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

TABLE OF CONTENTS

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.

2

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

7

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

16

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.

20

(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

(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	

26

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.

34

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

43

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;

• 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**							