- **Letter to Stockholders**
- **Notice of 2009 Annual Meeting of Stockholders**
- **Proxy Statement**
- **2009 Annual Report on Form 10-K**

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This report, as well as our other public filings or public statements, include forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are often identified by terms and phrases such as "anticipate," "believe," "intend," "estimate," "expect," "continue," "should," "could," "may," "plan," "project," "predict," "will" and similar expressions and include references to assumptions and relate to our future prospects, developments and business strategies.

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 refinance our indebtedness on terms favorable to us and our access to capital markets, including our ability to complete sale and leaseback transactions;
- 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;
- general economic conditions, inflation and interest rate movements;
- our ability to improve the operating performance of our stores in accordance with our long term strategy;
- our ability to realize same store sales growth for the acquired Brooks Eckerd stores;
- our ability to hire and retain pharmacists and other store personnel;
- the efforts of private and public third party payors to reduce prescription drug reimbursement and encourage mail order;
- competitive pricing pressures, including aggressive promotional activity from our competitors;
- decisions to close additional stores and distribution centers, which could result in further charges to our operating statement;
- our ability to manage expenses;
- our ability to realize the benefits from actions to further reduce costs and investment in working capital;
- continued consolidation of the drugstore industry;
- changes in state or federal legislation or regulations;
- the outcome of lawsuits and governmental investigations;
- the timing and effects of our proposed reverse stock split;
- our ability to maintain the listing of our common stock on the New York Stock Exchange, and the resulting impact on our indebtedness, results of operations and financial condition;
- 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 in this filing, whether as a result of new information, future events or otherwise, after the date of this filing. Our actual results, performance or achievements could differ materially from the results expressed in, or implied by, these forward-looking statements. Such factors are discussed in the sections entitled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Overview and Factors Affecting Our Future Prospects" included in our Annual Report on Form 10-K for the fiscal year ended February 28, 2009.

Dear Fellow Investors:

Fiscal 2009, which ended February 28, was a difficult year on a number of fronts. But we met our challenges head on, taking actions that significantly improved our business and strengthened our financial position. We believe what we accomplished this past year better positions us to deliver the results our shareholders deserve. And I assure you that I, and every member of our management team, are committed to returning our company to profitability by unlocking the true value of Rite Aid.

We operated our company in one of the toughest economic environments in memory, with the dramatic pullback in consumer spending impacting nearly all retailers and credit markets so tight that debt levels of companies like ours became a concern. And we faced our own challenges of completing the Brooks Eckerd integration and slower than anticipated sales improvement in the acquired stores. Our overall financial performance was weaker than initially expected by both us and Wall Street, and our results, along with concern about our ability to refinance when we needed to, was reflected in our stock price. While we continue to trade on the New York Stock Exchange (NYSE), we fell out of compliance with the NYSE's share price listing rule.

We Strengthened our Business in the Second Half of the Year

We didn't sit still. As the economy continued to decline, we modified our strategies and made important changes to our management team. We cut unnecessary expenses, operated more efficiently and reduced working capital.

As a result, we significantly improved our business in the second half of the year and strengthened our financial position. We ended fiscal 2009 with the strongest liquidity position in over a year, with more than $723 million of availability on our revolving credit facility and with renewed and new accounts receivable financing to help operate our business as needed. Our revenues increased to $26.3 billion and we reported adjusted EBITDA, which we believe is the best measure of our operating performance, of $965.1 million, within our revised guidance. Excluding non-cash charges for goodwill and store impairment and the write-off of a deferred tax asset, our net loss for the year was $.79 per diluted share, also within our guidance.

To regain compliance with the NYSE, our Board of Directors proposed, and our stockholders approved, a reverse stock split. The NYSE's current suspension of the share price listing rule provides additional time for our stock price to improve on its own, and we plan to implement the reverse stock split only if it's necessary to regain compliance.

We're Changing the Way We Operate for the Long Term

We didn't make changes just to ride out the current economic storm. We are changing the way we operate for the long term so that when the turmoil subsides, we will be a stronger company able to take full advantage of the recovery. And because of the changes and improvements we made to our business the second half of the year, we are confident we will be able to execute the September 2010 refinancing we need by the end of 2009, months ahead of schedule.

We improved our business in fiscal 2009 by:

- **Completing the integration of Brooks Eckerd** on the 16-month timetable we set when we acquired the chain in June, 2007. All integration expenses are now behind us. While the stores still need to improve, customer satisfaction ratings are up dramatically, pharmacy sales trends are positive and front end sales are substantially higher than at the time of the acquisition. And, thanks to the hard work and dedication of our associates, operations are better overall. We continue to realize the significant savings we expected from the acquisition in areas like

purchasing, advertising and administration. *And we continue to believe the addition of Brooks Eckerd to be critical to our long-term success*.

- **Growing pharmacy sales**, despite the industrywide downturn in prescription sales growth and our industry-leading generic dispense rate, which lowers sales but improves margin. Pharmacy same store sales increases in core Rite Aid stores were strong throughout the year, and pharmacy same stores sales trends in the acquired stores improved every quarter. Contributing to these results was Rite Aid's free RX Savings Card, launched nationwide in September to help patients better afford their prescriptions and over-the-counter medications. Today more than 2 million patients are using the card, and more than 30 percent of them are new to Rite Aid.

- **Strengthening our senior management team** with executives who have a proven track record of improving results. In September, we named John Standley President and COO and Frank Vitrano as CFO and Chief Administrative Officer and in December added Ken Martindale as Senior Executive Vice President of Merchandising, Marketing and Logistics. With extensive turnaround experience, each of them has shown they can work through challenging situations like ours to grow value. They have already had a significant positive impact on our business.

- **Improving operating efficiency,** making good progress in reducing our selling, general and administration (SG&A) costs as a percent of sales in the second half of the year. We have reduced our full and part-time workforce by about 6,500 since August, and scheduling tools helped us better control store labor. Distribution costs dropped significantly thanks to more efficient routing, modified delivery schedules and lower product handling costs because of reduced inventory. We began consolidating our warehouses with planned closings of two former Brooks Eckerd distribution centers. The reorganization of our field management to place more direct supervision closer to our higher volume and harder to operate stores is already producing good results. To get the greatest return on our resources, we grouped together stores with similar characteristics, such as sales and location, and are creating a tailored business plan for each group, a process we call segmentation. We developed separate operating models for low-volume stores and higher volume stores in metropolitan markets and put them in test. With both of these models, we made changes to store labor, delivery frequency, advertising format and merchandising.

- **Taking better care of our customers and associates.** Our customer satisfaction ratings improved significantly year-over-year in both the pharmacy and the front-end as our associates committed to making Rite Aid a better place to shop. We helped our customers tighten their belts by adding more private and exclusive brand items and launching our free RX Savings Card. By the end of the year, nearly 70% of all prescriptions we dispensed were generics, which are less expensive than branded drugs and save money for both patient and payor. We made our pharmacies easier to use by adding services like Automated Customer Refill, and we continued to attract more senior patients as Living More, the only drugstore loyalty program targeted directly to those age 55 and above, grew to 4.1 million members.

  One of the reasons we took better care of our customers is because we focused on taking better care of our associates, launching in the second half of the year a culture initiative to make Rite Aid a better place to work and as a result, a better place to shop. Associates serving as Culture Change Champions throughout all areas of our company are being asked to recommend how we can enhance the workplace environment. We were pleased to see that results of our annual associate survey showed more associates highly satisfied with their jobs at Rite Aid as we believe that translates into a better customer experience and ultimately, growth in sales.

- **Improving liquidity and working capital.** We reduced inventory by $244 million in the past year. And we trimmed our capital expenditure budget by more than $50 million to conserve capital and preserve liquidity. It's important to note that with our business plan, we can improve our performance without spending a lot of money on capital expenditures for new store development. The nearly 1800 stores we added from Brooks Eckerd are new to us, and over the

next several years, we expect to get full payback for the significant capital we have invested to remodel them and improve the shopping experience.

We Are Focused on Unlocking the Value of Rite Aid by Growing Profitable Sales, Further Cutting Costs and Reducing Debt

While we expect that retail spending may pick up somewhat as the year progresses, we believe the recession and unemployment will continue to negatively impact us through fiscal 2010 and are planning accordingly. Our goal is to build on the momentum we achieved last year by:

Focusing on growing profitable sales. Through segmentation we are unlocking the value of our diverse store base by tailoring marketing and merchandising programs to the needs of specific customer groups. For example, urban stores, which tend to sell more consumables, may have a different merchandise assortment than suburban stores which sell more healthcare products. To meet the needs of a more value driven customer, we are expanding private brand in all of our stores and to gain new loyal customers, using our expertise with Living More and our RX Savings Card to develop and test a pharmacy loyalty program this year. A new front-end pricing strategy, targeted regional marketing programs and a variety of incentives to transfer prescriptions to Rite Aid are also expected to draw new customers. We're also committed to continuing to improve associate satisfaction through our culture change transformation and are focusing our culture ambassadors on ways we can better empower our store associates to help us gain more loyal customers.

Continuing to aggressively reduce costs. We expect to see further reduction in controlled inventory, additional supply chain efficiencies and increased indirect procurement savings from the initiatives launched last year. We've already started to reduce the items we currently have in our stores by approximately 10 percent and will tailor the amount and type of merchandise by each store segment, which will further eliminate inventory. Our fiscal 2010 capital expenditures have been reduced to $250 million, which includes opening 55 relocated and 25 new stores. A wage freeze for all salaried non-store associates in fiscal 2010 will further reduce administrative costs.

Improving our balance sheet. We realize that to deliver shareholder value in the current credit market, we not only have to improve our financial results, we also need to improve our balance sheet. All of our initiatives are designed to improve cash flows so that in fiscal 2010 we not only maintain sufficient liquidity to operate our business but are also able to start reducing debt. Although our next significant debt maturity isn't until September 2010, we are already working to identify replacement options for the credit facility and accounts receivable financing coming due then.

We Are Optimistic about Rite Aid's Future

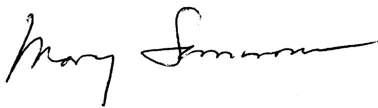
Some have speculated about the survival of Rite Aid in light of the recession and tight credit markets. We don't agree with their view. Our overriding goal is to deliver value for our shareholders, and we are enthusiastic about our prospects. Our progress in the second half of fiscal 2009 demonstrated that we can improve our results in a severe economic downturn and with limited capital resources. We have identified and quantified significant opportunities that will continue to better our performance. We have initiatives underway to capture these opportunities, and a management team with the expertise and turnaround experience to successfully carry them out. And we're confident we can execute a refinancing ahead of schedule.

While pharmacy sales in the U.S. are expected to decline 1 to 2 percent this year, long-term demographic and health care trends are in our favor. Our population is aging, and older patients take more prescriptions. Baby Boomers will start to become eligible for the Medicare drug plan just two years from now. The increase in affordable generic drugs drives prescription growth, and over the next five years more than $80 billion of branded drugs are set to lose patent protection. And while we don't know the outcome of the President's proposal for health care reform, that the Administration wants to provide insurance for the 45 million Americans who don't have it now could be good for our business.

We wouldn't be able to take full advantage of this expected growth if it wasn't for the dedication of Rite Aid associates across the country. We know the economy has been hard on them too, and we thank them for their unwavering commitment to making Rite Aid a better place to shop. We thank our Board of Directors for their continued guidance and will miss George Golleher and Dr. Michael Friedman who made significant contributions during their time on the Board. We welcome David Jessick as a valuable addition. We are grateful for the suppliers who stuck by us during trying times, reached out a hand when we needed it most and helped improve our business. And we appreciate our customers who, with fewer dollars to spend, spent them at Rite Aid.

Most of all, we thank you, our investors, for your patience. It's been a hard year for all of us, and we are grateful for your continued belief in our company. We will continue to work diligently to earn your confidence and trust. I guarantee you our entire team is focused on unlocking the value of Rite Aid.

Respectfully,



Mary Sammons
Rite Aid Chairman and CEO

RITE AID CORPORATION

P.O. BOX 3165
HARRISBURG, PENNSYLVANIA 17105

Notice of Annual Meeting of Stockholders
To Be Held on June 25, 2009

To Our Stockholders:

What: Our 2009 Annual Meeting of Stockholders

When: June 25, 2009 at 10:30 a.m., local time

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

Why: At this Annual Meeting, we plan to:

1. Consider and vote upon a proposal to amend our Restated Certificate of Incorporation to declassify our Board of Directors;

2. Elect five directors to hold office until the 2010 Annual Meeting of Stockholders (or until the 2012 Annual Meeting of Stockholders if Proposal No. 1 is not approved, as described in the attached proxy statement) and until their respective successors are duly elected and qualified;

3. Consider and vote upon a stockholder proposal, if properly presented, requesting that Rite Aid's Board of Directors provide stockholders the opportunity at each annual meeting of stockholders to vote on an advisory resolution to ratify the compensation of the named executive officers set forth in the proxy statement;

4. Ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm; and

5. Transact such other business as may properly come before the Annual Meeting or any adjournment or postponement of the Annual Meeting.

In addition, the holders of the 7% Series G Cumulative Convertible Pay-in-Kind Preferred Stock and 6% Series H Cumulative Convertible Pay-in-Kind Preferred Stock, voting together as a single class, separately from the holders of Common Stock, will vote to elect one director to hold office until the 2010 Annual Meeting of Stockholders (or until the 2012 Annual Meeting of Stockholders if Proposal No. 1 is not approved, as described in the attached proxy statement) and until a successor is duly elected and qualified.

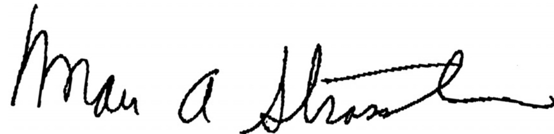
The close of business on April 28, 2009 has been fixed as the record date for determining those Rite Aid stockholders entitled to vote at the Annual Meeting. Accordingly, only stockholders of record at the close of business on that date will receive this notice of, and be eligible to vote at, the Annual Meeting and any adjournment or postponement of the Annual Meeting. The above items of business for the Annual Meeting are more fully described in the proxy statement accompanying this notice.

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 Annual 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 Annual 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 Annual Meeting, in which case your prior proxy would be disregarded.

By order of the Board of Directors



Marc A. Strassler
Secretary

Camp Hill, Pennsylvania
May 14, 2009

TABLE OF CONTENTS

	Page
General Information	1
Questions and Answers About the Annual Meeting	1
Proposal No. 1—Amendment of Restated Certificate of Incorporation to Declassify the Board of Directors	8
Proposal No. 2—Election of Directors	9
Board of Directors	11
Proposal No. 3—Stockholder Proposal—Advisory Vote on Executive Compensation	23
Proposal No. 4—Ratification of the Appointment of Independent Registered Public Accounting Firm	25
Executive Officers	26
Executive Compensation	27
Compensation Discussion and Analysis	27
Compensation Committee Report	35
Summary Compensation Table	36
Grants of Plan-Based Awards Table For Fiscal 2009	38
Executive Employment Agreements	39
Outstanding Equity Awards at Fiscal 2009 Year-End	41
Options Exercises and Stock Vested for Fiscal 2009	42
Nonqualified Deferred Compensation for Fiscal 2009	42
Potential Payments Upon Termination or Change In Control	43
Audit Committee Report	49
Equity Compensation Plan Information	51
Section 16(a) Beneficial Ownership Reporting Compliance	51
Security Ownership of Certain Beneficial Owners and Management	51
Certain Relationships and Related Transactions	54
Stockholder Proposals for the 2010 Annual Meeting of Stockholders	57
Incorporation by Reference	58
Other Matters	59
Independent Registered Public Accounting Firm	59
Important Notice Regarding Delivery of Stockholder Documents	59
Annual Report	59
Proposed Amendment to the Restated Certificate of Incorporation to Declassify Our Board of Directors	Appendix A

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RITE AID CORPORATION

P.O. BOX 3165
HARRISBURG, PENNSYLVANIA 17105

PROXY STATEMENT

FOR THE ANNUAL MEETING OF STOCKHOLDERS
To Be Held on June 25, 2009

GENERAL INFORMATION

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to be Held on June 25, 2009:

The proxy statement and annual report are available at *www.proxyvote.com*.

Also available on the website are the Company's proxy card, as well as instruction cards and related materials for voting shares of common stock held in the Company's 401(k) plans.

This proxy statement is being furnished to you by the Board of Directors (the "Board") of Rite Aid Corporation (the "Company" or "Rite Aid") to solicit your proxy to vote your shares at our 2009 Annual Meeting of Stockholders. The Annual Meeting will be held on June 25, 2009 at 10:30 a.m., local time, at the offices of Skadden, Arps, Slate, Meagher & Flom LLP, Four Times Square, 37th Floor, New York, New York. This proxy statement, the foregoing notice and the accompanying proxy card are first being mailed on or about May 14, 2009 to all holders of our common stock, par value $1.00 per share, and 7% Series G Cumulative Convertible Pay-in-Kind Preferred Stock and 6% Series H Cumulative Convertible Pay-in-Kind Preferred Stock, entitled to vote at the Annual Meeting.

QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING

Who is entitled to vote at the Annual Meeting?

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," as of the close of business on the record date, April 28, 2009, will receive notice of, and be eligible to vote at, the Annual Meeting and any adjournment or postponement of the Annual Meeting. At the close of business on the record date, Rite Aid had outstanding and entitled to vote 885,910,678 shares of common stock and 1,434,990.0325 shares of LGP preferred stock (which, on an as-if-converted basis, are entitled to an aggregate of 26,090,728 votes). No other shares of Rite Aid capital stock are entitled to notice of and to vote at the Annual Meeting.

What matters will be voted on at the Annual Meeting?

There are four proposals that are scheduled to be considered and voted on at the Annual Meeting:

- Proposal No. 1: Amend our Restated Certificate of Incorporation to declassify our Board of Directors;
- Proposal No. 2: Elect five directors to hold office until the 2010 Annual Meeting of Stockholders (or until the 2012 Annual Meeting of Stockholders if Proposal No. 1 is not approved, as described in this proxy statement);
- Proposal No. 3: Consider a stockholder proposal requesting that Rite Aid's Board of Directors provide stockholders the opportunity at each annual meeting of stockholders to vote on an advisory resolution to ratify the compensation of the named executive officers set forth in the proxy statement; and
- Proposal No. 4: Ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm.

In addition, the holders of the LGP Preferred Stock, voting separately as a class, will vote to elect one director (the "LGP Preferred Director") to hold office until the 2010 Annual Meeting of Stockholders (or until the 2012 Annual Meeting of Stockholders if Proposal No. 1 is not approved) and until his successor is duly elected and qualified.

Stockholders will also be asked to consider and vote at the Annual Meeting on any other matter that may properly come before the Annual Meeting or any adjournment or postponement of the Annual Meeting. At this time, the Board of Directors is unaware of any matters, other than those set forth above, that may properly come before the Annual Meeting.

What are the Board's voting recommendations?

The Board recommends that you vote "FOR" the Amendment of our Restated Certificate of Incorporation to declassify our Board of Directors.

The Board recommends that you vote "FOR" the nominees of the Board in the election of directors.

The Board recommends that you vote "AGAINST" the stockholder proposal.

The Board recommends that you vote "FOR" the ratification of Deloitte & Touche LLP as the Company's independent registered public accounting firm.

What is the difference between holding shares as a stockholder of record and as a beneficial owner?

If your shares are registered directly in your name with our transfer agent, American Stock Transfer & Trust Company, you are considered the "stockholder of record" with respect to those shares.

If your shares are held in a stock brokerage account or by a bank or other nominee, those shares are held in "street name" and you are considered the "beneficial owner" of the shares. As the beneficial owner of those shares, you have the right to direct your broker, trustee or nominee how to vote your shares, and you will receive separate instructions from your broker, bank or other holder of record describing how to vote your shares.

How can I vote my shares before the Annual Meeting?

If you hold your shares in your own name, you may submit a proxy by telephone, via the Internet or by mail.

- *Submitting a Proxy by Telephone:* You can submit a proxy for your shares by telephone until 11:59 p.m. Eastern Daylight Time on June 24, 2009 by calling the toll-free telephone number on the enclosed proxy card, 1-800-690-6903. 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 Daylight Time on June 24, 2009 by accessing the web site listed on your proxy card, *www.proxyvote.com*, and following the instructions you will find on the web site. Internet proxy submission is available 24 hours a day. As with telephone proxy submission, you will be given the opportunity to confirm that your instructions have been properly recorded.
- *Submitting a Proxy by Mail:* If you choose to submit a proxy by mail, simply mark the enclosed proxy card, date and sign it, and return it in the postage paid envelope provided.

By casting your vote in any of the three ways listed above, you are authorizing the individuals listed on the proxy to vote your shares in accordance with your instructions. You may also attend the Annual Meeting and vote in person.

If your shares are held in the name of a bank, broker or other nominee, you will receive instructions from the holder of record that you must follow for your shares to be voted. The availability of telephonic or Internet voting will depend on the bank's or broker's voting process. Please check with your bank or broker and follow the voting procedures your bank or broker provides to vote your shares. Also, please note that if the holder of record of your shares is a broker, bank or other nominee and you wish to vote in person at the Annual 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 Annual Meeting.

If I am the beneficial owner of shares held in "street name" by my broker, will my broker automatically vote my shares for me?

New York Stock Exchange ("NYSE") rules applicable to broker-dealers grant your broker discretionary authority to vote your shares without receiving your instructions on certain matters, which include the election of directors and the ratification of the appointment of our independent registered public accounting firm. However, your broker does not have discretionary authority to vote your shares for certain other types of matters.

How will my shares be voted if I give my proxy but do not specify how my shares should be voted?

If you provide specific voting instructions, your shares will be voted at the Annual Meeting in accordance with your instructions. If you hold shares in your name and sign and return a proxy card without giving specific voting instructions, your shares will be voted "FOR" the Amendment of our Restated Certificate of Incorporation to declassify our Board of Directors, "FOR" the nominees of the Board in the election of directors, "AGAINST" the stockholder proposal requesting an advisory vote on executive compensation, and "FOR" the ratification of the appointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm for fiscal year 2010.

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

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

Could other matters be decided at the Annual Meeting?

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

Who may attend the Annual Meeting?

All stockholders are invited to attend the Annual Meeting. Persons who are not stockholders may attend only if invited by the Board of Directors. If you are the beneficial owner of shares held in the name of your broker, bank or other nominee, you must bring proof of ownership (e.g., a current broker's statement) in order to be admitted to the meeting. You can obtain directions to the Annual Meeting by contacting our Investor Relations Department at (717) 975-3710.

Can I vote in person at the Annual Meeting?

Yes. If you hold shares in your own name as a stockholder of record, you may come to the Annual Meeting and cast your vote at the meeting by properly completing and submitting a ballot. If you are the beneficial owner of shares held in the name of your broker, bank or other nominee, you must first obtain a legal proxy from your broker, bank or other nominee giving you the right to vote those shares and submit that proxy along with a properly completed ballot at the meeting.

How can I change my vote?

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

- Delivering to the Secretary a written notice of revocation, dated later than the proxy, before the vote is taken at the Annual Meeting;
- Delivering to the Secretary an executed proxy bearing a later date, before the vote is taken at the Annual 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 Daylight Time on June 24, 2009; or
- Attending the Annual Meeting and voting in person (your attendance at the Annual 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: Marc A. Strassler, Secretary

Alternatively, you may hand deliver a written revocation notice, or a later dated proxy, to the Secretary at the Annual 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.

What is an "abstention" and how would it affect the vote?

An "abstention" occurs when a stockholder sends in a proxy with explicit instructions to decline to vote regarding a particular matter. Abstentions are counted as present for purposes of determining a quorum. An abstention with respect to the election of directors is neither a vote cast "for" a nominee or a vote case "against" the nominee and, therefore, will have no effect on the outcome of the vote. Abstentions with respect to any other proposal will have the same effect as voting "against" the proposal.

What is a broker "non-vote" and how would it affect the vote?

A broker non-vote occurs when a broker or other nominee who holds shares for another person does not vote on a particular proposal because that holder does not have discretionary voting power for the proposal and has not received voting instructions from the beneficial owner of the shares so the broker is unable to vote those uninstructed shares. Brokers will have discretionary voting power to vote shares for which no voting instructions have been provided by the beneficial owner with respect to the proposal to amend the Restated Certificate of Incorporation, the election of directors and the ratification of the appointment of the independent registered public accounting firm. Brokers will not have such discretionary voting power to vote shares with respect to the stockholder proposal. Shares that are the subject of a broker non-vote are included for quorum purposes, but a broker non-vote with respect to a proposal will not be counted as a vote represented at the meeting and entitled to vote. Broker non-votes with respect to the stockholder proposal will have no effect on the outcome of the vote.

What are the quorum and voting requirements for the proposals?

In deciding the proposals that are scheduled for a vote at the Annual 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 26,090,728 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.

In order to take action on the proposals, a quorum, consisting of the holders of 456,000,704 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 Annual Meeting), must be present in person or by proxy. This is referred to as a "quorum." Proxies marked "Abstain" and broker "non-votes," if any, will be treated as shares that are present for purposes of determining the presence of a quorum.

Proposal No. 1—Amendment of our Restated Certificate of Incorporation to Declassify the Board of Directors

The affirmative vote of a majority of the outstanding shares (with Rite Aid common stock and LGP preferred stock voting together as a single class) is required to approve the amendment of our Restated Certificate of Incorporation to declassify our Board of Directors in Proposal No. 1. Any shares not voted (whether by abstention or otherwise) will have the same effect as a vote "against" the proposal.

Proposal No. 2—Election of Directors

The affirmative vote of a majority of the total number of votes cast (with Rite Aid common stock and LGP preferred stock voting together as a single class) is required for the election of each director nominee named in Proposal No. 2. This means that the votes cast "for" that nominee must exceed the votes cast "against" that nominee. Any shares not voted (whether by abstention or otherwise) will not be counted as votes cast and will have no effect on the outcome of the vote. For more information on the operation of our majority voting standard, see the section entitled "Corporate Governance—Majority Voting Standard and Policy."

Proposal No. 3—Stockholder Proposal—Advisory Vote on Executive Compensation

The affirmative vote of a majority of the shares represented at the meeting and entitled to vote (with Rite Aid common stock and LGP preferred stock voting together as a single class) is required for the approval of the stockholder proposal in Proposal No. 3. Any shares represented at the meeting and not voted (whether by abstention or otherwise) will have the same effect as a vote "against" the proposal.

Proposal No. 4—Ratification of Independent Registered Public Accounting Firm

The affirmative vote of a majority of the shares represented at the meeting and entitled to vote (with Rite Aid common stock and LGP preferred stock voting together as a single class) is required for the ratification of the appointment of our independent registered public accounting firm in Proposal No. 4. Any shares represented at the meeting and not voted (whether by abstention or otherwise) will have the same effect as a vote "against" the proposal.

What happens if a quorum is not present at the Annual Meeting?

If the shares present in person or represented by proxy at the Annual Meeting are not sufficient to constitute a quorum, the stockholders by a vote of the holders of a majority of votes present in person or represented by proxy (which may be voted by the proxyholders), may, without further notice to any stockholder (unless a new record date is set), adjourn the meeting to a different time and place to permit further solicitations of proxies sufficient to constitute a quorum.

Who will count the votes?

Officers of Rite Aid will serve as proxy tabulator and count the votes. The results will be certified by the inspectors of election.

Who will conduct the proxy solicitation and how much will it cost?

We are soliciting proxies from stockholders on behalf of our Board and will pay for all costs incurred by it in connection with the solicitation. In addition to solicitation by mail, the directors, officers and employees of Rite Aid and its subsidiaries may solicit proxies from stockholders of Rite Aid in person or by telephone, facsimile or email without additional compensation other than reimbursement for their actual expenses.

We have retained The Altman Group, a proxy solicitation firm, to assist us in the solicitation of proxies for the Annual Meeting. Rite Aid will pay The Altman Group a fee of approximately $6,500 and reimburse the firm for reasonable out-of-pocket expenses.

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

If you have any questions about voting your shares or attending the Annual Meeting, please call our Investor Relations Department at (717) 975-3710.

PROPOSAL NO. 1

APPROVAL OF THE AMENDMENT OF OUR RESTATED CERTIFICATE OF INCORPORATION TO DECLASSIFY OUR BOARD OF DIRECTORS

Our Board of Directors has unanimously adopted and is submitting for stockholder approval an amendment of our Restated Certificate of Incorporation (the "Charter Amendment") that would phase-in the declassification of our Board of Directors and provide instead for the annual election of directors.

Our current classified board structure has been in place since 1976. The Board believes that its classified structure has helped assure continuity of the Company's business strategies and has reinforced a commitment to long-term stockholder value. Although these are important benefits, the Board recognized the growing sentiment among stockholders and the investment community in favor of annual elections. After careful consideration, the Board determined that it is appropriate to propose declassifying the Board, commencing with the 2009 Annual Meeting.

Currently, members of our Board are elected for staggered terms of three years. If the Charter Amendment is approved, commencing with the class of directors standing for election at the 2009 Annual Meeting, directors will stand for election for one year terms, expiring at the next succeeding annual meeting of stockholders. The directors who were elected at the 2008 Annual Meeting, whose terms will expire in 2011, and the directors who were elected at the 2007 Annual Meeting, whose terms will expire in 2010, will continue to hold office until the end of the terms for which they were elected. A majority of our directors will stand for election at the 2010 Annual Meeting and all directors will be elected on an annual basis beginning with the 2011 Annual Meeting. In all cases, each director will hold office until his or her successor has been elected and qualified or until the director's earlier resignation or removal. If the Charter Amendment is approved, the Board will adopt corresponding amendments to our Amended and Restated By-Laws.

If the Amendment is not approved by stockholders, the Board of Directors will remain classified, and each of the directors elected at the 2009 Annual Meeting will be elected for a three-year term expiring in 2012.

Presently, because the terms of the directors are staggered, the directors are removable only for cause. Upon adoption of the Charter Amendment, directors serving terms to which they were elected prior to the 2009 Annual Meeting would continue to be removable only for cause until the completion of their current terms and, consistent with Delaware law for corporations without classified boards, directors elected at the 2009 Annual Meeting and thereafter will be removable "with or without cause" upon the affirmative vote of a majority of the outstanding shares entitled to vote generally in the election of directors.

Appendix A shows the proposed changes to Section 1 of Article Eighth of the Restated Certificate of Incorporation, with deletions indicated by strikeouts and additions indicated by underlining.

The affirmative vote of a majority of the outstanding shares (with Rite Aid common stock and LGP Preferred Stock voting together as a single class) is required to approve the amendment to the Restated Certificate of Incorporation. Abstentions will have the same effect as votes "against" the proposal.

RECOMMENDATION

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE "FOR" THE AMENDMENT OF OUR RESTATED CERTIFICATE OF INCORPORATION TO DECLASSIFY OUR BOARD OF DIRECTORS

PROPOSAL NO. 2

ELECTION OF DIRECTORS

General

Our by-laws provide that the Board of Directors may be composed of up to 15 members, with the number to be fixed from time to time by the Board. The Board has fixed the number of directors at 15 and currently there are two vacancies. Our Board of Directors currently is divided into three classes, with each class to be as nearly equal in number as possible. The Board of Directors currently consists of five directors whose terms expire this year, four directors whose terms expire in 2010 and four directors whose terms expire in 2011. Subject to approval of Proposal No. 1, commencing with the 2009 Annual Meeting, the Board of Directors will be declassified and directors will be elected annually for one year terms, except that directors elected prior to the 2009 Annual Meeting will continue to serve the balance of their existing three year terms. If Proposal No. 1 is not approved, directors elected at the 2009 Annual Meeting will be elected for three year terms, except as otherwise described below.

George G. Golleher, who served as a director of the Company since 2002, retired from the Board of Directors on April 14, 2009 and Dr. Michael A. Friedman, who served as a director since 2004, resigned from the Board of Directors on April 28, 2009. The Board of Directors expresses its gratitude to Mr. Golleher and Dr. Friedman for their valuable contributions during their tenure on the Board. Effective April 14, 2009, the Board appointed David R. Jessick to fill the vacancy created by Mr. Golleher's resignation, and he will serve the remainder of Mr. Golleher's term, which expires in 2010.

John T. Standley has been nominated to fill one vacancy on the Board of Directors and he has been nominated to the class of directors whose terms expire in 2010.

The Board of Directors may fill the remaining vacancy and the person elected would serve for the remainder of the term of the vacant directorship, which expires in 2011. If the vacancy is not filled prior to the Annual Meeting, the size of the Board of Directors will be reduced to 14 members, effective as of the date of the Annual Meeting.

Director Nominees

The Board of Directors, based on the recommendation of the Nominating and Governance Committee, has nominated Joseph B. Anderson, Jr., Michel Coutu, James L. Donald, John T. Standley and Marcy Syms to be elected directors at the Annual Meeting. The holder of the LGP Preferred Stock has informed the Company that it will elect Jonathan D. Sokoloff as the LGP Preferred Director. Each of the nominees for director to be elected at the Annual Meeting, except for Mr. Standley, currently serves as a director of the Company. Michel Coutu was designated by The Jean Coutu Group (PJC) Inc., or Jean Coutu Group, to the Nominating and Governance Committee as a director nominee pursuant to the terms of the stockholder agreement with Jean Coutu Group, effective June 4, 2007, the date of our acquisition of the Brooks and Eckerd drugstore chains (the "Brooks Eckerd Transaction").

Each director elected at the Annual Meeting will hold office until the 2010 Annual Meeting of Stockholders or, if Proposal No. 1 is not approved, until the 2012 Annual Meeting of Stockholders (other than Mr. Standley, who, if elected, will hold office until the 2010 Annual Meeting of Stockholders). Each director elected at the Annual Meeting will serve until his or her successor is duly elected and qualified. The other directors will remain in office for the remainder of their respective terms, as indicated below.

If any nominee at the time of election is unable or unwilling to serve or is otherwise unavailable for election, and as a consequence thereof other nominees are designated, then the persons named in the proxy or their substitutes will have the discretion and authority to vote or to refrain from voting for other nominees in accordance with their judgment.

RECOMMENDATION

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE "FOR" THE ELECTION OF EACH OF THE NOMINEES LISTED ABOVE

BOARD OF DIRECTORS

The following table sets forth certain information with respect to our directors and director nominees as of the record date.

Name	Age	Position with Rite Aid	Year First Became Director	Term as Director Will Expire(1)
Mary F. Sammons	62	Chairman and Chief Executive Officer	1999	2010
Michel Coutu	55	Non-Executive Co-Chairman	2007	2009
Joseph B. Anderson, Jr.	66	Director	2005	2009
André Belzile	47	Director	2007	2010
François J. Coutu	54	Director	2007	2011
James L. Donald	55	Director	2008	2009
David R. Jessick	55	Director	2009	2010
Robert G. Miller	65	Director	1999	2011
Michael N. Regan	61	Director	2007	2011
Philip G. Satre	60	Director	2005	2010
Jonathan D. Sokoloff	51	Director	1999	2009
John T. Standley	46	President and Chief Operating Officer	—	2010
Marcy Syms	58	Director	2005	2009
Dennis Wood	70	Director	2007	2011

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

Following are the biographies for our director nominees and our directors who will continue to serve after the 2009 Annual Meeting:

Mary F. Sammons. Ms. Sammons has been Chairman of the Board of the Company since June 2007 and has been a member of Rite Aid's Board of Directors since December 5, 1999 and Chief Executive Officer since June 2003. Ms. Sammons was President of Rite Aid from December 1999 to September 2008. From April 1999 to December 1999, Ms. Sammons served as President and Chief Executive Officer of Fred Meyer Stores, Inc., a subsidiary of The Kroger Company. From January 1998 to April 1999, Ms. Sammons served as President and Chief Executive Officer of Fred Meyer Stores, Inc., a subsidiary of Fred Meyer, Inc. From 1985 through 1997, Ms. Sammons held several senior level positions with Fred Meyer Stores, Inc., the last being that of Executive Vice President. Ms. Sammons is also a member of the Board of the National Association of Chain Drug Stores, a trade association, is a director of StanCorp Financial Group, Inc. and is the President and a director of The Rite Aid Foundation.

Michel Coutu. Mr. Michel Coutu has served as the Non-Executive Co-Chairman of the Board since June 2007. He served as President of the U.S. operations of Jean Coutu Group and Chief Executive Officer of Jean Coutu USA from August 1986 until June 2007. He has also served as a member of the Board of Directors of Jean Coutu Group since December 1985. Mr. Coutu holds a degree in finance and a license in law from the University of Sherbrooke and a Masters in Business Administration from the Simon School of Business at the University of Rochester.

Joseph B. Anderson, Jr. Mr. Anderson has been the Chairman of the Board and Chief Executive Officer of TAG Holdings, LLC, a manufacturing, service and technology business since January 2002. Mr. Anderson was Chairman of the Board and Chief Executive Officer of Chivas Industries, LLC from

1994 to 2002. Mr. Anderson also serves as a director of Quaker Chemical Corporation, ArvinMeritor, Inc., Valassis Communications, Inc. and Nevada Energy (formerly Sierra Pacific Resources).

André Belzile. Mr. Belzile has been the Senior Vice President, Finance and Corporate Affairs of Jean Coutu Group since May 2004. Prior to serving in this position, from 1992 until May 2004 he served as Vice President and Chief Financial Officer of Cascades Inc., a producer and marketer of packaging products. Mr. Belzile is a chartered accountant who earned a bachelor's degree at Les Hautes Études Commerciales (HEC MONTRÉAL).

