

RITE AID CORP
Form PRE 14A
October 22, 2008

QuickLinks -- Click here to rapidly navigate through this document

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 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- 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):

- No fee required.
- 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:
 - (2) Aggregate number of securities to which transaction applies:
 - (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):
 - (4) Proposed maximum aggregate value of transaction:
 - (5) Total fee paid:

Edgar Filing: RITE AID CORP - Form PRE 14A

- 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 COPY SUBJECT TO COMPLETION

RITE AID CORPORATION

P.O. BOX 3165
HARRISBURG, PENNSYLVANIA 17105

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

TO BE HELD ON DECEMBER 2, 2008

To Our Stockholders:

What: Special Meeting of Stockholders

When: December 2, 2008 at 2:00 p.m., local time

Where: Skadden, Arps, Slate, Meagher & Flom, LLP
Four Times Square, 37th Floor
New York, New York

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 amend our Restated Certificate of Incorporation to effect a reverse stock split at one of three reverse split ratios, 1-for-10, 1-for-15 or 1-for-20, as will be selected by our Board of Directors prior to the time of filing such Certificate of Amendment with the Delaware Secretary of State.

Proposal No. 2 Subject to approval of Proposal No. 1, a proposal to amend our Restated Certificate of Incorporation to decrease our total number of authorized shares from 1,520,000,000 shares to 520,000,000 shares, 500,000,000 shares of which shall be common stock, par value \$1.00 per share, and 20,000,000 shares of which shall be preferred stock, par value \$1.00 per share.

The close of business on October 28, 2008 has been fixed as the record date for determining those Rite Aid stockholders entitled to vote at the Special Meeting. Accordingly, only stockholders of record at the close of business on that date will receive this notice of, and be eligible to vote at, the Special Meeting and any adjournment or postponement of the Special Meeting. The items of business listed above are more fully described in the proxy statement that accompanies this notice.

The Rite Aid board of directors recommends that you vote "FOR" 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 signing, dating and returning your proxy card in the postage paid 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.

Edgar Filing: RITE AID CORP - Form PRE 14A

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
November 7, 2008

PRELIMINARY COPY SUBJECT TO COMPLETION

TABLE OF CONTENTS

	Page
PROXY STATEMENT	1
Date, Time and Place	1
Purpose of the Special Meeting	1
Record Date; Shares Outstanding and Entitled to Vote	1
How to Vote Your Shares	2
How to Change Your Vote	3
Proxies; Counting Your Vote	3
Abstentions and Broker "Non-Votes"	4
Quorum and Required Votes	4
Solicitation of Proxies	5
Recommendation of the Rite Aid Board of Directors	5
QUESTIONS AND ANSWERS ABOUT THIS PROXY STATEMENT	6
PROPOSAL NO. 1 APPROVAL OF THE AMENDMENT OF OUR RESTATED CERTIFICATE OF INCORPORATION TO EFFECT A REVERSE STOCK SPLIT OF OUR COMMON STOCK AT ONE OF THREE REVERSE SPLIT RATIOS	10
Reasons for the Reverse Stock Split	11
Effects of the Reverse Stock Split	12
General	12
Effectiveness of Reverse Stock Split	12
Effect on Rite Aid's Stock Plans	13
Effect on Authorized Shares of Common Stock and Preferred Stock	13
Effect on Par Value	14
Reduction In Stated Capital	14
No Going Private Transaction	14
Exchange of Stock Certificates	14
Fractional Shares	15
No Appraisal Rights	16
Certain Federal Income Tax Consequences of the Reverse Stock Split	16
PROPOSAL NO. 2 APPROVAL OF THE AMENDMENT OF OUR RESTATED CERTIFICATE OF INCORPORATION TO DECREASE OUR TOTAL NUMBER OF AUTHORIZED SHARES FROM 1,520,000,000 SHARES TO 520,000,000 SHARES, 500,000,000 SHARES OF WHICH SHALL BE COMMON STOCK, PAR VALUE \$1.00, AND 20,000,000 SHARES OF WHICH SHALL BE PREFERRED STOCK, PAR VALUE \$1.00 PER SHARE	19
Effects of Decreasing our Total Number of Authorized Shares of Common Stock	19
No Appraisal Rights	20
SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT OF RITE AID	21
FUTURE RITE AID STOCKHOLDER PROPOSALS	23
HOUSEHOLDING OF PROXY MATERIALS	24
CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS	25
OTHER MATTERS	25
ANNEX A	26

PRELIMINARY COPY SUBJECT TO COMPLETION

RITE AID CORPORATION

**P.O. BOX 3165
HARRISBURG, PENNSYLVANIA 17105**

PROXY STATEMENT

FOR THE SPECIAL MEETING OF STOCKHOLDERS TO BE HELD ON DECEMBER 2, 2008

Date, Time and Place

A Special Meeting of Rite Aid stockholders will be held at 2:00 p.m., local time, on December 2, 2008 at the offices of Skadden, Arps, Slate, Meagher & Flom, LLP, Four Times Square, 37th Floor, New York, New York. This proxy statement is intended to be first mailed or otherwise delivered to stockholders on or about November 7, 2008.

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 amend our Restated Certificate of Incorporation to effect a reverse stock split at one of three reverse split ratios, 1-for-10, 1-for-15 or 1-for-20, as will be selected by our Board of Directors prior to the time of filing such Certificate of Amendment with the Delaware Secretary of State.

Proposal No. 2 Subject to approval of Proposal No. 1, a proposal to amend our Restated Certificate of Incorporation to decrease our total number of authorized shares from 1,520,000,000 shares to 520,000,000 shares, 500,000,000 shares of which shall be common stock, par value \$1.00 per share, and 20,000,000 shares of which shall be preferred stock, par value \$1.00 per share.

