the terms and conditions of the stockholder agreement and such person must execute a counterpart signature page to the stockholder agreement stating that it agrees to be bound by the terms and conditions of the agreement, but that person will not receive any of the rights granted to Jean Coutu Group under the stockholder agreement;

- to a financial institution generally in the commercial lending business to which Jean Coutu Group or any of its affiliates pledges, encumbers or hypothecates any voting securities or any interest in any voting securities to secure bona fide recourse borrowings effected in good faith so long as:

Jean Coutu Group or any such affiliate notifies Rite Aid of its intention to enter into the pledge, encumbrance or hypothecation at least ten business days prior thereto;

the lender is not granted any voting rights with respect to the voting securities prior to any foreclosure; and

the lender agrees in writing with Jean Coutu Group or any such affiliate in an agreement that expressly provides that (1) Rite Aid is a party to such agreement, entitled to enforce the agreement directly against the lender, (2) the agreement cannot be amended or modified in any manner that adversely affects Rite Aid without the written consent of Rite Aid, and (3) the lender will not receive any of the rights granted to Jean Coutu Group or any such affiliate under the stockholder agreement; or

- to one or more 100% (directly or indirectly) owned affiliates of Jean Coutu Group, or in the event of a stockholder pro rata distribution, to one or more 100% (directly or indirectly) owned affiliates of a Coutu family stockholder.

If Jean Coutu Group wishes or is required to transfer an amount of voting securities constituting more than 5% of the outstanding shares of Rite Aid common stock (other than transfers pursuant to a

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stockholder pro rata distribution), Jean Coutu Group is required to coordinate with Rite Aid regarding optimizing the manner of distribution and sale of such shares, including whether the sale should occur through an underwritten offering, and must cooperate in the marketing of any such offering.

Board Representation

After consummation of the transaction, Jean Coutu Group will own approximately 30.2% of the total Rite Aid voting power. Under the terms of the stockholder agreement, the size of the Rite Aid board of directors will be increased from 12 directors to 14 directors and, with the resignation of two Rite Aid directors, there will be four vacancies on the board. Under the terms of the stockholder agreement, the Rite Aid board will appoint André Belzile, François J. Coutu, Dennis Wood and Michel Coutu, each of whom has been designated by Jean Coutu Group and is acceptable to the nominating and governance committee of the Rite Aid board of directors, to serve as Rite Aid directors in the classes of directors whose terms expire in 2007, 2008, 2008 and 2009, respectively. The Rite Aid board has determined that André Belzile, François J. Coutu and Dennis Wood qualify as independent directors pursuant to the rules of the New York Stock Exchange.

Jean Coutu Group will have the continuing right to designate a certain number of director nominees for election to Rite Aid s board of directors, taking into account Jean Coutu Group designees then serving in a class or classes of directors whose terms are not yet expiring, depending on the percentage of voting securities it owns at the time of the Board meeting to nominate directors:

Percentage of Total Voting Power	Number of Directors/Director Nominees
25% and above	4
17.9% - 24.9%	3
10.7% - 17.8%	2
5% - 10.6%	1

If at any time the number of Jean Coutu Group designated directors exceeds the number of directors it is entitled to have on the Board, Jean Coutu Group is required to cause the appropriate number of directors to resign so that Jean Coutu Group s number of directors does not exceed the above thresholds. If at any time the Board determines to increase or decrease the size of the Board during any period in which Jean Coutu Group has the right to nominate at least one director, the number of directors Jean Coutu Group can designate will be adjusted to permit Jean Coutu Group to maintain its then current board representation percentage.

Chairman; Non-Executive Co-Chairman

Upon the closing of the transaction, 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 of the board in addition to continuing in her roles as president and chief executive officer. A Jean Coutu Group designated director, Michel Coutu, will be elected to serve as non-executive co-chairman of the board of directors with the duties as non-executive co-chairman specified in the Rite Aid Amended and Restated By-laws (as attached hereto as Appendix D and in effect immediately following the closing). The terms of both the chairman and the non-executive co-chairman will be two years commencing from the closing. After the second anniversary of the closing, the full board will elect a chairman of the board as it determines in its discretion.

Rite Aid Management

Mary F. Sammons, the current Rite Aid chief executive officer, will remain chief executive officer after the closing. Pierre Legault, currently executive vice president of Jean Coutu Group will become senior executive vice president, chief administrative officer of Rite Aid effective at closing for a term of not less than two years. See the section entitled The Transaction Board of Directors and Management of Rite Aid Following the Transaction beginning on page 62 for a more detailed discussion.

Board Committee Representation

Executive Committee. Upon the closing, the size of the executive committee of the Rite Aid board will be increased by one member and the Board will initially appoint Michel Coutu, the non-executive co-chairman of the board, to the executive committee for the duration of his term. For so long as Jean Coutu Group owns at least 25% of the total Rite Aid voting power, Jean Coutu Group will be entitled to designate a director to serve on the executive committee.