François J. Coutu. Mr. François J. Coutu has served as President and Chief Executive Officer of Jean Coutu Group since October 2007. Previously, Mr. Coutu held the positions of President of Canadian Operations and Vice Chairman of the Board from 2005 to 2007, President and Chief Executive Officer from 2002 to 2005 and President and Chief Operating Officer of Jean Coutu Group from 1992 to 2002. Mr. Coutu has been a member of the Board of Directors of Jean Coutu Group since 1985. He is a pharmacist by profession, holds a Bachelor's Degree in Administration from McGill University and a Bachelor's Degree in Pharmacy from Samford University. He was a director and chair of the Canadian Association of Chain Drug Stores, a trade association, and previously served as a member of the Board of Directors of the National Bank of Canada, where he was a member of the Human Resources and Credit Committees.

James L. Donald. Mr. Donald is currently a self-employed private investor. Mr. Donald was President and Chief Executive Officer and a director of Starbucks Corporation from April 2005 to January 2008. From October 2004 to April 2005, Mr. Donald served as Starbuck's CEO designate. From October 2002 to October 2004, Mr. Donald served as President of Starbucks, North America. From October 1996 to October 2002, Mr. Donald served as Chairman, President and Chief Executive Officer of Pathmark Stores, Inc. and prior to that time he held a variety of senior management positions with Albertson's, Inc., Safeway, Inc. and Wal-Mart Stores, Inc.

David R. Jessick. Mr. Jessick has served as a director of Rite Aid since April 2009. From July 2002 to February 2005, Mr. Jessick served as a consultant to Rite Aid's Chief Executive Officer and senior management and was Senior Executive Vice President, Chief Administrative Officer of Rite Aid from December 1999 to July 2002. From January 1997 to July 1999, Mr. Jessick was Chief Financial Officer and Executive Vice President, Finance and Investor Relations of Fred Meyer, Inc. Prior to joining Fred Meyer, Inc., Mr. Jessick spent 17 years with Thrifty PayLess Holdings, Inc., with his last position being Executive Vice President and Chief Financial Officer. Before that, he worked as an auditor with KPMG. Mr. Jessick currently serves as a director of Source Interlink Companies, Inc., Dollar Financial Corp. and Big 5 Sporting Goods Corp. He also served as Non-Executive Chairman of the Board of Pathmark Stores, Inc. from August 2005 to December 2007.

Robert G. Miller. Mr. Miller has been Chief Executive Officer of Albertsons LLC since June 2006. Mr. Miller has been a member of Rite Aid's Board of Directors since December 1999, serving as our Chairman of the Board from December 1999 until June 2007. From December 1999 until June 2003, Mr. Miller was also Rite Aid's Chief Executive Officer. Previously, Mr. Miller served as Vice Chairman and Chief Operating Officer of The Kroger Company, a retail food company. Mr. Miller joined the Kroger Company in March 1999, when Kroger acquired Fred Meyer, Inc., a food, drug and general merchandise chain. From 1991 until the March 1999 acquisition, he served as Chief Executive Officer of Fred Meyer, Inc. Mr. Miller also is a director of Nordstrom, Inc.

Michael N. Regan. Mr. Regan is currently a self-employed private equity investor. Mr. Regan served as Chief Financial Officer of The St. Joe Company, a major real estate development company

based in Florida, from November 2006 to May 2007. From 1997 to November 2006, he served as Senior Vice President, Finance and held various other positions with The St. Joe Company and was a member of the senior management team. Prior to joining St. Joe's, he served as Vice President and Controller of Harrah's Entertainment from 1991 to 1997. From 1980 until 1991 he held a series of progressively more responsible positions for Harrah's Entertainment, Inc. and its prior parent companies, Holiday Corporation and The Promus Companies.

Philip G. Satre. Mr. Satre is currently a self-employed private investor. Mr. Satre served as Chief Executive Officer of Harrah's Entertainment, Inc. from 1993 to January 2003. Mr. Satre was a director of Harrah's from 1988 through 2004, serving as Chairman of the Board of Harrah's from 1997 until his retirement in 2005. He presently serves as Chairman of the Board of Directors of NV Energy, Inc. and of the National Center for Responsible Gaming, and serves as a director of Nordstrom, Inc., International Game Technology and The National World War II Museum,, and is a trustee of Stanford University.

Jonathan D. Sokoloff. Mr. Sokoloff has been a Managing Partner of Leonard Green & Partners, L.P. since 1994. Leonard Green & Partners, L.P. is an affiliate of Green Equity Investors III, L.P. and is a private equity firm based in Los Angeles, California. Since 1990, Mr. Sokoloff has also been a partner in a merchant banking firm affiliated with Leonard Green & Partners, L.P. Mr. Sokoloff previously was elected as a director pursuant to director nomination rights granted to Green Equity Investors III, L.P. under an October 27, 1999 agreement between Rite Aid and Green Equity Investors with respect to the purchase of 3,000,000 shares of Rite Aid preferred stock.

John T. Standley. Mr. Standley was appointed President and Chief Operating Officer in September 2008. He was a consultant to Rite Aid from July 2008 to September 2008 and a self-employed private investor from January 2008 to July 2008. Previously, Mr. Standley had served as Chief Executive Officer and was a member of the Board of Directors of Pathmark Stores, Inc. from August 2005 through December 2007. From June 2002 to August 2005, he served as Senior Executive Vice President and Chief Administrative Officer of Rite Aid and, in addition, in January 2004 was appointed Chief Financial Officer of Rite Aid. He had served as Senior Executive Vice President and Chief Financial Officer of Rite Aid from September 2000 to June 2002 and had served as Executive Vice President and Chief Financial Officer of Rite Aid from December 1999 until September 2000. Previously, he was Executive Vice President and Chief Financial Officer of Fleming Companies, Inc., a food marketing and distribution company from May 1999 to December 1999. Between July 1998 and May 1999, Mr. Standley was Senior Vice President and Chief Financial Officer of Fred Meyer, Inc. Mr. Standley served as Senior Vice President and Chief Financial Officer of Ralphs Grocery Company between January 1997 and July 1998. Mr. Standley also served as Senior Vice President of Administration at Smith's Food & Drug Stores, Inc. from May 1996 to February of 1997 and as Chief Financial Officer of Smitty's Supervalue, Inc. from December 1994 to May 1996.

Marcy Syms. Ms. Syms has been Chief Executive Officer and a director of Syms Corp, a chain of retail clothing stores, since 1983. She currently serves on the Board of Directors of the New Jersey Economic Growth Council. Ms. Syms also is a founding member of the Board of Directors of the Syms School of Business at Yeshiva University.

Dennis Wood, O.C. Mr. Wood is Chairman, President and Chief Executive Officer of Dennis Wood Holdings Inc., a privately owned portfolio company, a position he has held since 1973. Since April 2005, he has served as Interim President and Chief Executive Officer of GBO Inc. (formerly Groupe Bocenor Inc.), a window and door manufacturer, and also serves as a director and as Chair of its Executive Committee. Between 1992 and 2001, Mr. Wood served as Chairman, President and Chief

Executive Officer of C-MAC Industries Inc., a designer and manufacturer of integrated electronic manufacturing solutions. Mr. Wood has been a member of the Board of Jean Coutu Group since March 2004. In April 2007, he was appointed Chairman of the Board of Azimut Exploration Inc. and serves as Chairman of the Board of 5N Plus Inc. Furthermore, Mr. Wood serves on the boards of National Bank Trust, Transat A.T. Inc. and Blue Mountain Wallcoverings Inc., a privately held company. He has been awarded Canada's top honor, the Order of Canada, and has an honorary degree from the University of Sherbrooke.

Corporate Governance

We recognize that good corporate governance is an important means of protecting the interests of our stockholders, associates, customers, suppliers and the community. The Board of Directors, through the Nominating and Governance Committee, monitors corporate governance developments and proposed legislative, regulatory and stock exchange corporate governance reforms.

Website Access to Corporate Governance Materials. Our corporate governance information and materials, including our Certificate of Incorporation, By-Laws, Corporate Governance Guidelines, current charters for each of the Audit Committee, Compensation Committee and Nominating and Governance Committee, Code of Ethics for the Chief Executive Officer and Senior Financial Officers, Code of Ethics and Business Conduct, and our Related Person Transactions Approval Policy, are posted on our website at *www.riteaid.com* under the headings "Our Company—Corporate Governance" and are available in print upon request to Rite Aid Corporation, 30 Hunter Lane, Camp Hill, Pennsylvania 17011, Attention: Secretary. The Board regularly reviews corporate governance developments and will modify these materials and practices from time to time as warranted.

Codes of Ethics. The Board has adopted a Code of Ethics that is applicable to our Chief Executive Officer and senior financial officers. The Board has also adopted a Code of Ethics and Business Conduct that applies to all of our officers, directors and associates. Any amendment to either code or any waiver of either code for executive officers or directors will be disclosed promptly on our website at *www.riteaid.com* under the headings "Our Company—Corporate Governance—Code of Ethics."

Director Independence. For a director to be considered independent under the New York Stock Exchange corporate governance listing standards, the Board of Directors must affirmatively determine that the director does not have any direct or indirect material relationship with the Company, including any of the relationships specifically proscribed by the NYSE independence standards. The Board considers all relevant facts and circumstances in making its independence determinations. Only independent directors may serve on our Audit Committee, Compensation Committee and Nominating and Governance Committee.

As a result of this review, the Board affirmatively determined that the following directors, including each director serving on the Audit Committee, the Compensation Committee and the Nominating and Governance Committee, satisfy the independence requirements of the NYSE listing standards: Joseph B. Anderson, Jr., André Belzile, François J. Coutu, James L. Donald, Michael A. Friedman, MD (served until April 28, 2009), George G. Golleher (served until April 14, 2009), David R. Jessick, Michael N. Regan, Philip G. Satre, Marcy Syms and Dennis Wood. The Board also determined that the members of the Audit Committee satisfy the additional independence requirements of Rule 10A-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act") and the

NYSE requirements for audit committee members. In determining each individual's status as an independent director, the Board considered the following transactions, relationships and arrangements:

- Joseph B. Anderson serves as a director of Valassis Communications, Inc., which does business with Rite Aid. Because Mr. Anderson serves only as an outside director of, and is not an officer of or otherwise employed by, Valassis Communications, Inc., the Board determined that the relationship between Rite Aid and Valassis Communications, Inc. does not constitute a material relationship between Mr. Anderson and Rite Aid.

- George G. Golleher serves as the Chairman and Chief Executive Officer of Smart & Final, a chain of warehouse grocery stores, which purchases ice cream from one of the Company's subsidiaries. Because the purchases of ice cream are in an amount which is approximately .15% of Smart & Final's consolidated gross revenues, the Board determined that the relationship between Rite Aid and Smart & Final does not constitute a material relationship between Mr. Golleher and Rite Aid.

There is no family relationship between any of the nominees, continuing directors and executive officers of Rite Aid, except that directors François Coutu and Michel Coutu are brothers.

Majority Voting Standard and Policy. Under the Company's By-Laws, a nominee for director in uncontested elections of directors (as is the case for this annual meeting) will be elected to the Board if the votes cast "for" such nominee's election exceed the votes cast "against" such nominee's election. In contested elections, directors will be elected by a plurality of votes cast. For this purpose, a contested election means any meeting of stockholders for which (i) the Secretary of the Company receives a notice that a stockholder has nominated a person for election to the Board in compliance with the advance notice requirements for stockholder nominees for director set forth in the By-Laws and (ii) such nomination has not been withdrawn by such stockholder on or prior to the 14th day preceding the date the Company first mails its notice of meeting for such meeting to the stockholders.

Under the Company's Corporate Governance Guidelines (the "Guidelines"), a director who fails to receive the required number of votes for re-election in accordance with the By-Laws will, within five days following certification of the stockholder vote, tender his or her written resignation to the Chairman of the Board for consideration by the Board, subject to the procedures set forth in the Guidelines.

Committees of the Board of Directors

The Board of Directors has four standing committees: the Audit Committee, the Compensation Committee, the Nominating and Governance Committee and the Executive Committee. Current copies of the charters for each of these committees are available on our website at *www.riteaid.com* under the headings "Our Company—Corporate Governance—Committee Charters."

Audit Committee. The Audit Committee, which held eleven meetings during fiscal year 2009, currently consists of Philip G. Satre (Chairman), André Belzile, Michael N. Regan and Marcy Syms. The Board has determined that each of these individuals is an independent director under the NYSE listing standards and satisfies the additional independence requirements of Rule 10A-3 under the Exchange Act and the additional requirements of the NYSE listing standards for audit committee members. See the section entitled "Corporate Governance—Director Independence" above. The Board has determined that Philip G. Satre qualifies as an "audit committee financial expert" as that term is defined under applicable SEC rules. It is expected that David R. Jessick will be appointed to the Audit Committee.

The functions of the Audit Committee include the following:

- Appointing, compensating and overseeing our independent registered public accounting firm ("independent auditors");
- Overseeing management's fulfillment of its responsibilities for financial reporting and internal control over financial reporting; and
- Overseeing the activities of the Company's internal audit function.

The independent auditors and internal auditors meet with the Audit Committee with and without the presence of management representatives. For additional information, see the section entitled "Audit Committee Report," as well as the Audit Committee's charter, which is posted on our website at *www.riteaid.com* under the headings "Our Company—Corporate Governance."

Compensation Committee. The Compensation Committee, which met eight times during fiscal year 2009, currently consists of James L. Donald and Dennis Wood. The Board has determined that each of these individuals is an independent director under the NYSE listing standards. See the section entitled "Corporate Governance—Director Independence" above. George G. Golleher served as Chairman of the Compensation Committee until his resignation from the Board on April 14, 2009 and Dr. Michael A. Friedman served as a member of the Compensation Committee until his resignation from the Board on April 28, 2009.

The functions of the Compensation Committee include the following:

- Administering Rite Aid's stock option and other equity incentive plans;
- Reviewing and approving the Company's goals and objectives relevant to the compensation of the Chief Executive Officer, evaluating the CEO's performance in light of these goals and objectives and determining and approving the CEO's compensation level based on this evaluation; and
- Reviewing and approving compensation with respect to all other senior management.

The Compensation Committee reviews the performance of the Company's executive personnel and develops and makes recommendations to the Board of Directors with respect to executive compensation policies. The Compensation Committee is empowered by the Board of Directors to award to executive officers appropriate bonuses, stock options, stock appreciation rights ("SARs") and stock-based awards. The details of the processes and procedures for the consideration and determination of executive and director compensation are described in the section entitled "Compensation Discussion and Analysis."

The Compensation Committee also has access to independent compensation data and from time to time engages outside compensation consultants. In fiscal year 2009, the Compensation Committee considered the report of outside compensation consultants with respect to executive compensation and equity compensation strategy.

The objectives of the Compensation Committee are to support the achievement of desired company performance, to provide compensation and benefits that will attract and retain superior talent and reward performance and to fix a portion of compensation to the outcome of the Company's performance.

Nominating and Governance Committee. The Nominating and Governance Committee, which held two meetings during fiscal year 2009, currently consists of Joseph B. Anderson, Jr. (Chairman) and François J. Coutu. The Board has determined that each of these individuals is an independent director under the NYSE listing standards. See the section entitled "Corporate Governance—Director Independence" above. Dr. Michael A. Friedman served as a member of the Nominating and Governance Committee until his resignation from the Board on April 28, 2009.

The functions of the Nominating and Governance Committee include the following:

- Identifying and recommending to the Board individuals qualified to serve as Rite Aid directors;
- Recommending to the Board individual directors to serve on committees of the Board;
- Advising the Board with respect to matters of Board composition and procedures;
- Developing and recommending to the Board a set of corporate governance principles applicable to Rite Aid and overseeing corporate governance matters generally;
- Overseeing the annual evaluation of the Board and management; and
- Reviewing, evaluating and recommending for approval by the Board related person transactions in which the Company is a participant.

Executive Committee. The members of the Executive Committee currently are Michel Coutu, Robert G. Miller, Mary F. Sammons and Philip G. Satre. The Executive Committee did not meet during fiscal year 2009. However, on four occasions, the Executive Committee acted by Unanimous Written Consent. The Executive Committee, except as limited by Delaware law, is empowered to exercise all of the powers of the Board of Directors.

Nomination of Directors

The Nominating and Governance Committee will consider director candidates recommended by stockholders. In considering such recommendations, the Nominating and Governance Committee will take into consideration the needs of the Board and the qualifications of the candidate. The Nominating and Governance Committee may also take into consideration the number of shares held by the recommending stockholder and the length of time that such shares have been held. To have a candidate considered by the Nominating and Governance Committee, a stockholder must submit the recommendation in writing and must include the following information:

- The name of the stockholder and evidence of the person's ownership of Rite Aid stock, including the number of shares owned and the length of time of ownership; and
- The name of the candidate, the candidate's resume or a listing of his or her qualifications to be a Rite Aid director and the person's consent to be named as a director if selected by the Nominating and Governance Committee and nominated by the Board.

The stockholder recommendation and information described above must be sent to Rite Aid Corporation, 30 Hunter Lane, Camp Hill, Pennsylvania 17011, Attention: Secretary. The Nominating and Governance Committee will accept recommendations of director candidates throughout the year; however, in order for a recommended director candidate to be considered for nomination to stand for election at an upcoming annual meeting of stockholders, the recommendation must be received by the

Secretary not less than 120 days prior to the anniversary date of Rite Aid's most recent annual meeting of stockholders.

The Nominating and Governance Committee believes that the minimum qualifications for serving as a Rite Aid director are that a candidate demonstrate, by significant accomplishment in his or her field, an ability to make a meaningful contribution to the Board's oversight of Rite Aid's business and affairs and have an impeccable record and reputation for honest and ethical conduct in his or her professional and personal activities. In addition, the Nominating and Governance Committee examines a candidate's specific experiences and skills, time availability in light of other commitments, potential conflicts of interest and independence from management and the Company. The Nominating and Governance Committee also seeks to have the Board represent a diversity of backgrounds and experience.

The Nominating and Governance Committee identifies potential candidates by asking current directors and executive officers to notify the committee if they become aware of persons, meeting the criteria described above, who have had a change in circumstances that might make them available to serve on the Board—for example, retirement as a CEO or CFO of a public company or exiting government or military service. The Nominating and Governance Committee also, from time to time, may engage firms that specialize in identifying director candidates. As described above, the committee will also consider candidates recommended by stockholders.

Once a person has been identified by the Nominating and Governance Committee as a potential candidate, the committee may collect and review publicly available information regarding the person to assess whether the person should be considered further. If the Nominating and Governance Committee determines that the candidate warrants further consideration, the Chairman or another member of the committee contacts the person. Generally, if the person expresses a willingness to be considered and to serve on the Board, the Nominating and Governance Committee requests information from the candidate, reviews the person's accomplishments and qualifications, including in light of any other candidates that the committee might be considering, and conducts one or more interviews with the candidate. In certain instances, committee members may contact one or more references provided by the candidate or may contact other members of the business community or other persons that may have greater first-hand knowledge of the candidate's accomplishments. The committee's evaluation process does not vary based on whether or not a candidate is recommended by a stockholder, although, as stated above, the Board may take into consideration the number of shares held by the recommending stockholder and the length of time that such shares have been held.

James L. Donald and David R. Jessick were appointed to the Board of Directors in May 2008 and April 2009, respectively, on the recommendation of the Nominating and Governance Committee. Messrs. Donald and Jessick were recommended for consideration by the Nominating and Governance Committee by Mary Sammons, our Chairman and Chief Executive Officer.

Executive Sessions of Non-Management Directors

In order to promote discussion among the non-management directors, regularly scheduled executive sessions (*i.e.,* meetings of non-management directors without management present) are held to review such topics as the non-management directors determine. The non-management directors met in executive session seven times during fiscal year 2009 and were presided over by the Non-Executive Co-Chairman of the Board of Directors.

Communications with the Board of Directors

The Board has established a process to receive communications from stockholders and other interested parties. Stockholders and other interested parties may contact any member (or all members) of the Board, any Board committee or any chair of any such committee by mail or electronically. To communicate with the Board of Directors, the non-management directors, any individual directors or committee of directors, correspondence should be addressed to the Board of Directors or any such individual directors or committee of directors by either name or title. All such correspondence should be sent to Rite Aid Corporation, c/o Secretary, P.O. Box 3165, Harrisburg, Pennsylvania 17105. To communicate with any of the directors electronically, stockholders should go to our website at *www.riteaid.com*. Under the headings "Our Company—Corporate Governance—Contact Our Board" you will find an on-line form that may be used for writing an electronic message to the Board, the non-management directors, any individual directors, or any committee of directors. Please follow the instructions on the web site in order to send your message.

All communications received as set forth above will be opened by the Secretary for the purpose of determining whether the contents represent a message to the directors, and depending on the facts and circumstances outlined in the communication, will be distributed to the Board, the non-management directors, an individual director, or committee of directors, as appropriate. The Secretary will make sufficient copies of the contents to send to each director who is a member of the Board or of the committee to which the envelope or e-mail is addressed.

Directors' Attendance at Board, Committee and Annual Meetings

The Board of Directors held ten meetings during fiscal year 2009. Each incumbent director attended at least 75% of the aggregate of the meetings of the Board of Directors and meetings held by all committees on which such director served, during the period for which such director served.

It is our policy that directors are invited and encouraged to attend the annual meeting of stockholders. Twelve of our fourteen directors attended the 2008 Annual Meeting of Stockholders.

Directors' Compensation

Except for Robert G. Miller, whose compensation arrangements are discussed in the section below entitled "Agreement with Mr. Miller," and except as noted below under the director compensation plan, each non-employee director other than Mr. Sokoloff (who is affiliated with Leonard Green & Partners L.P., an entity that provides services to Rite Aid, as discussed under "Certain Relationships and Related Transactions") receives an annual payment of $70,000 in cash, payable quarterly in arrears, except that the annual payment to each non-employee director who is a member of the Audit Committee is $80,000 and the annual payment to Michel Coutu in his capacity as Non-Executive Co-Chairman is $500,000. In addition, the chair of the Audit Committee receives an additional annual payment of $10,000. Each non-employee director who chairs a committee of the Board other than the Audit Committee receives an additional annual payment of $7,500. Directors who are officers and full-time Rite Aid employees and Mr. Sokoloff receive no separate compensation for service as directors or committee members. Directors are reimbursed for travel and lodging expenses associated with attending Board of Directors meetings.

Each person who was first elected or appointed as a director after January 1, 2002 and who is eligible to receive compensation for serving as a director shall, on the date first elected or appointed, receive non-qualified stock options to purchase 100,000 shares of common stock. In addition, non-employee directors other than Mr. Sokoloff are entitled to annually receive 20,000 shares of restricted stock. All of the options received by the directors vest ratably and the restrictions applicable to the restricted stock shall lapse over a three-year period beginning on the first anniversary of the date they were granted. None of such options vests after the non-employee director ceases to be a director,

except in the case of a director whose service terminates after he or she reaches age 72, in which case such options will vest immediately upon termination. All of the options vest immediately upon a change in control. In accordance with the foregoing, the following number of shares of restricted stock were issued under Rite Aid's 2006 Omnibus Equity Plan to the following directors: on September 24, 2008, Ms. Syms and Messrs. Anderson, Belzile, François Coutu, Michel Coutu, Friedman, Golleher, Miller, Regan, Satre and Wood each received 20,000 shares of restricted stock. On May 13, 2008, James L. Donald was appointed to the Board of Directors and received non-qualified stock options to purchase 100,000 shares with an exercise price equal to the market price of the Company's common stock as of the close of business on the date of grant.

In fiscal year 2009, Rite Aid's non-employee directors also received $2,000 for each Board of Directors meeting attended, $1,000 for each committee meeting attended or $2,500 for each meeting attended at which such non-employee director served as the chairman of a committee, except that Mr. Sokoloff received no such compensation.

DIRECTOR COMPENSATION TABLE FOR FISCAL YEAR 2009

The following Director Compensation Table sets forth fees, awards and other compensation paid to or earned by our directors (other than Named Executive Officers) who served during the fiscal year ended February 28, 2009:

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)(4)(6)	Option Awards ($)(5)(7)	All Other Compensation ($)	Total
Joseph B. Anderson, Jr.	104,500	2,667	54,167		161,334
André Belzile	115,000	2,667	108,333		226,000
François J. Coutu	94,000	2,667	108,333		205,000
Michel Coutu	522,000	2,667	108,333		633,000
James L. Donald	67,231	—	35,667		102,898
Michael A. Friedman, MD	103,000	2,667	54,167		159,834
George G. Golleher	124,500	2,667	54,167		181,334
Robert A. Mariano(1)	21,000	—	4,514		25,514
Robert G. Miller(2)	154,731	2,667	54,167	507,544(3)	719,109
Michael N. Regan	115,000	2,667	108,333		226,000
Philip G. Satre	141,500	2,667	54,167	—	198,334
Jonathan D. Sokoloff	—	—	—		—
Marcy Syms	114,000	2,667	54,167		170,834
Dennis Wood	102,000	2,667	108,333	—	213,000

(1) Mr. Mariano resigned from the Board on May 13, 2008.

(2) Represents annual base pay for Mr. Miller, as discussed in the section entitled "Agreement with Mr. Miller".

(3) All Other Compensation for Mr. Miller consists of $240,000 contributed by the Company to a supplemental executive retirement plan and $267,544 for personal use of aircraft. The methodology used to calculate the incremental cost of aircraft usage is set forth in Note 6 to the Summary Compensation Table.

(4) Represents the total expense recorded in fiscal 2009 in accordance with SFAS No. 123R for outstanding restricted stock awards. The assumptions used in determining the fair value of an award is set forth in Note 15 to our financial statements contained in our Annual Report on Form 10-K for the fiscal year ended February 28, 2009. We recognize expense ratably over the three-year vesting period.

(5) Represents the total expense recorded in fiscal 2009 in accordance with SFAS No. 123R for outstanding stock option awards. The assumptions used in determining the fair value of the outstanding options is set forth in Note 15 to our financial statements contained in our Annual Report on Form 10-K for the fiscal year ended February 28, 2009. We recognize expense ratably over the three-year vesting period.

(6) The number of stock awards outstanding as of February 28, 2009 for each director is detailed in the table below. The grant date fair value is included for all awards granted to our directors in fiscal 2009.

Name	Grant Date	Number of Stock Awards (#)	Grant Date Fair Value ($)
Joseph B. Anderson, Jr.	9/24/2008	20,000	0.96
André Belzile	9/24/2008	20,000	0.96
François J. Coutu	9/24/2008	20,000	0.96
Michel Coutu	9/24/2008	20,000	0.96
Michael A. Friedman, MD	9/24/2008	20,000	0.96
George G. Golleher	9/24/2008	20,000	0.96
Robert G. Miller	9/24/2008	20,000	0.96
Michael N. Regan	9/24/2008	20,000	0.96
Philip G. Satre	9/24/2008	20,000	0.96
Marcy Syms	9/24/2008	20,000	0.96
Dennis Wood	9/24/2008	20,000	0.96

(7) The number of unexercised options outstanding as of February 28, 2009 for each director is detailed in the table below. Note that the grant date fair value is included for those options granted to our directors in fiscal 2008 and 2009.

Name	Grant Date	Exercise Price ($)	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Grant Date Fair Value ($)
Joseph B. Anderson, Jr.	9/21/2005	3.65	100,000	—	—
	6/21/2006	4.55	50,000	—	—
	6/27/2007	6.15	16,667	33,333	3.25
André Belzile	6/4/2007	6.55	33,334	66,666	3.25
François J. Coutu	6/4/2007	6.55	33,334	66,666	3.25
Michel Coutu	6/4/2007	6.55	33,334	66,666	3.25
James L. Donald	5/13/2008	2.40	—	100,000	1.07
Michael A. Friedman, MD	10/7/2004	3.53	100,000	—	—
	6/23/2005	4.11	50,000	—	—
	6/21/2006	4.55	50,000	—	—
	6/27/2007	6.15	16,667	33,333	3.25
George G. Golleher	1/30/2002	2.26	100,000	—	—
	12/11/2002	2.10	50,000	—	—
	4/7/2004	5.40	50,000	—	—
	6/23/2005	4.11	50,000	—	—
	6/21/2006	4.55	50,000	—	—
	6/27/2007	6.15	16,667	33,333	3.25

Name	Grant Date	Exercise Price ($)	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Grant Date Fair Value ($)
Robert G. Miller	11/20/2000	2.75	4,200,000	—	—
	2/13/2001	4.05	4,500,000	—	—
	6/24/2004	5.38	50,000	—	—
	6/23/2005	4.11	50,000	—	—
	6/21/2006	4.55	50,000	—	—
	6/27/2007	6.15	16,667	33,333	3.25
Michael N. Regan	6/27/2007	6.15	33,334	66,666	3.25
Philip G. Satre	4/6/2005	3.77	100,000	—	—
	6/23/2005	4.11	50,000	—	—
	6/21/2006	4.55	50,000	—	—
	6/27/2007	6.15	16,667	33,333	3.25
Marcy Syms	9/21/2005	3.65	100,000	—	—
	6/21/2006	4.55	50,000	—	—
	6/27/2007	6.15	16,667	33,333	3.25
Dennis Wood	6/4/2007	6.55	33,334	66,666	3.25

Agreement with Mr. Miller

Mr. Miller's April 9, 2003 employment agreement was amended on April 28, 2005, pursuant to which, effective as of June 23, 2005, Mr. Miller continued serving solely as Chairman of the Board. On November 28, 2006, Rite Aid amended the April 9, 2003 agreement with Mr. Miller pursuant to which Mr. Miller stepped down as Chairman upon the closing of the Brooks Eckerd Transaction and continued to serve solely as a director through the date of the 2008 annual meeting, and the parties agreed that the Brooks Eckerd Transaction would not trigger change in control benefits. An additional amendment to Mr. Miller's employment agreement, pursuant to which Mr. Miller will continue to serve as a director until the Company's 2011 Annual Meeting of Stockholders, became effective on his re-election to the Board of Directors at the 2008 annual meeting. Additional terms of this agreement are as follows:

Salary and incentive bonus. Through June 25, 2008, the date of the 2008 Annual Meeting of Shareholders, Mr. Miller received annual base pay of $350,000 and was entitled to continued benefits, in their entirety, including participation in Rite Aid's fringe benefit and perquisite programs and savings plans, and continued deferred compensation as provided under the December 5, 1999 employment agreement. However, he was not entitled to participate in any incentive compensation or bonus plans. For the period starting on June 26, 2008 and ending on the later of (i) June 30, 2009 and (ii) the one year anniversary of the 2008 annual meeting (the "Term"), Mr. Miller receives a monthly base salary of $5,000 (pro-rated for any partial month) and continues to be eligible to participate in certain of the Company's fringe benefit and perquisite programs in which he was entitled to participate prior to the 2008 annual meeting, and continues to remain entitled to defer compensation as provided under the December 5, 1999 employment agreement. The Term may be extended at the mutual agreement of the parties. If the Term is not extended, Mr. Miller shall be entitled to receive solely the fees which are paid to our non-employee directors through the end of his service as a director.

Restricted stock and options. During his service as a director, Mr. Miller is eligible to receive option and restricted stock awards in accordance with Rite Aid's policy for members of the Board of Directors as in effect from time to time. Mr. Miller's existing stock options and shares of restricted stock continue to vest and be fully exercisable for the remainder of their stated terms.

Termination of employment and change in control arrangements. The termination provisions of the April 9, 2003 employment agreement became effective immediately and remain in effect until the agreement expires. Pursuant to the April 28, 2005 amendment to the April 9, 2003 agreement, if Mr. Miller was not re-elected as Chairman, he could be terminated and receive one year's base salary (as compared to three years provided under the previous agreements for a termination without cause). Under the November 28, 2006 agreement, Mr. Miller waived any right he would have pursuant to his employment agreement upon his ceasing to serve as Chairman or a change in control triggered by the Brooks Eckerd Transaction.

Agreement with Michel Coutu

Effective as of June 27, 2007, Michel Coutu was appointed as a director of Rite Aid and non-executive co-chairman of the Board of Directors for a term of two years following the completion of the Brooks Eckerd Transaction. In this capacity, Mr. Coutu is entitled to receive an annual retainer of $500,000, payable quarterly in arrears. In addition, Mr. Coutu is also entitled to receive certain benefits and annual equity awards to the same extent as our other directors, as described under the caption "Directors' Compensation," above. On April 8, 2009, the Board extended this agreement with Mr. Coutu, on the same terms, through the date of the 2010 annual meeting of stockholders.

PROPOSAL NO. 3

STOCKHOLDER PROPOSAL—ADVISORY VOTE ON EXECUTIVE COMPENSATION

The Comptroller of the City of New York, custodian and trustee of the New York City Employees' Retirement System and the New York City Teachers' Retirement System, which collectively own approximately 1,131,141 shares of Common Stock (based on information provided to us by the Comptroller of the City of New York), has notified the Company that it intends to present the following proposal at the Annual Meeting:

> RESOLVED, that shareholders of Rite Aid Corporation request the Board of Directors to adopt a policy that provides shareholders the opportunity at each annual shareholder meeting to vote on an advisory resolution, proposed by management, to ratify the compensation of the named executive officers ("NEOs") set forth in the proxy statement's Summary Compensation Table (the "SCT") and the accompanying narrative disclosure of material factors provided to understand the SCT (but not the Compensation Discussion and Analysis). The proposal submitted to shareholders should make clear that the vote is non-binding and would not affect any compensation paid or awarded to any NEO.

Supporting Statement

Investors are increasingly concerned about mushrooming executive compensation especially when it is insufficiently linked to performance. In 2008, shareholders filed close to 100 "Say on Pay" resolutions. Votes on these resolutions have averaged 43% in favor, with ten votes over 50%, demonstrating strong shareholder support for this reform.

An Advisory Vote establishes an annual referendum process for shareholders about senior executive compensation. We believe the results of this vote would provide the board and management with useful information about shareholder views on the company's senior executive compensation.

In its 2008 proxy, Aflac submitted an Advisory Vote resulting in a 93% vote in favor, indicating strong investor support for good disclosure and a reasonable compensation package. Daniel Amos, Chairman and CEO, said "An advisory vote on our compensation report is a helpful avenue for our shareholders to provide feedback on our pay-for-performance compensation philosophy and pay package."

To date eight other companies have also agreed to an Advisory Vote, including Verizon, MBIA, H&R Block, Blockbuster, and Tech Data. TIAA-CREF, the country's largest pension fund, has successfully utilized the Advisory Vote twice.

Influential proxy voting service RiskMetrics Group recommends votes in favor, noting: "RiskMetrics encourages companies to allow shareholders to express their opinions of executive compensation practices by establishing an annual referendum process. An advisory vote on executive compensation is another step forward in enhancing board accountability."

The Council of Institutional Investors has endorsed advisory votes and a bill to allow annual advisory votes passed the House of Representatives by a 2-to-1 margin. As presidential candidates, Senators Obama and McCain supported the Advisory Vote.

We believe that existing U.S. Securities and Exchange Commission rules and stock exchange listing standards do not provide shareholders with sufficient mechanisms for providing input to boards on senior executive compensation. In contrast, in the Untied Kingdom, public companies allow shareholders to cast a vote on the "directors' remuneration report," which discloses executive compensation. Such a vote isn't binding, but gives shareholders a clear voice that could help shape senior executive compensation.

We believe that a company that has a clearly explained compensation philosophy and metrics, reasonably links pay to performance, and communicates effectively to investors would find a management sponsored Advisory Vote a helpful tool.

We urge our board to allow shareholders to express their opinion about senior executive compensation through an Advisory Vote.

THE BOARD OF DIRECTORS' STATEMENT IN OPPOSITION

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE "AGAINST" THIS PROPOSAL TO ADOPT AN ADVISORY VOTE ON EXECUTIVE COMPENSATION FOR THE FOLLOWING REASONS:

The Board has given careful consideration to this proposal and has concluded for the reasons described below that the adoption of this resolution is unnecessary and is not in the best interests of Rite Aid and its stockholders.

The Board recognizes the importance of executive compensation to the overall long-term performance of Rite Aid. Rite Aid's compensation philosophy is to pay for performance that supports Rite Aid's business strategies and to pay competitively. In the "Compensation Discussion & Analysis" ("CD&A") section of this proxy statement, Rite Aid provides stockholders with a detailed and thorough description of the Company's compensation program, including the philosophy and strategy underpinning the program, the individual elements of the compensation program and how Rite Aid's compensation plans are administered. Rite Aid's compensation programs contain consistent elements designed to reward achievement of the Company's long-term objectives.

Rite Aid's Compensation Committee, composed entirely of independent directors, is responsible for reviewing and approving the compensation of Rite Aid's chief executive officer and reviewing and recommending to the Board other senior officers' compensation levels. The Compensation Committee considers a variety of information to determine the appropriate level of competitive and equitable executive pay. By their very nature, compensation decisions require a knowledge of executive performance and confidential and sensitive strategic and operational information; expertise regarding competitive conditions and compensation practices and a familiarity with other confidential and proprietary information unavailable to stockholders.

Some of the information could not be made available to stockholders without also providing proprietary competitive data to the Company's competitors. As proposed, stockholders would be asked to endorse or reject compensation decisions without complete information, or alternatively, the Company would have to disclose competitive information in a public document in order for stockholders to make an informed vote.

In addition, the Compensation Committee retains an independent outside executive compensation consultant to conduct pay for performance reviews, which are performed annually after the end of the fiscal year using peer group data to benchmark Rite Aid's compensation programs and performance. While the Compensation Committee is able to use this information to timely evaluate and make recommendations regarding executive pay for the relevant performance period, an advisory stockholder vote would take place approximately four (4) months after the relevant performance period has ended. Therefore, an advisory vote is likely to be more reflective of current market conditions, rather than a consideration of the compensation awarded or recommended by the Compensation Committee for the relevant performance period that was based on information and analysis available to the Compensation Committee at the time.

Even if the proposal were adopted, the result of the requested advisory vote cannot be expected to provide the Company with meaningful results. If stockholders do not ratify compensation decisions, the Company will understand that stockholders are dissatisfied. However, the source of the stockholder dissatisfaction will not necessarily be clear, much less the action that should be taken to address their concerns.