At the Special Meeting, Rite Aid stockholders will also be asked to consider and vote on any other matters that may properly come before the Special Meeting or any adjournment or postponement of the Special Meeting. At this time, our 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 October 28, 2008 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 (collectively, the "G/H preferred stock"), entitled to notice of and to vote at the Special Meeting and any adjournment or postponement of 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 2,880,698.8117 shares of

G/H preferred stock (which, on an as-if-converted basis, are entitled to an aggregate of 52,376,342 votes). No other shares of Rite Aid capital stock (including Rite Aid's 5.50% Series I Mandatory Convertible Preferred Stock, which will automatically convert into newly issued shares of common stock, subject to the Series I Certificate of Designations, on November 17, 2008) are entitled to notice of or to vote at the Special Meeting.

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 December 1, 2008 by calling the toll-free telephone number on the enclosed proxy card, 1-888-444-0050. 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 December 1, 2008 by accessing the web site listed on your proxy card, www.voteproxy.com, 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. You may also attend the Special Meeting and vote in person.

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. 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 procedure your bank or broker provides to vote your shares. 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.

If your shares are held through one of the Rite Aid 401(k) plans, the voter instruction card sent to you will serve as a voting instruction card to the company stock trustee ("trustee") of the 401(k) plans for all shares of our common stock you own through the applicable 401(k) plan. You are entitled to instruct the plan trustee on how to vote your shares in the 401(k) plan by telephone, via the Internet or by mail as described above, except that, if you vote by mail, the card that you use will be a voting instruction card rather than a proxy card. The trustee will vote your shares held in the plans in accordance with your instructions. Your instructions will be kept confidential by American Stock Transfer and Trust Company, LLC, as agent for the trustee and will not be disclosed to Rite Aid. Any shares held by a 401(k) plan participant for which timely instructions are not received by American Stock Transfer and Trust Company, LLC will be voted by the trustee in its sole discretion.

How to Change Your Vote

You may revoke your proxy at any time before it is exercised by:

Delivering to the Secretary a written notice of revocation, dated later than the proxy, before the vote is taken at the Special Meeting;

Delivering to the Secretary a duly executed proxy 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 December 1, 2008; 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: 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.

If your shares are held through one of the Rite Aid 401(k) plans, you must follow the instructions provided on your voter instruction card 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 amendment to our Restated Certificate of Incorporation to effect a reverse stock split at one of three reverse split ratios, 1-for-10, 1-for-15 or 1-for-20, as will be selected by our Board of Directors prior to the time of filing such Certificate of Amendment with the Delaware Secretary of State.

"FOR" approval of the amendment to our Restated Certificate of Incorporation to decrease our total number of authorized shares from 1,520,000,000 shares to 520,000,000 shares, 500,000,000 shares of which shall be common stock, par value \$1.00 per share, and 20,000,000 shares of which shall be preferred stock, par value \$1.00 per share.

At this time, we are unaware of any matters, other than those 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. 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.

Officers of Rite Aid 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. Abstentions are counted as present for purposes of determining a quorum. However, an abstention with respect to a matter submitted to a vote of stockholders will not be counted as having been voted for or against the matter. Because approval of the proposals to be voted on at the Special Meeting require a majority of the outstanding shares, an abstention with respect to any of the matters scheduled for a vote at the Special Meeting will have the same effect as a vote "Against" the proposal.

A broker non-vote occurs when a broker or other nominee who holds shares for another person does not vote on a particular proposal because that holder does not have discretionary voting power for the proposal and has not received voting instructions from the beneficial owner of the shares so the broker is unable to vote those uninstructed shares. Brokers will have discretionary voting power to vote on Proposal No. 1 and Proposal No. 2, so we do not anticipate any broker non-votes. However, shares that are the subject of a broker non-vote are included for quorum purposes, but a broker non-vote with respect to a proposal will not be counted as a vote "cast" for or against the proposal. Because approval of the proposals to be voted on at the Special Meeting require a majority of the outstanding shares, a broker non-vote with respect to any of the matters scheduled for a vote at the Special Meeting will have the same effect as a vote "Against" the proposal.

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 G/H preferred stock as of the record date is entitled to approximately 18.18 votes per share of G/H preferred stock (one vote per share of common stock issuable upon conversion of the G/H preferred stock). As of the record date, the G/H preferred stock was convertible into an aggregate of 52,376,342 shares of common stock. The holders of the common stock and G/H preferred stock vote together as a single class, except for those matters on which the holders of G/H 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 G/H 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 amendment our Restated Certificate of Incorporation to effect a reverse stock split requires the affirmative vote of a majority of the outstanding shares (with Rite Aid common stock and G/H preferred stock voting together as a single class). Any shares not voted (whether by abstention or otherwise) will have the same effect as a vote "Against" the proposal.

Proposal No. 2: Proposal No. 2 to approve the amendment of our Restated Certificate of Incorporation to decrease our total number of authorized shares requires the affirmative vote of a

majority of the outstanding shares (with Rite Aid common stock and G/H preferred stock voting together as a single class). Any shares not voted (whether by abstention or otherwise) will have the same effect as a vote "Against" the proposal.

Please note that Proposal No. 2 is conditioned on the approval of Proposal No. 1. Therefore, if Proposal No. 1 is not approved by the stockholders, Proposal No. 2 will automatically be deemed to have not been approved by the stockholders, regardless of the number of shares actually voted "FOR" Proposal No. 2. Proposal No. 1 is not conditioned on the approval of Proposal No. 2.

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 G/H preferred stock on an as-if-converted basis) as of October 28, 2008. 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 G/H preferred stock, as applicable, held, directly or indirectly, by such director in favor of each of the above proposals. Our largest stockholder, The Jean Coutu Group (PJC), Inc. (%) has also indicated that it intends to vote in favor of each of the above proposals. See the section entitled "Security Ownership of Certain Beneficial Owners and Management of Rite Aid" beginning on page 24.

All share numbers in this proxy statement do not take into account the effect of the proposed amendments to our Restated Certificate of Incorporation, unless otherwise expressly indicated.