Other Committees. Upon the closing, each of the audit, compensation and nominating and governance committees of the Rite Aid board will be increased by one member and Jean Coutu Group is entitled to designate one of its director designees to fill each of the committee vacancies. Upon the recommendation of the nominating and governance committee, the Board of Directors has determined, effective as of (and subject to the occurrence of) the closing, to appoint André Belzile to the audit committee, Dennis Wood to the compensation committee, and François J. Coutu to the nominating and governance committee. Jean Coutu Group will have board committee representation rights for so long as it designates at least two directors that are independent directors under the NYSE rules. If only one Jean Coutu Group designated director is independent, then that director will be appointed to one of the three committees and the other Jean Coutu Group designated directors will have observer status to attend meetings (subject to the committees meeting in executive sessions) of the other two committees.

Supermajority Vote Required for Certain Board Actions

After the closing, for so long as Jean Coutu Group owns more than 25% of the total Rite Aid voting power, the following actions may not be entered into without the approval of at least two-thirds of the Rite Aid board of directors:

- an increase in the number of authorized shares of Rite Aid capital stock;
- an issuance of Rite Aid equity securities in one transaction or a series of related transactions resulting in the issuance of capital stock constituting more than 20% of the total Rite Aid voting power following such issuance;
- any merger, reorganization, recapitalization requiring approval of the holders of Rite Aid common stock, consolidation or similar business combination involving Rite Aid; or any merger, reorganization, recapitalization, consolidation or similar business combination involving any Rite Aid subsidiary and requiring the approval of the holders of Rite Aid common stock;
- any sale of Rite Aid assets, in one or a series of related transactions in any twelve-month period (other than sales of inventory in the ordinary course of business) with a fair market value constituting in excess of 20% of Rite Aid s consolidated total assets as of the date of Rite Aid s most recent regularly prepared balance sheet or in excess of 20% of Rite Aid s annualized consolidated revenues for the immediately preceding fiscal year;
- any voluntary bankruptcy, liquidation or reorganization filing of Rite Aid, or the general assignment for the benefit of Rite Aid s creditors of all or substantially all of Rite Aid s assets; and
- any amendment to Rite Aid s charter or bylaws that adversely affects Jean Coutu Group s rights.

Voting Arrangements

For five years after the closing (through and including the 2011 annual meeting of stockholders of Rite Aid), Jean Coutu Group agrees to vote its shares for each Rite Aid director nominee recommended by the board. After five years, Jean Coutu Group agrees to 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.

Jean Coutu Group is required to make each of its Rite Aid voting securities present, either in person or represented by proxy, at all meetings of Rite stockholders at which directors are to be elected to the extent necessary so that all shares owned by Jean Coutu Group may be counted as present for the purpose of determining the presence of a quorum at such meetings.

Jean Coutu Group is required to vote all of its shares in favor of each matter required to effectuate any provision of the stockholder agreement and against any matter the approval of which would be inconsistent with any provision of the stockholder agreement. Except with respect to those matters and with respect to voting for the election of directors, nothing in the stockholder agreement limits the ability of Jean Coutu Group from voting any of its Rite Aid voting securities as it determines in its sole discretion.

Treatment of Coutu Family Stockholders

The Coutu immediate family members are original parties to the stockholder agreement. They are subject to the same standstill restrictions as Jean Coutu Group from the closing date. If any other Coutu family member becomes a holder of Rite Aid voting securities (through a stockholder pro rata distribution or other distribution to Jean Coutu Group stockholders), such Coutu family member will be required to execute a signature page to the stockholder agreement and be bound by the terms of the stockholder agreement. After a distribution, the Coutu family member (or group of Coutu family members) owning 5% or more of total Rite Aid voting power will be subject to all restrictions under the stockholder agreement (*i.e.*, the standstill and transfer restrictions) and also will be entitled to the rights under the agreement (*i.e.*, preemptive rights, open market purchase rights and board representation rights).

Amendment and Waiver

The stockholder agreement may not be amended except by mutual written agreement of Rite Aid and Jean Coutu Group. In the event of a stockholder pro rata distribution, at any time as Coutu family members and their affiliates comprise a group owning more than 5% of the total Rite Aid voting power and have rights under the stockholder agreement, any amendment will also require written agreement by the representative of that group. No amendment or waiver of any provision of the stockholder agreement, or any consent under the stockholder agreement, will be effective unless that amendment, waiver or consent is approved by a majority of the Rite Aid board of directors not including the Jean Coutu Group designated directors. The failure of any party to enforce any of the provisions of the stockholder agreement will not be construed as a waiver of those provisions and will not affect the right of the party thereafter to enforce each and every provision of the stockholder agreement in accordance with its terms.