The proposal states that the United Kingdom allows an advisory vote on executive compensation. The Board believes that comparing U.S. compensation practices to those in the United Kingdom is inappropriate. Because an advisory stockholder vote on executive compensation is mandatory for all public United Kingdom companies, no one United Kingdom company is competitively disadvantaged by this requirement. Rite Aid, on the other hand, could find it more difficult to recruit and retain executive talent if it became one of the small number of U.S. companies to adopt an advisory vote, as the practice could lead to a perception that compensation opportunities at Rite Aid may be limited or negatively affected compared to opportunities at other companies that have not adopted this practice. Moreover, we have found no evidence of increased investor satisfaction with United Kingdom pay practices and we are not aware of any company in Rite Aid's peer group (as identified in the CD&A) that has adopted this practice.

The Board believes that the Compensation Committee is in the best position to consider the extensive information and factors necessary to make independent, objective and competitive compensation recommendations and decisions that are in the best interest of Rite Aid and its stockholders. The Compensation Committee should have flexibility in making the appropriate compensation recommendations and decisions so that Rite Aid can motivate and competitively compensate Rite Aid executives in alignment with Rite Aid's performance. The Board appreciates that stockholders are a crucial stakeholder whose views must be heard and valued. Stockholders who wish to express their opinion on the Company's executive compensation strategy or any other matter are encouraged to do so in writing to the Board pursuant to the process described in the "Communications with the Board of Directors" section of this proxy statement. The Board believes that this approach facilitates a sharing of stockholder views and is ultimately more meaningful and useful to the Board than a non-binding advisory vote that is based on incomplete information.

RECOMMENDATION

FOR THE REASONS STATED ABOVE, THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE "AGAINST" THIS STOCKHOLDER PROPOSAL.

PROPOSAL NO. 4

RATIFICATION OF THE APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The accounting firm of Deloitte & Touche LLP ("Deloitte & Touche") has been selected as the independent registered public accounting firm for the Company for the fiscal year ending February 27,

2010. Deloitte & Touche has audited the accounts and records of Rite Aid and its subsidiaries since 2000. Although the selection of accounting firms does not require ratification, the Board of Directors has directed that the appointment of Deloitte & Touche be submitted to the stockholders for ratification due to the significance of their appointment by the Company. If the stockholders do not ratify the appointment of Deloitte & Touche, the Board of Directors will consider the appointment of another independent registered public accounting firm. A representative of Deloitte & Touche will be present at the Annual Meeting and will have the opportunity to make a statement and will be available to respond to appropriate questions.

RECOMMENDATION

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" THE RATIFICATION OF DELOITTE & TOUCHE LLP AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR FISCAL YEAR 2010

EXECUTIVE OFFICERS

Officers are appointed annually by the Board of Directors and serve at the discretion of the Board of Directors. Set forth below is information regarding the current executive officers of Rite Aid.

Name	Age	Position with Rite Aid
Mary F. Sammons(1)	62	Chairman and Chief Executive Officer
John T. Standley(2)	46	President and Chief Operating Officer
Frank G. Vitrano	53	Senior Executive Vice President, Chief Financial Officer and Chief Administrative Officer
Kenneth A. Martindale	49	Senior Executive Vice President, Chief Merchandising, Marketing & Logistics Officer
Brian R. Fiala	48	Executive Vice President, Store Operations
Marc A. Strassler	61	Executive Vice President, General Counsel and Secretary
Douglas E. Donley	46	Senior Vice President, Chief Accounting Officer

(1) Ms. Sammons' biographical information is provided above in the section identifying the Board of Directors.

(2) Mr. Standley's biographical information is provided above in the section identifying the Board of Directors.

Frank G. Vitrano. Mr. Vitrano was appointed Senior Executive Vice President, Chief Financial Officer and Chief Administrative Officer in September 2008. He was a self-employed private investor from January 2008 to September 2008. Previously, Mr. Vitrano spent 35 years at Pathmark Stores, Inc., where most recently he served as President, Chief Financial Officer and Treasurer from October 2002 through December 2007. Prior to serving as President, Chief Financial Officer and Treasurer, Mr. Vitrano served in a variety of positions at Pathmark. Mr. Vitrano was a Director of Pathmark Stores, Inc. from 2000 to 2005.

Kenneth A. Martindale. Mr. Martindale was appointed Senior Executive Vice President, Chief Merchandising, Marketing and Logistics Officer in December 2008. He was a self-employed private investor from January 2008 to December 2008. Previously, Mr. Martindale served as Co-President, Chief Merchandising and Marketing Officer for Pathmark Stores, Inc. from January 2006 until December 2007. In January 2000, Mr. Martindale joined the Board of Directors of Intesource, Inc.; became Chairman of the Board in March 2004; and served as President, Chief Executive Officer and Chairman of the Board from November 2004 until January 2006. From September 1999 until

November 2004, Mr. Martindale was Principal of Martindale Development Group, L.L.C. In September 1999 until July 2003, Mr. Martindale was Managing Director/CEO of Orchard Street, Inc., a privately held specialty food retailer which he founded and owned. Mr. Martindale was Executive Vice President of Sales and Procurement with Fred Meyer, Inc. from January 1998 until September 1999 and was Senior Vice President of Sales and Procurement with Smith's Food & Drug Centers, Inc. in June 1996 until January 1998.

Brian R. Fiala. Mr. Fiala was appointed Executive Vice President of Store Operations in June 2007. He was a self employed private investor from July 2006 to June 2007. Previously, Mr. Fiala spent 24 years with Target Corporation, where most recently he served as Senior Vice President on the East Coast until July 2006. Mr. Fiala joined Target in 1983 as a management trainee, was promoted into various positions including Store Team Leader, Regional Merchandise Manager, District Team Leader, and Regional Director. In 1998, Mr. Fiala was named Regional Vice President for the Northeast and in 2001 was promoted to Senior Vice President of Target.

Marc A. Strassler. Mr. Strassler was appointed Executive Vice President, General Counsel and Secretary in March 2009. From January 2008 until March 2009, Mr. Strassler was a self-employed private investor. Previously, Mr. Strassler served as Senior Vice President, General Counsel and Corporate Secretary with Pathmark Stores, Inc. from 1997 until its acquisition by the Great Atlantic & Pacific Tea Company in December 2007. From 1987 until 1997, he served as Vice President, General Counsel and Secretary of Pathmark. From 1974 until 1987, Mr. Strassler served in a variety of legal positions at Pathmark.

Douglas E. Donley. Mr. Donley was appointed Senior Vice President, Chief Accounting Officer in October 2005. He had been Group Vice President, Corporate Controller from 1999 to October 2005. Mr. Donley served as the acting principal financial officer of the Company from October 7 to October 8, 2008, and as a financial analyst for the Company from 1996 to 1999. He was an internal auditor for Harsco Corporation from 1994 to 1996. Prior to joining Harsco, he was an auditor for KPMG Peat Marwick. In March 2007, pursuant to a plea agreement, Mr. Donley pled guilty to state misdemeanor offenses related to driving under the influence. Mr. Donley has subsequently satisfied all terms of the plea agreement. The Company believes that this matter does not adversely affect Mr. Donley's fitness to serve as an officer.

EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

Introduction

Rite Aid Corporation is the third largest retail drugstore chain in the United States based on revenues and number of stores, operating approximately 4,900 stores in 31 states and the District of Columbia. A primary component of the Company's human resource strategy is to attract, motivate and retain highly talented individuals at all levels of the organization who are committed to the Company's core values of excellence, integrity and respect for people and have the ability to execute the Company's strategic and operational priorities.

Objectives of Executive Compensation

All executive compensation and benefits programs are within the purview of the Compensation Committee, which bases these programs on the same objectives that guide the Company in establishing all of its compensation programs, outlined below. The Compensation Committee also administers the Company's equity incentive compensation plans. In establishing or approving the compensation of our Chief Executive Officer and the other executive officers named in the Summary Compensation Table

(the “Named Executive Officers”) in any given year, the Compensation Committee is generally guided by the following objectives:

Compensation should be based on the level of job responsibility, individual performance, and company performance, and should foster the long-term focus required for success in the retail drugstore industry. As associates progress to higher levels in the organization, an increasing proportion of their pay should be linked to company performance and shareholder returns and to longer-term performance because they are in a position to have greater influence on longer-term results.

Compensation should reflect the value of the job in the marketplace. To attract and retain a highly skilled, diverse work force, we must remain competitive with the pay of other employers who compete with us for talent.

Compensation should reward performance. Our programs should deliver compensation in relationship to company performance. Where company performance falls short of expectations, the programs should deliver lower-tier compensation. In addition, the objectives of pay-for-performance and retention must be balanced. Even in periods of temporary downturns in company performance, the programs should continue to ensure that successful, high-achieving employees will remain motivated and committed to the Company to support the stability and future needs of the Company.

To be effective, performance-based compensation programs should enable associates to easily understand how their efforts can affect their pay, both directly through individual performance accomplishments and indirectly through contributing to the Company’s achievement of its strategic and operational goals.

Compensation and benefit programs should be set across consistent measures and goals at all levels of the organization. While the programs and individual pay levels will always reflect differences in job responsibilities, geographies, and marketplace considerations, the overall structure of compensation and benefit programs should be broadly similar across the organization.

Compensation and benefit programs should attract associates who are interested in a career at Rite Aid.

The Committee’s Processes

The Compensation Committee has established a number of processes to assist it in ensuring that the Company’s executive compensation program is achieving its objectives. Among those are:

Assessment of Company performance. The Compensation Committee uses company performance measures in two ways. First, in establishing total compensation ranges, the Compensation Committee considers various measures of Company and industry performance, including, but not limited to, comparable store sales growth, Adjusted EBITDA (earnings before interest, taxes, depreciation, amortization and certain other adjustments), earnings growth, return on sales, return on average invested capital and assets and total shareholder return. In determining relative performance to the Company’s peer group, the Compensation Committee does not apply a formula or assign these performance measures relative weights. Instead, it makes a subjective determination after considering such measures collectively. Second, as described in more detail below, the Compensation Committee has established specific Company target incentive/award levels and performance measures that determine the size of payouts under the Company’s two formula-based incentive programs—the cash incentive bonus program and the long-term incentive program.

Assessment of individual performance. Individual performance has a strong impact on the compensation of all employees, including the CEO and the other executive officers. With respect to the CEO, the independent directors meet with the CEO in executive session annually at the beginning of the year to agree upon the CEO's performance objectives (both individual and Company objectives) for the year. At the end of the year, the independent directors meet in executive session to conduct a performance review of the CEO based on his or her achievement of the agreed-upon objectives, contribution to the Company's performance, and other leadership accomplishments. This evaluation is shared with the CEO and is provided to the Compensation Committee for its consideration in setting the CEO's compensation.

For the other Named Executive Officers, the Compensation Committee receives a performance assessment and compensation recommendation from the CEO and also exercises its judgment based on the Board of Directors' interactions with the executive officer. As with the CEO, the performance evaluation of these executives is based on achievement of pre-agreed objectives by the executive and his or her organization, his or her contribution to the Company's performance, and other leadership accomplishments.

Benchmarking. The Compensation Committee benchmarks the Company's programs with a peer group of retail organizations via external survey and compensation recommendations from Mercer Human Resources Consulting, a qualified, independent compensation consultant that reports its findings directly to the Compensation Committee. The independent compensation consultant is retained by the Compensation Committee to select the peer group of companies and conduct a market assessment of all components of executive compensation. For the Company's 2009 fiscal year, this peer group consisted of the following companies: BJ's Wholesale; Costco; CVS/Caremark; Family Dollar Stores; Great Atlantic & Pacific Tea Co.; Home Depot; Longs Drug Store; Lowe's Companies; Safeway, Inc.; Target Corp. and Walgreen Co. The peer group companies that were selected fall within a similar revenue range and industry as Rite Aid. The Compensation Committee compares the peer group companies' executive compensation programs as a whole, and also compares the pay of individual executives if the jobs are sufficiently similar to make the comparison meaningful. The Compensation Committee uses the peer group data primarily to ensure that the executive compensation program as a whole is competitive, meaning generally within the broad middle range of comparative pay of the peer group companies when the Company achieves the targeted performance levels. The independent compensation consultant assessed Rite Aid's performance relative to its peer group and observed alignment of performance with actual total direct compensation levels.

Total compensation review. The Compensation Committee reviews each executive's base pay, bonus, long-term incentives and retirement benefits annually with the guidance of the Compensation Committee's independent consultant. Following the fiscal year 2009 review, the Compensation Committee determined that these elements of compensation were reasonable in the aggregate.

Components of Executive Compensation for Fiscal Year 2009

For fiscal year 2009, the compensation of executives consisted of four primary components—base salary, a cash incentive bonus award under the Company's annual incentive bonus plan, long-term incentives consisting of stock options, restricted stock and performance units and a benefits package. The Compensation Committee believes that this program balances both the mix of cash and equity compensation, the mix of currently-paid and longer-term compensation, and the security of base benefits in a way that furthers the compensation objectives discussed above. Following is a discussion of the Compensation Committee's considerations in establishing each of the components for the executive officers.

Base Salary

Base salary is one element of an executive's annual cash compensation during employment. The value of base salary reflects the employee's long-term performance, skill set and the market value of that skill set. In setting base salaries for fiscal year 2009, the Compensation Committee considered the following factors:

The median of comparable companies. The Compensation Committee generally attempts to provide base compensation approximating the median of the selected group of peer companies listed above. In April 2008, the Compensation Committee reviewed the base salaries of the Named Executive Officers relative to the peer companies and approved minimal adjustments to the base salaries of certain of the Named Executive Officers as set forth below.

Internal relativity, meaning the relative pay differences for different job levels.

Individual performance. Except for increases associated with promotions or increased responsibility, increases in base salary for executives from year to year are generally limited to minimal adjustments to reflect individual performance.

Peer group data specific to the executive's position, where applicable. As noted above, we used the peer group data to test for reasonableness and competitiveness of base salaries, but we also exercised subjective judgment in view of our compensation objectives.

Consideration of the mix of overall compensation. Consistent with our compensation objectives, as executives progress to higher levels in the organization, a greater proportion of overall compensation is directly linked to company performance and stockholder returns. Thus, for example, Ms. Sammons' overall compensation is more heavily weighted toward incentive compensation and equity compensation than that of the other executive officers.

In establishing Ms. Sammons' base salary for fiscal year 2009, the Compensation Committee applied the principles described above under "The Committee's Processes." In an executive session including all independent directors, the Compensation Committee assessed Ms. Sammons' fiscal year 2008 performance. They considered the Company's and Ms. Sammons' accomplishment of objectives that had been established at the beginning of the year and its own subjective assessment of her performance. They noted that under Ms. Sammons' leadership, in fiscal year 2008 the Company completed the acquisition of Brooks Eckerd, performed integration and conversion activities in the acquired stores, improved customer satisfaction and continued to develop and execute its strategic plan to deliver long-term shareholder value. In recognition of her continued strong leadership in fiscal year 2008, the Compensation Committee set Ms. Sammons' base salary for fiscal year 2009 at $1,000,000, the same level that it was for fiscal years 2004 through 2008.

The Compensation Committee reviewed similar considerations for each of the other Named Executive Officers and approved increases based upon a subjective assessment of their respective performance. The Compensation Committee approved Mr. Standley's annual salary upon his appointment as President and Chief Operating Officer in September 2008 and Mr. Vitrano's annual salary upon his appointment as Senior Executive Vice President, Chief Financial Officer and Chief Administrative Officer in September 2008. The Compensation Committee increased the annual salary for Mr. Twomey by three percent for fiscal year 2009 in consideration for his performance as Executive Vice President, Chief Financial Officer. Mr. Twomey subsequently left the Company in September 2008. The Compensation Committee did not increase the annual salary for fiscal year 2009 for Mr. Legault as Chief Administrative Officer, who left the Company in September 2008. The Compensation Committee increased the annual salary for Mr. Easley by five percent for fiscal year 2009 in consideration for his performance as Chief Operating Officer. Mr. Easley subsequently left the Company in September 2008. The Compensation Committee

increased Mr. Donley's annual salary by four percent in fiscal year 2009 based upon his performance as Senior Vice President, Chief Accounting Officer. The Compensation Committee increased Mr. Fiala's annual salary by four percent in fiscal year 2009 based upon his performance as Executive Vice President, Store Operations. The Compensation Committee increased Mr. Sari's annual salary by four percent in fiscal year 2009 based upon his performance as Executive Vice President, General Counsel. Mr. Sari subsequently left the Company on April 8, 2009.

Cash Incentive Bonuses

The Company has established an annual incentive bonus plan in order to incentivize associates to meet the Company's Adjusted EBITDA and customer satisfaction targets for fiscal year 2009. Named Executive Officers, other executive officers and key managers of the Company participate in this cash bonus plan. The bonuses paid for fiscal year 2009 appear in the Summary Compensation Table under the "Non-Equity Incentive Plan Compensation" column. Under the plan, bonus target amounts, expressed as a percentage of base salary, are established for participants at the beginning of each fiscal year. Bonus payouts for the year are then determined by the Company's financial and customer satisfaction results for the year relative to predetermined performance measures. The Compensation Committee considered the following when establishing the awards for fiscal year 2009:

Bonus targets. Bonus targets as a percentage of base salary for each individual were based on job responsibilities, internal relativity, and peer group data. Our objective was to set bonus targets such that total annual cash compensation was within the broad middle range of peer group companies and a substantial portion of that compensation was linked to company performance. Consistent with our executive compensation policy, individuals with greater job responsibilities had a greater proportion of their total cash compensation tied to company performance through the bonus plan. Thus, the Compensation Committee established the following bonus targets for fiscal year 2009 (expressed as a percentage of base salary): Ms. Sammons, 200 percent; Mr. Standley, 125 percent; Mr. Vitrano, 110 percent; Mr. Martindale, 100 percent; Messrs. Fiala and Sari, 60 percent; and Mr. Donley, 50 percent.

Company performance measures. For all participants in the annual incentive bonus plan, including the Named Executive Officers, the Compensation Committee established fiscal year 2009 company performance measures between the minimum ($1,005 million) and the maximum ($1,105 million) Adjusted EBITDA targets and the minimum (71%) and maximum (80%) of overall customer satisfaction survey targets. The measures were determined in April 2008, near the beginning of the fiscal year. The Compensation Committee believes that this mix of performance measures encourages associates to focus appropriately on improving both operating results and customer service. The measures are also effective motivators because they are easy to track and clearly understood by associates. Under the plan formula, payouts can range from zero to 200 percent of bonus targets depending on company performance. In establishing the performance target for Adjusted EBITDA and customer satisfaction, the Compensation Committee considered the expected fiscal year 2009 performance of these measures. Although no earnings bonuses were paid in fiscal year 2009, a bonus for improvement in customer satisfaction (calculated based upon achievement of 98.7% of the customer satisfaction survey targets, which equates to a bonus payout equal to 17.2% of the fiscal year 2009 bonus target), was paid to field management and corporate personnel, including the Named Executive Officers, except for Ms. Sammons who declined her bonus in the amount of $344,000 for fiscal year 2009.

Long-Term Incentive Program

In fiscal year 2009, we employed three forms of long term incentives: performance awards, stock options and restricted stock. For the executive officers, performance awards comprised 60 percent, stock option grants comprised 25 percent, and restricted stock comprised 15 percent of the total

long-term incentive level established by the Compensation Committee. These incentives foster the long-term perspective necessary for continued success in our business. They also ensure that our leaders are properly focused on shareholder value. Stock options and restricted stock have traditionally been granted broadly and deeply within the organization, with approximately 1,500 management and field associates now participating in our long-term incentive program. In determining the value of grants for executives, the Compensation Committee's overall objective was to set combined grant values of stock options, restricted stock and performance awards that were competitive within the broad middle range of peer company long-term incentive grant amounts. The Compensation Committee's process for setting grant dates is discussed below. Then, on the grant date those values are converted to the equivalent number of shares based on the closing price of the Company's common stock on the date of grant for restricted shares and performance units, and using the Black-Scholes valuation method for stock options.

Grant timing and price. The Compensation Committee's procedure for timing of these grants (performance awards, restricted stock and stock options) provides assurance that grant timing is not being manipulated to result in a price that is favorable to associates. The annual grant date is typically in late June, however, for fiscal year 2009 the grant date for all eligible employees including the Named Executive Officers (approximately 1,500 associates) was changed to early October so that the long-term incentive program could be redesigned to provide for a closer pay for performance alignment, especially for the Named Executive Officers. The Compensation Committee plans to return to a late June grant timing for fiscal year 2010.

For fiscal year 2009, the Compensation Committee decided that total grant values should remain unchanged from the prior fiscal year for each eligible position, having determined that there is appropriate alignment with long-term incentive target levels. In making this determination, the Compensation Committee reviewed available peer group data and found that the design of the long-term incentive program is reasonably aligned with those of the general retail industry market practice. Grant values for individual executive officers were determined by individual performance and internal relativity. Consistent with the Company's compensation philosophy, executive officers at higher levels received a greater proportion of total pay in the form of long-term incentives.

Performance Awards

Performance awards provide the Named Executive Officers and other executives with units, payable in cash if the designated Company performance goals are achieved, aligning interests of executives with those of shareholders. The awards, normally granted annually, are structured as a targeted number of units based on the Company's achievement of specific Adjusted EBITDA levels over a three-year period. The Company granted performance awards for fiscal year 2009 to the Named Executive Officers with possible payouts ranging from zero to 200 percent of the target number of units, depending on Adjusted EBITDA as compared to the target, set annually, for fiscal years 2009, 2010 and 2011. The Adjusted EBITDA target for fiscal 2009 was set at $1,005 million. The awards are paid in cash at the end of the three-year performance period.

The Compensation Committee approved the terms of the fiscal year 2009 performance awards in October 2008, and took into consideration the following:

Target grant size. As noted above under "Long-Term Incentive Program," performance awards were 60 percent of the total grant values established by the Compensation Committee. The Compensation Committee decided that total grant values should remain unchanged from fiscal year 2008, but the percentage representing long-term performance-based awards should be increased to 60% of such total.

Company performance measure. As in previous years, the Compensation Committee established the performance measure as Adjusted EBITDA for each fiscal year over a three-year period. The Compensation Committee believes Adjusted EBITDA is an effective motivator because it is closely linked to shareholder value and has the greater ability to be impacted by the executives. In setting the target Adjusted EBITDA for fiscal year 2009, the Compensation Committee considered the expected earnings performance of the Company. Pursuant to the performance plan adopted on June 20, 2006 and based on the Company's attainment of 96% of the combined Adjusted EBITDA target for the 2007, 2008 and 2009 fiscal years, cash performance awards were made in the 2009 fiscal year to senior management, including the Named Executive Officers, except for Ms. Sammons who declined her award in the amount of $27,446 for fiscal year 2009. Mr. Sari received an award of $6,099 and Mr. Donley received an award of $3,344. The other Named Executive Officers were not eligible for this award since they were not employed by the Company for the entire performance cycle. The value of these awards for the eligible Named Executive Officers was based upon the number of performance units earned by each officer multiplied by the closing price of our common stock on April 1, 2009.

Longer-term focus and retention considerations. To enhance the performance awards' incentives for longer-term focus and retention, the awards to Named Executive Officers for fiscal year 2009 are payable in cash that is subject to forfeiture if the executive leaves the Company prior to February 2011 or such later date that Adjusted EBITDA performance for the period is determined, except by reason of death, disability, retirement, or by consent of the Compensation Committee.

Stock Options

Stock options align associate incentives with the interests of shareholders because options have value only if the stock price increases over time. The Company's ten-year options, granted at the market price on the date of grant, help focus employees on long-term growth. In addition, options are intended to help retain key associates because they vest over a four-year period, which also helps keep employees focused on long-term performance. The Company does not reprice options; likewise, if the stock price declines after the grant date, we do not replace options.

The Compensation Committee considered the following in establishing the fiscal year 2009 option grants to executive officers:

Grant size. As noted above under "Equity Incentive Program," stock option grants comprised 25 percent of the total equity grant values (measured in accordance with SFAS No. 123R) established by the Compensation Committee. The total grant values were unchanged from fiscal year 2008, but the percentage representing stock options was decreased to 25% of such total.

Restricted Stock

Restricted stock grants are intended to help retain key associates because they generally vest over a three-year period, which also helps keep employees focused on long-term performance. Combined grants (restricted stock, performance awards and stock options) provide a better balance for executive officers between risk and potential reward as compared to a grant consisting solely of stock options.

The Compensation Committee considered the following in establishing the fiscal year 2009 restricted stock grants to executive officers:

Grant size. As noted above under "Long-Term Incentive Program," restricted stock grants were 15 percent of the total equity grant values (measured in accordance with SFAS No. 123R) established by the Compensation Committee. The total grant values were unchanged from fiscal year 2008, but the percentage representing restricted stock was decreased to 15% of such total.

Post-Retirement Benefits

Supplemental Executive Retirement Plans. The Company has established retirement plans for its executive officers, including the Named Executive Officers, to provide a predetermined benefit upon retirement. Ms. Sammons and Mr. Miller receive benefits under a defined contribution supplemental retirement plan (the "SERP"). Each month, $20,000 is credited for investment for each of Ms. Sammons and Mr. Miller, respectively. Under the SERP, the participants are able to direct the deemed investment of the amounts by selecting one or more investment vehicles from a group of deemed investments offered pursuant to the plan. These deemed investments are made each month during the term of the participants' service with Rite Aid. Each of Ms. Sammons and Mr. Miller is fully vested at all times in their accounts under the SERP and will receive their vested account balance (or payment in installments in such election was made) upon the earlier to occur of: (i) termination of employment (or service as a director in the case of Mr. Miller) with the Company, including due to death or disability; and (ii) a hardship withdrawal pursuant to the terms of the SERP.

Messrs. Standley, Vitrano, Fiala, Sari, Donley, Easley, Legault and Twomey receive benefits under a defined contribution supplemental executive retirement plan ("Supplemental Plan"), which is different from the plan maintained for Ms. Sammons and Mr. Miller noted above. Under the Supplemental Plan, Rite Aid credits a specific sum to an individual account established for Messrs. Standley, Easley, Vitrano, Legault, Twomey, Fiala, Sari and Donley and other participating executive officers, on a monthly basis while such officer is employed. The amount credited is equal to 2% of the executive officer's annual base compensation, up to a maximum of $15,000 per month. The participants are able to select among a choice of earnings indexes, and their accounts are credited with earnings which mirror the investment results of such indexes. Annually Rite Aid makes investments for all participants in the Supplemental Plan. Participants vest in their accounts at the rate of 20% per year for each full year of participation in the Supplemental Plan at a five-year rolling rate, provided that the entire account balance for each participant shall vest upon a "change in control" of the Company, as defined in the Supplemental Plan, only if such participant is involuntarily terminated without cause within twelve months of the change in control. Participants will receive their vested account balance upon the earliest to occur of: (i) their retirement at age 60 or greater, with at least five years of participation in the Plan; (ii) termination of employment with the Company (including due to death or disability); and (iii) a hardship withdrawal pursuant to the terms of the Supplemental Plan.

Other Post-Employment and Change in Control Benefits

To attract and retain highly skilled executives and to provide for certainty of rights and obligations, Rite Aid has historically provided employment agreements to its executive officers and certain other key employees. On December 5, 1999, Rite Aid entered into an employment agreement with Ms. Sammons, which was subsequently amended on May 7, 2001, September 30, 2003, October 11, 2006, September 24, 2008 and December 30, 2008. On September 24, 2008, Rite Aid entered into an employment agreement with Mr. Standley; on September 24, 2008, Rite Aid entered into an employment agreement with Mr. Vitrano; on June 26, 2007, Rite Aid entered into an employment agreement with Mr. Fiala, which was subsequently amended on December 18, 2008; on February 28, 2001, Rite Aid entered into an employment agreement with Mr. Sari, which was subsequently amended on December 18, 2008; on August 1, 2000, Rite Aid entered into an employment agreement with Mr. Donley, which was subsequently amended on December 18, 2008; on August 20, 2007, Rite Aid entered into an employment agreement with Mr. Easley; on February 2, 2007, Rite Aid entered into an employment agreement, effective as of June 4, 2007, with Mr. Legault; on September 1, 2003, Rite Aid entered into an employment agreement with Mr. Twomey. The terms of the employment agreements are described in more detail under the caption "Executive Employment Agreements." Under Ms. Sammons's employment agreement, any termination of employment by Ms. Sammons within the six month period commencing on the date of a change in control of Rite Aid will be treated as a

termination of employment by the Executive for "good reason," as defined in the agreement. Additional information regarding the severance and change in control benefits provided under the employment agreements is described under the caption "Potential Payments Upon Termination or Change in Control."

Deductibility Cap on Executive Compensation

The Compensation Committee is aware that Section 162(m) of the Internal Revenue Code of 1986, as amended, treats certain elements of executive compensation in excess of $1,000,000 a year as an expense not deductible by the Company for federal income tax purposes. Payments in excess of the $1,000,000 limit will be deductible if they meet the definition of "performance-based compensation" as defined in Section 162(m). However, certain payments made to the Named Executive Officers will not qualify as performance-based compensation under Section 162(m). The Compensation Committee reserves the right to pay compensation that may be non-deductible to the Company if it determines that it would be in the best interests of the Company.

Changes to Executive Compensation for Fiscal Year 2010

For fiscal year 2010 (commencing March 1, 2009), base salary for the Named Executive Officers and other executive officers of the Company will remain unchanged from fiscal year 2009. Although the executives performed well on an individual basis, the focus will continue on the potential value that these executives might gain through the performance-based cash incentive bonus and the long-term incentive program. The Compensation Committee supports this salary freeze, which increases the alignment of compensation with Company performance and the objectives of our stockholders.

The performance measures for the cash incentive bonus opportunity for the Named Executive Officers and other executive officers of the Company for fiscal year 2010 will be based solely on the attainment of Adjusted EBITDA thresholds and will not contain a customer satisfaction component or target. Although improvements in customer satisfaction continue to be a focus of the Company, this change more closely aligns compensation with the Company's financial performance goals.

COMPENSATION COMMITTEE REPORT

The Compensation Committee of the Board of Directors has reviewed and discussed the foregoing Compensation Discussion and Analysis with management and, based on that review and discussion, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement.

George G. Golleher, Chairman (fiscal year 2009)
James L. Donald
Michael A. Friedman, MD (fiscal year 2009)
Dennis Wood

SUMMARY COMPENSATION TABLE

The following summary compensation table sets forth the cash and non-cash compensation for the fiscal years ended February 28, 2009, March 1, 2008 and March 3, 2007, respectively, paid to or earned by (i) our principal executive officer, (ii) all individuals serving as the principal financial officer during fiscal year 2009, and (iii) the other three most highly compensated executive officers of the Company (collectively, the "Named Executive Officers"), as well as two additional individuals for whom disclosure would have been required under the SEC's rules but for the fact that the individual was not serving as an executive officer of the Company at the end of our last completed fiscal year.

Name and Principal Position	Fiscal Year	Salary ($)	Bonus ($)(1)	Stock Awards ($)(2)	Option Awards ($)(3)	Non-Equity Incentive Plan Compensation ($)(4)	Change In Nonqualified Deferred Compensation Earnings ($)(5)	All Other Compensation ($)(6)	Total ($)
Mary F. Sammons . . .	2009	1,000,000	—	582,494	597,695	—	—	356,207(7)	2,536,396
(Chairman & CEO)	2008	1,000,000	1,500,000	1,169,975	674,521	322,000	16,355	565,125(8)	5,247,976
	2007	1,000,000	—	666,569	602,593	1,543,631	6,719	451,454(9)	4,270,966
John T. Standley . . . . (President & COO)	2009	373,846(10)	—	6,317	205,737	96,750	—	72,840(11)	755,490
Frank G. Vitrano . . . (Senior Executive VP, CAO & CFO)	2009	290,769(12)	—	4,907	85,643	66,220	—	67,944(13)	515,483
Brian R. Fiala . . . . . (Executive VP, Store Operations)	2009	457,261	—	125,354	209,160	47,224	—	74,637(14)	913,636
Robert B. Sari	2009	448,118	—	84,130	112,512	209,648	—	135,413(15)	989,821
(Exec VP, GC)	2008	415,694	424,800	167,177	121,121	40,186	—	182,280(16)	1,351,258
Douglas E. Donley . . (Sr VP, Chief Accounting Officer)	2009	330,725	—	54,428	67,780	28,463	—	58,302(17)	539,698
Robert J. Easley . . . . (Former COO)	2009	468,750(18)	—	435,029	603,112	—	—	3,476,417(19)	4,983,308
Pierre Legault	2009	447,115(20)	—	698,900	900,662	—	—	3,180,332(21)	5,227,009
(Former Executive VP, Chief Admin. Officer)	2008	504,807	7,500	209,964	300,220	99,619	—	135,357(22)	1,257,467
Kevin Twomey	2009	279,283(23)	—	128,332	233,819	—	—	1,676,999(24)	2,318,433
(Former Executive	2008	454,936	436,578	184,872	128,365	43,978	44,868	152,676(25)	1,446,273
VP & CFO)	2007	437,505	—	109,769	97,288	270,290	—	147,328(26)	1,062,180

(1) Amounts consist of a special award paid in connection with the Brooks Eckerd Transaction and, for Mr. Legault, a signing bonus paid in connection with his commencement of employment with us in the 2008 fiscal year.

(2) Represents the total expense recorded in the indicated fiscal year in accordance with SFAS No. 123R for outstanding stock awards, including restricted stock awards and performance share awards. For information regarding the assumptions used in determining the fair value of an award, please refer to Note 15 of the Company's Annual Report on Form 10-K as filed with the SEC on April 17, 2009, April 29, 2008 or April 30, 2007, as applicable.

(3) Represents the total expense recorded in the indicated fiscal year in accordance with SFAS No. 123R for outstanding stock option awards. For information regarding the assumptions used in determining the fair value of an award, please refer to Note 15 of the Company's Annual Report on Form 10-K as filed with the SEC on April 17, 2009, April 29, 2008 or April 30, 2007, as applicable.

(4) Consists of an annual cash incentive bonus for performance in the applicable fiscal year.

(5) Represents above-market earnings (over 120% of the "applicable federal rate" or "AFR") under the Company's defined contribution supplemental executive retirement plans.

(6) With respect to personal use of aircraft as described in these footnotes to the Summary Compensation Table, the Company determines the incremental cost of an officer's aircraft usage by calculating the variable flight-hour cost associated with the particular aircraft. Variable cost in general includes fuel, landing fees, maintenance costs per flight, per hour and catering.

(7) All Other Compensation for Ms. Sammons for fiscal 2009 includes $13,242 for Company match for 401(k) plan, $240,000 for Company contributions to a supplemental executive retirement plan, $87,265 for personal use of aircraft, $12,000 for car allowance and $3,700 for personal financial services.

(8) All Other Compensation for Ms. Sammons for fiscal 2008 includes $9,086 for Company match for 401(k) plan, $240,000 for Company contributions to a supplemental executive retirement plan, $87,656 of earnings equal to 120% of the AFR of said plan, $207,733 for personal use of aircraft, $12,000 for car allowance and $8,650 for personal financial services.

(9) All Other Compensation for Ms. Sammons for fiscal 2007 includes $240,000 for Company contributions to a supplemental executive retirement plan, $104,911 of earnings equal to 120% of AFR under said plan, $89,343 for personal use of aircraft, $12,000 car allowance, and $5,200 for personal financial planning services.

(10) Salary for Mr. Standley for fiscal 2009 is for the period commencing September 24, 2008, the date on which Mr. Standley commenced employment with the Company, through the end of fiscal 2009.

(11) All Other Compensation for Mr. Standley for fiscal 2009 includes $21,000 for Company contributions to a supplemental executive retirement plan, $9,535 for Company matching contributions to our 401(k) plan, $19,920 for personal use of aircraft, $5,000 for car allowance, and $17,385 for personal financial planning services.

(12) Salary for Mr. Vitrano for fiscal 2009 is for the period commencing September 24, 2008, the date on which Mr. Vitrano commenced employment with the Company, through the end of fiscal 2009.

(13) All Other Compensation for Mr. Vitrano for fiscal 2009 includes $19,600 for Company contributions to a supplemental executive retirement plan, $5,000 for car allowance, and $14,731 for personal financial planning services, and $28,613 for other employer paid benefits.

(14) All Other Compensation for Mr. Fiala for fiscal 2009 includes $43,648 for Company contributions to a supplemental executive retirement plan, $476 of earnings equal to 120% of the AFR of said plan, $18,513 for personal use of aircraft and $12,000 for car allowance.

(15) All Other Compensation for Mr. Sari for fiscal 2009 includes $42,676 for Company contributions to a supplemental executive retirement plan, $6,437 of earnings equal to 120% of the AFR of said plan, $15,720 for Company matching contributions to our 401(k) plan, $58,015 for personal use of aircraft, $12,000 for car allowance, $565 for personal financial planning services.

(16) All Other Compensation for Mr. Sari for fiscal 2008 includes $99,200 for Company contributions to a supplemental executive retirement plan, $9,714 for Company matching contributions to our 401(k) plan, $60,734 for personal use of aircraft, a $12,000 car allowance, $485 for personal financial planning services and $147 in other employer paid benefits.

(17) All Other Compensation for Mr. Donley for fiscal 2009 includes $14,733 for Company matching contributions to our 401(k) plan, $31,569 for Company contributions to a supplemental executive retirement plan, and $12,000 for car allowance.

(18) Salary for Mr. Easley for fiscal 2009 is for the period commencing at the beginning of fiscal 2009 and ending on September 24, 2008, the date on which Mr. Easley ceased to be employed by the Company.

(19) All Other Compensation for Mr. Easley for fiscal 2009 includes $3,307,500 for severance pursuant to his employment agreement, $60,577 for vacation earned prior to termination, $90,762 for personal use of aircraft, $22,578 for other employer paid benefits and $7,000 for car allowance. Also included in All Other Compensation is the forfeiture of $12,000 of Company contributions to a supplemental executive retirement plan, which was recorded as a decrease in compensation.