Solicitation of Proxies

We are soliciting proxies from stockholders on behalf of our 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 and its subsidiaries may solicit proxies from our stockholders in person or by telephone, facsimile, e-mail or other electronic methods without additional compensation other than reimbursement for their actual expenses.

We have retained The Altman Group, a proxy solicitation firm, to assist us in the solicitation of proxies for the Special Meeting. Rite Aid will pay The Altman Group a fee of \$5,500 and will reimburse the firm 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 we 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 approved the amendments to the Restated Certificate of Incorporation to effect a reverse stock split at one of three reverse split ratios and to decrease our total number of authorized shares. **The Rite Aid Board of Directors recommends that you vote "FOR" approval of both amendments to our Restated Certificate of Incorporation.**

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting To Be Held on December 2, 2008. The proxy statement is available at www.riteaid.com under "Investor Information Annual Reports/Proxy Statements."

If you have any questions about voting your shares, please call our proxy solicitor, The Altman Group, toll-free at (866) 340-7106.

If you would like to obtain directions to attend the Special Meeting, please call Investor Relations at (717) 975-3710.

QUESTIONS AND ANSWERS ABOUT THIS PROXY STATEMENT

Q1:

What am I voting on?

A1:

You are voting on two proposals:

Proposal No. 1: Amendment of our Restated Certificate of Incorporation to effect a reverse stock split at one of three reverse split ratios, 1-for-10, 1-for-15 or 1-for-20, as will be selected by our Board of Directors prior to the time of filing such Certificate of Amendment with the Delaware Secretary of State.

Proposal No. 2: Subject to approval of Proposal No. 1, a proposal to amend our Restated Certificate of Incorporation to decrease our total number of authorized shares from 1,520,000,000 shares to 520,000,000 shares, 500,000,000 shares of which shall be common stock, par value \$1.00 per share, and 20,000,000 shares of which shall be preferred stock, par value \$1.00 per share.

Q2:

Who is soliciting my proxy to vote on these proposals?

A2:

Our Board of Directors is requesting your proxy to vote on these proposals.

Q3:

How does the Rite Aid Board of Directors recommend that I vote?

A3:

Our Board of Directors recommends that you vote "FOR" both proposals.

Q4:

Why does Rite Aid need to hold this vote?

A4:

On October 16, 2008, we were notified in writing by The New York Stock Exchange, Inc. (the "NYSE") that the trading price of our common stock was below the criteria of the NYSE's continued listing standards, as the average per share closing price of our common stock over a consecutive 30-trading day period was less than \$1.00. The letter stated that we have a six-month cure period that started on October 16, 2008 to bring the price of our common stock and the 30-trading day average closing price of our common stock above \$1.00. The letter further stated that in the event a \$1.00 share price and a \$1.00 average share price over the preceding 30 trading days are not attained at the expiration of the six-month cure period, the NYSE will commence suspension and delisting procedures. The NYSE has reserved the right to reevaluate its continued listing determinations relating to companies who are notified of non-compliance like Rite Aid with respect to the NYSE's qualitative listing standards, including if our shares trade at sustained levels that are considered to be abnormally low. On October 16, 2008, we provided written notice to the NYSE of our intent to pursue a reverse stock split in order to bring our share price and average share price back above \$1.00 within the six-month cure period.

Our Board of Directors has determined that an amendment to our Restated Certificate of Incorporation to effect a reverse stock split and to decrease our total number of authorized shares is necessary to promote the continued listing of our common stock on the NYSE and is in the best interests of our stockholders. Pursuant to the law of our state of incorporation, Delaware, our Board of Directors must adopt any amendment to our Restated Certificate of Incorporation and submit the amendment to stockholders for approval. Accordingly, our Board of Directors is requesting your proxy to vote "FOR" Proposal No. 1 and Proposal No. 2 to amend our Restated Certificate of Incorporation.

Q5:

What vote is required to approve the reverse stock split and to decrease our total number of authorized shares?

A5:

Proposal No. 1 and Proposal No. 2 each require the affirmative vote of a majority of the outstanding shares (with Rite Aid common stock and G/H preferred stock voting together as a single class). Please note that Proposal No. 2 is conditioned on the approval of Proposal No. 1. Therefore, if Proposal No. 1 is not approved by the stockholders, Proposal No. 2 will automatically

Edgar Filing: RITE AID CORP - Form PRE 14A

be deemed to have not been approved by the stockholders, regardless of the number of shares actually voted "FOR" Proposal No. 2. Proposal No. 1 is not conditioned on the approval of Proposal No. 2.

Q6:

What effect will the reverse stock split have on our issued and outstanding shares of common stock?

A6:

If the reverse stock split is approved by our stockholders, we will exchange one new share for a number of outstanding shares to be determined when our Board of Directors selects from the proposed reverse split ratios of 1-for-10, 1-for-15 or 1-for-20. When the reverse stock split becomes effective, the number of our outstanding shares will be reduced proportionately to the selected reverse split ratio, but the value of each share will be proportionately increased by that same ratio. We will not issue any fractional shares. Stockholders who would otherwise hold fractional shares as a result of the reverse stock split will be entitled to receive cash (without interest or deduction) in lieu of such fractional shares from our transfer agent, upon receipt by our transfer agent of a properly completed and duly executed transmittal letter and, where shares are held in certificated form, the surrender of all old stock certificate(s) ("Old Certificate(s)"), in an amount equal to the proceeds attributable to the sale of such fractional shares following the aggregation and sale by our transfer agent of all fractional shares otherwise issuable. The reverse stock split will not impact the market value of our company as a whole, although the market value of our common stock may move up or down once the reverse stock split is effective.

Q7:

How will the reverse stock split impact Rite Aid's stock plans?