THE REGISTRATION RIGHTS AGREEMENT

Concurrently with entering into the stock purchase agreement, Rite Aid and Jean Coutu Group entered into a registration rights agreement. The registration rights agreement becomes effective only upon the closing of the acquisition of Jean Coutu USA. The following is a summary of selected provisions of the registration rights agreement and is qualified in its entirety by reference to the registration rights agreement, a copy of which is attached to this proxy statement as Appendix C and which we incorporate by reference into this document. This summary may not contain all of the information about the registration rights agreement that is important to you. We urge you to read the entire registration rights agreement carefully because this document is the legal document governing important aspects of the relationship between Rite Aid and Jean Coutu Group after completion of the transaction.

Demand Registrations

Following Rite Aid s filing with the SEC of its Annual Report on Form 10-K for its fiscal year ended March 3, 2007, Jean Coutu Group will have the right, on six separate occasions, to demand registration of the shares of Rite Aid common stock that it:

- receives as part of the purchase price for Rite Aid s acquisition of Jean Coutu USA;
- purchases as part of a future issuance of Rite Aid voting securities pursuant to its preemptive stock purchase rights granted under the stockholder agreement; and
- purchases in the open market pursuant to the open market purchase rights granted under the stockholder agreement.

Pursuant to the registration rights agreement, Jean Coutu Group may only demand registration for sales of Rite Aid common stock that will be sold pursuant to an underwritten public offering, provided that the anticipated aggregate offering price would exceed $100 million or the registration is for at least 25% of the Rite Aid common stock held by Jean Coutu Group.

Piggyback Registration

Rite Aid has also agreed to provide Jean Coutu Group with piggyback registration rights, such that if at any time Rite Aid proposes to file a registration statement with respect to any underwritten offering of its securities for its own account or for the account of any stockholder that holds its securities (subject to certain exceptions) then within ten business days prior to the proposed date of filing such registration statement (or if such notice period is not practicable under the circumstances, as expeditiously as reasonably possible), Rite Aid is required to give written notice of such proposed filing to Jean Coutu Group, and the notice must offer Jean Coutu Group the opportunity to register such number of registrable securities as Jean Coutu Group may request in writing.

The registration rights granted in the registration rights agreement are subject to customary restrictions such as blackout periods and limitations on the number of shares to be included in any underwritten offering imposed by the managing underwriter. In addition, the registration rights agreement contains other limitations on the timing and ability of Jean Coutu Group to exercise demands.

Expenses

Rite Aid has agreed to pay all registration expenses, including the legal fees of one counsel for Jean Coutu Group upon Jean Coutu Group s exercise of registration rights under the registration rights agreement, provided that such legal fees do not exceed $35,000 as to any one registration, but excluding underwriting discounts, selling commissions, stock transfer taxes and any other legal fees of Jean Coutu Group.

* * *

THE BOARD OF DIRECTORS, BY THE UNANIMOUS VOTE OF THOSE DIRECTORS PRESENT, HAS APPROVED THE ISSUANCE OF RITE AID COMMON STOCK TO JEAN COUTU GROUP AND RECOMMENDS THAT YOU VOTE FOR PROPOSAL NO 1.

PROPOSAL NO. 2
AMENDMENT TO THE RESTATED CERTIFICATE OF INCORPORATION TO INCREASE THE NUMBER OF AUTHORIZED SHARES OF COMMON STOCK

The board of directors has adopted, subject to stockholder approval and subject to the completion of the acquisition of Jean Coutu USA and the issuance of Rite Aid common stock in connection with the acquisition, 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. Such increase in the number of authorized shares of common stock would be effected by amending the first paragraph of current Article Fourth of the restated certificate of incorporation to read as follows:

FOURTH: The total number of shares of stock which the corporation shall have authority to issue shall be one billion five hundred twenty million (1,520,000,000) shares of which one billion five hundred million (1,500,000,000) shares shall be Common Stock of the par value of $1.00 per share, and twenty million (20,000,000) shares shall be Preferred Stock of the par value of $1.00 per share.

Purpose of the Proposed Amendment

Rite Aid presently is authorized to issue 1 billion shares of common stock. As of July 29, 2006, approximately 532 million shares of common stock were issued and outstanding and approximately 208 million shares of common stock were issuable upon conversion of convertible preferred stock or convertible notes or upon exercise of stock options. 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 completion of the transaction, Rite Aid would have approximately 10 million authorized shares of common stock remaining available for other purposes.