(20) Salary for Mr. Legault for fiscal 2009 is for the period commencing at the beginning of fiscal 2009 and ending on September 24, 2008, the date on which Mr. Legault ceased to be employed by the Company.

(21) All Other Compensation for Mr. Legault for fiscal 2009 includes $3,150,000 for severance pursuant to his employment agreement, $12,981 for vacation earned prior to termination, $12,351 for Company matching contributions to our 401(k) plan, $10,000 for personal financial planning services, and $7,000 for car allowance. Also included in All Other Compensation is the forfeiture of $12,000 of Company contributions to a supplemental executive retirement plan, which was recorded as a decrease to compensation.

(22) All Other Compensation for Mr. Legault for fiscal 2008 includes $120,000 for Company contributions to a supplemental executive retirement plan, $4,963 for Company matching contributions to our 401(k) plan, a $7,711 car allowance and $2,683 in other employer paid benefits.

(23) Salary for Mr. Twomey for fiscal 2009 is for the period commencing at the beginning of fiscal 2009 and ending on September 24, 2008, the date on which Mr. Twomey ceased to be employed by the Company.

(24) All Other Compensation for Mr. Twomey for fiscal 2009 includes $1,641,212 for severance pursuant to his employment agreement, $36,071 for vacation earned prior to termination, and $7,000 for car allowance. Also included in All Other Compensation is the forfeiture of $7,284 of Company contributions to a supplemental executive retirement plan, which was recorded as a decrease to compensation.

(25) All Other Compensation for Mr. Twomey for fiscal 2008 includes $108,562 for Company contributions to a supplemental executive retirement plan, $22,172 of earnings equal to 120% of AFR under such plan, $9,781 for Company matching contributions to our 401(k) plan, $12,000 for car allowance, and $161 in other employer paid benefits.

(26) All Other Compensation for Mr. Twomey for fiscal 2007 includes $104,550 for Company contributions to a supplemental executive retirement plan, $21,900 of earnings equal to or less than 120% of AFR under said plan, $8,878 for Company matching contributions to our 401(k) plan, and a $12,000 car allowance.

GRANTS OF PLAN-BASED AWARDS TABLE FOR FISCAL 2009

The following table summarizes grants of plan-based awards made to Named Executive Officers during our fiscal year ended February 28, 2009. Awards under the first row of Non-Equity Incentive Plans relate to cash incentive bonuses as discussed in the Compensation Discussion and Analysis under the caption "Cash Incentive Bonuses." Awards under the second row of Non-Equity Incentive Plans relate to performance awards that may be earned based on Company performance as further described in Note 1 below. All Other Stock Awards and All Other Option Awards relate to restricted share grants and stock option grants, respectively.

		Estimated Future Payouts Under Non-Equity Incentive Plan Awards(1)			Estimated Future Payouts Under Equity Incentive Plan Awards						
Name	Grant Date	Threshold 50% ($)	Target 100% ($)	Max 200% ($)	Threshold (#)	Target (#)	Max (#)	All Other Stock Awards (#)(2)	All Other Option Awards (#)(3)	Exercise or Base Price of Option Awards ($)	Grant Date Fair Value of Stock and Option Awards ($)(4)
Mary F. Sammons	10/2/2008	1.000,000	2,000,000	4,000,000	—	—	—	202,700	669,600	0.89	461,635
		450,000	900,000	1,800,000							
John T. Standley	9/24/2008	—	—	—	—	—	—	—	3,500,000	0.96	1,575,000
	10/2/2008	562,500	1,125,000	2,250,000				51,100	168,800	0.89	116,375
		113,400	226,800	453,600							
Frank G. Vitrano	9/24/2008	—	—	—	—	—	—	—	1,400,000	0.96	630,000
	10/2/2008	385,000	770,000	1,540,000				39,700	131,300	0.89	90,479
		88,200	176,400	352,800							
Brian R. Fiala	10/2/2008	137,280	274,560	549,120	—	—	—	52,600	173,600	0.89	119,726
		116,700	233,400	466,800							
Robert B. Sari	10/2/2008	165,000	330,000	660,000	—	—	—	49,700	164,200	0.89	113,197
		110,300	220,600	441,200							
Douglas E. Donley	10/2/2008	82,742	165,485	330,970	—	—	—	26,800	88,700	0.89	61,106
		59,550	119,100	238,200							
Robert J. Easley		—	—	—	—	—	—	—	—	—	—
Pierre Legault(5)	6/24/2008	—	—	—	—	—	—	100,000	—	1.72	172,000
Kevin Twomey		—	—	—	—	—	—	—	—	—	—

(1) On October 2, 2008, the Named Executive Officers received grants of performance-based units that will be earned based upon the achievement of a percentage of a three-year cumulative EBITDA goal. Vesting for the performance units will occur, provided performance targets are met, on February 26, 2011 (the end of the Company's fiscal year 2011) or such later date as the EBITDA performance for fiscal years 2009-2011 is determined. The award payout will be equivalent to $1.00 for each unit earned.

(2) On October 2, 2008, the Named Executive Officers received a grant of restricted stock, as described in the Compensation Discussion and Analysis, under the caption "Equity Incentives—Restricted Stock." One-third of these restricted shares will vest on each of the first three anniversaries of the grant date.

(3) On October 2, 2008, the Named Executive Officers received a grant of stock options, as described in the Compensation Discussion and Analysis, under the caption "Equity Incentives—Stock Options." These stock options will vest in equal installments on each of the first four anniversaries of the grant date. In addition, on September 24, 2008, Mr. Standley and Mr. Vitrano received awards of stock options in connection with their commencement of employment in fiscal 2009. These awards will vest in equal installments on each of the first four anniversaries of the grant date.

(4) Represents the grant date fair value, measured in accordance with SFAS No. 123R of stock and option awards made in fiscal year 2009. Grant date fair values are calculated pursuant to assumptions set forth in Note 15 of the Company's 2009 Annual Report on Form 10-K filed with the SEC on April 17, 2009. The grant date fair value of stock awards was $0.96 on September 24, 2008 and $0.89 on October 2, 2008. The fair value of stock options granted was $0.45 on September 24, 2008 and $0.42 on October 2, 2008.

(5) One-third of the stock awards listed for Mr. Legault were forfeited by Mr. Legault upon termination of his employment.

EXECUTIVE EMPLOYMENT AGREEMENTS

Rite Aid has entered into employment agreements with each of the Named Executive Officers, the material terms of which are described below.

- Ms. Sammons was appointed President and Chief Operating Officer of Rite Aid and was appointed to Rite Aid's Board of Directors, and is now Chairman and Chief Executive Officer;
- Mr. Standley was appointed and is President and Chief Operating Officer;
- Mr. Vitrano was appointed and is Senior Executive Vice President, Chief Financial Officer and Chief Administrative Officer;
- Mr. Fiala was appointed and is Executive Vice President, Store Operations;
- Mr. Sari was appointed Senior Vice President, Deputy General Counsel, Secretary and then served as our Executive Vice President, General Counsel and Secretary until he stepped down on March 9, 2009. Mr. Sari assisted with the transition to his successor until he ceased to be employed by us on April 8, 2009;
- Mr. Donley was appointed Group Vice President, Comptroller, and is now Senior Vice President, Chief Accounting Officer;
- Mr. Easley was appointed and served as our Chief Operating Officer until he ceased to be employed by us in September 2008;
- Mr. Legault was appointed and served as our Senior Executive Vice President, Chief Administrative Officer, until he ceased to be employed by us in September 2008; and
- Mr. Twomey was appointed Senior Vice President, Chief Accounting Officer and then served as our Executive Vice President, Chief Financial Officer until he ceased to be employed by us in September 2008.

Term. The term of each executive's employment agreement commenced on the effective date of his or her employment agreement, as set forth in the "Other Post-Employment and Change in Control Benefits" section of the Compensation Discussion and Analysis, above. Unless terminated earlier, each employment agreement will terminate on its second anniversary (such respective period, the "Initial Term"), other than in the case of Ms. Sammons, whose agreement will terminate on its third anniversary. Each agreement will automatically renew for an additional one year term (the "Renewal Term"), unless either the executive or Rite Aid provides the other with notice of non-renewal at least 180 days (120 days in the case of Mr. Fiala) prior to the expiration of the Initial Term or a Renewal Term, as applicable.

Salary and Incentive Bonus. The respective agreements provide each executive with a base salary and incentive compensation (which may be reviewed periodically for increase by the Compensation Committee) that includes, with respect to fiscal year 2009:

- Ms. Sammons is entitled to receive an annual base salary of not less than $750,000 (and received an annualized base salary of $1,000,000 in fiscal year 2009). If Rite Aid's performance meets certain targets in the future, Ms. Sammons may receive an annual bonus that, if awarded, will equal or exceed 200% of her annual base salary then in effect.
- Mr. Standley is entitled to an annual base salary of not less than $900,000 (and received an annualized base salary of $900,000 in fiscal year 2009). If Rite Aid's performance meets certain targets in the future, Mr. Standley may receive an annual bonus that, if awarded, will equal or exceed 125% of his annual base salary then in effect.
- Mr. Vitrano is entitled to an annual base salary of not less than $700,000 (and received an annualized base salary of $700,000 in fiscal year 2009). If Rite Aid's performance meets certain targets in the future, Mr. Vitrano may receive an annual bonus that, if awarded, will equal or exceed 110% of his annual base salary then in effect.
- Mr. Fiala is entitled to receive an annual base salary of not less than $440,000 (and received an annualized base salary of $457,600 in fiscal year 2009). If Rite Aid's performance meets certain targets in the future, Mr. Fiala may receive an annual bonus that, if awarded, will equal or exceed 60% of his annual base salary then in effect.
- Mr. Sari is entitled to an annual base salary of not less than $225,000 (and received an annualized base salary of $432,640, which was increased effective January 1, 2009 to $550,000 in fiscal year 2009). Mr. Sari is not entitled to receive a bonus for any period following the end of fiscal year 2009. As previously announced, Mr. Sari left the Company on April 8, 2009.
- Mr. Donley is entitled to receive an annual base salary of not less than $225,000 (and received an annualized base salary of $330,970 in fiscal year 2009). If Rite Aid's performance meets certain targets in the future, Mr. Donley may receive an annual bonus that, if awarded, will equal or exceed 50% of his annual base salary then in effect.
- Mr. Easley was entitled to receive an annual base salary of not less than $750,000 (and received an annualized base salary of $787,500 in fiscal year 2009) before his resignation in September 2008. Mr. Easley was not entitled to receive a bonus for the portion of the fiscal year that he worked prior to September 2008.
- Mr. Legault was entitled to an annual base salary of not less than $750,000 (and received an annualized base salary of $750,000 in fiscal year 2009) until his resignation in September 2008. Mr. Legault was not entitled to receive a bonus for the portion of the fiscal year that he worked prior to September 2008.
- Mr. Twomey was entitled to receive an annual base salary of not less than $317,000 (and received an annualized base salary of $468,918 in fiscal year 2009) before his resignation in September 2008. Pursuant to the terms of his employment agreement, Mr. Twomey received an annual incentive bonus in respect of fiscal year 2009, pro-rated for the portion of the fiscal year that he worked prior to September 2008.

Other Benefits. Pursuant to their employment agreements, each of the Named Executive Officers is also entitled to participate in Rite Aid's welfare benefits, fringe benefit and perquisite programs and savings plans.

Restrictive Covenants. The employment agreement of each Named Executive Officer prohibits the officer from competing with Rite Aid during his or her employment period and for a period of two years, or with respect to Ms. Sammons and Messrs. Standley and Vitrano, one year, thereafter.

Termination and Change in Control Benefits. The provisions of the employment agreements relating to termination of employment are described under the caption "Potential Payments Upon Termination or Change in Control" below.

OUTSTANDING EQUITY AWARDS AT FISCAL 2009 YEAR-END

The following table summarizes the number of securities underlying outstanding equity awards for the Named Executive Officers as of February 28, 2009:

	Option Awards				Stock Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable (1)(2)	Option Exercise price ($)	Option Expiration Date	Number of Shares or Units of Stock that Have Not Vested (#)(1)(2)	Market Value of Shares or Units of Stock That Have Not Vested ($)(3)	Equity Incentive Plan Awards: # of Unearned Shares or Units That Have Not Vested (#)(1)	Equity Incentive Plan Awards: Market or Payout Value of Shares or Units of Stock That Have Not Vested ($)(3)
Mary F. Sammons	1,800,000		2.75	12/5/2009	66,500	18,620	61,779	17,298
	1,050,000		2.75	6/29/2010	8,144	2,280		
	3,500,000		4.05	2/13/2011	41,186	11,532		
	497,216		2.26	1/30/2012	202,700	56,756		
	500,000		2.10	12/11/2012				
	292,208		5.38	6/24/2014				
	200,251	66,750	4.11	6/23/2015				
	139,972	139,971	4.42	6/20/2016				
	61,780	185,337	6.07	6/26/2017				
		669,600	0.89	10/2/2018				
John T. Standley	312,700		2.75	12/5/2009	51,100	14,308		
		3,500,000	0.96	9/24/2018				
		168,800	0.89	10/2/2018				
Frank G. Vitrano		1,400,000	0.96	9/24/2018	39,700	11,116		
		131,300	0.89	10/2/2018				
Brian R. Fiala	61,553	184,658	6.07	6/26/2017	41,035	11,490	11,553	3,235
		173,600	0.89	10/2/2018	52,600	14,728		
Robert B. Sari	10,500		5.38	11/10/2009	9,708	2,718	14,563	4,078
	139,500		4.05	2/13/2011	49,700	13,916		
	37,380		5.40	4/7/2014				
	26,949	8,982	4.11	6/23/2015				
	31,106	31,104	4.42	6/20/2016				
	14,564	43,690	6.07	6/26/2017				
		164,200	0.89	10/2/2018				
Douglas E. Donley	58,000		23.00	4/16/2009	6,234	1,746	7,864	2,202
	64,000		5.38	11/10/2009	992	278		
	75,000		4.05	2/13/2011	5,242	1,468		
	25,000		2.10	12/11/2012	26,800	7,504		
	24,173		5.40	4/7/2014				
	24,511	8,170	4.11	6/23/2015				
	17,054	17,052	4.42	6/20/2016				
	7,865	23,592	6.07	6/26/2017				
		88,700	0.89	10/2/2018				

(1) Refer to "Potential Payments Upon Termination or Change in Control," below for circumstances under which the terms of the vesting of equity awards would be accelerated.

(2) These stock options will generally vest in equal installments on each of the first four anniversaries of the grant date, based on continued employment. On September 24, 2008, Messrs. Standley and Vitrano each received an award of stock options in connection with his commencement of employment with us in the 2009 fiscal year. These awards will generally vest in equal installments on each of the first four anniversaries of the grant date, based on continued employment. With respect to the restricted stock awards listed, one-third of the restricted shares will vest on each of the first three anniversaries of the grant date, based on continued employment.

(3) Determined with reference to $0.28, the closing price of a share of Rite Aid common stock on the last trading day before February 28, 2009.

OPTIONS EXERCISES AND STOCK VESTED TABLE FOR FISCAL 2009

The following table summarizes for each Named Executive Officer the stock option exercises and shares vested during fiscal year 2009:

	Option Awards		Stock Awards	
Name	**Number of Shares Acquired on Exercise (#)**	**Value Realized on Exercise ($)**	**Number of Shares Acquired on Vesting (#)**	**Value Realized on Vesting ($)**
Mary F. Sammons	—	—	257,136	598,772
John T. Standley	—	—	—	—
Frank G. Vitrano	—	—	—	—
Brian R. Fiala	—	—	20,518	27,699
Robert B. Sari	—	—	23,967	48,983
Douglas E. Donley	—	—	23,640	54,147
Robert J. Easley	—	—	110,297	114,885
Pierre Legault	—	—	189,834	227,253
Kevin Twomey	—	—	63,189	113,632

NONQUALIFIED DEFERRED COMPENSATION FOR FISCAL 2009

The following table provides information concerning the non-qualified defined contribution and deferred compensation of each of the Named Executive Officers in the 2009 fiscal year:

Name	**Executive Contributions in Last FY ($)**	**Registrant Contributions in Last FY ($)**	**Aggregate Earnings (Loss) in Last FY ($)**	**Aggregate Withdrawals/ Distributions ($)**	**Aggregate Balance at Last FYE ($)(3)**
Mary F. Sammons	—	240,000	(1,037,566)	—	1,623,587
John T. Standley	—	75,000	(143,267)	(234,875)	197,652
Frank G. Vitrano	—	70,000	(10,548)	—	59,452
Brian R. Fiala	—	109,120	476	—	183,180
Robert B. Sari	—	105,515	6,437	—	754,263
Douglas E. Donley	—	78,924	(309,733)		359,471
Robert J. Easley	—	105,000	(28,272)	(176,807)	8,523
Pierre Legault	—	105,000	(18,048)	(163,303)	7,661
Kevin Twomey	—	65,646	(646)	(287,471)	478,529

(1) Amounts shown relate to a supplemental executive retirement plan for Ms. Sammons. Please refer to the Compensation Discussion and Analysis under the caption "Post-Retirement Benefits" for a description of the material terms of this plan.

(2) Amounts shown relate to a supplemental executive retirement plan covering the Named Executive Officers other than Ms. Sammons. Please refer to the Compensation Discussion and Analysis under the caption "Post-Retirement Benefits" for a description of the material terms of this plan.

(3) Includes contributions to the supplemental executive retirement plans that were previously disclosed in prior Summary Compensation Tables for Ms. Sammons of $2,421,200, Mr. Twomey of $701,000, Mr. Sari of $642,300 and Mr. Legault of $0.

Rite Aid established a defined contribution supplemental executive retirement plan for the benefit of Mr. Miller and Ms. Sammons, which is described in Compensation Discussion and Analysis above. Messrs. Standley, Vitrano, Fiala, Sari and Donley receive benefits under a different defined contribution supplemental executive retirement plan, which is also described in the Compensation Discussion and Analysis above.

POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL

As discussed above under the caption "Executive Employment Agreements," the Company has entered into employment agreements with each of the Named Executive Officers. Upon written notice, the employment agreement of each of the Named Executive Officers is terminable by either Rite Aid or the individual officer seeking termination.

If Ms. Sammons is terminated by Rite Aid without "cause" or if she terminates her employment for "good reason" (as such terms are defined in Ms. Sammons' employment agreement), then:

- Ms. Sammons will be paid an amount equal to three times the sum of the annual base salary and target bonus; a pro-rated bonus for the fiscal year of termination (determined with reference to the maximum amount payable for such year); and any accrued but unpaid salary and bonus;
- Ms. Sammons will be paid the deferred compensation amounts that would otherwise have been credited to her pursuant to the supplemental executive retirement plan (discussed in the Compensation Discussion and Analysis) had she continued employment with Rite Aid through the end of the then-remaining employment period and she will continue to receive medical benefits (or be reimbursed for the cost of such benefits) for life; and
- All outstanding stock options will immediately vest and be exercisable for the remainder of their stated terms, the restrictions on outstanding restricted common stock will immediately lapse and any performance or other conditions applicable to any other equity incentive awards will be considered to have been satisfied.

If Ms. Sammons' employment is terminated as a result of her death or "disability" (as such term is defined in her employment agreement), she (or her estate as the case may be) will be entitled to an amount equal to her pro-rated bonus for the fiscal year of termination (determined with reference to the maximum amount payable for such year), and continued medical benefits (or reimbursement for the cost of such benefits) for her life or the life of her spouse, payment of any accrued but unpaid salary and bonus and full vesting of all outstanding stock options, restricted stock and other equity incentive awards (with performance goals being deemed to have been satisfied at targeted levels).

Upon termination of employment for any reason other than "cause" (as such term is defined in her employment agreement), Ms. Sammons is entitled to receive an annual payment following termination and continuing for life (and the life of her spouse) equal to the cost of purchasing medical coverage comparable to the coverage provided to the Company's senior executives immediately prior to such termination, excepting payments for periods that the Company provides such coverage described above.

Pursuant to their employment agreements with the Company, if any of Messrs. Standley, Vitrano, Fiala, Sari, Donley, Easley, Legault and Twomey is terminated by Rite Aid without "cause" or if such

officer's employment is terminated by the officer for "good reason" (as such terms are defined in the applicable employment agreement), then the officer will be entitled to receive:

- an amount equal to two times the sum of the annual base salary and target bonus in severance, a pro-rata bonus for the fiscal year of termination for all officers other than Messrs. Fiala, Easley and Legault and any accrued but unpaid salary and benefits. The severance amount is payable in installments over the two year period following the termination;
- continued health benefit for two years following the termination; and
- all outstanding stock options will immediately vest and be exercisable, generally, for a period of 90 days following the termination of employment and the restrictions on the restricted common stock will immediately lapse to the extent the options would have vested and restrictions would have lapsed had he remained employed by Rite Aid for two years following the termination.

If Rite Aid terminates any of the Named Executive Officers for "cause," or if any of the Named Executive Officers terminates his or her employment without "good reason" (with the exception of Ms. Sammons, whose termination provision is described above):

- Rite Aid shall pay the officer all accrued but unpaid salary and benefits;
- any portion of any then-outstanding stock option grant that was not exercised prior to the date of termination shall immediately terminate; and
- any portion of any restricted stock award, or other equity incentive award, as to which the restrictions have not lapsed or as to which any other conditions were not satisfied prior to the date of termination shall be forfeited.

If the employment of any of the Named Executive Officers is terminated as a result of death or "disability" (other than Ms. Sammons, whose benefits upon such a termination are described above), the officer will be entitled to receive all accrued but unpaid salary and benefits payable under death or disability benefit plans in which the officer participates, continued health insurance for two years and vesting of an amount of stock options and restricted stock as would have vested had the officer remained employed for two years following the date of termination.

Upon Mr. Easley's ceasing to be employed by the Company in September 2008, he became entitled to receive a total of $3,307,500 in severance under his employment agreement with us, based on the triggering event of a termination by the Company without cause. As of February 28, 2009, the end of our last completed fiscal year, Mr. Easley had received $505,817 of this amount, as shown in the "All Other Compensation" column of the Summary Compensation Table. The remainder of this severance amount will be paid to Mr. Easley in substantially equal bi-weekly installments, subject to his compliance with restrictive covenants. Because Mr. Easley was not employed by us as of the end of fiscal year 2009, no table quantifying the potential payments that would have been made based on a termination of employment on the last day of fiscal year 2009 is provided.

Upon Mr. Legault's ceasing to be employed by the Company in September 2008, he became entitled to receive a total of $3,150,000 in severance under his employment agreement with us, based on the triggering event of a termination by the Company without cause. As of February 28, 2009, the end of our last completed fiscal year, Mr. Legault had received $460,000 of this amount, as shown in the "All Other Compensation" column of the Summary Compensation Table. The remainder of this severance amount will be paid to Mr. Legault in substantially equal bi-weekly installments, subject to his compliance with restrictive covenants. Because Mr. Legault was not employed by us as of the end of fiscal year 2009, no table quantifying the potential payments that would have been made based on a termination of employment on the last day of fiscal year 2009 is provided.

Upon Mr. Twomey's ceasing to be employed by the Company in September 2008, he became entitled to receive a total of $1,641,212 in severance under his employment agreement with us, based on the triggering event of a termination by the Company without cause. As of February 28, 2009, the end of our last completed fiscal year, Mr. Twomey had received $310,207 of this amount, as shown in the "All Other Compensation" column of the Summary Compensation Table. The remainder of this severance amount will be paid to Mr. Twomey in substantially equal bi-weekly installments, subject to his compliance with restrictive covenants. Because Mr. Twomey was not employed by us as of the end of fiscal year 2009, no table quantifying the potential payments that would have been made based on a termination of employment on the last day of fiscal year 2009 is provided.

Upon the termination of employment of any of the Named Executive Officers, the officer would generally become entitled to receive a distribution of his or her vested account balance under the nonqualified deferred compensation plans maintained by the Company. Pursuant to applicable tax regulations, any such distributions will generally be delayed for a period of six months following the Named Executive Officer's separation from service. The account balance of each Named Executive Officer is shown in the Nonqualified Deferred Compensation for Fiscal 2009 table, above.

Change in Control Arrangements. Under Ms. Sammons' December 5, 1999 employment agreement, any termination of employment by the executive within the six month period commencing on the date of a "change in control" of Rite Aid (as such term is defined below) will be treated as a termination of employment by the executive for "good reason." On October 11, 2006, Ms. Sammons' Employment Agreement was amended to provide that the Brooks Eckerd Transaction would not trigger the change in control benefits described above.

Under Mr. Standley's employment agreement, upon a change in control, all of his stock options awarded pursuant to his employment agreement and all stock options awarded pursuant to the Company's executive equity program then held by him shall immediately vest and be exercisable. Under Mr. Vitrano's employment agreement, upon a change in control, all stock options awarded pursuant to his employment agreement would immediately vest and be exercisable. Under Messrs. Fiala, Legault and Easley's employment agreements, upon a change in control, all of their stock options awarded pursuant to the employment agreement would immediately vest and be exercisable and any restrictions on restricted stock awarded pursuant to the employment agreement would immediately lapse. Under Mr. Sari's employment agreement, upon a "change in control," all of his stock options held as of the date of his employment agreement would have immediately vested and become exercisable and any restrictions on restricted stock would have immediately lapsed. Under Mr. Twomey's employment agreement, upon a "change in control," any restrictions on restricted stock granted pursuant to his employment agreement would have immediately lapsed.

Each employment agreement provides that the Named Executive Officer will receive an additional payment to reimburse the officer for any excise taxes imposed pursuant to Section 4999 of the Internal Revenue Code, together with reimbursement for any additional taxes incurred by reason of such payments.

The unvested account balance of the supplemental executive retirement plan in which Messrs. Standley, Vitrano, Fiala, Sari, Donley, Easley, Legault and Twomey participate will vest upon a change in control of the Company as defined in the supplemental executive retirement plan, only if such Named Executive Officer is involuntarily terminated without cause within twelve months of the change in control. For more information regarding the supplemental executive retirement plan, refer to the Compensation Discussion and Analysis under the caption "Post-Retirement Benefits."

Mr. Donley has no change in control benefits under his employment agreement, as amended.

For purposes of the employment agreements with the Named Executive Officers, where applicable, the term "change in control" generally means an acquisition of 25% percent (35% in the case of Messrs. Vitrano and Standley) or more of the Company's combined voting power; the incumbent directors (generally including current directors and future directors whose election or nomination is approved by the Board) ceasing to constitute a majority of the Board; the consummation of a merger or similar transaction, other than (i) such a transaction in which the voting securities outstanding immediately prior to such transaction continue to represent at least 60% of the voting power of the Company immediately after the transaction or (ii) a recapitalization or similar transaction in which no person becomes the beneficial owner of 25% (35% in the case of Mr. Vitrano and Mr. Standley) or more of the Company's combined voting power; or the stockholders approve a plan of complete liquidation or dissolution of the Company.

Quantification

The termination and change in control payments that would have been made to the Named Executive Officers had their employment been terminated as of February 28, 2009 under the circumstances described in the tables below are quantified in the tables below.

Mary F. Sammons	Death ($)	Disability ($)	Change in Control ($)	Termination by the Company Without Cause or by the Executive for Good Reason ($)	Voluntary Termination of Employment by the Executive Within Six Months After Change in Control ($)
3 × Base Salary	N/A	N/A	N/A	3,000,000	3,000,000
3 × Bonus	N/A	N/A	N/A	6,000,000	6,000,000
Pro-Rated Bonus for Fiscal Year of Termination	—	—	N/A	—	—
Continued Health Benefits(a)	190,000	190,000	N/A	190,000	190,000
SERP Contribution Continuation for 3 Years	720,000	720,000	N/A	720,000	720,000
Vesting of Options and Restricted Stock(1)	89,188	89,188	89,188	89,188	89,188
Excise Tax Gross-up	N/A	N/A	0	3,654,000(b)	3,654,000

(a) Refer to the "Potential Payments Upon Termination or Change in Control" section above for a description of the benefits provided to Ms. Sammons following certain terminations of employment.

(b) This payment is shown under the assumption that the termination occurred on or after a change in control.

John T. Standley	Death ($)	Disability ($)	Change in Control ($)	Termination by the Company Without Cause or by the Executive for Good Reason ($)	Voluntary Termination of Employment by the Executive Within Six Months After Change in Control ($)
2 × Base Salary	N/A	N/A	N/A	1,800,000	N/A
2 × Bonus	N/A	N/A	N/A	2,250,000	N/A
Pro-Rated Bonus for Fiscal Year of Termination	96,750	96,750	N/A	96,750	N/A
Continued Health Benefits	18,084	18,084	N/A	18,084	N/A
SERP Vesting	56,765	56,765	56,765	56,765	N/A
Vesting of Options and Restricted Stock(1)	9,539	9,539	9,539	9,539	N/A
Excise Tax Gross-up	N/A	N/A	0	1,553,000(a)	N/A

(a) This payment is shown under the assumption that the termination occurred on or after a change in control.

Frank G. Vitrano	Death ($)	Disability ($)	Change in Control ($)	Termination by the Company Without Cause or by the Executive for Good Reason ($)	Voluntary Termination of Employment by the Executive Within Six Months After Change in Control ($)
2 × Base Salary	N/A	N/A	N/A	1,400,000	N/A
2 × Bonus	N/A	N/A	N/A	1,540,000	N/A
Pro-Rated Bonus for Fiscal Year of Termination	66,220	66,220	N/A	66,220	N/A
Continued Health Benefits	14,352	14,352	N/A	14,352	N/A
SERP Vesting	52,511	52,511	52,511	52,511	N/A
Vesting of Options and Restricted Stock(1)	7,411	7,411	7,411	7,411	N/A
Excise Tax Gross-up	N/A	N/A	0	1,269,000(a)	N/A

(a) This payment is shown under the assumption that the termination occurred on or after a change in control.

Brian R. Fiala	Death ($)	Disability ($)	Change in Control ($)	Termination by the Company Without Cause or by the Executive for Good Reason ($)	Voluntary Termination of Employment by the Executive Within Six Months After Change in Control ($)
2 × Base Salary	N/A	N/A	N/A	915,200	N/A
2 × Bonus	N/A	N/A	N/A	N/A	N/A
Pro-Rated Bonus for Fiscal Year of Termination	N/A	N/A	N/A	N/A	N/A
Continued Health Benefits	32,481	32,481	N/A	32,481	N/A
SERP Vesting	139,034	139,034	139,034	139,034	N/A
Vesting of Options and Restricted Stock(1)	9,819	9,819	9,819	9,819	N/A
Excise Tax Gross-up	N/A	N/A	0	0	N/A

Robert Sari	Death ($)	Disability ($)	Change in Control ($)	Termination by the Company Without Cause or by the Executive for Good Reason ($)	Voluntary Termination of Employment by the Executive Within Six Months After Change in Control ($)
2 × Base Salary	N/A	N/A	N/A	1,100,000	N/A
2 × Bonus	N/A	N/A	N/A	660,000	N/A
Pro-Rated Bonus for Fiscal Year of Termination	44,648	44,648	N/A	44,648	N/A
Continued Health Benefits	31,878	31,878	N/A	31,878	N/A
SERP Vesting	131,986	131,986	131,986	131,986	N/A
Vesting of Options and Restricted Stock(1)	11,996	11,996	11,996	11,996	N/A
Excise Tax Gross-up	N/A	N/A	0	0	N/A

Douglas E. Donley	Death ($)	Disability ($)	Change in Control ($)	Termination by the Company Without Cause or by the Executive for Good Reason ($)	Voluntary Termination of Employment by the Executive Within Six Months After Change in Control ($)
2 × Base Salary	N/A	N/A	N/A	661,939	N/A
2 × Bonus	N/A	N/A	N/A	330,970	N/A
Pro-Rated Bonus for Fiscal Year of Termination	28,463	28,463	N/A	28,463	N/A
Life Benefits	16,269	16,269	N/A	16,269	N/A
SERP Vesting	8,216	8,216	8,216	8,216	N/A
Vesting of Options and Restricted Stock(1)	N/A	N/A	N/A	N/A	N/A
Excise Tax Gross-up	N/A	N/A	N/A	N/A	N/A

(1) As described above in the "Potential Payments Upon Termination or Change in Control" narrative, upon a change in control (as defined in the employment agreements), the Named Executive Officers would become fully vested in certain outstanding stock option and restricted stock grants that were not yet vested on the date of the change in control. The value of stock options shown is based on the excess of $0.28, the closing price of a share of Rite Aid common stock on the last trading day before February 28, 2009, over the exercise price of such options, multiplied by the number of unvested stock options held by the officer. The value of restricted stock shown is determined by multiplying the number of shares of restricted stock that would vest as of February 28, 2009 and $0.28, the closing price of a share of Rite Aid common stock on the last trading day before February 28, 2009.

AUDIT COMMITTEE REPORT

The Board of Directors has adopted a written charter of the Audit Committee which further describes the role of the Audit Committee. The Audit Committee, among other things, appoints and engages our independent registered public accounting firm and oversees our financial reporting and internal control over financial reporting processes on behalf of the Board. Management has the primary responsibility for our financial statements, our accounting principles and our internal control over financial reporting. Our independent registered public accounting firm is responsible for auditing our financial statements and expressing an opinion as to their conformity with accounting principles generally accepted in the United States. Our independent registered public accounting firm also is responsible for expressing an opinion on the effectiveness of our internal control over financial reporting.

In fulfilling its oversight responsibilities, the Audit Committee met eleven times during fiscal year 2009.

During those meetings the Audit Committee:

- Met with our internal auditors and independent registered public accounting firm, with and without management present, to discuss the overall scope and plans for their respective audits, the results of their examinations, their evaluations of our internal control over financial reporting and the overall quality of our financial reporting.
- Reviewed and discussed with management and our independent registered public accounting firm, for their respective purposes, the audited financial statements included in our Annual Report on Form 10-K for fiscal 2009. The discussions included the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments and the clarity of disclosures in the financial statements and the Annual Report on Form 10-K for fiscal 2009.
- Reviewed the unaudited interim financial statements and Forms 10-Q prepared each quarter by the Company.
- Received management representations that the Company's financial statements were prepared in accordance with accounting principles generally accepted in the United States of America.
- Reviewed and updated the Audit Committee charter.
- Reviewed and discussed with our independent registered public accounting firm those matters required to be communicated by the standards of the Public Company Accounting Oversight Board ("PCAOB"), as well as critical accounting policies and practices, alternative accounting treatments, and other material written communications between management and our independent registered public accounting firm, as required by Rule 2-07 of Regulation S-X under the Securities Exchange Act of 1934, as amended.
- Discussed with our independent registered public accounting firm the matters required to be discussed by PCAOB AU 380 ("Communication with Audit Committees") and Statement on Auditing Standards No. 114 ("Communication with Audit Committees").
- Discussed with our independent registered public accounting firm matters relating to their independence and received the written disclosures and the letter from our independent registered public accounting firm required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant's communications with the Audit Committee concerning independence. The Audit Committee has considered whether the

level of non-audit related services provided by our independent registered public accounting firm is consistent with maintaining their independence.

- Pre-approved audit, other audit-related and tax services performed by our independent registered public accounting firm.

In addition to pre-approving the audit, other audit-related and tax services performed by our independent registered public accounting firm, the Audit Committee requests fee estimates associated with each proposed service. Providing a fee estimate for a service incorporates appropriate oversight and control of the independent registered public accounting firm relationship. On a quarterly basis, the Audit Committee reviews the status of services and fees incurred year-to-date against pre-approved services and fee estimates.

As outlined in the table below, we incurred the following fees, including expenses billed to the Company for the fiscal years ended February 28, 2009 and March 1, 2008 by our independent registered public accounting firm, Deloitte & Touche LLP, the member firms of Deloitte Touche Tohmatsu, and their respective affiliates.

Description of Fees	Year Ended Feb. 28, 2009	Year Ended March 1, 2008
	(Amounts in millions)	
Audit Fees, including audit of annual financial statements and reviews of interim financial statements, registration statement filings and comfort letters related to various refinancing activities	$2.8	$3.9
Audit-Related Fees:		
Acquisition due diligence fees and audits of employee benefit plans' financial statements	0.2	0.2
Tax Fees, tax compliance advice and planning	0.4	0.3
Total	$3.4	$4.4

Based on the review and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in our Annual Report on Form 10-K for the fiscal year ended February 28, 2009 for filing with the SEC.

Philip G. Satre, Chairman
André Belzile
Michael N. Regan
Marcy Syms

EQUITY COMPENSATION PLAN INFORMATION

The following table provides information as of February 28, 2009, with respect to the compensation plans under which our common stock may be issued:

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Further Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
	(a)	(b)	(c)
Equity compensation plans approved by stockholders	46,330,187	$3.65	28,544,954
Equity compensation plans not approved by stockholders*	24,015,906	$4.10	5,005,593
Total	70,346,093		33,550,547

* These plans include the Company's 1999 Stock Option Plan, under which 10,000,000 shares of common stock are authorized for the granting of stock options at the discretion of the Compensation Committee, and the 2001 Stock Option Plan, under which 20,000,000 shares of common stock are authorized for the granting of stock options, also at the discretion of the Compensation Committee. Both plans provide for the Compensation Committee to determine both when and in what manner options may be exercised; however, option terms may not extend for more than 10 years from the applicable date of grant. The plans provide that stock options may only be granted with exercise prices that are not less than the fair market value of a share of common stock on the date of grant. In addition to the options issued under the aforementioned plans, approximately 5,463,000 options are outstanding pursuant to option grants made in accordance with the provisions of individual agreements with certain of our executives. These options are included in the number of securities to be issued upon exercise of outstanding options, warrants and rights in column (a) above.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires Rite Aid's executive officers, directors and persons who own more than 10% of Rite Aid common stock to file reports of ownership and changes in ownership with the SEC and the NYSE. Such persons are required by SEC regulations to furnish Rite Aid with copies of all Section 16(a) forms they file. Based solely on a review of the copies of such forms furnished to Rite Aid, we have determined that during fiscal year 2009, no persons subject to Section 16(a) reporting submitted late filings under Section 16(a) of the Exchange Act.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth, as of April 28, 2009, certain information concerning the beneficial shareholdings of (a) each director, (b) each Jean Coutu Group director designee, (c) each of our "named executive officers" (as such term is defined in Item 402(a)(3) of Regulation S-K under the Exchange Act), (d) each holder of more than five percent of the common stock and (e) all directors, executive officers and Jean Coutu Group director designees as a group (based on 885,910,678 shares of common stock outstanding as of April 28, 2009, plus the number of shares of common stock into which the outstanding shares of LGP preferred stock are convertible). Each of the persons named below has

sole voting power and sole investment power with respect to the shares set forth opposite his or her name, except as otherwise noted.