A7:

Our Compensation Committee has approved proportionate adjustments to the number of shares outstanding and available for issuance under Rite Aid's Stock Plans (defined below) and to the exercise price, grant price or purchase price relating to any award under the Stock Plans, using the same split ratio, if the reverse stock split is effected, pursuant to existing authority granted to such Committee under the Stock Plans.

Q8:

What are the mechanics of the reverse stock split?

A8:

Assuming the reverse stock split is approved by our stockholders, this is how it will work:

If your shares are held in "street name" that is, through an account at a brokerage firm, bank, dealer, or other similar organization the number of shares you hold will automatically be adjusted to reflect the reverse stock split.

If your shares are registered directly in your name with our transfer agent and your shares are held in book-entry form (i.e. your shares are not represented by a physical stock certificate), the number of shares you hold will automatically be adjusted to reflect the reverse stock split. You will be sent a transmittal letter by our transfer agent. You will need to return to our transfer agent a properly completed and duly executed transmittal letter in order to receive any cash payment in lieu of fractional shares or any other distributions, if any, that may be declared and payable to holders of record.

If your shares are registered directly in your name with our transfer agent and your shares are held in certificated form (i.e. your shares are represented by one or more physical stock certificates), you will receive a transmittal letter asking you to surrender your Old Certificate(s) representing pre-split shares in exchange for a new certificate ("New Certificate") representing post-split shares. You will need to return to our transfer agent a properly completed and duly executed transmittal letter, together with your Old Certificate(s), in order to receive a New Certificate and any cash payment in lieu of fractional shares or any other distributions, if any, that may be declared and payable to holders of record following the reverse stock split.

Edgar Filing: RITE AID CORP - Form PRE 14A

Whether your shares are held in street name or directly, we will not issue fractional shares of common stock to you. Stockholders who would otherwise hold fractional shares as a result of the reverse stock split will be entitled to receive cash (without interest or deduction) in lieu of such fractional shares from our transfer agent, upon receipt by our transfer agent of a properly completed and duly executed transmittal letter and, where shares are held in certificated form, the surrender of all Old Certificate(s), in an amount equal to the proceeds attributable to the sale of such fractional shares following the aggregation and sale by our transfer agent of all fractional shares otherwise issuable.

Any cash due to you in exchange for fractional shares will be paid to you as follows:

If your shares are held in street name, payment for the fractional shares will be deposited directly into your account with the organization holding your shares.

If your shares are registered directly in your name with our transfer agent, whether you hold your shares in certificated or uncertificated form, payment for the fractional shares will be made by check, sent to you directly from our transfer agent upon receipt of your properly completed and duly executed transmittal letter and, where your shares are held in certificated form, the surrender of your Old Certificate(s).

Q9: After the reverse stock split, I will have an "odd lot" of fewer than 100 shares. Will I be able to sell the "odd lot"?

A9: The reverse stock split may result in some stockholders owning "odd lots" of fewer than 100 shares on a post-split basis. You will be able to sell the odd lots, but odd lot sales may result in higher transaction costs per share than "round lot" sales, which are sales of even multiples of 100 shares.

Q10: Are there any dissenter's rights or appraisal rights?

A10: Pursuant to applicable Delaware law, there are no dissenter's or appraisal rights relating to the matters to be acted upon at the Special Meeting.

Q11: If my shares are held in "street name" by my broker, will my broker vote my shares for me?

A11: 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. If your broker does not receive voting instructions from you regarding these proposals, NYSE rules grant your broker discretionary authority to vote your shares.

Q12: How do I vote my shares held in one of the Rite Aid 401(k) plans? What happens if I do not vote my 401(k) plan shares?

A12: If you are a participant in one of Rite Aid's 401(k) plans, the voter instruction card sent to you will serve as a voting instruction card to the trustee of the 401(k) plans for all shares of our common stock you own through the applicable 401(k) plan. You are entitled to instruct the plan trustee on how to vote your shares in the 401(k) plan by telephone, via the Internet or by mail as described above, except that, if you vote by mail, the card that you use will be a voting instruction card rather than a proxy card. The trustee will vote your shares held in the plans in accordance with your instructions. Your instructions will be kept confidential by American Stock Transfer and Trust Company LLC, as agent for the trustee and will not be disclosed to Rite Aid. Any shares

Edgar Filing: RITE AID CORP - Form PRE 14A

held by a 401(k) plan participant for which timely instructions are not received by American Stock Transfer and Trust Company, LLC will be voted by the trustee in its sole discretion.

Q13:

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

A13:

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. You may request a new proxy card by contacting The Altman Group toll-free at (866) 340-7106 or you may print a new proxy card by accessing the electronic version of this proxy statement available on our website at www.riteaid.com under "Investor Information Annual Reports/Proxy Statements." 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.

If your shares are held in one of the Rite Aid 401(k) plans, you must follow the instructions provided on the voter instruction card if you wish to change your vote.

Q14:

If I want to attend the Special Meeting, what do I do?

A14:

You should come to the offices of Skadden, Arps, Slate, Meagher & Flom, LLP, Four Times Square, 37th Floor, New York, New York, at 2:00 p.m. local time, on December 2, 2008. Stockholders of record as of the record date for the Special Meeting (October 28, 2008) 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 in person at the Special Meeting.

Q15:

Who can help answer my questions?

A15:

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

The Altman Group, Inc.
1200 Wall Street West, 3rd Floor
Lyndhurst, New Jersey 07071
Telephone (toll-free): (866) 340-7106

If you have any other questions regarding the Special Meeting, you may contact:

Rite Aid Corporation
30 Hunter Lane
Camp Hill, Pennsylvania 17011
Attention: Investor Relations
Telephone: (717) 975-3710

PROPOSAL NO. 1

APPROVAL OF THE AMENDMENT OF OUR RESTATED CERTIFICATE OF INCORPORATION TO EFFECT A REVERSE STOCK SPLIT OF OUR COMMON STOCK AT ONE OF THREE REVERSE SPLIT RATIOS

Our Board of Directors has unanimously adopted and is submitting for stockholder approval an amendment to our Restated Certificate of Incorporation to effect a reverse stock split at one of three reverse split ratios, 1-for-10, 1-for-15 or 1-for-20, as will be selected by our Board of Directors following stockholder approval and prior to the time of filing such Certificate of Amendment with the Delaware Secretary of State. Pursuant to the law of our state of incorporation, Delaware, our Board of Directors must adopt any amendment to our Restated Certificate of Incorporation and submit the amendment to stockholders for their approval. The affirmative vote of a majority of the outstanding shares (with Rite Aid common stock and G/H preferred stock voting together as a single class) is required to approve Proposal No. 1.