The increase in the number of authorized shares of common stock is recommended by the board of directors to provide a sufficient reserve of authorized common stock for the present and future needs of Rite Aid. This increase could save Rite Aid the expense and delay of having to hold a special stockholders meeting when a specific need arises. These shares of authorized common stock would be available for issuance in the future, from time to time, by action of the board of directors without further stockholder approval, unless otherwise required by law or by rule of the NYSE, the exchange on which Rite Aid s common stock is listed. The additional authorized common stock would provide Rite Aid greater flexibility in the consideration of future stock dividends or stock splits, sales of common stock or convertible securities to enhance capital and liquidity, possible future acquisitions, and other corporate purposes. Except for the issuance of Rite Aid common stock in connection with the acquisition of Jean Coutu USA, the potential conversion of outstanding convertible securities and in connection with employee benefit and equity incentive plans, Rite Aid s management has no arrangements, agreements, understandings or plans at the present time to issue additional shares of common stock for any purposes.

Effects of the Proposed Amendment

The additional shares of authorized common stock would be identical to the shares of common stock now authorized and outstanding, and this proposed amendment would not affect the rights of current holders of common stock. Any issuances of additional shares of common stock, however, could adversely affect the existing holders of shares of common stock by diluting their ownership, voting power and earnings per share with respect to such shares. The current holders of Rite Aid s common stock do not have preemptive rights to purchase any shares of common stock of Rite Aid that may be issued. Rite Aid is currently authorized to issue up to 20 million shares of preferred stock, par value $1.00 per share. The proposed amendment to the restated certificate of incorporation will not affect this authorization.

The proposed increase in the number of authorized shares of common stock is not intended to inhibit a change in control of Rite Aid, and Rite Aid has no current intention to use such additional shares for anti-takeover purposes. However, the availability for issuance of additional shares of common stock could theoretically be utilized to render more difficult or discourage an attempt to acquire control of Rite Aid. The board of directors is not currently aware of any attempt or plan to obtain control of Rite Aid.

Vote Required and Board of Directors Recommendation

The approval of the proposed amendment to the 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 (regardless of whether such holders are present in person or represented by proxy at the special meeting). The approval of Proposal No. 2 is not a condition to completion of the acquisition of Jean Coutu USA but it is a condition to adoption of the 2006 Omnibus Equity Plan. If the transaction is not completed, the amendment to the restated certificate of incorporation to increase the authorized number of shares of Rite Aid common stock, even if approved by stockholders at the special meeting, will be abandoned and will not become effective.

**THE BOARD OF DIRECTORS, BY THE UNANIMOUS VOTE OF THOSE DIRECTORS PRESENT,
HAS APPROVED THE AMENDMENT TO THE RESTATED CERTIFICATE OF INCORPORATION
TO INCREASE THE NUMBER OF AUTHORIZED SHARES OF COMMON STOCK
AND RECOMMENDS THAT YOU VOTE FOR PROPOSAL NO. 2.**

PROPOSAL NO. 3
ADOPTION, RATIFICATION AND APPROVAL OF THE
2006 OMNIBUS EQUITY PLAN

Introduction

The compensation committee of the Rite Aid board views employee equity ownership as a significant motivation for its executives and associates to maximize value for its stockholders. The compensation committee believes that the grant of stock options and other stock-based awards provides a long-term incentive for employees and executives to contribute to the growth of Rite Aid. In addition, the compensation committee values awards which establish a direct link between compensation and stockholder return, such as stock options (which only yield value to the extent that our stock price appreciates) and performance-based awards (which require the attainment of specified performance goals in order for the recipient to realize value). The compensation committee also feels that it is important for equity and equity-based awards to be made to a cross section of Rite Aid associates, including, but not limited to, Rite Aid executive officers. Consequently, the compensation committee feels that it is important to insure that it will be able to continue to provide equity and equity-based compensation to Rite Aid associates in the future. The compensation committee of the Rite Aid board 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.

General

On [_____], 2006, the compensation committee of the Rite Aid board of directors and the Rite Aid board of directors approved the Rite Aid Corporation 2006 Omnibus Equity Plan, or the 2006 Plan, subject to stockholder approval of the 2006 Plan, the completion of the transaction and approval of the amendment to our restated certificate of incorporation to increase the number of authorized shares of Rite Aid common stock. The 2006 Plan will not become effective, even if our stockholders approve it, unless we complete the transaction and the amendment to our restated certificate of incorporation is approved. A form of the 2006 Plan is attached as Appendix G to this proxy statement and the following description of the material terms of the 2006 Plan is qualified in its entirety by the complete text of the plan.

The 2006 Plan is intended to promote the interests of Rite Aid and its stockholders by providing a broad based group of officers and other associates (including directors who are also associates) with equity-based incentives and rewards to encourage them to enter into and continue in the employ of Rite Aid and to acquire a proprietary interest in the long-term success of Rite Aid and to reward the performance of individual officers, other associates, consultants and non-employee directors in fulfilling their personal responsibilities for long-range achievements. Following the acquisition of the Brooks and Eckerd drugstore chains, the number of persons eligible to participate in the 2006 Plan will increase from approximately 10,000 to approximately 16,000.