Beneficial Owners	Number of Common Shares Beneficially Owned(1)	Percentage of Class
Named Executive Officers and Directors:		
Joseph B. Anderson, Jr.	203,334(2)	*
André Belzile	86,667(3)	*
François J. Coutu	86,667(4)	*
Michel Coutu	86,667(5)	*
James Donald	33,334(6)	*
Douglas Donley	335,213(7)	*
Robert Easley	65,540(8)	*
Brian Fiala	237,259(9)	*
David R. Jessick	0	
Pierre Legault	114,285(10)	*
Robert G. Miller	9,442,912(11)	1.06%
Michael Regan	86,667(12)	*
Mary F. Sammons	10,248,673(13)	1.15%
Robert B. Sari	415,014(14)	*
Philip G. Satre	361,834(15)	*
Jonathan D. Sokoloff	26,796,164(16)	2.94%
John T. Standley	568,782(17)	*
Marcy Syms	203,334(18)	*
Kevin Twomey	97,254(19)	*
Frank Vitrano	39,700(20)	*
Dennis Wood	86,667(21)	*
All Executive Officers and Directors 18 persons	48,924,174	5.26%
5% Stockholders:		
Thornburg Investment Management Inc. 119 E. Marcy Street Santa Fe, NM 87501	62,097,198(22)	7.01%
The Jean Coutu Group (PJC), Inc 530 Bériault Street Longueuil, Quebec J4G 1S8	251,975,262(23)	28.44%

* Percentage less than 1% of class.

(1) Beneficial ownership has been determined in accordance with Rule 13d-3 under Exchange Act, thereby including options exercisable as of June 27, 2009.

(2) This amount includes 183,334 shares which may be acquired within 60 days by exercising stock options.

(3) This amount includes 66,667 shares which may be acquired within 60 days by exercising stock options.

(4) This amount includes 66,667 shares which may be acquired within 60 days by exercising stock options.

(5) This amount includes 66,667 shares which may be acquired within 60 days by exercising stock options.

(6) This amount includes 33,334 shares which may be acquired within 60 days by exercising stock options.

(7) This amount includes 262,163 shares which may be acquired within 60 days by exercising stock options.

(8) This amount represents 65,540 shares owned by Mr. Easley, who ceased to be employed by the Company on September 24, 2008.

(9) This amount includes 123,106 shares which may be acquired within 60 days by exercising stock options.

(10) This amount represents 114,285 shares owned by Mr. Legault, who ceased to be employed by the Company on September 24, 2008.

(11) The amount includes 8,883,334 shares which may be acquired within 60 days by exercising stock options.

(12) This amount includes 66,667 shares which may be acquired within 60 days by exercising stock options.

(13) This amount includes 52,779 shares owned by Ms. Sammons' spouse and 8,239,942 shares which may be acquired within 60 days by exercising stock options.

(14) This amount includes 299,097 shares which may be acquired within 60 days by exercising stock options. Mr. Sari ceased to be employed by the Company on April 8, 2009.

(15) This amount includes 233,334 shares which may be acquired within 60 days by exercising stock options.

(16) This amount includes 705,436 shares owned jointly by Mr. Sokoloff and his spouse and 26,090,728 shares beneficially owned by Green Equity Investors III, L.P., which is affiliated with Leonard Green & Partners, L.P., of which Mr. Sokoloff is an executive officer and equity owner.

(17) This amount includes 312,700 shares which may be acquired within 60 days by exercising stock options.

(18) This amount includes 183,334 shares which may be acquired within 60 days by exercising stock options.

(19) This amount represents 97,254 shares owned by Mr. Twomey, who ceased to be employed by the Company on September 24, 2008.

(20) This amount represents 39,700 shares of restricted common stock.

(21) This amount includes 66,667 shares which may be acquired within 60 days by exercising stock options.

(22) Based solely on a Schedule 13G/A filed with the Commission on March 2, 2009 which indicates that as of February 27, 2008, these shares are beneficially owned by Thornburg Investment Management, Inc. The Schedule 13G/A reports sole power to vote or direct the voting of 62,097,198 shares and sole power to dispose or direct the disposition of 62,097,198 shares.

(23) Based upon shares acquired on June 4, 2007 in connection with the closing of the stock purchase agreement and shares acquired on October 5, 2007 pursuant to Section 1.4 of the stockholder agreement.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Review and Approval of Related Person Transactions

We have adopted a written policy concerning the review, approval or ratification of transactions with related persons. The Nominating and Governance Committee is responsible for review, approval or ratification of "related person transactions" between the Company or its subsidiaries and related persons. Under SEC rules, a related person is, or anytime since the beginning of the last fiscal year was, a director, officer, nominee for director, an immediate family member (as defined under applicable SEC rules) of such persons, or a 5% stockholder of the Company. A related person transaction is any transaction or series of transactions in which the Company or a subsidiary is a participant, the amount involved exceeds $120,000, and a related person has a direct or indirect material interest.

Directors, executive officers and nominees must complete an annual questionnaire and disclose all potential related person transactions involving themselves and their immediate family members that are known to them. Throughout the year, directors and executive officers must notify the Corporate Secretary and Chief Accounting Officer of any potential Related Person Transactions as soon as they become aware of any such transaction. The Corporate Secretary and Chief Accounting Officer inform the Nominating and Governance Committee of any related person transaction of which they are aware. The Corporate Secretary and Chief Accounting Officer are responsible for conducting a preliminary analysis and review of potential related person transactions and presentation to the Nominating and Governance Committee for review including provision of additional information to enable proper consideration by the Committee. As necessary, the Nominating and Governance Committee shall review approved related person transactions on a periodic basis throughout the duration of the transaction to ensure that the transactions remains in the best interests of the Company. The Nominating and Governance Committee may, in its discretion, engage outside counsel to review certain related person transactions. In addition, the Nominating and Governance Committee may request that the full Board of Directors consider the approval or ratification of related person transactions if it deems advisable. A copy of our full policy concerning transactions with related persons is available on the Corporate Governance section of our website at *www.riteaid.com*.

Agreement with John T. Standley

Prior to being employed by the Company, Rite Aid paid Mr. Standley a fee of $32,500 per week for consulting services rendered in July, August and September 2008. The consulting agreement was on a week-to-week basis, which also provided for the reimbursement of out-of-pocket expenses incurred by Mr. Standley. During fiscal year 2009 and prior to his employment as President and Chief Operating Officer, Rite Aid paid Mr. Standley a consulting fee of $293,551.

Deferred Compensation for David R. Jessick's Prior Service

Pursuant to the terms of a deferred compensation program in place during Mr. Jessick's prior service with the Company, Mr. Jessick received a payment of approximately $109,000 in fiscal 2009 and a final payment of approximately $61,000 in March 2009.

Relationship with Leonard Green & Partners L.P.

Rite Aid has entered into a one-year agreement with Leonard Green & Partners L.P., or Leonard Green, effective January 1, 2006, whereby Rite Aid has agreed to pay Leonard Green a fee of $300,000 per year (reduced to $150,000 per year on June 4, 2007 when John Danhakl ceased to be a director on the Company's Board of Directors) for its consulting services. The consulting agreement was extended

effective January 1, 2007 on a month-to-month basis, which also provides for the reimbursement of out-of-pocket expenses incurred by Leonard Green. This agreement is an extension of Rite Aid's existing consulting agreement with Leonard Green. Pursuant to the consulting agreement, Rite Aid may engage Leonard Green to provide financial advisory and investment banking services in connection with major financial transactions that it undertakes in the future. During fiscal year 2009, Rite Aid paid Leonard Green a consulting fee of $137,500. This transaction was reviewed and ratified by our Board in April 2007 under our related person transactions approval policy described above. Jonathan D. Sokoloff, a director of Rite Aid, is an equity owner of Leonard Green.

Agreements with Jean Coutu Group

In connection with Rite Aid's acquisition of the Brooks and Eckerd drugstore chains from Jean Coutu Group, Rite Aid and Jean Coutu Group became a party to a series of agreements which are described below.

Stock Purchase Agreement

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, which was a wholly-owned subsidiary of Jean Coutu Group and the holding company for the Brooks and Eckerd drugstore chains. Pursuant to the stock purchase agreement, certain of the provisions extend beyond the closing of the Brooks Eckerd Transaction.

Non-Competition Covenant. Jean Coutu Group has agreed that for five years after the closing of the Brooks Eckerd Transaction it will not (other than as a stockholder of Rite Aid and through its designees on Rite Aid's Board of Directors) engage in the retail pharmacy business in the United States or the pharmacy benefits management business in the United States. In a related agreement, Michel Coutu, our Non-Executive Co-Chairman, has agreed that for three years after the closing of the Brooks Eckerd Transaction, he will not (other than as a stockholder of Rite Aid and in his capacity as a Rite Aid director), engage in the retail pharmacy business in the United States or the pharmacy benefits management business in the United States.

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 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 resulting from the transaction. The deductible and cap do not apply to losses arising from tax matters.

Stockholder Agreement

Concurrently with entering into the stock purchase agreement, Rite Aid, Jean Coutu Group and certain Coutu family members entered into a stockholder agreement. The stockholder agreement contains provisions relating to board and board committee composition, corporate governance, stock ownership, stock purchase rights, transfer restrictions, voting arrangements and other matters.

Board and Board Committee Representation. The stockholder agreement provides that Jean Coutu Group initially will have the right to designate four members of Rite Aid's Board of Directors. Thereafter, Jean Coutu Group will have the right to designate a certain number of director nominees for election to our Board, 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.

Voting Arrangements. The stockholder agreement provides that for a period of five years after the closing of the Brooks Eckerd Transaction, Jean Coutu Group agrees 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 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. 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, Rite Aid voting securities owned by Jean Coutu Group will be subject to restrictions on transfer included in the stockholder agreement, 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.

Registration Rights Agreement

Concurrently with entering into the stock purchase agreement, Rite Aid, Jean Coutu Group and certain Coutu family members 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.

Transition Services Agreement

Effective as of June 4, 2007, Rite Aid and Jean Coutu Group entered into a transition services agreement consistent with certain principles set forth in the stock purchase agreement. Pursuant to the transition services agreement, Jean Coutu Group provided for a period of up to nine months following the closing date, subject to up to three, three-month extensions, certain transition services, including information technology, network and support services, to Jean Coutu USA to facilitate the transition of the businesses to Rite Aid. The Company has exercised all of the extensions available under the transition services agreement, which terminated in September 2008.

The transactions with Jean Coutu Group were reviewed by our Board in connection with the closing of the Brooks Eckerd Transaction and ratified under our related person transactions approval policy described above.

STOCKHOLDER PROPOSALS FOR THE 2010 ANNUAL MEETING OF STOCKHOLDERS

Any stockholder desiring to present a proposal for inclusion in Rite Aid's proxy statement for the 2010 Annual Meeting of Stockholders must deliver the proposal to the Secretary at the address below not later than January 14, 2010. Only those proposals that comply with the requirements of Rule 14a-8 under the Exchange Act will be included in Rite Aid's proxy statement for the 2010 Annual Meeting.

In order for proposals of stockholders made outside of Rule 14a-8 under the Exchange Act to be considered "timely" within the meaning of Rule 14a-4(c) under the Exchange Act, such proposals must be received by the Secretary at the address below by March 27, 2010.

Stockholders may present proposals that are proper subjects for consideration at an annual meeting, even if the proposal is not submitted by the deadline for inclusion in the proxy statement. To do so, the stockholder must comply with the procedures specified in Rite Aid's by-laws. The by-laws, which are available on Rite Aid's website at *www.riteaid.com* under "Our Company—Corporate Governance—By-Laws" and in print upon request from the Secretary, require all stockholders who intend to make proposals at an annual meeting of stockholders to submit their proposals to the Secretary not fewer than 90 and not more than 120 days before the anniversary date of the previous year's annual meeting of stockholders. The by-laws also provide that nominations for director may only be made by the Board of Directors (or an authorized Board committee) or by a stockholder of record entitled to vote who sends notice to the Secretary not fewer than 90 nor more than 120 days before the anniversary date of the previous year's annual meeting of stockholders. Any nomination by a stockholder must comply with the procedures specified in Rite Aid's by-laws. To be eligible for consideration at the 2010 Annual Meeting, proposals which have not been submitted by the deadline for inclusion in the proxy statement and any nominations for director must be received by the Secretary between February 25, 2010 and March 27, 2010. This advance notice period is intended to allow all stockholders an opportunity to consider all business and nominees expected to be considered at the meeting. All submissions to, or requests from, the Secretary should be made to:

Rite Aid Corporation
30 Hunter Lane
Camp Hill, Pennsylvania 17011
Attention: Marc A. Strassler, Secretary

INCORPORATION BY REFERENCE

In accordance with SEC rules, notwithstanding anything to the contrary set forth in any of our previous or future filings under the Securities Act of 1933, as amended, or the Exchange Act, that might incorporate this proxy statement or future filings made by Rite Aid under those statutes, the information included under the caption "Compensation Committee Report" and those portions of the information included under the caption "Audit Committee Report" required by the SEC's rules to be included therein, shall not be deemed to be "soliciting material" or "filed" with the SEC and shall not be deemed incorporated by reference into any of those prior filings or into any future filings made by Rite Aid under those statutes, except to the extent we specifically incorporate these items by reference.

OTHER MATTERS

The Board of Directors knows of no other matters that have been submitted for consideration at this Annual Meeting. If any other matters come before stockholders at this Annual Meeting, the persons named on the enclosed proxy intend to vote the shares they represent in accordance with their best judgment.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Deloitte & Touche LLP served as Rite Aid's independent registered public accounting firm for fiscal year 2009 and Rite Aid's Audit Committee is in the process of negotiating with Deloitte & Touche LLP the terms of an arrangement to audit the consolidated financial statements of the Company and its subsidiaries for fiscal year 2010. A representative of Deloitte & Touche LLP is expected to be present at the Annual Meeting, and the representative will have the opportunity to make a statement and will be available to respond to appropriate questions.

IMPORTANT NOTICE REGARDING DELIVERY OF STOCKHOLDER DOCUMENTS

The SEC has adopted rules that permit companies and intermediaries such as brokers to satisfy proxy material delivery requirements with respect to two or more stockholders sharing the same address by delivering a single proxy statement addressed to those stockholders. This process, which is referred to as "householding," potentially provides extra convenience for stockholders and reduces printing and postage costs for companies.

Rite Aid and some brokers utilize the householding process for proxy materials. In accordance with a notice sent to certain stockholders who share a single address, only one copy of this proxy statement is being sent to that address, unless we received contrary instructions from any stockholder at that address. Stockholders who participate in householding will continue to receive separate proxy cards. Householding will continue until you are notified otherwise or until one or more stockholders at your address revokes consent. If you revoke consent, you will be removed from the householding program within 30 days of receipt of the revocation. If you hold your Rite Aid stock in "street name," additional information regarding householding of proxy materials should be forwarded to you by your broker.

However, if you wish to receive a separate copy of this proxy statement, or would like to receive separate proxy statements and annual reports of Rite Aid in the future, or if you are receiving multiple copies of annual reports and proxy statements at an address shared with another stockholder and would like to participate in householding, please notify your broker if your shares are held in a brokerage account or us if you hold registered shares. You can notify us by sending a written request to Rite Aid Corporation, 30 Hunter Lane, Camp Hill, Pennsylvania 17011, Attention: Marc A. Strassler, Secretary, or by calling the Secretary at (717) 975-5833.

ANNUAL REPORT

A copy of Rite Aid's Annual Report on Form 10-K for fiscal year 2009 is being mailed together with this proxy statement to all stockholders entitled to notice of and to vote at the Annual Meeting.

Appendix A

Proposed Amendment to the Restated Certificate of Incorporation to Declassify Our Board of Directors (Proposal No. 1)

The text below is the portion of our Restated Certificate of Incorporation proposed to be amended by Proposal No. 1. Proposed additions are indicated by underlining and proposed deletions are indicated by strike-outs.

EIGHTH: For the management of the business and for the conduct of the affairs of the corporation, and in further definition, limitation and regulation of the powers of the corporation and of its directors and stockholders, or any class thereof, as the case may be, it is further provided:

1. The management of the business and the conduct of the affairs of the corporation, including the election of the Chairman of the Board of Directors, if any, the President, the Treasurer, the Secretary, and other principal officers of the corporation, shall be vested in its Board of Directors. The number of Directors of the corporation shall be fixed by the By-Laws of the corporation and may be altered from time to time as provided therein, but in no event shall the number of directors of the corporation be less than three nor more than fifteen. A director shall be elected to hold office until the expiration of the term for which such person is elected, and until such person's successor shall be duly elected and qualified. Commencing at the annual meeting of stockholders that is held in calendar year 2009 (the "2009 Annual Meeting"), ~~T~~the directors of the corporation shall be ~~divided into three classes, as nearly equal in number as possible, designated Class I, Class II and Class III. The term of office of the initial Class I directors shall expire at the annual meeting of stockholders to be held in 1977; the term of office of the initial Class II directors shall expire at the annual meeting of stockholders to be held in 1978; and the term of office of the initial Class III directors shall expire at the annual meeting of stockholders to be held in 1979.~~ elected annually for terms of one year, except that any director in office at the 2009 Annual Meeting whose term expires at the annual meeting of stockholders in calendar year 2010 or calendar year 2011 (a "Continuing Classified Director") shall continue to hold office until the end of the term for which such director was elected and until such director's successor shall have been elected and qualified. Accordingly, at each annual meeting of stockholders ~~commencing with the annual meeting to be held in 1977 for the purpose of electing a class of directors, persons shall be elected to hold office as such class of directors for a period of three years and until the third succeeding annual meeting of stockholders following the meeting at which they are elected. When the number of directors is changed, any newly created directorships or any decrease in directorships shall be so apportioned among the classes so as to make all classes as nearly equal in number as possible~~after the terms of all Continuing Classified Directors have expired, all directors shall be elected for terms expiring at the next annual meeting of stockholders and until such directors' successors shall have been elected and qualified. Any vacancies created in the Board of Directors through an increase in the number of directors or otherwise, may be filled in accordance with the By-Laws of the corporation and the applicable laws of the State of Delaware. Election of directors need not be by written ballot. Any director, or the entire Board of Directors, may be removed, with or without cause, by the holders of a majority of the votes of capital stock then entitled to vote in the election of directors at a meeting of stockholders called for that purpose, except that Continuing Classified Directors and any director appointed to fill a vacancy of any Continuing Classified Director may be removed only for cause.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

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

For The Fiscal Year Ended February 28, 2009

OR

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

For The Transition Period From To

Commission File Number 1-5742

RITE AID CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**23-1614034**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
30 Hunter Lane, Camp Hill, Pennsylvania	**17011**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: **(717) 761-2633**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $1.00 par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to section 13 or section 15(d) of the Exchange Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "Accelerated Filer" and "Large Accelerated Filer" in Rule 12b-2 of the Exchange Act.

Large Accelerated ☒	Accelerated Filer ☐	Non-Accelerated Filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The aggregate market value of the voting and non-voting common stock of the registrant held by non-affiliates of the registrant based on the closing price at which such stock was sold on the New York Stock Exchange on August 30, 2008 was approximately $714,458,293. For purposes of this calculation, executive officers, directors and 5% shareholders are deemed to be affiliates of the registrant.

As of April 7, 2009 the registrant had outstanding 886,038,001 shares of common stock, par value $1.00 per share.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the proxy statement for the registrant's annual meeting of stockholders to be held on June 25, 2009 are incorporated by reference into Part III.

TABLE OF CONTENTS

		Page
Cautionary Statement Regarding Forward-Looking Statements		3
PART I		
ITEM 1.	Business	4
ITEM 1A.	Risk Factors	11
ITEM 1B.	Unresolved Staff Comments	20
ITEM 2.	Properties	20
ITEM 3.	Legal Proceedings	23
ITEM 4.	Submission of Matters to a Vote of Security Holders	23
PART II		
ITEM 5.	Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	24
ITEM 6.	Selected Financial Data	26
ITEM 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	27
ITEM 7A.	Quantitative and Qualitative Disclosures About Market Risk	47
ITEM 8.	Financial Statements and Supplementary Data	48
ITEM 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	48
ITEM 9A.	Controls and Procedures	48
ITEM 9B.	Other Information	50
PART III		
ITEM 10.	Directors and Executive Officers and Corporate Governance	
ITEM 11.	Executive Compensation	
ITEM 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	
ITEM 13.	Certain Relationships and Related Transactions and Director Independence	
ITEM 14.	Principal Accountant Fees and Services	
PART IV		
ITEM 15.	Exhibits and Financial Statement Schedules	50
SIGNATURES		115

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This report, as well as our other public filings or public statements, include forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are often identified by terms and phrases such as "anticipate," "believe," "intend," "estimate," "expect," "continue," "should," "could," "may," "plan," "project," "predict," "will" and similar expressions and include references to assumptions and relate to our future prospects, developments and business strategies.

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 refinance our indebtedness on terms favorable to us and our access to capital markets, including our ability to complete sale and leaseback transactions;
- 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;
- general economic conditions, inflation and interest rate movements;
- our ability to improve the operating performance of our stores in accordance with our long term strategy;
- our ability to realize same store sales growth for the acquired Brooks Eckerd stores;
- our ability to hire and retain pharmacists and other store personnel;
- the efforts of private and public third party payors to reduce prescription drug reimbursement and encourage mail order;
- competitive pricing pressures, including aggressive promotional activity from our competitors;
- decisions to close additional stores and distribution centers, which could result in further charges to our operating statement;
- our ability to manage expenses;
- our ability to realize the benefits from actions to further reduce costs and investment in working capital;
- continued consolidation of the drugstore industry;
- changes in state or federal legislation or regulations;
- the outcome of lawsuits and governmental investigations;
- the timing and effects of our proposed reverse stock split;
- our ability to maintain the listing of our common stock on the New York Stock Exchange, and the resulting impact on our indebtedness, results of operations and financial condition;
- 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 in this report, whether as a result of new information, future events or otherwise, after the date of this report. Our actual results, performance or achievements could differ materially from the results expressed in, or implied by, these forward-looking statements. Such factors are discussed in the sections entitled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Overview and Factors Affecting Our Future Prospects" included in this annual report on Form 10-K.

PART I

Item 1. Business

Overview

We are the third largest retail drugstore chain in the United States based on revenues and number of stores. We operate our drugstores in 31 states across the country and in the District of Columbia. As of February 28, 2009, we operated 4,901 stores.

In our stores, we sell prescription drugs and a wide assortment of other merchandise, which we call "front-end" products. In fiscal 2009, prescription drug sales accounted for 67.2% of our total sales. We believe that our pharmacy operations will continue to represent a significant part of our business due to favorable industry trends, including an aging population, increased life expectancy, anticipated growth in the federally funded Medicare Part D prescription program as "baby boomers" begin to enroll in 2011 and the discovery of new and better drug therapies. We offer approximately 28,000 front-end products, which accounted for the remaining 32.8% of our total sales in fiscal 2009. Front end products include 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. We attempt to distinguish our stores from other national chain drugstores, in part, through our private brands and our strategic alliance with GNC, a leading retailer of vitamin and mineral supplements. We offer approximately 3,300 products under the Rite Aid private brand, which contributed approximately 13.5% of our front-end sales in the categories where private brand products were offered in fiscal 2009.

The overall average size of each store in our chain is approximately 12,500 square feet. The average size of our stores is larger in the western United States. As of February 28, 2009, approximately 57% of our stores are freestanding; approximately 49% of our stores include a drive-thru pharmacy; approximately 42% include one-hour photo shops; and approximately 35% include a GNC store-within-Rite Aid-store.

Our headquarters are located at 30 Hunter Lane, Camp Hill, Pennsylvania 17011, and our telephone number is (717) 761-2633. Our common stock is listed on the New York Stock Exchange under the trading symbol of "RAD". We were incorporated in 1968 and are a Delaware corporation.

Acquisition

On June 4, 2007, we acquired all of the membership interests of JCG (PJC) USA, LLC ("Jean Coutu USA"), the holding company for the Brooks Eckerd drugstore chain ("Brooks Eckerd"), from Jean Coutu Group (PJC) Inc. ("Jean Coutu Group"), pursuant to the terms of the Stock Purchase Agreement (the "Agreement") dated August 23, 2006. As consideration for the acquisition of Jean Coutu USA (the "Acquisition"), we paid $2.3 billion and issued 250 million shares of Rite Aid common stock. We financed the cash payment via the establishment of a new term loan facility, issuance of senior notes and borrowings under our existing revolving credit facility. Our operating results include the results of the Brooks Eckerd stores from the date of acquisition.

As of February 28, 2009, the Jean Coutu Group owns 252.0 million shares of Rite Aid common stock, which represents approximately 27.6% of the total Rite Aid voting power. We expanded our Board of Directors to 14 members, with four of the seats being held by members designated by the Jean Coutu Group. In connection with the Acquisition, we entered into a Stockholder Agreement (the "Stockholder Agreement") with Jean Coutu Group and certain Coutu family members. The Stockholder Agreement contains provisions relating to Jean Coutu Group's ownership interest in the Company, board and board committee composition, corporate governance, stock ownership, stock purchase rights, transfer restrictions, voting arrangements and other matters. We 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 issued to Jean

Coutu Group or acquired by Jean Coutu Group pursuant to certain stock purchase rights or open market rights under the Stockholder Agreement.

We completed the integration of the Brooks Eckerd stores during Fiscal 2009. The Brooks Eckerd integration has significantly increased the footprint and operating scale of our business and has made us the largest drugstore retailer in the Eastern United States. This increased scale has benefited us by providing purchasing synergies and will provide us with an opportunity to leverage our fixed costs. While sales in the Brooks Eckerd stores did not meet our original expectations in fiscal 2009, pharmacy same store sales trends continued to improve throughout the year. Front end sales trends improved in the first three quarters of fiscal 2009 but were negatively impacted by the recession-led pullback in retail spending in the fourth quarter.

Industry Trends

The rate of pharmacy sales growth in the United States in recent years has slowed, with growth in 2008 at 1.3% per IMS Health, an independent industry research firm. Factors driving this slowdown include the decline in new blockbuster drugs, a longer FDA approval process, drug safety concerns, higher copays, the loss of individual health insurance as unemployment rises and an increase in the use of generic (non-brand name) drugs, which are less expensive but generate higher gross margins. However, we expect prescription sales to grow in the coming years due to the aging population, increased life expectancy, "baby boomers" becoming eligible for the federally-funded Medicare prescription program and new drug therapies. We expect that President Obama's proposed health care reform could make prescriptions more affordable for more patients.

Generic prescription drugs help lower overall costs for customers and third party payors. We believe the utilization of existing generic pharmaceuticals will continue to increase. Further, a significant number of new generics are expected to be introduced in the next few years as approximately $80 billion of annual sales of branded drugs are scheduled to lose patent protection over the next five years. The gross profit from a generic drug prescription in the retail drugstore industry is greater than the gross profit from a brand drug prescription.

The retail drugstore industry is highly competitive and has been experiencing consolidation. We believe that the continued consolidation of the drugstore industry, continued new store openings, increased competition from internet based providers and aggressive generic pricing programs at competitors such as Wal-Mart and various supermarket chains will further increase competitive pressures in the industry. In addition, the pharmacy business has become increasingly promotional, which contributes to additional competitive pressures.

The retail drugstore industry relies significantly on third party payors. Third party payors, including the Medicare Part D plans and the state sponsored Medicaid agencies, at times change the eligibility requirements of participants or reduce certain reimbursement rates. These evaluations and resulting changes and reductions are expected to continue. When third party payors, including the Medicare Part D program and state sponsored Medicaid agencies, reduce the number of participants or reduce their reimbursement rates, sales and margins in the industry could be reduced, and profitability of the industry could be adversely affected. These possible adverse effects can be partially or entirely offset by controlling expenses, dispensing more higher margin generics and dispensing more prescriptions overall.

Strategy

Our objectives and goals are to grow profitable sales by unlocking the value of our diverse store base, improve customer loyalty by improving customer and associate satisfaction, generate positive cash flow by taking unnecessary costs out of the business and improving operating efficiencies and reduce debt via the generation of operating cash flow and improvements in working capital management. We believe that by executing on these goals we can improve stockholder value even in a difficult economic

environment. The following paragraphs describe in more detail some of the components of our strategies that we believe will result in the achievement of these goals and objectives:

Grow profitable sales by unlocking the value of our diverse store base. As of February 28, 2009 we have 4,901 stores in 31 states and the District of Columbia. These stores are in diverse markets, with many being in urban, high traffic areas and many being in lower traffic suburban or rural areas. In the past we have operated our stores with consistent standards for store staffing, field management staffing, distribution center deliveries, advertising, product assortment and pricing. We are currently in the process of stratifying these stores into specific groups and further refining the business plans for each group. The plans will ultimately result in different subsets of stores having standards for labor, product assortment, pricing and distribution center deliveries that are best suited for that group of stores. We have also revised our Field Management structure to allocate more field supervision staffing to stores in urban markets, which are typically more challenging to manage than stores in rural or suburban markets. We believe that these changes will improve profitability, particularly at our lower volume stores.

Improve sales by improving customer loyalty. We believe that our greatest opportunity to improve sales is by ensuring that we have a base of loyal, repeat customers, particularly in the pharmacy business. We believe that the best way to obtain loyal customers is to show that Rite Aid will help them lead happier, healthier lives. We have several programs that we have either started or are planning to start that are designed to improve customer loyalty, including the following:

- We have launched our free Rx Savings Card, which provides cost savings on over 10,000 prescription drugs and over 1,500 over-the-counter medicines to patients with limited or no insurance.
- We continue to offer our Living More senior loyalty program, which offers senior citizens prescription discounts and informational materials. This program has been well received, with over 4.1 million members as of February 28, 2009.
- We have begun offering an automated refill option for customers with maintenance prescriptions, and also make courtesy refill reminder phone calls.
- We launched a "Giving Care for Parents" program, which provides caregiver advice via printed material, access to geriatric specialists on-line and consultation with Rite Aid pharmacists.

In the front end business, we plan to aggressively grow our private brand offerings, as we believe that our private brand products offer cost effective alternatives to national brand products that are very attractive during difficult economic times. We are planning to increase our private brand penetration by approximately 100 basis points by the end of fiscal 2010. We are particularly excited about the recent launch of the M5 Magnum, which is the first private brand 5-blade razor to be offered by any major drugstore chain.

We believe that a key component of developing loyal customers is by having loyal associates. During fiscal 2009, we designated associates from all parts of our Company as "Culture Change Champions". Their goal is to use feedback from their colleagues throughout the Company to help create a better work environment. We believe this will help ensure that we have loyal, satisfied associates, which will lead to loyal, satisfied customers.

Generate positive cash flow by taking unnecessary costs out of the business. With the integration of the Brooks Eckerd stores completed, we believe we have an opportunity to better leverage our sales by making changes to our cost structure. We have numerous cost reduction initiatives in place or planned for fiscal 2010, including the following:

- We plan to make changes to staffing models for some of our lower volume stores, which we believe will improve store profitability without sacrificing sales or customer service.

- We have centralized all non-merchandise purchasing into a centralized Indirect Procurement function. This group is responsible for reviewing all purchase contracts and arrangements and utilizes several tools, including on-line auctions, to control the cost of these services.
- We have made strategic reductions to administrative headcount and restructured some of our benefit plans.
- We plan to reduce supply chain costs by reducing inventory and rationalizing the distribution center network, as evidenced by the announced closures of our Metro New York facility and our Atlanta, Georgia facility. We have also made changes to which distribution centers service which stores and are considering reducing the delivery frequency in certain stores, which will save transportation costs.

We believe that these changes, as well as others, will enable us to improve our operating profitability without sacrificing sales and customer service.

Reduce debt. We are highly leveraged and believe that our leverage puts us at a competitive disadvantage, particularly given the current market conditions. We plan to reduce debt in fiscal 2010 by executing on the operating initiatives discussed above, as well as by doing the following:

- We have taken several steps to reduce our investment in inventory, including steps to reduce the number of SKU's, reduce our backroom inventories and reduce store safety stock in certain categories. The continuation of these programs, along with planned improvements in our ad ordering system and product forecasting techniques, should further reduce our inventory levels, which should increase available working capital and improve operating efficiencies.
- We plan to significantly reduce our capital expenditures in fiscal 2010, as we have invested a significant amount of capital dollars into the Brooks Eckerd stores over the past eighteen months. Our targeted capital expenditures for fiscal 2010 is $250.0 million, which represents a reduction of approximately $300.0 million from fiscal 2009 levels.

We believe that these initiatives, along with other improvements in cash flow from operations, will enable us to begin to pay down debt in fiscal 2010.

Products and Services

Sales of prescription drugs represented approximately 67.2%, 66.7%, and 63.7% of our total sales in fiscal years 2009, 2008 and 2007, respectively. In fiscal years 2009, 2008 and 2007, prescription drug sales were $17.6 billion, $16.2 billion, and $11.1 billion, respectively. See "Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements.

We sell approximately 28,000 different types of non-prescription, or front-end products. The types and number of front-end products in each store vary, and selections are based on customer needs and preferences and available space. No single front-end product category contributed significantly to our sales during fiscal 2009. Our principal classes of products in fiscal 2009 were the following:

Product Class	Percentage of Sales
Prescription drugs	67.2%
Over-the-counter medications and personal care	8.7%
Health and beauty aids	5.3%
General merchandise and other	18.8%

We offer approximately 3,300 products under the Rite Aid private brand, which contributed approximately 13.5% of our front-end sales in the categories where private brand products were offered in fiscal 2009. We intend to increase the number of private brand products.

We have a strategic alliance with GNC under which we have opened 1,726 GNC "stores-within-Rite Aid-stores" as of February 28, 2009 and a contractual commitment to open an additional 626 stores by December 2014. We incorporate the GNC store-within-Rite Aid-store into our new and relocated stores. GNC is a leading nationwide retailer of vitamin and mineral supplements, personal care, fitness and other health related products.

Technology

All of our stores are integrated into a common information system, which enables our customers to fill or refill prescriptions in any of our stores throughout the country, reduces chances of adverse drug interactions, and enables our pharmacists to fill prescriptions more accurately and efficiently. This system can be expanded to accommodate new stores. Our customers may also order prescription refills over the Internet through *www.riteaid.com*, or over the phone through our telephonic automated refill systems for pick up at a Rite Aid store. As of February 28, 2009, we had installed 1,034 automated pharmacy dispensing units, which are linked to our pharmacists' computers, that fill and label prescription drug orders, in high volume stores. The efficiency of these units allows our pharmacists to spend an increased amount of time consulting with our customers. Additionally, each of our stores employs point-of-sale technology that supports sales analysis and recognition of customer trends. This same point-of-sale technology facilitates the maintenance of perpetual inventory records which, together with our sales analysis, drives our automated inventory replenishment process.

Suppliers

We purchase almost all of our generic (non-brand name) pharmaceuticals directly from manufacturers. During fiscal 2009, we purchased brand pharmaceuticals and some generic pharmaceuticals, which amounted to approximately 93.7% of the dollar volume of our prescription drugs, from a single wholesaler, McKesson Corp ("McKesson"), under a contract, which runs through April 2010. Under the contract, with limited exceptions, we are required to purchase all of our branded pharmaceutical products from McKesson. If our relationship with McKesson was disrupted, we could temporarily have difficulty filling prescriptions until we executed a replacement wholesaler agreement or developed and implemented self-distribution processes, which could negatively affect our business.

We purchase our non-pharmaceutical merchandise from numerous manufacturers and wholesalers. We believe that competitive sources are readily available for substantially all of the non-pharmaceutical merchandise we carry and that the loss of any one supplier would not have a material effect on our business.

We sell private brand and co-branded products that generally are supplied by numerous competitive sources. The Rite Aid and GNC co-branded PharmAssure vitamin and mineral supplement products and the GNC branded vitamin and mineral supplement products that we sell in our stores are developed by GNC, and along with our Rite Aid brand vitamin and mineral supplements, are manufactured by GNC.

Customers and Third Party Payors

During fiscal 2009, our stores filled approximately 300 million prescriptions and served an average of 2.3 million customers per day. The loss of any one customer would not have a material adverse impact on our results of operations.

In fiscal 2009, 96.3% of our pharmacy sales were to customers covered by third party payors (such as insurance companies, prescription benefit management companies, government agencies, private employers or other managed care providers) that agree to pay for all or a portion of a customer's eligible prescription purchases based on negotiated and contracted reimbursement rates. During fiscal 2009, the top five third party payors accounted for approximately 37.3% of our total sales, the largest of which represented 12.6% of our total sales. During fiscal 2009, Medicaid related sales were approximately 6.6% of our total sales, of which the largest single Medicaid payor was less than 2% of

our total sales. During fiscal 2009, approximately 15.7% of our total sales were to customers covered by Medicare Part D.

Competition

The retail drugstore industry is highly competitive. We compete with, among others, retail drugstore chains, independently owned drugstores, supermarkets, mass merchandisers, discount stores, dollar stores and mail order pharmacies. We compete on the basis of store location and convenient access, customer service, product selection and price. We believe continued consolidation of the drugstore industry, the aggressive discounting of generic drugs by supermarkets and mass merchandisers and the increase of promotional incentives to drive prescription sales will further increase competitive pressures in the industry.