The form of the proposed amendment to our Restated Certificate of Incorporation to effect the reverse stock split is attached to this Proxy Statement as Annex A. The amendment will effect a reverse stock split of our common stock at one of three ratios to be selected by our Board of Directors following stockholder approval. Our Board of Directors, in its discretion, may elect to effect any one (but not more than one) of the three reverse split ratios upon receipt of stockholder approval, or none of them if our Board of Directors determines in its discretion not to proceed with the reverse stock split. We believe that the availability of the three alternative reverse split ratios will provide the Company with the flexibility to implement the reverse stock split in a manner designed to maximize the anticipated benefits for us and our stockholders. In determining which of the three alternative reverse stock split ratios to implement, if any, following the receipt of stockholder approval, our Board of Directors may consider, among other things, factors such as:

the historical trading price and trading volume of our common stock;

the then prevailing trading price and trading volume of our common stock and the anticipated impact of the reverse stock split on the trading market for our common stock;

our ability to continue our listing on the NYSE;

which of the alternative reverse split ratios would result in the greatest overall reduction in our administrative costs; and

prevailing general market and economic conditions.

To avoid the existence of fractional shares of our common stock, stockholders who would otherwise hold fractional shares as a result of the reverse stock split will be entitled to receive cash (without interest or deduction) in lieu of such fractional shares from our transfer agent, upon receipt by our transfer agent of a properly completed and duly executed transmittal letter and, where shares are held in certificated form, the surrender of all Old Certificate(s), in an amount equal to the proceeds attributable to the sale of such fractional shares following the aggregation and sale by our transfer agent of all fractional shares otherwise issuable.

At the close of business on October 1, 2008, we had 100,000,000 shares of common stock issued and outstanding. Based on the number of shares of common stock currently issued and outstanding, immediately following the completion of the reverse stock split, and, for illustrative purposes only, assuming a 1-for-15 reverse stock split, we would have approximately 6,666,667 shares of common stock issued and outstanding (without giving effect to the treatment of fractional shares). The actual number of shares outstanding after giving effect to the reverse stock split will depend on the reverse split ratio that is ultimately selected by our Board of Directors. We do not expect the reverse stock split itself to

have any economic effect on our stockholders, debt holders or holders of options or restricted stock, except to the extent the reverse stock split will result in fractional shares as discussed below.

Reasons for the Reverse Stock Split

Our Board of Directors authorized the reverse split of our common stock with the primary intent of increasing the price of our common stock in order to meet the NYSE's price criteria for continued listing on that exchange. Our common stock is publicly traded and listed on the NYSE under the symbol "RAD." Our Board of Directors believes that, in addition to increasing the price of our common stock, the reverse stock split would also reduce certain of our costs, such as NYSE listing fees, and make our common stock more attractive to a broader range of institutional and other investors. Accordingly, for these and other reasons discussed below, we believe that effecting the reverse stock split is in the Company's and our stockholders' best interests.

On October 16, 2008, we were notified in writing by The New York Stock Exchange, Inc. (the "NYSE") that the trading price of our common stock was below the criteria of the NYSE's continued listing standards, as the average per share closing price of our common stock over a consecutive 30-trading day period was less than \$1.00. The letter stated that we have a six-month cure period that started on October 16, 2008 to bring the price of our common stock and the 30-trading day average closing price of our common stock above \$1.00. The letter further stated that in the event a \$1.00 share price and a \$1.00 average share price over the preceding 30 trading days are not attained at the expiration of the six-month cure period, the NYSE will commence suspension and delisting procedures. The NYSE has reserved the right to reevaluate its continued listing determinations relating to companies who are notified of non-compliance like Rite Aid with respect to the NYSE's qualitative listing standards, including if our shares trade at sustained levels that are considered to be abnormally low. On October 16, 2008, we provided written notice to the NYSE of our intent to pursue a reverse stock split in order to bring our share price and average share price back above \$1.00 within the six-month cure period.

In addition to bringing the price of our common stock back above \$1.00, we also believe that the reverse stock split will make our common stock more attractive to a broader range of institutional and other investors, as we have been advised that the current market price of our common stock may affect its acceptability to certain institutional investors, professional investors and other members of the investing public. Many brokerage houses and institutional investors have internal policies and practices that either prohibit them from investing in low-priced stocks or tend to discourage individual brokers from recommending low-priced stocks to their customers. In addition, some of those policies and practices may function to make the processing of trades in low-priced stocks economically unattractive to brokers. Moreover, because brokers' commissions on low-priced stocks generally represent a higher percentage of the stock price than commissions on higher-priced stocks, the current average price per share of common stock can result in individual stockholders paying transaction costs representing a higher percentage of their total share value than would be the case if the share price were substantially higher. However, some investors may view the reverse stock split negatively since it reduces the number of shares of common stock available in the public market.

Reducing the number of outstanding shares of our common stock through the reverse stock split is intended, absent other factors, to increase the per share market price of our common stock. However, other factors, such as our financial results, market conditions and the market perception of our business may adversely affect the market price of our common stock. As a result, there can be no assurance that the reverse stock split, if completed, will result in the intended benefits described above, that the market price of our common stock will increase following the reverse stock split or that the market price of our common stock will not decrease in the future.