The 2006 Plan is intended to permit the grant of performance-based compensation within the meaning of Section 162(m) of the Internal Revenue Code, which generally limits the deduction that Rite Aid may take for compensation of its CEO and four other most highly compensated executive officers who are serving at the end of the year. Under Section 162(m), certain compensation, including compensation based on the attainment of performance goals, will not be subject to this limitation if certain requirements are met. Among these requirements is a requirement that the material terms pursuant to which the performance based compensation is to be paid be disclosed to and approved by the stockholders. Accordingly, if the 2006 Plan is approved by stockholders and the other conditions of Section 162(m) relating to performance-based compensation are satisfied, performance based compensation paid to covered officers pursuant to the 2006 Plan will not fail to be deductible due to the operation of Section 162(m).

Description of Principal Features of the 2006 Plan

Types of Awards. The following six types of awards may be granted under the 2006 Plan: stock options (including both incentive stock options (ISOs) within the meaning of Section 422 of the Internal Revenue Code and nonqualified options (NQSOs), which are options that do not qualify as ISOs), stock appreciation rights, restricted stock, phantom stock, stock bonus awards, and other equity-based awards valued in whole or in part by reference to, or otherwise based on, Rite Aid s common stock.

Shares Available. There are reserved for issuance under the 2006 Plan a total of 50 million shares of common stock, subject to equitable adjustment upon the occurrence of any extraordinary dividend or other distribution, recapitalization, stock split, reorganization, merger, consolidation, combination, repurchase, or share exchange, or other similar corporate transaction or event. The maximum number of such shares of common stock that may be the subject of awards other than options and stock appreciation rights is 25 million (also subject to equitable adjustment). Shares subject to an award that remain unissued upon the cancellation or termination of the award will again become available for award under the 2006 Plan, as will any shares subject to an award that are retained by Rite Aid as payment of the exercise price or tax withholding obligations and previously owned shares surrendered to Rite Aid as payment of the exercise price of an option or to satisfy tax withholding obligations. In addition, to the extent an award is paid or settled in cash, the number of shares previously subject to the award will again be available for grants pursuant to the 2006 Plan. Under the 2006 Plan, no participant may be granted awards with respect to one million or more shares of common stock in any calendar year (subject to equitable adjustment). The market price of Rite Aid s common stock on [____], 2006 was $[____] per share.

Administration. The 2006 Plan will be administered by the compensation committee of Rite Aid s board of directors. Each member of the compensation committee is a non-employee director (within the meaning of Rule 16b-3 promulgated under Section 16 of the Securities Exchange Act of 1934), an outside director (within the meaning of Section 162(m) of the Internal Revenue Code) and an independent director (within the meaning of the New York Stock Exchange listed company manual).

Eligibility. Officers of Rite Aid, including the executive officers listed on the summary compensation table in the most recent annual meeting proxy statement filed by Rite Aid, associates, non-employee directors and consultants to Rite Aid are eligible to receive awards under the 2006 Plan at the discretion of the compensation committee (or, in the case of non-employee directors, the board).

Exercisability and Vesting. Awards will become exercisable or otherwise vest at the times and upon the conditions that the compensation committee may determine, as reflected in the applicable award agreement, except that options and restricted stock which vest solely based on continued employment may not fully vest prior to the third anniversary of the grant date (unless vesting is accelerated upon termination of employment or due to a change in control of Rite Aid as provided in an agreement under the 2006 Plan).

Performance Goals. The vesting of awards that are intended to qualify as performance-based compensation will be based upon one or more of the following business criteria: return on total stockholder equity; earnings or book value per share of common stock; net income (before or after taxes); earnings before all or any interest, taxes, depreciation and amortization and/or other adjustments; inventory goals; return on assets, capital or investment; market share; cost reduction goals; earnings from continuing operations; levels of expense, costs or liabilities; store level performance; operating profit; sales or revenues; stock price appreciation; total stockholder return; implementation or completion of critical projects or processes. The business criteria may be expressed in terms of attaining a specified level of the particular criteria or the attainment of a percentage increase or decrease in the particular criteria, and may

be applied to Rite Aid, an affiliate, a division or strategic business unit of Rite Aid, or may be applied to the performance of Rite Aid relative to a market index, a group of other companies or a combination thereof, all as determined by the compensation committee. The business criteria may also be subject to a threshold level of performance below which no payment will be made, levels of performance at which specified payments will be made, and a maximum level of performance above which no additional payment will be made. Where applicable, business criteria will be determined in accordance with generally accepted accounting principles and achievement of the criteria will require certification by the compensation committee. The compensation committee has the authority to accelerate the vesting and/or exercisability of any outstanding award at such times and under such circumstances as it deems appropriate.