Marketing and Advertising

In fiscal 2009, marketing and advertising expense was $375.8 million, which was spent primarily on weekly circular advertising. Our marketing and advertising activities centered primarily on the following:

- Product price promotions to draw customers to our stores;
- Growth of pharmacy sales, and as the economy weakened, our new free RX Savings Card, which provides significant cost savings on generic and brand prescriptions and over-the-counter medications to patients with limited or no insurance;
- Increased emphasis on Rite Aid brand products;
- Support of newly acquired and remodeled stores; and
- Our vision to be the customer's first choice for health and wellness products, services and information.

Under the umbrella of our "With Us It's Personal" brand positioning, we promoted educational programs focusing on specific health conditions, incentives for patients to transfer their prescriptions to Rite Aid, and our card-based senior loyalty program "Living More" that provides both pharmacy and front-end discounts. We are also emphasizing our new Automated Courtesy refill service and have launched a "Giving Care for Parents" program where caregivers can get advice from our pharmacists and geriatric specialists online. We believe all of these programs will help us improve customer satisfaction and grow profitable sales.

Associates

We believe that our relationships with our associates are good. As of February 28, 2009, we had approximately 103,000 associates; 13% were pharmacists, 44% were part-time and 26% were unionized. Associate satisfaction is critical to the success of our strategy. We have surveyed our associates to obtain feedback on various employment-related topics, including job satisfaction and their understanding of our core values and mission. We have also instituted an internal group, consisting of managers and staff from all components of our business that is responsible for using feedback from associates throughout the Company to create a better work environment.

There is a national shortage of pharmacists. We have implemented various associate incentive plans to attract and retain qualified pharmacists, and have instituted a survey to find out how newly hired pharmacists are doing. We have also expanded our pharmacist recruitment efforts with an increase in the number of recruiters, a successful pharmacist intern program, improved relations with pharmacy schools and an international recruiting program.

Research and Development

We do not make significant expenditures for research and development.

Licenses, Trademarks and Patents

The Rite Aid name is our most significant trademark and the most important factor in marketing our stores and private brand products. We hold licenses to sell beer, wine and liquor, cigarettes and lottery tickets. As part of our strategic alliance with GNC, we have a license to operate GNC "stores-within-Rite Aid-stores". We also hold licenses to operate our pharmacies and our distribution facilities. Together, these licenses are material to our operations.

Seasonality

We experience moderate seasonal fluctuations in our results of operations concentrated in the first and fourth fiscal quarters as the result of the concentration of the cough, cold and flu season and the holidays. We tailor certain front-end merchandise to capitalize on holidays and seasons. We increase our inventory levels during our third fiscal quarter in anticipation of the seasonal fluctuations described above. Our results of operations in the fourth and first fiscal quarters may fluctuate based upon the timing and severity of the cough, cold and flu season, both of which are unpredictable.

Regulation

Our business is subject to federal, state, and local government laws, regulations and administrative practices. We must comply with numerous provisions regulating health and safety, equal employment opportunity, minimum wage and licensing for the sale of drugs, alcoholic beverages, tobacco and other products. In addition we must comply with regulations pertaining to product content, labeling, dating and pricing.

Pursuant to the Omnibus Budget Reconciliation Act of 1990 ("OBRA") and comparable state regulations, our pharmacists are required to offer counseling, without additional charge, to our customers about medication, dosage, delivery systems, common side effects and other information deemed significant by the pharmacists and may have a duty to warn customers regarding any potential adverse effects of a prescription drug if the warning could reduce or negate such effect.

The appropriate state boards of pharmacy must license our pharmacies and pharmacists. Our pharmacies and distribution centers are also registered with the Federal Drug Enforcement Administration and are subject to Federal Drug Enforcement Agency regulations relative to our pharmacy operations, including regulations governing purchasing, storing and dispensing of controlled substances. Applicable licensing and registration requirements require our compliance with various state statutes, rules and/or regulations. If we were to violate any applicable statute, rule or regulation, our licenses and registrations could be suspended or revoked or we could be subject to fines or penalties. Any such violation could also damage our reputation and brand.

In recent years, an increasing number of legislative proposals have been enacted, introduced or proposed in Congress and in some state legislatures that affect or would affect major changes in the healthcare system, either nationally or at the state level. The legislative initiatives include changes in reimbursement levels, changes in qualified participants, changes in drug safety regulations and e-prescribing. Additionally, the Obama Administration has indicated that it intends to pursue significant changes to the nation's healthcare system. We cannot predict the timing of enactment of any such proposals or the long-term outcome or effect of legislation from these efforts.

Our pharmacy business is subject to patient privacy and other obligations, including corporate, pharmacy and associate responsibility imposed by the Health Insurance Portability and Accountability Act. As a covered entity, we are required to implement privacy standards, train our associates on the permitted uses and disclosures of protected health information, provide a notice of privacy practice to our pharmacy customers and permit pharmacy customers to access and amend their records and receive an accounting of disclosures of protected health information. Failure to properly adhere to these requirements could result in the imposition of civil as well as criminal penalties.

We are also subject to laws governing our relationship with our associates, including minimum wage requirements, overtime, working conditions and unionizing efforts. Increases in the federal minimum wage rate, associate benefit costs or other costs related to associates could adversely affect our results of operations. Additionally, there are currently a number of legislative proposals being considered that could impact the ability of workers to unionize. We cannot assure you if or when any such proposal may be enacted or the impact any such legislation could have on our operations or cost structure.

In addition, in connection with the ownership and operations of our stores, distribution centers and other sites, we are subject to laws and regulations relating to the protection of the environment and health and safety matters, including those governing the management and disposal of hazardous substances and the cleanup of contaminated sites. Violations or liabilities under these laws and regulations as a result of our current or former operations or historical activities at our sites, such as gasoline service stations and dry cleaners, could result in significant costs.

Corporate Governance and Internet Address

We recognize that good corporate governance is an important means of protecting the interests of our stockholders, associates, customers, and the community. We have closely monitored and implemented relevant legislative and regulatory corporate governance reforms, including provisions of the Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley"), the rules of the SEC interpreting and implementing Sarbanes-Oxley, and the corporate governance listing standards of the New York Stock Exchange.

Our corporate governance information and materials, including our Certificate of Incorporation, Bylaws, Corporate Governance Guidelines, the charters of our Audit Committee, Compensation Committee and Nominating and Governance Committee, our Code of Ethics for the Chief Executive Officer and Senior Financial Officers, our Code of Ethics and Business Conduct and our Related Person Transaction Policy are posted on the corporate governance section of our website at *www.riteaid.com* and are available in print upon request to Rite Aid Corporation, 30 Hunter Lane, Camp Hill, Pennsylvania 17011, Attention: Corporate Secretary. Our Board will regularly review corporate governance developments and modify these materials and practices as warranted.

Our website also provides information on how to contact us and other items of interest to investors. We make available on our website, free of charge, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to these reports, as soon as reasonably practicable after we file these reports with, or furnish them to, the SEC.

Item 1A. Risk Factors

Factors Affecting our Future Prospects

Set forth below is a description of certain risk factors which we believe may be relevant to an understanding of us and our business. Security holders are cautioned that these and other factors may affect future performance and cause actual results to differ from those which may be anticipated. See "Cautionary Statement Regarding Forward-Looking Statements."

Risks Related to Our Financial Condition

Current economic conditions may adversely affect our industry, business and results of operations.

The United States economy is currently in a recession and a period of unprecedented volatility, and the future economic environment may continue to be less favorable than that of recent years. This recession has and could further lead to reduced consumer spending for the foreseeable future. If consumer spending continues to decrease, we will likely not be able to improve our same store sales. In addition, reduced consumer spending may drive us and our competitors to offer additional products at promotional prices, which would have a negative impact on our gross profit. A continued softening in consumer spending may adversely affect our industry, business and results of operations. Reduced revenues as a result of decreased consumer spending may also reduce our liquidity and otherwise hinder our ability to implement our long term strategy.

We are highly leveraged. Our substantial indebtedness could limit cash flow available for our operations and could adversely affect our ability to service debt or obtain additional financing if necessary.

We had, as of February 28, 2009, $6.0 billion of outstanding indebtedness (not including $548.4 million of outstanding amounts under our accounts receivable securitization facilities) and negative stockholders' equity of $1.2 billion. We also had additional borrowing capacity under our existing $1.75 billion senior secured revolving credit facility of approximately $723.7 million, net of outstanding letters of credit of $188.3 million. Our earnings were insufficient to cover fixed charges and preferred stock dividends for fiscal 2009, 2008, 2007, and 2006 by $2.6 billion, $340.6 million, $50.8 million, and $23.1 million, respectively. Our ratio of earnings to fixed charges for fiscal 2005 was 1.15.

Our high level of indebtedness will continue to restrict our operations. Among other things, our indebtedness will:

- limit our ability to obtain additional financing, including refinancing any portion of our existing indebtedness, particularly in the current economic environment;
- limit our flexibility in planning for, or reacting to, changes in the markets in which we compete;
- place us at a competitive disadvantage relative to our competitors with less indebtedness;
- render us more vulnerable to general adverse economic, regulatory and industry conditions; and
- require us to dedicate a substantial portion of our cash flow to service our debt.

Our ability to meet our cash requirements, including our debt service obligations, is 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, many of which are beyond our control. We cannot provide assurance that our business will generate sufficient cash flow from operations to fund our cash requirements and debt service obligations.

The United States credit markets are currently experiencing an unprecedented contraction. As a result of the current condition of the credit markets, we may not be able to obtain additional financing on favorable terms, or at all. In addition, if the current pressures on credit continue or worsen, we may not be able to refinance our outstanding debt prior to its stated maturity, which could have a material adverse effect on our business. We believe we have adequate sources of liquidity to meet our anticipated requirements for working capital, debt service and capital expenditures through fiscal 2010 and have no material maturities prior to September 2010. However, if our operating results, cash flow or capital resources prove inadequate, or if interest rates rise 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 or otherwise be required to delay our planned activities. Additionally, decreases

in the valuation of the collateral securing our senior secured credit facility or accounts receivable securitization facilities could result in a reduction of availability under such facilities. If we are unable to service our debt or experience a significant reduction in our liquidity, we could be forced to reduce or delay planned capital expenditures and other initiatives, 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 refinance our indebtedness could have a material adverse effect on us.

Borrowings under our senior secured credit facility and expenses related to the sale of our accounts receivable securitization agreements are based upon variable rates of interest, which could result in higher expense in the event of increases in interest rates.

Approximately $2.4 billion of our outstanding indebtedness as of February 28, 2009 (not including $548.4 million of outstanding amounts under our accounts receivable securitization facilities) bears interest at a rate that varies depending upon the London Interbank Offered Rate (“LIBOR”). If we borrow additional amounts under our senior secured credit facility, the interest rate on those borrowings will also vary depending upon LIBOR. Further, we pay ongoing program fees under our first lien accounts receivable securitization agreement that are indexed to a commercial paper rate that approximates 1-month LIBOR and expense incurred under our second lien receivables facility varies depending on LIBOR. LIBOR has experienced unprecedented volatility in connection with the ongoing recession and credit crisis. If LIBOR rises, the interest rates on outstanding debt, the related program fees under our first lien receivables securitization program and expense incurred under our second lien receivables facility will increase. Therefore an increase in LIBOR would increase our interest payment obligations under these loans, increase our first lien receivables securitization program fee payments, increase our expense related to our second lien receivables facility and have a negative effect on our cash flow and financial condition. We currently do not maintain any hedging contracts that would limit our exposure to variable rates of interest.

The covenants in our current indebtedness may limit our operating and financial flexibility.

The covenants in the instruments that govern our current indebtedness limit our ability to:

- incur debt and liens;
- pay dividends;
- make redemptions and repurchases of capital stock;
- make loans and investments;
- prepay, redeem or repurchase debt;
- engage in acquisitions, consolidations, asset dispositions, sale-leaseback transactions and affiliate transactions;
- change our business;
- amend some of our debt and other material agreements;
- issue and sell capital stock of subsidiaries;
- restrict distributions from subsidiaries; and
- grant negative pledges to other creditors.

In addition, if we have less than $100 million of revolver availability under our senior secured credit facility, we will be subject to a fixed charge coverage ratio maintenance test. Further, our first

and second lien accounts receivable securitization facilities require us to maintain a minimum liquidity position, comprised of revolver availability and cash on hand, of $110 million and $100 million, respectively. If we are unable to meet the terms of the financial covenants or if we breach any of these covenants, a default could result under one or more of these agreements. A default, if not waived by our lenders, could result in the acceleration of our outstanding indebtedness and cause our debt to become immediately due and payable. If acceleration occurs, we would not be able to repay our debt and it is unlikely that we would be able to borrow sufficient additional funds to refinance such debt, particularly in light of the current credit crisis. Even if new financing is made available to us, it may not be available on terms acceptable to us. If we obtain modifications of our agreements, or are required to obtain waivers of defaults, we may incur significant fees and transaction costs or become subject to more stringent covenants and restrictions on our operations.

If we do not meet the New York Stock Exchange continued listing requirements, our common stock may be delisted. Upon such event, we may be required to repurchase or refinance our 8.5% convertible notes due 2015.

On October 17, 2008, we announced plans for either a 1-for-10, 1-for-15 or 1-for-20 reverse stock split after being notified by the New York Stock Exchange (“NYSE”) that we were no longer in compliance with the NYSE’s minimum share price rule. Our stockholders approved the reverse stock split on December 2, 2008. Currently, these ratios would increase the price of our common stock to between $4.00 and $8.00 (based on a closing price of $0.40 on April 7, 2009). The objective of the reverse stock split is to ensure that we regain compliance with the share price rule and maintain our listing on the NYSE. On February 26, 2009, the NYSE announced that it has suspended application of the share price rule until June 30, 2009, which extends our cure period to regain compliance. Per the rules of the recent suspension, we can now regain compliance by achieving the required $1.00 closing share price and $1.00 average closing share price over the preceding 30 consecutive trading days on any of the following dates: April 30, 2009; May 29, 2009; June 30, 2009; and August 17, 2009. Before the temporary suspension of the share price rule, our cure period was to end on April 16, 2009. On March 9, 2009, we announced that our Board of Directors had determined to delay affecting the reverse split in light of the NYSE suspension. The Board will determine the exchange ratio and timing of the reverse stock split, if implemented, prior to or immediately following the end of the suspension period based on market conditions, our share price and NYSE rules at such time. The Board will base the decision upon its evaluation of when such action would be most advantageous to us and our stockholders. The suspension provides Rite Aid with additional time and flexibility to regain compliance with the rule. Our common stock continues to be listed on the NYSE and trade as usual.

We are in compliance with all other NYSE listing rules and have actively been taking steps to maintain our listing. However, there can be no assurance that we will regain or maintain compliance with the NYSE continued listing requirements. As a result of the goodwill writedown described in this annual report, our stockholders’ equity is now negative. The NYSE has a continued listing requirement that requires a minimum $75.0 million global market capitalization for companies with shareholders’ equity below $75.0 million. The listing requirement provides that a company would have to be below the minimum capitalization requirement for 30 consecutive trading days before the company would be considered in violation of this NYSE listing rule. Our market capitalization was $354.4 million as of April 7, 2009, which exceeded the required minimum. If our common stock were delisted, it could: (i) reduce the liquidity and market price of our common stock; (ii) negatively impact our ability to raise equity financing and access the public capital markets; and (iii) materially adversely impact our results of operations and financial condition.

We expect our efforts to maintain our NYSE listing will be successful. However, if our common stock is not listed on the NYSE or another national exchange, holders of our 8.5% convertible notes due 2015 (the “Convertible Notes”) will be entitled to require us to repurchase their Convertible Notes. Our senior secured credit facility and accounts receivable securitization facilities provide that the

triggering of this repurchase right constitutes a default under such facilities. To avoid such a scenario, we may seek to refinance the Convertible Notes. We can give no assurance that we would be able to obtain any required financing, including a refinancing, on favorable terms, if at all, or that we would receive any waivers or consents required under our debt instruments.

Subject to certain limitations, Jean Coutu Group may sell Rite Aid common stock at any time, which could cause our stock price to decrease.

The shares of Rite Aid common stock that the Jean Coutu Group currently holds are generally restricted, but Jean Coutu Group may sell these shares 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 (subject to certain exceptions). 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.

Risks Related to Our Operations

We need to continue to improve our operations in order to improve our financial condition, but our operations will not improve if we cannot continue to effectively implement our business strategy or if our strategy is negatively affected by general economic conditions.

We have not yet achieved the sales productivity level of our major competitors. We believe that improving the sales of existing stores and particularly the acquired Brooks Eckerd stores is important to improving profitability and operating cash flow. If we are not successful in implementing our strategies, including our efforts to further reduce costs, or if our strategies are not effective, we may not be able to improve our operations. In addition, any further adverse change or continued downturn in general economic conditions or major industries can adversely affect drug benefit plans and reduce our pharmacy sales. Adverse changes in general economic conditions, such as the current recession, affect consumer buying practices and consequently reduce our sales of front-end products, and cause a decrease in our profitability. Failure to continue to improve operations or a continued decline in major industries or general economic conditions would adversely affect our results of operations, financial condition and cash flows and our ability to make principal or interest payments on our debt.

For so long as Jean Coutu Group (and, subject to certain conditions, certain members of the Coutu family) maintain certain levels of Rite Aid stock ownership, Jean Coutu Group (and, subject to certain conditions, certain members of the Coutu family) could exercise significant influence over us.

At February 28, 2009 Jean Coutu Group owns approximately 27.6% of the voting power of Rite Aid. As a result, Jean Coutu Group (and, subject to certain conditions, certain members of the Coutu family) generally has the ability to significantly influence the outcome of any matter submitted for the vote of our stockholders. The stockholder agreement that we entered into at the time of the Brooks Eckerd acquisition provides that Jean Coutu Group (and, subject to certain conditions, certain members of the Coutu family) designate four of the fourteen members of our board of directors, subject to adjustment based on its ownership position in us. Accordingly, Jean Coutu Group generally is able to significantly influence the outcome of all matters that come before our board of directors. As a result of its significant interest in us, 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 our financial condition and results of operations. 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 us.

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

Following the Brooks Eckerd acquisition, Jean Coutu Group has continued its Canadian operations but no longer has any operations in the United States, and we currently have no operations in Canada. Despite the lack of geographic overlap, conflicts of interest may arise between us 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 us and the exercise by Jean Coutu Group of its influence over our management and affairs.

As a result of the Brooks Eckerd acquisition, a number of the directors on our board of directors are 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 the conflicts of interest policy contained in our Code of Ethics and Business Conduct and applicable to our directors, we and Jean Coutu Group have not established any formal procedures for us and Jean Coutu Group to resolve potential or actual conflicts of interest between us. There can be no assurance that any of the foregoing conflicts will be resolved in a manner that does not adversely affect our business, financial condition or results of operations.

We are dependent on our management team, and the loss of their services could have a material adverse effect on our business and the results of our operations or financial condition.

The success of our business is materially dependent upon the continued services of our executive management team. The loss of key personnel could have a material adverse effect on the results of our operations, financial condition or cash flows. Additionally, we cannot assure you that we will be able to attract or retain other skilled personnel in the future.

We are substantially dependent on a single wholesaler of branded pharmaceutical products to sell products to us on satisfactory terms. A disruption in this relationship may have a negative effect on our results of operations, financial condition and cash flow.

We purchase all of our brand prescription drugs from a single wholesaler, McKesson, pursuant to a contract that runs through April 2010. Pharmacy sales represented approximately 67% of our total sales during fiscal 2009, and, therefore, our relationship with McKesson is important to us. Any significant disruptions in our relationship with McKesson would make it difficult for us to continue to operate our business until we executed a replacement wholesaler agreement or developed and implemented self-distribution processes. There can be no assurance that we would be able to find a replacement wholesaler on a timely basis or that such wholesaler would be able to fulfill our demands on similar terms, which would have a material adverse effect on our results of operations, financial condition and cash flows.

Risks Related to Our Industry

The markets in which we operate are very competitive and further increases in competition could adversely affect us.

We face intense competition with local, regional and national companies, including other drugstore chains, independently owned drugstores, supermarkets, mass merchandisers, discount stores, dollar stores, mail order and internet pharmacies. Our industry also faces growing competition from companies who import drugs directly from other countries, such as Canada, as well as from large-scale retailers that offer generic drugs at a substantial discount. Some of our competitors have or may merge with or acquire pharmaceutical services companies or pharmacy benefit managers, which may further

increase competition. We may not be able to effectively compete against them because our existing or potential competitors may have financial and other resources that are superior to ours. In addition, we may be at a competitive disadvantage because we are more highly leveraged than our competitors. The ability of our stores to achieve profitability depends on their ability to achieve a critical mass of loyal, repeat customers. We believe that the continued consolidation of the drugstore industry will further increase competitive pressures in the industry. We cannot assure you that we will be able to continue to effectively compete in our markets or increase our sales volume in response to further increased competition.

Drug benefit plan sponsors and third party payors could change their plan eligibility criteria and further encourage or require the use of mail-order prescriptions which could decrease our sales and reduce our margins and have a material adverse effect on our business.

An adverse trend for drugstore retailing has been initiatives to contain rising healthcare costs leading to the rapid growth in mail-order prescription processors. These prescription distribution methods have grown in market share relative to drugstores as a result of the rapid rise in drug costs experienced in recent years and are predicted to continue to rise. Mail-order prescription distribution methods are perceived by employers and insurers as being less costly than traditional distribution methods and are being encouraged, and, in some cases, required, by third party pharmacy benefit managers, employers and unions that administer benefits. As a result, some labor unions and employers are requiring, and others may encourage or require, that their members or employees obtain medications from mail-order pharmacies which offer drug prescriptions at prices lower than we are able to offer.

Another adverse trend for drugstore retailing has been for drug benefit plan sponsors and third party payors to change their plan eligibility requirements resulting in fewer beneficiaries covered and a reduction in the number of prescriptions allowed.

Mail-order prescription distribution and drug benefit plan eligibility changes have negatively affected sales for traditional chain drug retailers, including us, in the last few years and we expect such negative effect to continue in the future. There can be no assurance that our efforts to offset the effects of mail order and eligibility changes will be successful.

The availability of pharmacy drugs is subject to governmental regulations.

The continued conversion of various prescription drugs, including the planned conversion of a number of popular medications, to over-the-counter medications may reduce our pharmacy sales and customers may seek to purchase such medications at non-pharmacy stores. Also, if the rate at which new prescription drugs become available slows or if new prescription drugs that are introduced into the market fail to achieve popularity, our pharmacy sales may be adversely affected. The withdrawal of certain drugs from the market or concerns about the safety or effectiveness of certain drugs or negative publicity surrounding certain categories of drugs may also have a negative effect on our pharmacy sales or may cause shifts in our pharmacy or front-end product mix.

Changes in third party reimbursement levels for prescription drugs could reduce our margins and have a material adverse effect on our business.

Sales of prescription drugs, as a percentage of sales, and the percentage of prescription sales reimbursed by third parties, have been increasing and we expect them to continue to increase. In fiscal 2009, sales of prescription drugs represented 67.2% of our sales and 96.3% of all of the prescription drugs that we sold were with third party payors. During fiscal 2009, the top five third-party payors accounted for approximately 37.3% of our total sales, the largest of which represented 12.6% of our total sales. Third party payors could reduce the levels at which they will reimburse us for the prescription drugs that we provide to their members. Any significant loss of third-party payor business

or any significant reduction in reimbursement levels could have a material adverse effect on our business and results of operations.

In fiscal 2009, approximately 6.6% of our revenues were from state sponsored Medicaid agencies, the largest of which was less than 2% of our total sales. In fiscal 2009, approximately 15.7% of our total sales were to customers covered by Medicare Part D, and we expect these sales to continue. There have been a number of recent proposals and enactments by the Federal government and various states to reduce Medicaid reimbursement levels in response to budget problems, some of which propose to reduce reimbursement levels in the applicable states significantly, and we expect other similar proposals in the future. If third party payors reduce their reimbursement levels or if Medicare Part D or state Medicaid programs cover prescription drugs at lower reimbursement levels, our margins on these sales would be reduced, and the profitability of our business and our results of operations, financial condition or cash flows could be adversely affected.

Changes in industry pricing benchmarks could adversely affect our business, financial condition and results of operations.

Most of the contracts governing the participation of our pharmacies in retail pharmacy networks utilize Average Wholesale Price ("AWP") as a benchmark to establish pricing for prescription drugs. In connection with the recent court approved settlement of a class action lawsuit brought against First Data Bank ("FDB") and Medi-Span which are the two primary sources of AWP price reporting, FDB and Medi-Span agreed to reduce the reported AWP of certain drugs by four (4) percent and to discontinue the publishing of AWP at a future time. Additionally, FDB and Medi-Span have indicated that they will also reduce the reported AWP in the same manner for all other drugs not covered by the settlement and that they intend to stop the reporting of AWP in the future. The settlements have raised uncertainties as to whether payors and others in the prescription drug industry will continue to utilize AWP as it has previously been calculated or whether other pricing benchmarks will be adopted for establishing prices within the industry. Many of our contracts with third party plans contain provisions that allow renegotiation of pricing terms to adjust pricing to maintain the relative economics of the contract in light of a change in AWP methodology or allow us to terminate the contract unilaterally upon notice. We intend to negotiate with the various third party plans for adjustments relating to the expected change to AWP, however, we cannot be certain these negotiations will be successful. Due to these factors and the uncertainty over future appeals or stays of the court ruling, which could delay the effective date of implementation of the settlements, we are unable to predict with certainty the effect of the AWP reduction on our business.

We are subject to governmental regulations, procedures and requirements; our noncompliance or a significant regulatory change could adversely affect our business, the results of our operations or our financial condition.

Our business is subject to federal, state and local government laws, regulations and administrative practices. We must comply with numerous provisions regulating health and safety, equal employment opportunity, minimum wage and licensing for the sale of drugs, alcoholic beverages, tobacco and other products. In addition, we must comply with regulations pertaining to product labeling, dating and pricing. Our pharmacy business is subject to local registrations in the states where our pharmacies are located, applicable Medicare and Medicaid regulations and prohibitions against paid referrals of patients. Failure to properly adhere to these and other applicable regulations could result in the imposition of civil and criminal penalties including suspension of payments from government programs; loss of required government certifications; loss of authorizations to participate in or exclusion from government reimbursement programs, such as the Medicare and Medicaid programs; loss of licenses; significant fines or monetary penalties for anti-kickback law violations, submission of false claims or other failures to meet reimbursement program requirements and could adversely affect the continued operation of our business. Additionally, any such failure could damage our reputation or brand.

Our pharmacy business is subject to the patient privacy and other obligations including corporate, pharmacy and associate responsibility, imposed by the Health Insurance Portability and Accountability Act. As a covered entity, we are required to implement privacy standards, train our associates on the permitted use and disclosures of protected health information, provide a notice of privacy practice to our pharmacy customers and permit pharmacy health customers to access and amend their records and receive an accounting of disclosures of protected health information. Failure to properly adhere to these requirements could result in the imposition of civil as well as criminal penalties.

Federal and state reform programs, such as healthcare reform and enforcement initiatives of federal and state governments may also affect our pharmacy business. These initiatives include:

- proposals designed to significantly reduce spending on Medicare, Medicaid and other government programs;
- changes in programs providing for reimbursement for the cost of prescription drugs by third party plans;
- increased scrutiny of, and litigation relating to, prescription drug manufacturers' pricing and marketing practices; and
- regulatory changes relating to the approval process for prescription drugs.

These initiatives could lead to the enactment of, or changes to, federal regulations and state regulations that could adversely impact our prescription drug sales and, accordingly, our results of operations, financial condition or cash flows. It is uncertain at this time what additional healthcare reform initiatives, if any, will be implemented, or whether there will be other changes in the administration of governmental healthcare programs or interpretations of governmental policies or other changes affecting the healthcare system. Future healthcare or budget legislation or other changes, including those referenced above, may materially adversely impact our pharmacy sales.

Certain risks are inherent in providing pharmacy services; our insurance may not be adequate to cover any claims against us.

Pharmacies are exposed to risks inherent in the packaging and distribution of pharmaceuticals and other healthcare products, such as with respect to improper filling of prescriptions, labeling of prescriptions, adequacy of warnings, unintentional distribution of counterfeit drugs and expiration of drugs. In addition, federal and state laws that require our pharmacists to offer counseling, without additional charge, to their customers about medication, dosage, delivery systems, common side effects and other information the pharmacists deem significant can impact our business. Our pharmacists may also have a duty to warn customers regarding any potential negative effects of a prescription drug if the warning could reduce or negate these effects. Although we maintain professional liability and errors and omissions liability insurance, from time to time, claims result in the payment of significant amounts, some portions of which are not funded by insurance. We cannot assure you that the coverage limits under our insurance programs will be adequate to protect us against future claims, or that we will be able to maintain this insurance on acceptable terms in the future. Our results of operations, financial condition or cash flows may be adversely affected if in the future our insurance coverage proves to be inadequate or unavailable or there is an increase in liability for which we self-insure or we suffer reputational harm as a result of an error or omission.

We will not be able to compete effectively if we are unable to attract, hire and retain qualified pharmacists.

There is a nationwide shortage of qualified pharmacists. Accordingly, we may not be able to attract, hire and retain enough qualified pharmacists. This could adversely affect our operations.

We may be subject to significant liability should the consumption of any of our products cause injury, illness or death.

Products that we sell could become subject to contamination, product tampering, mislabeling or other damage requiring us to recall our private label products. In addition, errors in the dispensing and packaging of pharmaceuticals could lead to serious injury or death. Product liability claims may be asserted against us with respect to any of the products or pharmaceuticals we sell and we may be obligated to recall our private brand products. A product liability judgment against us or a product recall could have a material, adverse effect on our business, financial condition or results of operations.

If we fail to protect the security of personal information about our customers and associates, we could be subject to costly government enforcement actions or private litigation.

Through our sales and marketing activities, we collect and store certain personal information that our customers provide to purchase products or services, enroll in promotional programs, register on our web site, or otherwise communicate and interact with us. We also gather and retain information about our associates in the normal course of business. We may share information about such persons with vendors that assist with certain aspects of our business. Despite instituted safeguards for the protection of such information, security could be compromised and confidential customer or business information misappropriated. Loss of customer or business information could disrupt our operations, damage our reputation, and expose us to claims from customers, financial institutions, payment card associations and other persons, any of which could have an adverse effect on our business, financial condition and results of operations. In addition, compliance with tougher privacy and information security laws and standards may result in significant expense due to increased investment in technology and the development of new operational processes.

Item 1B. Unresolved SEC Staff Comments

None

Item 2. Properties

As of February 28, 2009, we operated 4,901 retail drugstores. The overall average selling square feet of each store in our chain is 10,000 square feet. The overall average total square feet of each store in our chain is 12,500. The stores in the eastern part of the U.S. average 8,800 selling square feet per store (10,900 average total square feet per store). The stores in the western part of the U.S. average 15,400 selling square feet per store (19,800 average total square feet per store).

Our Customer World store prototype has an overall average selling square footage of 11,500 and an overall average total square feet of 14,500. The new Customer World store prototype in the eastern parts of the U.S. will average 10,200 selling square feet (13,000 average total square feet per store). The Customer World store prototype in the western part of the U.S. will average 14,000 selling square feet (17,400 average total square feet per store).

The table below identifies the number of stores by state as of February 28, 2009:

State	Store Count
Alabama	97
California	605
Colorado	21
Connecticut	80
Delaware	43
District of Columbia	7
Georgia	213
Idaho	19
Indiana	10
Kentucky	117
Louisiana	68
Massachusetts	165
Maine	81
Maryland	147
Michigan	296
Mississippi	27
North Carolina	248
Nevada	1
New Hampshire	69
New Jersey	277
New York	674
Ohio	239
Oregon	71
Pennsylvania	583
Rhode Island	46
South Carolina	105
Tennessee	88
Utah	23
Vermont	38
Virginia	201
Washington	138
West Virginia	104
Total	4,901

Our stores have the following attributes at February 28, 2009:

Attribute	Number	Percentage
Freestanding	2,805	57%
Drive through pharmacy	2,398	49%
One-hour photo development department	2,054	42%
GNC stores-within a Rite Aid-store	1,726	35%

We lease 4,634 of our operating drugstore facilities under non-cancelable leases, many of which have original terms of 10 to 22 years. In addition to minimum rental payments, which are set at competitive market rates, certain leases require additional payments based on sales volume, as well as reimbursement for taxes, maintenance and insurance. Most of our leases contain renewal options, some of which involve rent increases. The remaining 267 drugstore facilities are owned.

We own our corporate headquarters, which is located in a 205,000 square foot building at 30 Hunter Lane, Camp Hill, Pennsylvania 17011. We lease 156,900 square feet of space in various buildings near Harrisburg, Pennsylvania for use by additional administrative personnel. We own an additional building near Harrisburg, Pennsylvania which is 86,000 square feet and houses our model store and additional administrative personnel.

We operate the following distribution centers and satellite distribution locations, which we own or lease as indicated:

Location	Owned or Leased	Approximate Square Footage
Rome, New York	Owned	283,000
Utica, New York(1)	Leased	172,000
Geddes, New York(1)	Leased	300,000
Poca, West Virginia	Owned	255,000
Dunbar, West Virginia(1)	Leased	110,000
Perryman, Maryland	Owned	885,000
Perryman, Maryland(1)	Leased	262,000
Belcamp, Maryland(1)	Leased	252,000
Tuscaloosa, Alabama	Owned	230,000
Cottondale, Alabama(1)	Leased	155,000
Pontiac, Michigan	Owned	325,000
Woodland, California	Owned	513,000
Woodland, California(1)	Leased	200,000
Wilsonville, Oregon	Leased	517,000
Wilsonville, Oregon(1)	Leased	96,000
Lancaster, California	Owned	914,000
Atlanta, Georgia(2)	Owned	195,000
Atlanta, Georgia(1)	Leased	201,000
Atlanta, Georgia(1)	Leased	299,000
Atlanta Georgia(1)	Leased	125,000
Charlotte, North Carolina	Owned	585,500
Charlotte, North Carolina(1)	Leased	291,000
Dayville, Connecticut	Owned	460,000
Liverpool, New York	Owned	738,000
Philadelphia, Pennsylvania	Owned	240,000
Philadelphia, Pennsylvania	Leased	415,000
Bohemia, New York(2)	Owned	255,000

(1) Satellite distribution locations. Subsequent to February 28, 2009, we announced the planned closure of the Atlanta, GA facilities.

(2) Locations identified for closure.

The original terms of the leases for our distribution centers and satellite distribution locations range from 5 to 22 years. In addition to minimum rental payments, certain distribution centers require tax reimbursement, maintenance and insurance. Most leases contain renewal options, some of which involve rent increases. Although from time to time, we may be near capacity at some of our distribution facilities, particularly at our older facilities, we believe that the capacity of our facilities is adequate.

We also own a 55,800 square foot ice cream manufacturing facility located in El Monte, California and a 68,000 square foot office building in Warwick, Rhode Island. The office building in Rhode Island is vacant and for sale.

On a regular basis and as part of our normal business, we evaluate store performance and may reduce in size, close or relocate a store if the store is redundant, under performing or otherwise deemed unsuitable. We also evaluate strategic dispositions and acquisitions of stores and prescription files, such as our 2008 sale of 28 stores in Las Vegas. When we reduce in size, close or relocate a store, we often continue to have leasing obligations or own the property. We attempt to sublease this space. As of February 28, 2009, we have 9,258,142 square feet of excess space, of which 4,618,451 square feet was subleased.

Item 3. Legal Proceedings

We entered into a memorandum of understanding to settle a class action lawsuit brought against us in the U.S. District Court for the Northern District of California for alleged violations of California wage-and-hour law. The plaintiff alleged that we improperly classified store managers in California as exempt under the law, making them ineligible for overtime wages. The plaintiff sought to require us to pay overtime wages back to May 9, 2001 to the class of more than 1,200 current and former store managers. We believe that store managers were and are properly classified as exempt from the overtime provisions of California law. On March 27, 2009, the Company entered into a memorandum of understanding to settle with the plaintiff under which, subject to approval of the court, the Company will resolve this lawsuit for $6.9 million. We anticipate obtaining final court approval of the settlement in the fall of 2009.

We are subject from time to time to various claims and lawsuits and governmental investigations arising in the ordinary course of business including lawsuits alleging violations by us of state and/or federal wage and hour laws pertaining to overtime pay and pay for missed meals and rest periods. Some of these suits purport or have been determined to be class actions and/or seek substantial damages. While we cannot predict the outcome of these claims with certainty, we do not believe that the outcome of any of these legal matters will have a material adverse effect on our consolidated results of operations, financial position or cash flows.

Item 4. Submission of Matters to a Vote of Security Holders

On December 2, 2008, we held a Special Meeting of Stockholders to authorize a reverse stock split at one of three reverse split ratios, 1-for-10, 1-for-15, or 1-for-20, and to approve an amendment to our Restated Certificate of Incorporation to decrease our total number of authorized shares from 1,520,000,000 to 520,000,000. The decreased number of authorized shares will be comprised of 500,000,000 shares of common stock with a par value of $1.00 per share and 20,000,000 shares of preferred stock with a par value of $1.00 per share. The Stockholders approved both items by the following votes:

Common and Series G and H Preferred Stock

Amend Certificate of Incorporation to Effect a Reverse Stock Split	For: 758,023,444	Withheld: 4,051,790
Amend Certificate of Incorporation to Decrease Authorized Shares	For: 759,799,744	Withheld: 5,650,192

The Series G and H preferred stockholders votes of 52,376,342 were all for the proposals listed above.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuers Purchases of Equity Securities.