Edgar Filing: RITE AID CORP - Form PRE 14A

In addition to the reasons described above, the reverse stock split is intended to help avoid a "fundamental change" under the indenture governing our 8.5% convertible notes due 2015 (the "Convertible Notes"). Delisting of our common stock on the NYSE would constitute a "fundamental change" under the Convertible Notes indenture. If such a fundamental change occurs, holders of the Convertible Notes will be entitled to require us to repurchase their Convertible Notes, or any portion of the principal amount thereof at a price equal to 100% of the principal amount of the Convertible Notes to be repurchased, together with accrued interest, if any, to but excluding the repurchase date (which may be no earlier than 30 and no later than 60 days after the date we deliver notice of the fundamental change). In order to fund any required repurchases, we might be required to seek additional financing for such amounts. We can give no assurance that we would be able to obtain such financing, on favorable terms, or at all, or that we will be permitted to repurchase the Convertible Notes under our other debt instruments.

Effects of the Reverse Stock Split

General

If the reverse stock split is approved and implemented, the principal effect will be to proportionately decrease the number of outstanding shares of our common stock based on the reverse stock split ratio selected by our Board of Directors. Our common stock is currently registered under Section 12(b) of the Securities Exchange Act of 1934, or the Exchange Act, and we are subject to the periodic reporting and other requirements of the Exchange Act. The reverse stock split will not affect the registration of our common stock under the Exchange Act or the listing of our common stock on the NYSE. Following the reverse stock split, our common stock will continue to be listed on the NYSE under the symbol "RAD," although it will be considered a new listing with a new CUSIP number.

Proportionate voting rights and other rights of the holders of our common stock will not be affected by the reverse stock split, other than as a result of the treatment of fractional shares as described below. For example, a holder of 2% of the voting power of the outstanding shares of our common stock immediately prior to the effectiveness of the reverse stock split will generally continue to hold 2% of the voting power of the outstanding shares of our common stock after the reverse stock split. The number of stockholders of record will not be affected by the reverse stock split (except to the extent any are cashed out as a result of holding fractional shares). If approved and implemented, the reverse stock split may result in some stockholders owning "odd lots" of less than 100 shares of our common stock. Odd lot shares may be more difficult to sell, and brokerage commissions and other costs of transactions in odd lots are generally somewhat higher than the costs of transactions in "round lots" of even multiples of 100 shares. Our Board of Directors believes, however, that these potential effects are outweighed by the benefits of the reverse stock split.

Effectiveness of Reverse Stock Split

The reverse stock split, if approved by our stockholders, would become effective upon the filing and effectiveness (the "Effective Time") of a Certificate of Amendment to our Restated Certificate of Incorporation with the Secretary of State of the State of Delaware. It is expected that such filing will take place promptly following the Special Meeting, assuming the stockholders approve the amendment. However, the exact timing of the filing of the amendment will be determined by our Board of Directors based on its evaluation as to when such action will be the most advantageous to our Company and our stockholders. In addition, our Board of Directors reserves the right, notwithstanding stockholder approval and without further action by the stockholders, to elect not to proceed with the reverse stock split if, at any time prior to filing the Certificate of Amendment, our Board of Directors, in its sole discretion, determines that it is no longer in our Company's best interests and the best interests of our stockholders to proceed with the reverse stock split.

Effect on Rite Aid's Stock Plans

As of October , 2008, we had approximately shares subject to stock options and shares of unvested restricted stock outstanding under our stock incentive plans. Under our 1999 Stock Option Plan (the "1999 Plan"), 2000 Omnibus Equity Plan (the "2000 Plan"), 2001 Stock Option Plan (the "2001 Plan"), 2004 Omnibus Equity Plan (the "2004 Plan") and our 2006 Omnibus Equity Plan (the "2006 Plan," and collectively with the 1999 Plan, the 2000 Plan, the 2001 Plan, the 2004 Plan and the 2006 Plan, the "Stock Plans"), the Compensation Committee of our Board of Directors has sole discretion to determine the appropriate adjustment to the awards granted under our Stock Plans in the event of a stock split. Should the reverse stock split be effected, the Compensation Committee of our Board of Directors has approved proportionate adjustments to the number of shares outstanding and available for issuance under Rite Aid's Stock Plans and proportionate adjustments to the exercise price, grant price or purchase price relating to any award under the Stock Plans. The Compensation Committee will determine the treatment of fractional shares subject to stock options and unvested restricted stock under the Stock Plans.

Accordingly, if the reverse stock split is approved by our stockholders, upon the filing of an amendment to our Restated Certificate of Incorporation with the Delaware Secretary of State, the number of all outstanding equity awards, the number of shares available for issuance and the exercise price, grant price or purchase price relating to any award under Rite Aid's Stock Plans will be proportionately adjusted using the split ratio selected by our Board of Directors (subject to the treatment of fractional shares to be determined by our Compensation Committee). The Compensation Committee has also authorized the Company to effect any other changes necessary, desirable or appropriate to give effect to the reverse stock split, including any applicable technical, conforming changes to our Stock Plans. For example, if a 1-for-15 reverse stock split is effected, the shares that remain available for issuance under the Stock Plans as of October , 2008, would be adjusted to shares, subject to increase as and when awards made under such Plans expire or are forfeited and are returned per the terms of such Plans. In addition, the exercise price per share under each stock option would be increased by 15 times, such that upon an exercise, the aggregate exercise price payable by the optionee to the company would remain the same. For illustrative purposes only, an outstanding stock option for 3,000 shares of common stock, exercisable at \$ per share, would be adjusted as a result of a 1-for-15 split ratio into an option exercisable for 200 shares of common stock at an exercise price of \$ per share.

In addition to the stock options issued under the our Stock Plans, approximately options are outstanding pursuant to option grants made in accordance with the provisions of individual agreements with our executives. The Compensation Committee of our Board of Directors will determine the appropriate adjustments to such awards in the event of a reverse stock split.