Stock Options. Options entitle the participant to purchase shares of common stock during a specified period at a purchase price specified by the compensation committee (at a price not less than 100% of the fair market value of the common stock on the day the option is granted). Each option granted under the 2006 Plan will have a maximum term of 10 years from the date of grant, or such lesser period as the compensation committee shall determine. Options may be exercised in whole or in part by the payment of cash of the full option price, by tendering shares of common stock with a fair market value equal to the option price (and owned by the participant for at least six months prior to exercise) or by other methods in the discretion of the compensation committee. Options granted under the 2006 Plan may not be re-priced to lower the exercise price, nor may they provide for automatic re-load grants upon the exercise of an option with shares of common stock. The compensation committee has the authority under the 2006 Plan to accelerate the vesting and/or exercisability of any outstanding award at such times and under such circumstances as it deems appropriate.

Stock Appreciation Rights. A stock appreciation right may be granted in connection with an option, either at the time of grant or at any time thereafter during the term of the option, or may be granted unrelated to an option. Stock appreciation rights generally permit the participant to receive cash or common stock equal to the difference between the exercise price of the stock appreciation right (which must equal or exceed the fair market value of the common stock at the date of grant) and the fair market value of the common stock on the date of exercise.

Restricted Stock. The compensation committee may grant restricted shares of common stock to such persons, in such amounts, and subject to such terms and conditions (including the attainment of performance goals) as the compensation committee may determine in its discretion. Except for restrictions on transfer and such other restrictions as the compensation committee may impose, participants will have all the rights of a stockholder with respect to the restricted stock. Restricted stock that vests solely upon the continued employment or service of the participant may not become fully vested prior to the third anniversary of the date upon which the restricted stock is granted, except as may be set forth in an agreement with respect to vesting of restricted stock upon termination of employment or service or upon a change in control of Rite Aid.

Phantom Stock. A phantom stock award is an award of the right to receive an amount of cash or common stock at a future date based upon the value of the common stock at the time of vesting of the award.

Stock Bonus Awards. A stock bonus award is an award of common stock, made at the discretion of the compensation committee upon such terms and conditions (if any) as the compensation committee may determine.

Other Awards. Other forms of awards valued in whole or in part by reference to, or otherwise based on, common stock may be granted either alone or in addition to other awards under the 2006 Plan. For example, the 2006 Plan will permit the grant of performance-based awards denominated in shares and with respect to which participants may earn a range of shares, depending upon the actual level of performance. Subject to the provisions of the 2006 Plan, the compensation committee shall have sole and complete

authority to determine the persons to whom and the time or times at which such other awards shall be granted, the number of shares of common stock to be granted pursuant to such other awards and all other conditions of such awards.

Amendment and Termination of the Plan. The 2006 Plan may be amended by the board of directors, subject to stockholder approval where necessary to satisfy legal or regulatory requirements.

The 2006 Plan will terminate not later than [________], the tenth anniversary of its adoption. However, awards granted before the termination of the 2006 Plan may extend beyond that date in accordance with their terms.

Certain Federal Income Tax Consequences

Set forth below is a discussion of certain United States federal income tax consequences with respect to certain awards that may be granted pursuant to the 2006 Plan. The following discussion is a brief summary only, and reference is made to the Internal Revenue Code and the regulations and interpretations issued thereunder for a complete statement of all relevant federal tax consequences. This summary is not intended to be exhaustive and does not describe state, local or foreign tax consequences of participation in the 2006 Plan.

Incentive Stock Options. In general, no taxable income is realized by a participant upon the grant of an ISO. If shares of common stock are issued to a participant pursuant to the exercise of an ISO and the participant does not dispose of the shares within the two-year period after the date of grant and within one year after the receipt of the shares by the participant (a disqualifying disposition), then, generally (i) the participant will not realize ordinary income with respect to the exercise of the option and (ii) upon sale of the underlying shares, any amount realized in excess of the exercise price paid for the shares will be taxed to the participant as capital gain. The amount by which the fair market value of the stock on the exercise date of an ISO exceeds the purchase price generally will, however, constitute an item which increases the participant s income for purposes of the alternative minimum tax. If shares acquired upon the exercise of an ISO are disposed of in a disqualifying disposition, the participant generally would include in ordinary income in the year of disposition an amount equal to the excess of the fair market value of the shares at the time of exercise (or, if less, the amount realized on the disposition of the shares), over the exercise price paid for the shares. Subject to certain exceptions, an ISO generally will not be treated as an ISO if it is exercised more than three months following termination of employment. If an ISO is exercised at a time when it no longer qualifies as an ISO, such option will be treated for tax purposes as a nonqualified stock option, or NQSO, as discussed below.