Our common stock is listed on the New York Stock Exchange under the symbol "RAD." On April 7, 2009, we had approximately 30,146 stockholders of record. Quarterly high and low stock prices, based on the New York Stock Exchange ("NYSE") composite transactions, are shown below.

Fiscal Year	Quarter	High	Low
2010 (through April 7, 2009)	First	$0.46	$0.21
2009	First	2.99	2.03
	Second	2.32	1.01
	Third	1.21	0.30
	Fourth	$0.51	$0.20
2008	First	6.59	5.53
	Second	6.70	4.84
	Third	5.11	3.48
	Fourth	4.41	1.95

We have not declared or paid any cash dividends on our common stock since the third quarter of fiscal 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.

We have not sold any unregistered equity securities during the period covered by this report, nor have we repurchased any equity securities, during the period covered by this report.

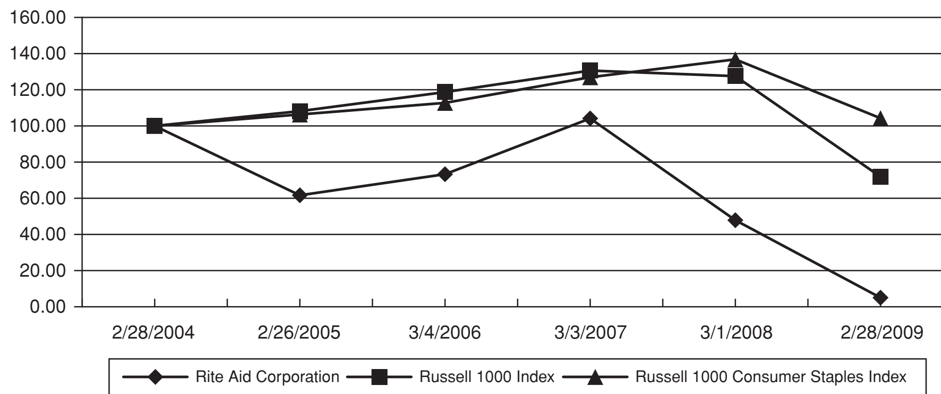
The Chief Executive Officer of the Company certified to the NYSE on June 26, 2008 that she was not aware of any violation by the Company of the NYSE's corporate governance listing standards.

STOCK PERFORMANCE GRAPH

The graph below compares the yearly percentage change in the cumulative total stockholder return on our common stock for the last five fiscal years with the cumulative total return on (i) the Russell 1000 Consumer Staples Index, and (ii) the Russell 1000 Index, over the same period (assuming the investment of $100.00 in our common stock and such indexes on February 28, 2004 and reinvestment of dividends).

For comparison of cumulative total return, we have elected to use the Russell 1000 Consumer Staples Index, consisting of 44 companies including the three largest drugstore chains, and the Russell 1000 Index. This allows comparison of the company to a peer group of similar sized companies. We are one of the companies included in the Russell 1000 Consumer Staples Index and the Russell 1000 Index. The Russell 1000 Consumer Staples Index is a capitalization-weighted index of companies that provide products directly to consumers that are typically considered nondiscretionary items based on consumer purchasing habits. The Russell 1000 Index consists of the largest 1000 companies in the Russell 3000 Index and represents the universe of large capitalization stocks from which many active money managers typically select.

Comparison of 5 Year Cumulative Total Return
Assumes Initial Investment of $100
February 2009



	2005	2006	2007	2008	2009
RITE AID CORP	61.65	73.30	104.13	47.86	5.02
Russell 1000 Index	108.17	118.71	130.62	127.54	71.91
Russell 1000 Consumer Staples Index	106.33	112.75	126.93	136.81	104.26

Item 6. Selected Financial Data

The following selected financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the audited consolidated financial statements and related notes appearing on pages 63-113.

Selected financial data for the fiscal years 2009, 2008, 2007, 2006 and 2005 have been adjusted to reflect the operations of our 28 stores in the Las Vegas market area as a discontinued operations as the Company entered into an agreement to sell the prescription files and terminate the operations of these stores during the fourth quarter of fiscal 2008.

Selected financial data for March 1, 2008 includes Brooks Eckerd results of operations for the thirty-nine week period ended March 1, 2008.

	Fiscal Year Ended				
	February 28, 2009 (52 weeks)	March 1, 2008 (52 weeks)	March 3, 2007 (52 weeks)	March 4, 2006 (53 weeks)	February 26, 2005 (52 weeks)
	(Dollars in thousands, except per share amounts)				
Summary of Operations:					
Revenues(1)	$ 26,289,268	$ 24,326,846	$ 17,399,383	$ 17,163,044	$ 16,715,598
Costs and expense:					
Cost of goods sold(2)	19,253,616	17,689,272	12,710,609	12,491,642	12,127,547
Selling, general and administrative expenses(3)(4)	6,985,367	6,366,137	4,338,462	4,275,098	4,094,782
Goodwill impairment charge	1,810,223	—	—	—	—
Lease termination and impairment charges	293,743	86,166	49,317	68,692	35,655
Interest expense	477,627	449,596	275,219	277,017	294,871
Loss (gain) on debt modifications and retirements, net	39,905	12,900	18,662	9,186	19,229
Loss (gain) on sale of assets and investments, net	11,581	(3,726)	(11,139)	(6,463)	2,247
Total costs and expenses	28,872,062	24,600,345	17,381,130	17,115,172	16,574,331
(Loss) income before income taxes	(2,582,794)	(273,499)	18,253	47,872	141,267
Income tax expense (benefit)(5)	329,257	802,701	(11,609)	(1,228,136)	(165,930)
Net (loss) income from continuing operations	(2,912,051)	(1,076,200)	29,862	1,276,008	307,197
Loss from discontinued operations, net of gain on disposal and income tax benefit	(3,369)	(2,790)	(3,036)	(3,002)	(4,719)
Net (loss) income	$ (2,915,420)	$ (1,078,990)	$ 26,826	$ 1,273,006	$ 302,478
Basic and diluted (loss) income per share:					
Basic (loss) income per share	$ (3.49)	$ (1.54)	$ (0.01)	$ 2.36	$ 0.50
Diluted (loss) income per share	$ (3.49)	$ (1.54)	$ (0.01)	$ 1.89	$ 0.47
Year-End Financial Position:					
Working capital	$ 2,062,505	$ 2,123,855	$ 1,363,063	$ 741,488	$ 1,335,017
Property, plant and equipment, net	2,587,356	2,873,009	1,743,104	1,717,022	1,733,694
Total assets	8,326,540	11,488,023	7,091,024	6,988,371	5,932,583
Total debt(6)	6,011,709	5,985,524	3,100,288	3,051,446	3,311,336
Stockholders' equity (deficit)	(1,199,652)	1,711,185	1,662,846	1,606,921	322,934
Other Data:					
Cash flows provided by (used in):					
Operating activities	359,910	79,368	309,145	417,165	518,446
Investing activities	(346,358)	(2,933,744)	(312,780)	(231,084)	(118,985)
Financing activities	(17,279)	2,903,990	33,716	(272,835)	(571,395)
Capital expenditures	541,346	740,375	363,728	341,349	222,417
Basic weighted average shares	840,812,000	723,923,000	524,460,000	523,938,000	518,716,000
Diluted weighted average shares(7)	840,812,000	723,923,000	524,460,000	676,666,000	634,062,000
Number of retail drugstores	4,901	5,059	3,333	3,323	3,356
Number of associates	103,000	112,800	69,700	70,200	71,200

(1) Revenues for the fiscal years 2007, 2006 and 2005 have been adjusted by $108,336, $107,924 and $100,841 respectively for the effect of discontinued operations.

(2) Cost of goods sold for the fiscal years 2007, 2006 and 2005 have been adjusted by $80,988, $80,218 and $75,347 respectively for the effect of discontinued operations.

(3) Selling, general and administrative expenses for the fiscal years 2007, 2006 and 2005 have been adjusted by $32,019, $32,323, and $32,754 respectively for the effect of discontinued operations.

(4) Includes stock-based compensation expense. Stock based compensation expense for the fiscal year ended February 28, 2009, March 1, 2008 and March 3, 2007 was determined using the fair value method set forth in SFAS No. 123(R), "Share Based Payment". Stock-based compensation expense for the fiscal years ended March 4, 2006 and February 26, 2005 was determined using the fair value method set forth in SFAS No. 123 "Accounting for Stock-Based Compensation".

(5) Income tax benefit for the fiscal years 2007, 2006 and 2005 has been adjusted by $1,635, $1,616, and $2,541 respectively for the effect of discontinued operations.

(6) Total debt included capital lease obligations of $193.8 million, $216.3 million, $189.7 million, $178.2 million, and $168.3 million, as of February 28, 2009, March 1, 2008, March 3, 2007, March 4, 2006 and February 26, 2005, respectively.

(7) Diluted weighted average shares for the 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.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

Net loss for fiscal 2009 was $2,915.4 million or $3.49 per basic and diluted share, compared to net loss for fiscal 2008 of $1,079.0 million or $1.54 per basic and diluted share, and net income of $26.8 million or net loss of $0.01 per basic and diluted share in fiscal 2007. Our operating results are described in detail in the Results of Operations section of this Item 7. However, some of the key factors that impacted our results in fiscal 2009, 2008, and 2007 are summarized as follows:

Write-Off of Goodwill: During the quarter ended February 28, 2009, we impaired all of our existing goodwill, which resulted in a non-cash charge of $1.81 billion. This entry was required due to the fact that the market value of Rite Aid Corporation, as indicated by the trading price of our common stock, was less than the carrying value of our net assets as of February 28, 2009. The adjustment is discussed in further detail in the Results of Operations section of Item 7.

Income Tax Valuation Allowance Adjustments. Net loss for fiscal 2009 included income tax expense of $329.3 million. The income tax expense was primarily due to a non-cash write-down of our remaining net Federal and State deferred tax assets through an adjustment to our valuation allowance. This change was primarily due to a decline in actual results from our previous forecast as a result of the impact of current economic conditions on 2009 results. Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS No. 109") requires a company to evaluate its deferred tax assets on a regular basis to determine if a valuation allowance against the net deferred tax assets is required. According to SFAS No. 109, a cumulative loss in recent years is significant negative evidence in considering whether deferred tax assets are realizable. Based on the negative evidence, SFAS 109 precludes relying on projections of future taxable income to support the recognition of deferred tax assets.

Net loss for fiscal 2008 included income tax expense of $920.4 million related to a non-cash increase of the valuation allowance on federal and state net deferred tax assets. Net income for fiscal 2007 included non-cash income tax benefits of $19.8 million related to the recognition of net deferred tax assets as a result of the release of a tax valuation allowance.

Store Closing and Impairment Charges: We recorded store closing and impairment charges of $293.7 million in fiscal 2009, versus store closing and impairment charges of $86.2 million in fiscal 2008 and $49.3 million in fiscal 2007. These charges were driven by an increase in store closure activity and higher store impairment charges. The increase in closure activity was driven by our decision to close stores that, due to the acquisition of Brooks Eckerd, were in overlapping market areas. The increase in store impairment was primarily due to a deterioration in the operating performance of certain of our stores acquired from Jean Coutu Group and the assessment that future cash flows from these stores would not be sufficient to cover their asset value. These items are discussed in further detail in the Results of Operations section of Item 7.

LIFO Charges: We record the value of our inventory on the Last-In, First-Out (LIFO) method. We recorded non-cash LIFO charges of $184.6 million, $16.1 million and $43.0 million in fiscal 2009, 2008 and 2007, respectively. The significant increase in the LIFO charge in fiscal 2009 was due to higher inflation on front end and pharmacy products.

Acquisition of Brooks Eckerd. On June 4, 2007, we acquired all of the membership interests of Jean Coutu USA, the holding company for Brooks Eckerd, from Jean Coutu Group, pursuant to the terms of the Agreement dated August 23, 2006. As consideration for the Acquisition, we paid $2.31 billion in cash and issued 250 million shares of Rite Aid common stock. We financed our cash payment via the establishment of a new term loan facility, issuance of senior notes and borrowings under our existing revolving credit facility. As part of the arrangement of the financing necessary to complete the Acquisition, we incurred a $12.9 million fee for bridge financing that ultimately was not needed. This fee was recorded as a loss on debt modification in our statement of operations for fiscal 2008.

As of February 28, 2009, Jean Coutu Group owned 252.0 million shares of Rite Aid common stock, which represents approximately 27.6% of the total Rite Aid voting power. We expanded our Board of Directors to 14 members, with four of the seats being held by members designated by the Jean Coutu Group. In connection with the Acquisition, we entered into a Stockholder Agreement (the "Stockholder Agreement") with Jean Coutu Group and certain family members. The Stockholder Agreement contains provisions relating to Jean Coutu Group's ownership interest in the Company, board and board committee composition, corporate governance, stock ownership, stock purchase rights, transfer restrictions, voting arrangements and other matters. We also entered into a Registration Rights Agreement with Jean Coutu Group giving Jean Coutu Group certain rights with respect to the registration under the Securities Act of 1933, as amended, of the shares of our common stock issued to Jean Coutu Group or acquired by Jean Coutu Group pursuant to certain stock purchase rights or open market rights under the Stockholder Agreement.

Debt Refinancing. In fiscal years 2009 and 2007, we took several steps to extend the terms of our debt and obtain more flexibility. In fiscal 2009, we issued our 8.5% convertible notes due May 2015, the proceeds of which were used to redeem our 6.125% notes due December 2008. Additionally, we consummated a tender offer and consent solicitation and repaid $348.9 million of our 8.125% notes due May 2010, $144.0 million of our 9.25% notes due June 2013 and the full balance of our 7.5% notes due January 2015. Proceeds from the issuance of our 10.375% notes due 2016 and our Tranche 3 term loan were used to fund the tender offer and consent solicitation. We incurred a charge to call these notes prior to maturity and recorded a write-off of unamortized debt issue costs. These items totaled $39.9 million, which was recorded as a loss on debt modification in fiscal 2009. In fiscal 2007, we issued our 7.5% senior secured notes due January 2015, the proceeds of which were used to redeem our 9.5% senior secured notes due February 2011. As a result of early redemption of an existing note, we recorded a loss on debt modification of $18.7 million.

Dilutive Equity Issuances. At February 28, 2009, 886.1 million shares of common stock were outstanding and an additional 157.3 million shares of common stock were issuable related to outstanding stock options, convertible preferred stock and convertible notes.

Our 157.3 million shares of potentially issuable common stock consist of the following (shares in thousands):

Strike price	Outstanding Stock Options(a)	Preferred Stock	Convertible Notes	Total
$5.50 and under	58,428	26,091	61,045	145,564
$5.51 to $7.50	9,217	—	—	9,217
$7.51 and over	2,517	—	—	2,517
Total issuable shares	70,162	26,091	61,045	157,298

(a) The exercise of these options would provide cash of $266.6 million.

Recent Events

On December 2, 2008, our stockholders authorized a reverse stock split of our common stock at one of three ratios, 1-for-10, 1-for-15 or 1-for-20, to be selected by our Board of Directors. The objective of the reverse stock split is to ensure that Rite Aid regains compliance with the NYSE minimum share price listing rule. On February 26, 2009, the NYSE announced that it suspended application of the share price rule until June 30, 2009, which extends our cure period to regain compliance. Per the results of the suspension, we can now regain compliance by achieving the required $1.00 close share price and $1.00 average closing share price over the preceding 30 consecutive trading days on any of the following dates: April 30, 2009; May 29, 2009; June 30, 2009; and August 17, 2009. The Board of Directors will determine the exchange ratio and timing of the reverse stock split, if implemented, prior to or immediately following the end of the suspension period based on market conditions, the Company's share price and the NYSE rules at such time. The Board of Directors will base the decision upon its evaluation of when such actions would be most advantageous to our company and our stockholders. Our common stock continues to be listed on the NYSE and trade as usual.

Results of Operations

The results of operations for the fiscal years ended March 1, 2008 and March 3, 2007 have been adjusted to reflect the operations of our 28 stores in the Las Vegas market area as a discontinued operation, as the Company has sold the prescription files and terminated the operations of these stores.

Revenue and Other Operating Data

	Year Ended		
	February 28, 2009 (52 Weeks)	March 1, 2008 (52 Weeks)	March 3, 2007 (52 Weeks)
	(Dollars in thousands)		
Revenues	$26,289,268	$24,326,846	$17,399,383
Revenue growth	8.1%	39.8%	1.4%
Same store sales growth	0.8%	1.3%	3.4%
Pharmacy sales growth	8.5%	46.2%	2.2%
Same store pharmacy sales growth	0.7%	1.7%	4.4%
Pharmacy sales as a % of total sales	67.2%	66.7%	63.7%
Third party sales as a % of total pharmacy sales	96.3%	95.9%	95.4%
Front end sales growth	6.1%	28.0%	0.1%
Same store front-end sales growth	0.9%	0.7%	1.9%
Front end sales as a % of total sales	32.8%	33.3%	36.3%
Store data:			
Total stores (beginning of period)	5,059	3,333	3,323
New stores	33	47	40
Closed stores	(200)	(183)	(32)
Store acquisitions, net	9	1,862	2
Total stores (end of period)	4,901	5,059	3,333
Remodeled stores	70	145	19
Relocated stores	56	65	66

Revenues

Fiscal 2009 compared to Fiscal 2008: The 8.1% growth in revenue was driven primarily by the acquisition of Brooks Eckerd. In addition, same store sales increased 0.8% over the prior year. This increase consisted of 0.7% pharmacy same store sales increase and a 0.9% increase in front end same store sales. Same store sales trends which include the results of the Brooks Eckerd stores for the last thirty-nine weeks of fiscal 2009 and fiscal 2008, are described in the following paragraphs. We include in same store sales all stores that have been open at least one year. Stores in liquidation are considered closed. Relocation stores are not included in same store sales until one year has lapsed.

Pharmacy same store sales increased 0.7%. Increases in price per prescription were partially offset by increased generic penetration and a 1.0% same store prescription decline. The decline in same store prescriptions was driven by script count declines in the Brooks Eckerd stores, switches of prescriptions to over-the-counter medications and the overall economic environment. Same store script growth at the core Rite Aid stores was 0.7% for Fiscal 2009 and same store script growth was a 5.0% decline for the Brooks Eckerd stores. However, the Brooks Eckerd pharmacy trends improved in each quarter in which Brooks Eckerd results were included in same store scripts. In addition, customer satisfaction rates at the Brooks Eckerd stores have improved. We expect this trend to continue as a result of our new Rx savings card, our senior loyalty program, our courtesy refill program and other sales initiatives. Front end same store sales increased 0.9% from the prior year, due to strong performance in our consumable and over-the-counter categories and improvement in our private brand penetration. These items were somewhat offset by weakness in the overall economic environment, which had a negative impact on seasonal sales in the second half of the fiscal year and decreases in photo sales, which were due to the continuing trend of consumers printing fewer images as well as the disruption of services due to the conversion of our photo technology to FUJI digital equipment. Front end same store sales for the core Rite Aid stores increased 1.2% for the year, while front end same store sales for the Brooks Eckerd stores declined by 0.5%.

Fiscal 2008 compared to Fiscal 2007: The 39.8% growth in revenue for fiscal 2008 was driven primarily by the acquisition of Brooks Eckerd. In addition, same store sales increased 1.3% and consisted of 1.7% pharmacy same store sales increase and a 0.7% increase in front end same store sales. Same store sales trends for fiscal 2008 which do not include the results of the Brooks Eckerd stores are described in the following paragraphs.

Pharmacy same store sales increased 1.7%, primarily driven by an increase in price per prescription and by same store prescription growth of 0.5%. In addition to favorable demographic trends, our script growth was positively impacted by Medicare Part D and by initiatives such as our focus on customer satisfaction, prescription file buys, our senior citizen loyalty program and the new and relocated store program. Partially offsetting these items was an increase in generic sales and lower reimbursement including lower reimbursement rates from the new Medicare Part D program. The rate of same store pharmacy sales growth has declined from the previous year primarily due to a lower rate of new enrollment in the Medicare Part D program, a greater mix of generic prescriptions and a weaker cough, cold and flu season.

Front end same store sales increased 0.7%, due to strong performance in core categories, such as over-the-counter and consumables and a higher percentage of promotional sales were offset somewhat by the impact of a difficult economic environment during the holiday season and a weaker cough, cold and flu season.

Costs and Expenses

	Year Ended		
	February 28, 2009 (52 Weeks)	March 1, 2008 (52 Weeks)	March 3, 2007 (52 Weeks)
	(Dollars in thousands)		
Costs of goods sold	$19,253,616	$17,689,272	$12,710,609
Gross profit	7,035,652	6,637,574	4,688,774
Gross margin	26.8%	27.3%	26.9%
Selling, general and administrative expenses	$ 6,985,367	$ 6,366,137	$ 4,338,462
Selling, general and administrative expenses as a percentage of revenues	26.6%	26.2%	25.0%
Goodwill impairment charge	1,810,223	—	—
Lease termination and impairment charges	293,743	86,166	49,317
Interest expense	477,627	449,596	275,219
Loss on debt modifications and retirements, net	39,905	12,900	18,662
Loss (gain) on sale of assets, net	11,581	(3,726)	(11,139)

Cost of Goods Sold

Gross margin rate was 26.8% for fiscal 2009 compared to 27.3% in fiscal 2008. The decline in gross margin rate for fiscal 2009 was driven primarily by a significant increase in our LIFO charge, which is due to higher front end and pharmacy product inflation than in prior years. Pharmacy gross margin rate on a FIFO basis improved due to an increase in the percentage of generic drugs and a lower cost of generics, partially offset by lower reimbursement rates. Front end gross margin on a FIFO basis was flat, as improvements in shrink were offset by a reduction in photo sales.

Gross margin rate was 27.3% for fiscal 2008 compared to 26.9% in fiscal 2007. The improvement in gross margin rate for fiscal 2008 was driven by an improvement in pharmacy gross margin rates, front end gross margin rates, and a lower LIFO charge. The improvement in the pharmacy gross margin rate was primarily due to an increase in the percentage of generic drugs sold and a lower cost of generics partially offset by lower reimbursement rates and an increase in Medicare Part D sales as a

percentage of total pharmacy sales. The improvement in the front-end gross margin rate was primarily due to an increase in vendor promotional support. The reduction in LIFO charges was primarily due to lower pharmacy product inflation. These improvements were partially offset by an increase in distribution expense as a percentage of sales, due to higher fuel costs and increases in other expenses not offset by productivity improvements.

We use the last-in, first-out (LIFO) method of inventory valuation. The LIFO charge was $184.6 million in fiscal 2009, $16.1 million in fiscal 2008 and $43.0 million in fiscal 2007.

Selling, General and Administrative Expenses

SG&A for fiscal 2009 was 26.6% as a percentage of revenue, compared to 26.2% in fiscal 2008. The increase in SG&A as a percentage of revenue was primarily due to an increase in depreciation and amortization expense related primarily to increased intangible assets resulting from the allocation of the purchase price of Brooks Eckerd, an increase in rent and occupancy expenses due to new and relocated stores and the sale-leaseback of owned stores. These items were somewhat offset by a decrease in integration expense and advertising costs. Although SG&A on a year to date basis increased as a percent of revenues, SG&A decreased as a percent of revenues in the third and fourth quarter.

SG&A for fiscal 2008 was 26.2% as a percentage of revenue, compared to 25.0% in fiscal 2007. The increase in SG&A as a percentage of revenues was primarily due to an increase in expenses related to the integration of the Brooks Eckerd stores and distribution centers, an increase in depreciation and amortization expense related primarily to increased intangible assets resulting from the preliminary allocation of the purchase price of Brooks Eckerd and an increase in rent and occupancy expense from new and relocated stores and the sale and leaseback of owned stores. These increases were partially offset by expense control in other expense categories.

Goodwill Impairment

We have a policy to evaluate goodwill for impairment on an annual basis at the end of our fiscal year, or more frequently if events or circumstances would occur that would indicate a reduction in our fair value. On February 28, 2009, the carrying value of our net assets, before goodwill impairment testing, was $610.6 million and the market capitalization of our outstanding shares, assuming conversion of outstanding preferred shares, was $255.4 million. Accordingly, we performed a goodwill impairment test and concluded that because of the length of time in which the carrying value of our net assets exceeded the market value of our outstanding shares, an impairment of goodwill was required under the accounting rules set forth in SFAS No. 142. After determining that an impairment of goodwill was necessary, we performed a step two test which values the total company net assets at fair value as if a purchase business combination had occurred. The fair value of our net assets utilizing this test indicated that the entire balance of our goodwill should be impaired as of February 28, 2009 and therefore we recorded a goodwill impairment charge of $1.81 billion in fiscal 2009.

Lease Termination and Impairment Charges

Lease termination and impairment charges consist of:

	Year Ended		
	February 29, 2009 (52 Weeks)	**March 1, 2008 (52 Weeks)**	**March 3, 2007 (52 Weeks)**
	(Dollars in thousands)		
Impairment charges	$157,334	$30,823	$31,425
Store and equipment lease exit charges	136,409	55,343	17,892
	$293,743	$86,166	$49,317

Impairment Charges. In fiscal 2009, 2008, and 2007, store closing and impairment charges include non-cash charges of $157.3 million, $30.8 million and $31.4 million, respectively, for the total or partial impairment of long-lived assets at 814, 420, and 342 stores, respectively. These amounts include the write-down of long-lived assets to estimated fair value at stores that were identified for impairment as part of our on-going store performance review at all of our stores or management's intention to relocate or close a specific store. The increase in impairment charges in fiscal 2009 was primarily due to current and projected operating results at certain of our Brooks Eckerd stores not being sufficient to cover the asset values of these stores.

Store and Equipment Lease Exit Charges. In fiscal 2009, 2008, and 2007, we recorded charges for 161, 66, and 49 stores, respectively, to be closed or relocated under long-term leases. Charges to close a store, which principally consist of lease termination costs, are recorded at the time the store is closed and all inventory is liquidated, pursuant to the guidance set forth in SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities". We calculate our liability for closed stores on a store-by-store basis. The calculation includes the discounted effect of future minimum lease payments and related ancillary costs, from the date of closure to the end of the remaining lease term, net of estimated cost recoveries that may be achieved through subletting properties or favorable lease terminations. We evaluate these assumptions each quarter and adjust the liability accordingly. The increase in the store and equipment lease exit charge for the fiscal year 2009 was primarily due to an increase in the number of stores closed and a decrease in the amount of assumed sublease income over the remaining minimum lease term.

As part of our ongoing business activities, we assess stores for potential closure. Decisions to close stores in future periods would result in charges for store lease exit costs and liquidation of inventory, as well as impairment of assets at these stores.

Interest Expense

In fiscal 2009, 2008, and 2007, interest expense was $477.6 million, $449.6 million and $275.2 million, respectively. The increase in interest expense in 2009 compared to 2008 was primarily due to increased borrowings to fund the Brooks Eckerd acquisition and related integration activities partially offset by lower interest rates, which were caused by a decrease in LIBOR, which decreased the interest rate on borrowings under our senior secured credit facility.

The annual weighted average interest rates on our indebtedness in fiscal 2009, 2008 and 2007 were 6.6%, 7.5% and 7.6%, respectively.

Income Taxes

Income tax expense of $329.3 million and $802.7 million, and income tax benefit of $11.6 million has been recorded for fiscal 2009, fiscal 2008 and fiscal 2007, respectively. The fiscal 2009 income tax

expense included non-cash income tax expense of $673.1 million related to the write-down of our remaining net Federal and State deferred tax assets through an adjustment to our valuation allowance. SFAS No. 109 requires a company to evaluate its deferred tax assets on a regular basis to determine if a valuation allowance against the net deferred tax assets is required. In determining whether a valuation allowance is required, we take into account all available positive and negative evidence with regard to the recognition of a deferred tax asset including our past earnings history, expected future earnings, the character and jurisdiction of such earnings, unsettled circumstances that, if unfavorably resolved, would adversely affect recognition of a deferred tax asset, carryback and carryforward periods, and tax planning strategies that could potentially enhance the likelihood of realization of a deferred tax asset. According to SFAS No. 109, a cumulative loss in recent years is significant negative evidence in considering whether deferred tax assets are realizable. Based on the negative evidence, SFAS No. 109 precludes relying on projections of future taxable income to support the recognition of deferred tax assets. The ultimate realization of deferred tax assets is dependent upon the existence of sufficient taxable income generated in the carryforward periods.

The fiscal 2008 income tax expense included a non-cash tax expense of $920.4 million related to an increase of the valuation allowance on federal and state net deferred tax assets. The existence of negative evidence at March 1, 2008, was primarily the result of recently completed acquisition of Brooks Eckerd and the impact on current year earnings due to planned integration and acquisition activities, compounded by the weakening economy during the later half of the year. The fiscal 2007 income tax benefit included a non-cash state tax benefit of $24.1 million which primarily related to an increase in our state tax rate applied to the net deferred tax assets partially offset by a non-cash state tax expense of $9.1 million related to an increase in the valuation allowance

We monitor all available evidence related to our ability to utilize our remaining net deferred tax assets. We maintained a valuation allowance of $1,787.8 million and $1,104.0 million against remaining net deferred tax assets at fiscal year end 2009 and 2008, respectively.

Liquidity and Capital Resources

General

We have four primary sources of liquidity: (i) cash and cash equivalents, (ii) cash provided by operating activities, (iii) the sale of accounts receivable under our first lien receivable securitization facility, and (iv) the revolving credit facility under our senior secured credit facility. Our principal uses of cash are to provide working capital for operations, to service our obligations to pay interest and principal on debt, to fund capital expenditures and to provide funds for payment of our debt.

As described in greater detail in the "Results of Operations" section, we incurred significant non-cash charges in fiscal 2009, including a charge of $1.81 billion for the impairment of goodwill, income tax expense of $329.3 million, which was predominately due to a non-cash write-down of our remaining federal and state deferred tax assets, and store closing and impairment charges of $293.7 million. In addition, we incurred LIFO charges of $184.6 million. These charges have no impact on our liquidity, credit facilities or compliance with existing debt covenants.

Credit Facility

Our senior secured credit facility includes a $1.75 billion revolving credit facility. Borrowings under the revolving credit facility currently bear interest at LIBOR plus 1.50%, if we choose to make LIBOR borrowings, or at Citibank's base rate plus 0.50%. The interest rate can fluctuate between LIBOR plus 1.25% and LIBOR plus 1.75% depending on the amount of the revolver availability, as specified in the senior secured credit facility. We are required to pay fees of 0.25% per annum on the daily unused amount of the revolving credit facility. The final maturity date on our revolving credit facility is September 30, 2010.

Our ability to borrow under the revolving credit facility is based upon a specified borrowing base consisting of inventory and prescription files. At February 28, 2009, we had $838.0 million of borrowings outstanding under the revolving credit facility. At February 28, 2009, we also had letters of credit outstanding against the revolving credit facility of $188.3 million, which resulted in additional borrowing capacity of $723.7 million. Based upon our borrowing base calculation and planned reductions in inventory, we may not be able to borrow the maximum amount under our revolving credit facility at some points during fiscal 2010. However, we do not expect this restriction to have a significant impact on liquidity.

In November 2006, we entered into an amendment of our senior secured credit facility and borrowed $145.0 million under a senior secured term loan (the "Tranche 1 Term Loans"). The Tranche 1 Term Loans currently bear interest at LIBOR plus 1.50%, if we choose to make LIBOR borrowings, or at Citibank's base rate plus 0.50% The interest rate can fluctuate between LIBOR plus 1.25% and LIBOR plus 1.75% depending on the amount of availability under our revolving credit facility, as specified in the senior secured credit facility. The amounts outstanding under the Tranche 1 Term Loans become due and payable on September 30, 2010, or earlier, if total debt outstanding under the senior secured credit facility exceeds the borrowing base.

On June 4, 2007, we amended our senior secured credit facility, to establish a new senior secured term loan in the aggregate principal amount of $1,105.0 million and borrowed the full amount thereunder. A portion of the proceeds from the borrowings under this senior secured term loan (the "Tranche 2 Term Loans") were used to fund the acquisition of Brooks Eckerd. The Tranche 2 Term Loans will mature on June 4, 2014 and currently bear interest at LIBOR plus 1.75%, if we choose to make LIBOR borrowings, or at Citibank's base rate plus 0.75%. We must make mandatory prepayments of the Tranche 2 Term Loans with the proceeds of asset dispositions (subject to certain limitations), with a portion of any excess cash flow generated by us and with the proceeds of certain issuances of equity and debt and casualty events (subject to certain exceptions). If at any time total debt outstanding under the senior secured credit facility exceeds the borrowing base, prepayment of the Tranche 2 Term Loans may also be required.

In July 2008, we issued a new senior secured term loan (Tranche 3 Term Loans) of $350.0 million under our existing senior secured credit facility. The Tranche 3 Term Loans were issued at a discount of 90% of par. The Tranche 3 Term Loans matures on June 4, 2014 and bears interest at LIBOR (with a minimum LIBOR rate of 3.00%) plus 3.00%, if we choose to make LIBOR borrowings, or at Citibank's base rate (with a minimum base rate of 4%) plus 2.00%. We must make mandatory prepayments of the Tranche 3 Term Loans with the proceeds of asset dispositions (subject to certain limitations), with a portion of any excess cash flow generated by us and with the proceeds of certain issuances of equity and debt and casualty events (subject to certain exceptions). If at any time total debt outstanding under the senior secured credit facility exceeds the borrowing base, prepayment of the Tranche 3 Term Loans may also be required.

The senior secured credit facility allows us to have outstanding, at any time, up to $1.5 billion in secured second priority debt and unsecured debt in addition to borrowings under the senior secured credit facility and existing indebtedness, provided that not in excess of $750.0 million of such secured second priority debt and unsecured debt shall mature or require scheduled payment of principal prior to three months after June 4, 2014. The senior secured credit facility allows us to incur an unlimited amount of unguaranteed unsecured debt with a maturity beyond three months after June 4, 2014; however, other debentures may limit the amount of unsecured debt that can be incurred if certain interest coverage levels are not met at the time of incurrence of said debt. The senior secured credit facility also allows for the voluntary repurchase of any publicly-traded debt with a maturity on or before June 4, 2014, and for the voluntary repurchase of publicly-traded debt with a maturity after June 4, 2014, if we maintain availability on the revolving credit facility of at least $100.0 million and so long as the senior secured credit facility is not in default.

The senior secured credit facility contains covenants, which place restrictions on the incurrence of debt beyond the restrictions described above, the payments of dividends, sale of assets, mergers and acquisitions and the granting of liens. The senior secured credit facility also requires us to maintain a minimum fixed charge coverage ratio, but only if availability on the revolving credit facility is less than $100.0 million.

The senior secured credit facility provides for events of default including nonpayment, misrepresentation, breach of covenants and bankruptcy. It is also an event of default if the Company fails to make any required payment on debt having a principal amount in excess of $50.0 million or any event occurs that enables, or which with the giving of notice or the lapse of time would enable, the holder of such debt to accelerate the maturity or require the repurchase of such debt.

Other 2009 Transactions

On June 4, 2008, we commenced a tender offer and consent solicitation under which we offered to repurchase all outstanding amounts of our 8.125% senior secured notes due May 2010, our 7.5% senior secured notes due January 2015 and our 9.25% senior notes due June 2013. On July 8, 2008, the tender offer expired and on July 9, we repaid $348.9 million of the outstanding balance of our 8.125% notes due May 2010, $199.6 million of our 7.5% notes due January 2015 and $144.0 million of the outstanding balance of our 9.25% notes due June 2013. In addition, on July 9, 2008, we sent a notice of redemption for the remaining outstanding 7.5% notes due 2015 and satisfied and discharged the indenture governing such notes. As a result of this tender and consent solicitation, the indentures governing these notes were amended to eliminate substantially all of the restrictive covenants therein including limitations on our ability to incur additional debt and grant liens against assets. In addition, the guarantees on each series were eliminated and the 8.125% notes are no longer secured. We did the transaction because these notes had restrictions on secured debt that prohibited us from fully drawing on our revolving credit facility under certain circumstances. We incurred a loss on debt modification related to this transaction of $36.6 million.

These transactions were financed via the issuance of a new senior secured term loan (the Tranche 3 Term Loan) described above and the issuance of a $470.0 million aggregate principal amount of 10.375% senior secured notes due July 2016. These notes are unsecured unsubordinated obligations of Rite Aid Corporation and rank equally in right of payment with all other unsubordinated indebtedness. Our obligations under the notes are guaranteed, subject to certain limitations, by subsidiaries that guarantee the obligations under our senior secured credit facility. The guarantees are secured by shared second priority liens with holders of our 7.5% senior secured notes due 2017. The indenture that governs the 10.375% senior secured notes due 2016 contains covenant provisions that, among other things, include limitations on our ability to pay dividends, make investments or other restricted payments, incur debt, grant liens, sell assets and enter into sale-leaseback transactions. The senior 10.375% secured notes due July 2016 were issued at a discount of 90.588% of par.

The indentures that govern our secured and guaranteed unsecured notes contain restrictions on the amount of additional secured debt that we can incur. As of February 28, 2009, the amount of additional secured debt that could be incurred under these indentures was approximately $870.0 million (which amount does not include the ability to enter into certain sale and leaseback transactions). At our option we could also incur this debt in whole or in part on an unsecured basis. The amount of additional second priority secured or unsecured debt that we could have incurred if we had drawn the maximum amount available ($723.7 million) on our revolving credit facility as of February 28, 2009 (after taking into account outstanding letters of credit) was $146.3 million.

In May 2008 we issued $158.0 million of 8.5% convertible notes due May 2015. These notes are unsecured and are effectively junior to our secured debt. The notes are convertible, at the option of the holder, into shares of our common stock at a conversion price of $2.59 per share, subject to

adjustments to prevent dilution, at any time. Proceeds from the issuance of these notes were used to fund the redemption of our 6.125% notes due December 2008. We recorded a loss on debt modification of $3.3 million related to the early redemption of the 6.125% notes due 2008, which included payment of a make whole premium to the noteholders and unamortized debt issue costs on the notes.