Effect on Authorized Shares of Common Stock and Preferred Stock

Currently, we are authorized to issue up to a total of 1,520,000,000 shares, comprising 1,500,000,000 shares of common stock, of which shares were issued and outstanding as of October , 2008, and 20,000,000 shares of preferred stock, of which shares were issued and outstanding as of October , 2008. Concurrently with the reverse stock split we intend to decrease our authorized shares such that immediately following the Effective Time, we may issue up to a total of 520,000,000 shares, comprising 500,000,000 shares of common stock and 20,000,000 shares of preferred stock. The number of authorized shares of preferred stock will not change. Proposal No. 2, if approved, would only affect the combined total of our authorized shares and our authorized shares of common stock. We do not currently intend to reduce the number of authorized shares of our common stock by the same ratio as the reverse stock split. See Proposal No. 2 beginning on page 22 of this proxy statement for further information. Proposal No. 2 is conditioned on the approval of Proposal No. 1. Therefore, if Proposal No. 1 is not approved by the stockholders, Proposal No. 2 will automatically be deemed to have not

Edgar Filing: RITE AID CORP - Form PRE 14A

been approved by the stockholders, regardless of the number of shares actually voted "FOR" Proposal No. 2. Proposal No. 1 is not conditioned on the approval of Proposal No. 2.

Our preferred stock, including our G/H preferred stock, votes on an as-if-converted basis. For example, a holder of our 7% Series G Cumulative Convertible Pay-in-Kind Preferred Stock ("Series G preferred stock") is entitled to one vote for each share of common stock issuable upon conversion of the Series G preferred stock. If the reverse stock split is effected, the conversion price at which our preferred stock is convertible into common stock will be proportionately adjusted. As a result, the proportionate voting rights and other rights of the holders of our preferred stock will not be affected by the reverse stock split.

Effect on Par Value

The proposed amendments to our Restated Certificate of Incorporation will not affect the par value of our common stock, which will remain at \$1.00, or the par value of our preferred stock, which will remain at \$1.00.

Reduction In Stated Capital

As a result of the reverse stock split, upon the Effective Time, the stated capital on our balance sheet attributable to our common stock, which consists of the par value per share of our common stock multiplied by the aggregate number of shares of our common stock issued and outstanding, will be reduced in proportion to the size of the reverse stock split. Correspondingly, our additional paid-in capital account, which consists of the difference between our stated capital and the aggregate amount paid to us upon issuance of all currently outstanding shares of our common stock, shall be credited with the amount by which the stated capital is reduced. Our stockholders' equity, in the aggregate, will remain unchanged.

No Going Private Transaction

Notwithstanding the decrease in the number of outstanding shares following the proposed reverse stock split, our Board of Directors does not intend for this transaction to be the first step in a "going private transaction" within the meaning of Rule 13e-3 of the Exchange Act.

Book-Entry Shares

If the reverse stock split is effected, stockholders who hold uncertificated shares (i.e. shares held in book-entry form and not represented by a physical stock certificate), either as direct or beneficial owners, will have their holdings electronically adjusted by our transfer agent through the NYSE's Direct Registration System (and, for beneficial owners, by their brokers or banks that hold in "street name" for their benefit, as the case may be) to give effect to the reverse stock split.

Stockholders who hold uncertificated shares as direct owners will be sent a transmittal letter by our transfer agent and will need to return a properly completed and duly executed transmittal letter in order to receive any cash payment in lieu of fractional shares or any other distributions, if any, that may be declared and payable to holders of record following the reverse stock split.

Exchange of Stock Certificates

If the reverse stock split is effected, stockholders holding certificated shares (i.e. shares represented by one or more physical stock certificates) will be required to exchange their Old Certificate(s) for New Certificate(s) representing the appropriate number of shares of our common stock resulting from the reverse stock split. Stockholders of record upon the Effective Time will be furnished the necessary materials and instructions for the surrender and exchange of their Old

Edgar Filing: RITE AID CORP - Form PRE 14A

Certificate(s) at the appropriate time by our transfer agent. Stockholders will not have to pay any transfer fee or other fee in connection with such exchange. As soon as practicable after the Effective Time, our transfer agent will send a transmittal letter to each stockholder advising such holder of the procedure for surrendering Old Certificate(s) in exchange for New Certificate(s). Pursuant to applicable rules of the NYSE, your Old Certificate(s) representing pre-split shares cannot be used for either transfers or deliveries made on the NYSE; thus, you must exchange your Old Certificate(s) for New Certificate(s) in order to effect transfers or deliveries of your shares on the NYSE.

YOU SHOULD NOT SEND YOUR OLD CERTIFICATES NOW. YOU SHOULD SEND THEM ONLY AFTER YOU RECEIVE THE LETTER OF TRANSMITTAL FROM OUR TRANSFER AGENT.

As soon as practicable after the surrender to the transfer agent of any Old Certificate(s), together with a properly completed and duly executed transmittal letter and any other documents the transfer agent may specify, the transfer agent will deliver to the person in whose name such Old Certificate(s) had been issued a New Certificate registered in the name of such person.

Until surrendered as contemplated herein, a stockholder's Old Certificate(s) shall be deemed at and after the Effective Time to represent the number of full shares of our common stock resulting from the reverse stock split. Until stockholders have returned their properly completed and duly executed transmittal letter and surrendered their Old Certificate(s) for exchange, stockholders will not be entitled to receive any other distributions, if any, that may be declared and payable to holders of record following the reverse stock split.

Any stockholder whose Old Certificate(s) have been lost, destroyed or stolen will be entitled to a New Certificate only after complying with the requirements that we and the transfer agent customarily apply in connection with lost, stolen or destroyed certificates.