Nonqualified Stock Options. No taxable income is realized by a participant upon the grant of an NQSO. Upon exercise of an NQSO, the participant generally would include in ordinary income at the time of exercise an amount equal to the excess, if any, of the fair market value of the shares at the time of exercise over the exercise price paid for the shares. At the time the participant recognizes ordinary income, Rite Aid generally will be entitled to a deduction in the same amount. In the event of a subsequent sale of shares received upon the exercise of an NQSO, any appreciation after the date on which taxable income is realized by the participant in respect of the option exercise should be taxed as capital gain in an amount equal to the excess of the sales proceeds for the shares over the participant s basis in such shares. The participant s basis in the shares will generally equal the amount paid for the shares plus the amount included in ordinary income by the participant upon exercise of the NQSO.

Restricted Stock. A participant will not recognize any income upon the receipt of restricted stock, unless the participant elects under Section 83(b) of the Internal Revenue Code, within thirty days of such receipt, to recognize ordinary income in an amount equal to the fair market value of the restricted stock at the time of receipt, less any amount paid for the shares. If the election is made, the participant will not be allowed a deduction for amounts subsequently required to be returned to Rite Aid. If the election is not

made, the participant will generally recognize ordinary income on the date that the restrictions to which the restricted stock lapse, in an amount equal to the fair market value of such shares on such date, less any amount paid for the shares. At the time the participant recognizes ordinary income, Rite Aid generally will be entitled to a deduction in the same amount. Generally, upon a sale or other disposition of restricted stock with respect to which the participant has recognized ordinary income (*i.e.*, a Section 83(b) election was previously made or the restrictions were previously removed), the participant will recognize capital gain or loss in an amount equal to the difference between the amount realized on such sale or other disposition and the participant s basis in such shares.

Stock Appreciation Rights. The grant of a stock appreciation right will not result in income for the participant or in a tax deduction for Rite Aid. Upon the settlement of such a right, the participant will recognize ordinary income equal to the aggregate value of the payment received, and Rite Aid generally will be entitled to a tax deduction in the same amount.

Other Awards. In general, participants will recognize ordinary income upon the receipt of shares or cash with respect to other awards granted under the 2006 Plan and Rite Aid will become entitled to a deduction at such time equal to the amount of income recognized by the participant.

Interests of Rite Aid s Executive Officers and Directors in the Proposal to Adopt the 2006 Plan

The executive officers and directors of Rite Aid have certain interests in the approval of the 2006 Plan that are different from and in addition to your interests as a stockholder.

If the proposals to adopt the 2006 Plan and the amendment to our restated certificate of incorporation are approved by Rite Aid stockholders and the transaction is completed so that the plan becomes effective, executive officers and directors of Rite Aid will be eligible to receive certain types of awards under the plan, including stock options, stock appreciation rights, restricted stock, phantom stock, stock bonus awards, and other equity-based awards. Awards may or may not be based on the performance of Rite Aid common stock, and no individual is guaranteed to receive any awards under the 2006 Plan.

New Plan Benefits

If approved by the stockholders, participants in the 2006 Plan will be eligible for annual long-term awards which may include performance shares, stock options and restricted stock (or other awards permitted under the 2006 Plan). The level and types of awards will be fixed by the compensation committee in light of the participants targeted long-term incentive level. The compensation committee may impose additional conditions or restrictions to the vesting of such awards as it deems appropriate, including, but not limited to, the achievement of performance goals based on one or more business criteria. Although the grant of awards under the 2006 Plan is at the discretion of the compensation committee, it is expected that the types of awards described below or a combination thereof will be made shortly after stockholder approval of the 2006 Plan.

- <u>Performance Shares</u>. Performance share awards are payable in common stock following a three year performance period, provided that specified targets based on adjusted EBITDA are met. Depending upon the actual adjusted EBITDA, award recipients may receive no shares in respect of these awards (if at least 90% of the three year adjusted EBITDA target is not achieved) or up to 200% of the targeted amount of shares (if 115% or greater of the three year adjusted EBITDA target is achieved). In addition, the awards will contain adjusted EBITDA targets for each of the years during the performance period; if at least 85% of a yearly target is not achieved, the compensation committee will have the discretion to reduce the final award by one-third for each year in which the target is not met, regardless of the final adjusted EBITDA achieved.

- Stock Options. Stock options will have an exercise price equal to the value of the common stock as of the date of grant, will vest over a four year period (subject to continued employment or service) and will have a maximum ten year term.

- Restricted Stock. Awards of restricted stock will vest over a three year period from the date of grant, subject to the recipient s continued employment or service.

The actual amounts and other terms and conditions of these awards have not yet been finally determined by the compensation committee.

The 2006 Plan was designed by the compensation committee of the Rite Aid board of directors, with the assistance of an outside compensation consultant, as part of a comprehensive compensation strategy to provide a long-term broad based incentive for associates and executives to contribute to the growth of Rite Aid and attain specified performance goals.