No service charges, brokerage commissions or transfer taxes shall be payable by any holder of any Old Certificate, except that if any New Certificate is to be issued in a name other than that in which the Old Certificate(s) are registered, it will be a condition of such issuance that (1) the person requesting such issuance must pay to us any applicable transfer taxes or establish to our satisfaction that such taxes have been paid or are not payable, (2) the transfer complies with all applicable federal and state securities laws, and (3) the surrendered certificate is properly endorsed and otherwise in proper form for transfer.

Fractional Shares

We do not currently intend to issue fractional shares in connection with the reverse stock split. Therefore, we do not expect to issue certificates representing fractional shares. Stockholders who would otherwise hold fractional shares because the number of shares of common stock they hold before the reverse stock split is not evenly divisible by the split ratio ultimately selected by our Board of Directors will be entitled to receive cash (without interest or deduction) in lieu of such fractional shares from our transfer agent, upon receipt by our transfer agent of a properly completed and duly executed transmittal letter and, where shares are held in certificated form, the surrender of all Old Certificate(s), in an amount equal to the proceeds attributable to the sale of such fractional shares following the aggregation and sale by our transfer agent of all fractional shares otherwise issuable. The ownership of a fractional share interest will not give the holder any voting, dividend or other rights, except to receive the above-described cash payment. Rite Aid will be responsible for any brokerage fees or commissions related to the transfer agent's selling in the open market shares that would otherwise be fractional shares.

Stockholders should be aware that, under the escheat laws of various jurisdictions, sums due for fractional interests that are not timely claimed after the Effective Time may be required to be paid to the designated agent for each such jurisdiction, unless correspondence has been received by us or our

transfer agent concerning ownership of such funds within the time permitted in such jurisdiction. Thereafter, if applicable, stockholders otherwise entitled to receive such funds, but who do not receive them due to, for example, their failure to timely comply with our transfer agent's instructions, will have to seek to obtain such funds directly from the state to which they were paid.

No Appraisal Rights

Under the Delaware General Corporation Law, our stockholders are not entitled to dissenter's rights or appraisal rights with respect to the reverse stock split described in this Proposal No. 1, and we will not independently provide our stockholders with any such rights.

Certain Federal Income Tax Consequences of the Reverse Stock Split

The following discussion is a general summary of certain U.S. federal income tax consequences of the reverse stock split that may be relevant to (i) holders of our common stock that hold such stock as a capital asset for federal income tax purposes and (ii) to us. This summary is based upon the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), Treasury regulations promulgated thereunder, administrative rulings and judicial decisions as of the date hereof, all of which may change, possibly with retroactive effect, resulting in U.S. federal income tax consequences that may differ from those discussed below. This discussion does not address all aspects of federal income taxation that may be relevant to such holders in light of their particular circumstances or to holders that may be subject to special tax rules, including, without limitation: (i) holders subject to the alternative minimum tax; (ii) banks, insurance companies, or other financial institutions; (iii) tax-exempt organizations; (iv) dealers in securities or commodities; (v) regulated investment companies or real estate investment trusts; (vi) partnerships (or other flow-through entities for U.S. federal income tax purposes and their partners or members); (vii) traders in securities that elect to use a mark-to-market method of accounting for their securities holdings; (viii) U.S. Holders (as defined below) whose "functional currency" is not the U.S. dollar; (ix) persons holding our common stock as a position in a hedging transaction, "straddle," "conversion transaction" or other risk reduction transaction; (x) persons who acquire shares of our common stock in connection with employment or other performance of services; or (xi) U.S. expatriates. In addition, this summary does not address the tax consequences arising under the laws of any foreign, state or local jurisdiction and U.S. federal tax consequences other than federal income taxation. If a partnership (including any entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds shares of our common stock, the tax treatment of a holder that is a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership.

We have not sought, and will not seek, an opinion of counsel or a ruling from the Internal Revenue Service ("IRS") regarding the United States federal income tax consequences of the reverse stock split and there can be no assurance the IRS will not challenge the statements and conclusions set forth below or that a court would not sustain any such challenge. **EACH HOLDER OF COMMON STOCK SHOULD CONSULT SUCH HOLDER'S TAX ADVISOR WITH RESPECT TO THE PARTICULAR TAX CONSEQUENCES OF THE REVERSE STOCK SPLIT TO SUCH HOLDER.**

For purposes of the discussion below, a "U.S. Holder" is a beneficial owner of shares of our common stock that for U.S. federal income tax purposes is: (1) an individual citizen or resident of the United States; (2) a corporation (including any entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state or political subdivision thereof; (3) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or (4) a trust, the administration of which is subject to the primary supervision of a U.S. court and as to which one or more U.S. persons have the authority to control all substantial decisions of the trust, or that has a valid election in effect to be treated as a U.S. person. A "Non-U.S.

Holder" is a beneficial owner (other than a partnership) of shares of our common stock who is not a U.S. Holder.

U.S. Holders

The reverse stock split should constitute a "recapitalization" for U.S. federal income tax purposes. As a result, a U.S. Holder generally should not recognize gain or loss upon the reverse stock split, except with respect to cash received in lieu of a fractional share of our common stock, as discussed below. A U.S. Holder's aggregate tax basis in the shares of our common stock received pursuant to the reverse stock split should equal the aggregate tax basis of the shares of our common stock surrendered (excluding any portion of such basis that is allocated to any fractional share of our common stock), and such U.S. Holder's holding period (i.e. acquired date) in the shares of our common stock received should include the holding period in the shares of our common stock surrendered. Treasury regulations promulgated under the Code provide detailed rules for allocating the tax basis and holding period of the shares of our common stock surrendered to the shares of our common stock received pursuant to the reverse stock split. Holders of shares of our common stock acquired on different dates and at different prices should consult their tax advisors regarding the allocation of the tax basis and holding period of such shares.

A U.S. Holder who receives cash in lieu of a fractional share of our common stock pursuant to the reverse stock split should recognize capital gain or loss in an amount equal to the difference between the amount of cash received and the U.S. Holder'