Vote Required and Board of Directors Recommendation

Approval of the adoption of the 2006 Plan requires the affirmative vote of a majority of the votes cast on the proposal (with Rite Aid common stock and LGP preferred stock (on an as-if-converted basis) voting together as a single class), provided that the total votes cast on the proposal represent over 50% of the total combined voting power of the Rite Aid common stock and LGP preferred stock entitled to vote on the proposal. Abstentions with respect to this proposal will have the same effect as a vote against the proposal. Failures to vote on this proposal and broker non-votes 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. Accordingly, beneficial owners of Rite Aid shares should instruct their brokers or nominees how to vote.

The approval of Proposal No. 3 is not a condition to the acquisition of Jean Coutu USA. However, if the transaction is not completed, the 2006 Plan, even if approved by stockholders at the special meeting, will not become effective. In addition, approval of the amendment to our restated certificate of incorporation is a condition to the adoption of the 2006 Plan.

THE BOARD OF DIRECTORS HAS APPROVED THE 2006 OMNIBUS EQUITY PLAN AND RECOMMENDS THAT YOU VOTE FOR PROPOSAL NO. 3.

EQUITY COMPENSATION PLAN INFORMATION

The following table provides information as of March 4, 2006 with respect to the compensation plans under which Rite Aid s common stock may be issued:

Plan Category	**Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)**	**Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)**	**Number of Securities Remaining Available for Further Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)**
Equity compensation plans approved by stockholders	30,681,226	$ 5.36	8,653,273
Equity compensation plans not approved by stockholders*	32,037,000	$ 4.11	2,090,648
Total	62,718,226	$	10,743,921

* These plans include Rite Aid s 1999 Stock Option Plan, under which 10,000,000 shares of common stock are authorized for the granting of stock options at the discretion of the compensation committee, and the 2001 Stock Option Plan, under which 20,000,000 shares of common stock are authorized for the granting of stock options, also at the discretion of the compensation committee. Both plans provide for the compensation committee to determine both when and in what manner options may be exercised; however, option terms may not extend for more than 10 years from the applicable date of grant. The plans provide that stock options may only be granted with exercise prices that are not less than the fair market value of a share of common stock on the date of grant. In addition to the options issued under the aforementioned plans, approximately 7,450,000 options are outstanding pursuant to option grants made in accordance with the provisions of individual agreements with certain of Rite Aid s executives. These options are included in the number of securities to be issued upon exercise of outstanding options, warrants and rights in column (a) above.

EXECUTIVE COMPENSATION

Summary Compensation Table

The following table provides a summary of compensation paid during the last three fiscal years to Rite Aid s chief executive officer and the four other most highly compensated executive officers who were serving as executive officers at the end of fiscal year 2006 and one additional highly compensated officer, John T. Standley, who served as an executive officer until August 2005. As used herein, the term named executive officers means all persons identified in the Summary Compensation Table.

	Annual Compensation				Long-Term Compensation		
Name and Principal Position	**Fiscal Year**	**Salary (1)**	**Bonus (2)**	**Other Annual Compensation**	**Restricted Stock Awards (3)**	**Securities Underlying Option Grants/SARs**	**All Other Compensation**
Mary F. Sammons	2006	1,240,000	165,000	108,454 (4)	107,998 (7)	267,001	5,406 (10)
Director, President &	2005	1,240,000		72,468 (5)	599,999 (8)	292,208	4,902
Chief Executive Officer	2004	1,240,000	1,498,161	123,776 (6)			4,902
James P. Mastrian	2006	710,385	85,250	98,341 (4)	1,170,239 (7)	119,261	172,386 (11)
Chief Operating	2005	650,000		61,341 (5)	259,999 (8)	126,623	148,737
Officer	2004	610,096	702,263		680,000 (9)		88,402
Mark C. Panzer	2006	600,000	66,000		43,200 (7)	106,800	145,088 (12)
Senior Executive	2005	575,000		71,432 (5)	230,000 (8)	112,013	129,938
Vice President, Chief Marketing Officer	2004	509,134	589,901		326,400 (9)		84,752
John T. Standley	2006	464,115			48,239 (7)	119,261	41,920 (13)
Former Senior	2005	830,000		72,408 (5)	259,999 (8)	126,623	718
Executive Vice President, Chief Administrative Officer & Chief Financial Officer	2004	805,000	702,263				690
Robert B. Sari	2006	350,096	22,000		14,533 (7)	35,931	83,935 (14)
Executive Vice	2005	325,000			77,997 (8)	37,380	78,493
President, General Counsel	2004	312,000	186,970				75,317
Kevin Twomey	2006	366,442	24,933		14,533 (7)	35,931	87,943 (15)
Executive Vice	2005	328,000		175,246 (5)	78,716 (8)	37,725	79,613
President, Chief Financial Officer	2004	316,808					