Preferred Stock Transactions

In the fourth quarter of fiscal 2009 the holder of substantially all of the outstanding shares of our Series G preferred stock converted their shares into 27.1 million shares of our common stock at a conversion rate of $5.50 per share.

During fiscal 2006, we issued 4.8 million shares of our Series I Mandatory Convertible preferred stock ("Series I preferred stock"). In the first quarter of fiscal 2009, we entered into agreements with several of the holders of the Series I preferred stock to convert 2.4 million shares into common stock, at a rate of 5.6561 common shares per preferred share, earlier than the mandatory conversion date which resulted in the issuance of 14.6 million shares of our common stock. In the third quarter of fiscal 2009, the remaining outstanding 2.4 million shares of Series I preferred stock automatically converted into common stock, at a rate of 5.6561 common shares per preferred share, which resulted in the issuance of 13.7 million shares of our common stock.

Sale Leaseback Transactions

During fiscal 2009 we sold a total of 72 owned stores to independent third parties. Net proceeds from these sales were $193.0 million. Concurrent with these sales, we entered into agreements to lease the stores back from the purchasers over minimum lease terms of 20 years. We accounted for 67 of these leases as operating leases and the remaining five were accounted for using the financing method as these lease agreements contain a clause that allow the buyer to force us to repurchase the properties under certain conditions. A gain on the sale of these stores of $5.2 million was deferred and is being recorded over the minimum term of these leases.

2008 Transactions

Debt Transactions

On June 4, 2007 we incurred $1.22 billion aggregate principal amount of senior notes. The issue consisted of $410.0 million of 9.375% senior notes due 2015 and $810.0 million of 9.5% senior notes due 2017. Our obligations under each series of notes are guaranteed fully and unconditionally, jointly and severally, by all of our subsidiaries that guarantee our obligations under our existing senior secured credit facility and our outstanding senior secured notes. The notes are unsecured, unsubordinated obligations of Rite Aid Corporation and rank equally in right of payment with all of our other unsecured, unsubordinated debt. The indentures governing the notes contain covenants that limit our ability and the ability of our restricted subsidiaries to, among other things; incur additional debt, pay dividends or make other restricted payments, purchase, redeem or retire capital stock or subordinated debt, make asset sales, enter into transactions with affiliates, incur liens, enter into sale-leaseback transactions, provide subsidiary guarantees, make investments and merge or consolidate with any other persons.

Preferred Stock Transactions

During the fourth quarter of fiscal 2005, we issued 2.5 million shares of our Series E Mandatory Convertible preferred stock ("Series E preferred stock"). The Series E preferred stock automatically converted into common stock on February 1, 2008 at a rate of 14.0056 common shares per preferred share, as determined by the adjusted applicable market value of our common stock (as defined in the Series E preferred stock agreement) on the date of conversion. The Series E preferred stock conversion resulted in the issuance of 35.0 million shares of our common stock to the holders of the Series E preferred stock.

Sale Leaseback Transactions

During fiscal 2008 we sold a total of 22 owned stores to independent third parties. Net proceeds from these sales were $93.3 million. Concurrent with these sales, we entered into agreements to lease the stores back from the purchasers over minimum lease terms of 20 years. We accounted for 14 of these leases as operating leases and the remaining eight were accounted for using the financing method as these lease agreements contain a clause that allow the buyer to force us to repurchase the properties under certain conditions. Subsequent to March 1, 2008, the clause that allowed the buyer to force us to repurchase the property lapsed on five of these leases. Therefore, these leases are now accounted for as operating leases.

2007 Transactions

Debt Transactions

In February 2007, we issued $500.0 million aggregate principal amount of 7.5% senior secured notes due 2017. These notes are unsubordinated obligations of Rite Aid Corporation and rank equally in right of payment with all other unsubordinated indebtedness. Our obligations under the notes are guaranteed, subject to certain limitations, by subsidiaries that guarantee the obligations under our senior secured credit facility and other secured notes. The guarantees are secured, subject to the permitted liens, by shared second priority liens, with holders of our 10.375% senior secured notes due July 2016, granted by subsidiary guarantors on all their assets that secure the obligations under the senior secured credit facility, subject to certain exceptions. The indenture governing the 7.5% senior secured notes due 2017 contains covenant provisions that, among other things, include limitations on our ability to pay dividends, make investments or other restricted payments, incur debt, grant liens, sell assets and enter into sale-leaseback transactions. Proceeds from this offering were used to repay outstanding borrowings on our revolving credit facility and to fund the redemption of our 9.5% senior secured notes due 2011. Per the terms of the indenture that governed the 9.5% senior secured notes due 2011, we paid a premium to the noteholders of 104.75% of par. We recorded a loss on debt modification of $18.7 million related to the early redemption of the 9.5% senior secured notes due 2011, which included the call premium and unamortized debt issue costs on the notes.

In February 2007, we issued $500.0 million aggregate principal amount of 8.625% senior notes due 2015. These notes are unsecured. The indenture governing the 8.625% senior notes due 2015 contains provisions that, among other things, include limitations on our ability to pay dividends, make investments or other restricted payments, incur debt, grant liens, sell assets and enter into sale-leaseback transactions. The 8.625% senior notes due 2015 are guaranteed, subject to certain limitations, by subsidiaries that guarantee the obligations under the senior secured credit facility and other outstanding senior secured notes. Proceeds from the issuance of the notes were used to repay borrowings under our revolving credit facility.

In January 2007, we paid at maturity the remaining outstanding principal amount of $184.1 million of our 7.125% notes due January 2007. We funded this payment with borrowings under the revolving credit facility.

In December 2006, we paid at maturity the remaining outstanding principal amount of $250.0 million of our 4.75% convertible notes due December 2006. We funded this payment with borrowings under the revolving credit facility.

In September 2006, we completed the early redemption of all of our outstanding $142.0 million of our 12.5% senior secured notes due September 2006. We funded this payment with borrowing under our revolving credit facility, which were subsequently repaid with borrowings of the Tranche 1 Term Loans.

Sale-Leaseback Transactions

During fiscal 2007, we sold a total of 29 owned stores to independent third parties. Net proceeds from these sales were approximately $82.1 million. Concurrent with these sales, we entered into agreements to lease the stores back from the purchasers over minimum lease terms of 20 years. We accounted for 24 of these leases as operating leases and the remaining five leases were accounted for using the financing method, as these lease agreements contain a clause that allows the buyer to force us to purchase the properties under certain conditions. Subsequent to March 3, 2007, the clause that allowed the buyer to force us to repurchase the properties lapsed on the five leases. Therefore, these leases are now accounted for as operating leases.

Off Balance Sheet Obligations

We maintain receivables securitization agreements (the "first lien facility") with several multi-seller asset-backed commercial paper vehicles ("CPVs"). Under the terms of the securitization agreements, we sell substantially all of our eligible third party pharmaceutical receivables to a bankruptcy remote Special Purpose Entity ("SPE") and retain servicing responsibility. The assets of the SPE are not available to satisfy the creditors of any other person, including any of our affiliates. These agreements provide for us to sell, and for the SPE to purchase these receivables. The SPE then transfers an interest in these receivables to various CPVs. We guarantee certain performance obligations of our affiliates under the securitization agreements, which include continued servicing of such receivables, but do not guarantee the collectibility of the receivables and obligor creditworthiness. These agreements provide for us to sell, and for the SPE to purchase these receivables. The SPE then transfers an interest in these receivables to various CPVs.

During the thirteen week period ended February 28, 2009, we amended certain of the terms of our first lien facility. The effects of the amendment were to make changes to the obligor concentration limits in the borrowing formula, to change the borrowing and liquidity fees charged under the agreements and to reduce the amount of interest in receivables that can be transferred to the CPV's to $345.0 million.

Under the terms of the first lien facility, the total amount of interest in receivables that could be transferred to the CPVs was $345.0 million and $650.0 million at February 28, 2009 and March 1, 2008, respectively. The amount of transferred receivables outstanding at any one time is dependent upon a formula that takes into account such factors as default history, obligor concentrations and potential dilution ("Securitization Formula"). Adjustments to this amount can occur, at the discretion of the CPVs, on a weekly basis. At February 28, 2009 and March 1, 2008, the total of outstanding receivables

that have been transferred to the CPVs were $330.0 million and $435.0 million, respectively. The following table details receivable transfer activity for the years presented (in thousands):

	Year Ended		
	February 28, 2009 (52 Weeks)	**March 1, 2008 (52 Weeks)**	**March 3, 2007 (52 Weeks)**
Average amount of outstanding receivables transferred	$ 471,319	$ 332,115	$ 334,588
Total receivable transfers	$6,940,000	$4,992,000	$4,674,000
Collections made by the Company as part of the servicing arrangement on behalf of the CPVs	$7,045,000	$4,907,000	$4,654,000

We are charged a program fee and a liquidity fee under the first lien facility. The program fee is LIBOR plus 2.0% of the total amount advanced under the facility. The liquidity fee is 3.5% of the total facility commitment of $345.0 million. The program and liquidity fees are recorded as a component of selling, general and administrative expenses. Program and liquidity fees for fiscal 2009, 2008 and 2007 were $24.9 million, $22.3 million and $21.9 million, respectively.

Rite Aid guarantees certain performance obligations of our affiliates under the first lien facility, which include continued servicing of such receivables, but does not guarantee the collectibility of the receivables and obligor creditworthiness. The CPVs have a commitment to purchase that ends January 2010 with the option to extend to September 14, 2010. Should any of the CPVs fail to renew their commitment under the first lien facility, we have access to a backstop credit facility, which is backed by the CPVs and which expires September 14, 2010.

Proceeds from the collections under the first lien facility are submitted to an independent trustee on a daily basis. The trustee withholds any cash necessary to (1) fund amounts owed to the CPVs as a result of such collections and, (2) fund the CPVs when the Securitization Formula indicates a lesser amount of outstanding receivables transferred is warranted. The remaining collections are swept to our corporate concentration account. At February 28, 2009 and March 1, 2008, we had $1.8 million and $3.3 million of cash, respectively, that was restricted for the payment of trustee fees.

On February 18, 2009, we entered into a $225.0 million second priority accounts receivable securitization term loan (Second Lien Facility). Net proceeds from the issuance of the Second Lien Facility were used to repay approximately $210.0 million outstanding under our securitization agreements and replace the borrowing availability that was decreased under the first lien facility. The Second Lien Facility has a second priority interest in eligible third party receivables. This interest is subordinated to the interest of the securitization banks under the first lien facility.

The Second Lien Facility was sold at a discount of 3% and bears interest at a rate of either, at our option, (a) a base rate equal to the higher of (i) Citibank's base rate, (ii) the federal funds rate plus 0.50% per annum or (iii) an adjusted LIBOR rate plus 1.0% per annum, in each case plus 11% or (b) LIBOR plus 12% with a LIBOR floor of 3%. The Second Lien Facility will mature on September 14, 2010. We incurred one-time issuance fees of approximately $8.8 million related to the Second Lien Facility, which are recorded in selling, general and administrative expenses. For fiscal 2009, financing fees related to the Second Lien Facility were $1.2 million.

We have determined that the transactions under the first lien facility and Second Lien Facility meet the criteria for sales treatment in accordance with SFAS No. 140 "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities". Additionally, we have determined that we do not hold a variable interest in the CPVs or in the lenders in the Second Lien Facility, pursuant to the guidance in FIN 46R, "Consolidation of Variable Interest Entities", and therefore have determined that de-recognition of the transferred receivables is appropriate.

At February 28, 2009 and March 1, 2008, our interest in the third party pharmaceutical receivables is as follows (dollars in thousands):

	February 28, 2009	March 1, 2008
Third party pharmaceutical receivables	$ 955,827	$ 963,683
Allowance for uncollectible accounts	(31,421)	(34,850)
Net third party receivables	924,406	928,833
First lien facility	(330,000)	(435,000)
Second lien facility (net of discount of $6,621)	(218,379)	—
Net retained interest	$ 376,027	$ 493,833

As of February 28, 2009, we had no material off balance sheet arrangements, other than the receivables securitization facilities described above and operating leases, which are included in the table below.

Contractual Obligations and Commitments

The following table details the maturities of our indebtedness and lease financing obligations as of February 28, 2009, as well as other contractual cash obligations and commitments.

	Payment due by period				
	Less Than 1 Year	1 to 3 Years	3 to 5 Years	After 5 Years	Total
	(Dollars in thousands)				
Contractual Cash Obligations					
Long term debt(1)	$ 384,628	$1,729,512	$ 906,205	$ 5,660,964	$ 8,681,309
Capital lease obligations(2)	39,896	49,435	49,094	155,783	294,208
Operating leases(3)	1,049,983	2,009,871	1,794,758	6,669,650	11,524,262
Open purchase orders	352,909	—	—	—	352,909
Redeemable preferred stock(4)	—	—	—	21,300	21,300
Other, primarily self insurance and retirement plan obligations(5)	132,256	148,995	36,479	81,762	399,492
Minimum purchase commitments(6)	160,708	321,834	321,770	782,014	1,586,326
Total contractual cash obligations	$2,120,380	$4,259,647	$3,108,306	$13,371,473	$22,859,806
Commitments					
Lease guarantees	$ 25,208	$ 48,908	$ 47,016	$ 110,263	$ 231,395
Outstanding letters of credit	188,345	—	—	—	188,345
Total commitments	$2,333,933	$4,308,555	$3,155,322	$13,481,736	$23,279,546

(1) Includes principal and interest payments for all outstanding debt instruments, but not amounts outstanding under the receivables facilities. Interest was calculated on variable rate instruments using rates as of February 28, 2009.

(2) Represents the minimum lease payments on non-cancelable leases, including interest, but net of sublease income.

(3) Represents the minimum lease payments on non-cancelable leases.

(4) Represents value of redeemable preferred stock at its redemption date.

(5) Includes the undiscounted payments for self-insured medical coverage, actuarially determined undiscounted payments for self-insured workers' compensation and general liability, and actuarially determined obligations for defined benefit pension and nonqualified executive retirement plans.

(6) Represents commitments to purchase products from certain vendors.

Obligations for income tax uncertainties pursuant to FIN 48 of approximately $101.0 million are not included in the table above as we are uncertain as to if or when such amounts may be settled.

Net Cash Provided By (Used In) Operating, Investing and Financing Activities

Cash flow provided by operating activities was $359.9 million in fiscal 2009. Cash flow was positively impacted by net proceeds from our accounts receivable securitization, reductions in accounts receivable and inventory, partially offset by a decrease in accounts payable. The decrease in inventory is primarily due to the efforts made by management to reduce excess inventory and a decrease in purchasing volume, which also impacted accounts payable.

Cash flow provided by operating activities was $79.4 million in fiscal 2008. Cash flow was positively impacted by net proceeds from our accounts receivable securitization and a reduction in accounts receivable partially offset by an increase in inventory and a decrease in accounts payable. The increase in inventory was primarily caused by Brooks Eckerd integration activities. Integration activities that require a temporary investment in inventory include replacing discontinued inventory, increasing the number of SKU's at the Brooks Eckerd distribution centers and retrofitting the planograms in the Brooks Eckerd stores. The decrease in accounts payable was primarily due to conforming vendor terms as part of the integration efforts.

Cash flow provided by operating activities was $309.1 million in fiscal 2007. Cash flow from operating activities was positively impacted by income from operations, net proceeds of $20.0 million for the sale of certain of our third party receivables and a decrease in accounts payable. These items were partially offset by increases in accounts receivable and inventory.

Cash used in investing activities was $346.4 million in fiscal 2009. Cash was used for the purchase of property, plant and equipment and prescription files which was offset in part by proceeds from our sale leaseback transactions and proceeds from other asset dispositions.

Cash used in investing activities was $2,933.7 million in fiscal 2008. Cash used was primarily for the acquisition of Brooks Eckerd and purchase of property, plant and equipment and intangible assets offset by proceeds from sale-leaseback transactions and asset dispositions.

Cash used in investing activities was $312.8 million in fiscal 2007. Cash was used for: the purchase of property, plant and equipment, the purchase of prescription file and capitalizable direct acquisition costs related to our pending acquisition of Brooks Eckerd. Cash was provided by proceeds from our sale leaseback transactions and proceeds from other asset dispositions.

Cash used in financing activities was $17.3 million in fiscal 2009 due to the net impact of proceeds from the issuance of convertible notes and redemption of various notes, amending of our credit facility and principal payments on long term debt.

Cash provided by financing activities was $2,904.0 million in fiscal 2008. Cash provided by financing was primarily provided by proceeds from issuance of long-term debt utilized to fund the Brooks Eckerd acquisition, net proceeds from our revolving credit facility, the change in the zero balance cash accounts and net proceeds from the issuance of common stock, offset by financing costs paid, scheduled debt payments and preferred stock dividends.

Cash provided by financing activities was $33.7 million in fiscal 2007. Cash provided from issuance of two bonds and the term loan portion of our senior secured credit facility was used to fund the redemption and payment at maturity of several bonds and to pay down a portion of the outstanding borrowings under our revolving credit facility.

Capital Expenditures

We plan to make total capital expenditures of approximately $250 million during fiscal 2010, consisting of approximately 40% related to the new store construction and store relocation, 7% related

to store remodels and 53% related to backstage, infrastructure and maintenance requirements. Management expects that these capital expenditures will be financed primarily with cash flow from operating activities and use of the revolving credit facility.

Future Liquidity

We are highly leveraged. Our high level of indebtedness: (i) limits our ability to obtain additional financing; (ii) limits our flexibility in planning for, or reacting to, changes in our business and the industry; (iii) places us at a competitive disadvantage relative to our competitors with less debt; (iv) renders us more vulnerable to general adverse economic and industry conditions, including current conditions in the financial markets; and (v) requires us to dedicate a substantial portion of our cash flow to service our debt. We expect our efforts to maintain our NYSE listing will be successful. However, if our common stock is not listed on the NYSE or another national exchange, holders of our 8.5% convertible notes due 2015 (the "Convertible Notes") will be entitled to require us to repurchase their Convertible Notes. Our senior secured credit facility and accounts receivable securitization facilities provide that the occurrence of this repurchase right constitutes a default under such facilities. To avoid such a scenario, we may seek to refinance the Convertible Notes. We can give no assurance that we would be able to obtain any required financing, including a refinancing, on favorable terms, if at all, or that we would receive any waiver or consents required under our debt instruments. Based upon our current levels of operations, planned improvements in our operating performance, the approval by our stockholders of the proposed reverse stock split, the suspension of the minimum price listing requirement by the NYSE and the opportunities that we believe the acquisition of Brooks Eckerd provides, we believe that cash flow from operations together with available borrowings under the senior secured credit facility, sales of accounts receivable under our first lien securitization facility, and other sources of liquidity will be adequate to meet our requirements for working capital, debt service and capital expenditures for the next twelve months. Our $1.75 billion revolving credit facility and our $145 million Tranche 1 term loan mature on September 30, 2010. We intend to refinance these facilities prior to their maturity dates and expect these efforts to be successful. However, there can be no assurance that we will be able to refinance these facilities on terms acceptable to us.

We will continue to assess our liquidity position and potential sources of supplemental liquidity in light of our operating performance, conditions in the financial markets, status of the listing of our stock on the NYSE, valuations of the collateral securing our senior credit facility and accounts receivable securitization facilities and other relevant circumstances. Should we determine, at any time, that it is necessary to obtain additional short-term liquidity, we will evaluate our alternatives and take appropriate steps to obtain sufficient additional funds. There can be no assurance that any such supplemental funding, if sought, could be obtained or if obtained, would be on terms acceptable to us.

Recent Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements". This standard establishes a standard definition for fair value, establishes a framework under generally accepted accounting principles for measuring fair value and expands disclosure requirements for fair value measurements. This standard is effective for financial statements issued for fiscal years beginning after November 15, 2007. In December 2007, a FASB Staff Position (FSP) was proposed to delay the effective dates of SFAS No. 157 as it relates to all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis, or at least annually. We have adopted SFAS No. 157 as of March 2, 2008 as it relates to financial assets and liabilities and there was no impact on the financial statements. We will adopt SFAS No. 157 as it relates to nonfinancial assets and liabilities in the quarter ending May 30, 2009 and do not expect the adoption to have a material impact on our financial position or results of operations.

In December 2007, the FASB issued SFAS No. 141 (Revised) "Business Combinations". SFAS 141 (Revised) establishes principles and requirements for how the acquirer of a business recognizes and measures in its financial statements the assets acquired and liabilities assumed in a business combination and makes several changes to the method of accounting for business combinations previously set forth in SFAS No. 141. SFAS No. 141 (Revised) will become effective for acquisitions consummated in fiscal years beginning after December 15, 2008.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates, including those related to allowance for uncollectible receivables, inventory shrink, impairment, self insurance liabilities, pension benefits, lease exit liabilities, income taxes and litigation. We base our estimates on historical experience, current and anticipated business conditions, the condition of the financial markets and various other assumptions that are believed to be reasonable under existing conditions. Variability reflected in the sensitivity analyses presented below is based on our recent historical experience. Actual results may differ materially from these estimates and sensitivity analyses.

The following critical accounting policies require the use of significant judgments and estimates by management:

Allowance for uncollectible receivables: Almost all of our prescription sales are made to customers that are covered by third party payors, such as insurance companies, prescription benefit management companies, government agencies, private employers, health maintenance organizations or other managed care providers. We recognize and report receivables that represent the amount owed to us for sales made to customers, who are employees or members of those payors, which have not yet been paid. We maintain an allowance for the amount of these receivables deemed to be uncollectible. This allowance is calculated based upon historical collection and write-off activity adjusted for current conditions. The estimated bad debt write-off rate is calculated by dividing historical write-offs for the most recent twelve months, for which collection activities have been completed, by third party payor sales for the same period. A bad debt expense is recognized by applying the estimated write-off rate to third party payor sales for the period. There have been no significant changes in the assumptions used to calculate our estimated write-off rate over the past three years. If the financial condition of the payors were to deteriorate, resulting in an inability to make payments, an additional reserve would be recorded in the period in which the change in financial condition first became known. Based on current conditions, we do not expect a significant change to our write-off rate in future periods. A one basis point difference in our estimated write-off rate for the year ended February 28, 2009, would have affected pretax income by approximately $1.4 million.

Inventory: The carrying value of our inventory is reduced by a reserve for estimated shrink losses that occur between physical inventory dates. When estimating these losses, we consider historical loss results at specific locations (including stores and distribution centers), as well as overall loss trends as determined during physical inventory procedures. The estimated shrink rate is calculated by dividing historical shrink results for stores inventoried in the most recent six months by the sales for the same period. Shrink expense is recognized by applying the estimated shrink rate to sales since the last physical inventory. There have been no significant changes in the assumptions used to calculate our shrink rate over the last three years. Although possible, we do not expect a significant change to our shrink rate in future periods. A 10 basis point difference in our estimated shrink rate for the year ended February 28, 2009, would have affected pre-tax income by approximately $5.8 million.

Goodwill Impairment: Our policy is to perform an impairment test of goodwill at least annually, and more frequently if events or circumstances occurred that would indicate a reduced fair value in our reporting unit could exist. Our impairment calculation was based on a comparison of the book value of our equity to our estimated fair value. We estimated fair value utilizing both a discounted cash flow analysis that was based on forward year projections and the value implied by our quoted stock price. Based on the decline in our stock price during fiscal 2009, we performed an assessment of goodwill impairment at the end of our fiscal third quarter and year end and concluded at year end that our goodwill was impaired. In accordance with our policy, if events indicate that an impairment has occurred, we perform a step two test under which we value the net assets of our company (other than goodwill) as if a purchase business combination had occurred, and compare that value to our company's market capitalization. The difference between the theoretical net asset value of our company utilizing this calculation and the our market capitalization is the amount of goodwill impairment that we record. Based upon the results of this test, we impaired the entire balance of our goodwill at the end of fiscal 2009.

Impairment of Long-Lived Assets: We evaluate long-lived assets for impairment annually, or whenever events or changes in circumstances indicate that the assets may not be recoverable. We have identified each store as an asset group for purposes of performing this evaluation. Our evaluation of whether possible impairment indicators exist includes comparing future cash flows expected to be generated by the store to the carrying value of the store's assets. If the estimated future cash flows of the asset group (store level) are less than the carrying amount of the store's assets, we calculate an impairment loss by comparing the carrying value of the store's assets to the fair value of such assets. We determine fair value by discounting the estimated future cash flows of the store discussed above.

Cash flows are calculated utilizing the detailed store financial plan for the year immediately following the current year end. To arrive at cash flow estimates for additional future years, we project sales growth by store (consistent with our overall business planning objectives and results), and determine the incremental cash flow that such sales growth will contribute to that store's operations. The discount rate used is our credit adjusted risk-free interest rate.

The assumptions utilized in calculating impairment are updated annually. Should actual sales growth rates and related incremental cash flow differ from those forecasted and projected, we may incur future impairment charges related to the stores being evaluated. Changes in our discount rate of 50 basis points would not have a material impact on the total impairment recorded in Fiscal 2009.

Self-insurance liabilities: We expense claims for self-insured medical, dental, workers' compensation and general liability insurance coverage as incurred including an estimate for claims incurred but not paid. The expense for self-insured medical and dental claims incurred but not paid is determined by multiplying the average claim value paid over the most recent twelve months by the average number of days from the same period between when the claims were incurred and paid. There have been no significant changes in assumptions used to determine days lag over the last three years. Should a greater amount of claims occur compared to what was previously estimated or medical costs increase beyond what was anticipated, expense recorded may not be sufficient, and additional expense may be recorded. A one day change in days lag for the year ended February 28, 2009, would have affected pretax income by approximately $0.6 million.

The expense for self-insured workers' compensation and general liability claims incurred but not paid is determined using several factors, including historical claims experience and development, severity of claims, medical costs and the time needed to settle claims. We discount the estimated expense for workers' compensation to present value as the time period from incurrence of the claim to final settlement can be several years. We base our estimates for such timing on previous settlement activity. The discount rate is based on the current market rates for Treasury bills that approximate the average time to settle the workers' compensation claims. These assumptions are updated on an annual

basis. A 25 basis point difference in the discount rate for the year ended February 28, 2009, would have affected pretax income by approximately $2.3 million.

Benefit plan accrual: We have several defined benefit plans, under which participants earn a retirement benefit based upon a formula set forth in the plan. We record expense related to these plans using actuarially determined amounts that utilize various assumptions. Key assumptions used in the actuarial valuations include the mortality rate, the discount rate, the expected rate of return on plan assets and the rate of increase in future compensation levels. These rates are updated annually and are based on available public information, market interest rates and internal plans regarding compensation and any other changes impacting benefits.

These assumptions have not significantly changed over the last three years, except that the discount rate has been adjusted due to changes in rates derived from published high-quality long-term bond indices, the terms of which approximate the term of the cash flows to pay the accumulated benefit obligations when due. A decrease of 25 basis points in the discount rate, assuming no other changes in the estimates, increases the amount of the projected benefit obligation and the related required expense by $3.0 million and $0.6 million, respectively.

Lease exit liabilities: We record reserves for closed stores based on future lease commitments, anticipated ancillary occupancy costs and anticipated future subleases of properties. The reserves are calculated at the individual location level and the assumptions are assessed at that level. Sublease income is estimated based on agreements in place at the time of reserve assessment. The reserve for lease exit liabilities is discounted using a credit adjusted risk free interest rate. Reserve estimates and related assumptions are updated on a quarterly basis.

A substantial amount of our closed stores were closed prior to our adoption of SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities", effective January 1, 2003. Therefore, if interest rates change, reserves may be increased or decreased. In addition, changes in the real estate leasing markets can have an impact on the reserve. As of February 28, 2009, a 50 basis point variance in the credit adjusted risk free interest rate would have affected pretax income by approximately $3.8 million for Fiscal 2009.

Income taxes: We currently have net operating loss ("NOL") carryforwards that can be utilized to offset future income for federal and state tax purposes. These NOLs generate significant deferred tax assets which are currently offset by a valuation allowance. We regularly review the deferred tax assets for recoverability considering the relative impact of negative and positive evidence including our historical profitability, projected taxable income, the expected timing of the reversals of existing temporary differences and tax planning strategies. The weight given to the potential effect of the negative and positive evidence is commensurate with the extent to which it can be objectively verified. We will establish a valuation allowance against deferred tax assets when we determine that it is more likely than not that some portion of our deferred tax assets will not be realized. There have been no significant changes in the assumptions used to calculate our valuation allowance over the last three years. However, changes in market conditions and the impact of the acquisition of Brooks Eckerd on operations have caused changes in the valuation allowance from period to period which were included in the tax provision in the period of change.

We recognize tax liabilities in accordance with FIN 48 and we adjust these liabilities when our judgment changes as a result of the evaluation of new information not previously available. Due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from our current estimate of the tax liabilities.

Litigation reserves: We are involved in litigation on an on-going basis. We accrue our best estimate of the probable loss related to legal claims. Such estimates are based upon a combination of litigation and settlement strategies. These estimates are updated as the facts and circumstances of the cases

develop and/or change. To the extent additional information arises or our strategies change, it is possible that our best estimate of the probable liability may also change. Changes to these reserves during the last three fiscal years were not material.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Our future earnings, cash flow and fair values relevant to financial instruments are dependent upon prevalent market rates. Market risk is the risk of loss from adverse changes in market prices and interest rates. Our major market risk exposure is changing interest rates. Increases in interest rates would increase our interest expense. We enter into debt obligations to support capital expenditures, acquisitions, working capital needs and general corporate purposes. Our policy is to manage interest rates through the use of a combination of variable-rate credit facilities, fixed-rate long-term obligations and derivative transactions. We currently do not have any derivative transactions outstanding.

The table below provides information about our financial instruments that are sensitive to changes in interest rates. The table presents principal payments and the related weighted average interest rates by expected maturity dates as of February 28, 2009.

	2010	2011	2012	2013	2014	Thereafter	Total	Fair Value at February 28, 2009
	(Dollars in thousands)							
Long-term debt, Including current portion								
Fixed rate	$ 2,111	$ 11,304	$ 215	$ 214	$190,924	$3,215,835	$3,420,603	$1,076,476
Average Interest Rate	4.82%	8.11%	7.00%	7.00%	6.95%	9.01%	8.89%	
Variable Rate	$14,550	$997,550	$14,550	$14,550	$ 14,550	$1,341,538	$2,397,288	$1,674,069
Average Interest Rate	3.13%	1.97%	3.13%	3.13%	3.13%	3.20%	2.69%	

Our ability to satisfy our interest payment obligations on our outstanding debt will depend largely on our future performance, which, in turn, is subject to prevailing economic conditions and to financial, business and other factors beyond our control. If we do not have sufficient cash flow to service our interest payment obligations on our outstanding indebtedness and if we cannot borrow or obtain equity financing to satisfy those obligations, our business and results of operations will be materially adversely affected. We cannot be assured that any replacement borrowing or equity financing could be successfully completed.

The interest rate on the variable-rate borrowings under our senior secured credit facility are based on LIBOR. Changes in one month LIBOR affect our cost of borrowings because the interest rate on our variable-rate obligations is based on LIBOR. If the market rates of interest for one month LIBOR change by 50 basis points as of February 28, 2009 our annual interest expense would change by approximately $12.0 million based upon our variable-rate debt outstanding of approximately $2,397.3 million on February 28, 2009.

A change in interest rates generally does not have an impact upon our future earnings and cash flow for fixed-rate debt instruments. As fixed-rate debt matures, however, and if additional debt is acquired to fund the debt repayment, future earnings and cash flow may be affected by changes in interest rates. This effect would be realized in the periods subsequent to the periods when the debt matures.

In addition to the financial instruments listed above, the program fees incurred on proceeds from the sale of receivables under our receivables securitization agreements are determined based on LIBOR.

Item 8. Financial Statements and Supplementary Data

Our consolidated financial statements and notes thereto are included elsewhere in this report and are incorporated by reference herein. See Item 15 of Part IV.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable

Item 9A. Controls and Procedures

(a) Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, our disclosure controls and procedures are effective.

(b) Internal Control Over Financial Reporting

Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we have conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in "Internal Control-Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, our management has concluded that, as of February 28, 2009, we did not have any material weaknesses in our internal control over financial reporting and our internal control over financial reporting was effective.

Attestation Report of the Independent Registered Public Accounting Firm

The attestation report of our independent registered public accounting firm, Deloitte & Touche LLP, on our internal control over financial reporting is included after the next paragraph.

(c) Changes in Internal Control Over Financial Reporting

There has not been any change in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during our fourth fiscal quarter ended February 28, 2009 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of
Rite Aid Corporation
Camp Hill, Pennsylvania

We have audited the internal control over financial reporting of Rite Aid Corporation and subsidiaries (the "Company") as of February 28, 2009, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of February 28, 2009, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedule as of and for the year ended February 28, 2009 of the Company and our report dated April 16, 2009 expressed an unqualified opinion on those financial statements and financial statement schedule.

Deloitte & Touche LLP
Philadelphia, Pennsylvania
April 16, 2009

Item 9B. Other Information

None

PART III

We intend to file with the SEC a definitive proxy statement for our 2009 Annual Meeting of Stockholders, to be held on June 25, 2009, pursuant to Regulation 14A not later than 120 days after February 28, 2009. The information required by Part III (Items 10, 11, 12, 13 and 14) is incorporated by reference from that proxy statement.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) The consolidated financial statements of the Company and report of the independent registered public accounting firm identified in the following index are included in this report from the individual pages filed as a part of this report:

1. Financial Statements

The following financial statements, report of the independent registered public accounting firm and supplementary data are included herein:

Report of Independent Registered Public Accounting Firm 63
Consolidated Balance Sheets as of February 28, 2009 and March 1, 2008 64
Consolidated Statements of Operations for the fiscal years ended February 28, 2009, March 1, 2008 and March 3, 2007 65
Consolidated Statements of Stockholders' Equity (Deficit) for the fiscal years ended February 28, 2009, March 1, 2008 and March 3, 2007 66
Consolidated Statements of Cash Flows for the fiscal years ended February 28, 2009, March 1, 2008 and March 3, 2007 67
Notes to Consolidated Financial Statements 68

2. Financial Statement Schedules

Schedule II—Valuation and Qualifying Accounts

All other schedules are omitted because they are not applicable, not required or the required information is included in the consolidated financial statements or notes thereto.

3. Exhibits

Exhibit Numbers	Description	Incorporation By Reference To
2.1	Amended and Restated Stockholder Agreement, dated August 23, 2006, amended and restated as of June 4, 2007, by and between Rite Aid Corporation, The Jean Coutu Group (PJC) Inc., Jean Coutu, Marcelle Coutu, Francois J. Coutu, Michel Coutu, Louis Coutu, Sylvie Coutu and Marie-Josee Coutu	Exhibit 2.2 to Form 10-Q, filed on July 12, 2007
2.2	Registration Rights Agreement, dated August 23, 2006, by and between Rite Aid Corporation and The Jean Coutu Group (PJC) Inc.	Exhibit 10.2 to Form 8-K, filed on August 24, 2006
3.1	Restated Certificate of Incorporation dated December 12, 1996	Exhibit 3(i) to Form 8-K, filed on November 2, 1999
3.2	Certificate of Amendment to the Restated Certificate of Incorporation dated February 22, 1999	Exhibit 3(ii) to Form 8-K, filed on November 2, 1999
3.3	Certificate of Amendment to the Restated Certificate of Incorporation dated June 27, 2001	Exhibit 3.4 to Registration Statement on Form S-1, File No. 333-64950, filed on July 12, 2001
3.4	Certificate of Amendment to the Restated Certificate of Incorporation dated June 4, 2007	Exhibit 4.4 to Registration Statement on Form S-8, File No. 333-146531, filed on October 5, 2007

Exhibit Numbers	Description	Incorporation By Reference To
3.5	7% Series G Cumulative Convertible Pay-in-Kind Preferred Stock Certificate of Designation dated January 28, 2005	Exhibit 3.2 to Form 8-K, filed on February 2, 2005
3.6	6% Series H Cumulative Convertible Pay-in-Kind Preferred Stock Certificate of Designation dated January 28, 2005	Exhibit 3.3 to Form 8-K, filed on February 2, 2005
3.7	Amended and Restated By-Laws	Exhibit 3.1 to Form 8-K, filed on April 13, 2007
3.8	Amendment to Sections 1, 3 and 4 of Article V of Amended and Restated By-Laws	Exhibit 3.1 to Form 8-K, filed on December 21, 2007
4.1	Indenture, dated August 1, 1993, by and between Rite Aid Corporation, as issuer, and Morgan Guaranty Trust Company of New York, as trustee, related to the Company's 6.70% Notes due 2001, 7.125% Notes due 2007, 7.70% Notes due 2027, 7.625% Notes due 2005 and 6.875% Notes due 2013	Exhibit 4A to Registration Statement on Form S-3, File No. 033-63794, filed on June 3, 1993
4.2	Supplemental Indenture, dated as of February 3, 2000, between Rite Aid Corporation, as issuer, and U.S. Bank Trust National Association as successor to Morgan Guaranty Trust Company of New York, to the Indenture dated as of August 1, 1993, relating to the Company's 6.70% Notes due 2001, 7.125% Notes due 2007, 7.70% Notes due 2027, 7.625% Notes due 2005 and 6.875% Notes due 2013	Exhibit 4.1 to Form 8-K filed on February 7, 2000
4.3	Indenture, dated as of December 21, 1998, between Rite Aid Corporation, as issuer, and Harris Trust and Savings Bank, as trustee, related to the Company's 5.50% Notes due 2000, 6% Notes due 2005, 6.125% Notes due 2008 and 6.875% Notes due 2028	Exhibit 4.1 to Registration Statement on Form S-4, File No. 333-74751, filed on March 19, 1999
4.4	Supplemental Indenture, dated as of February 3, 2000, between Rite Aid Corporation and Harris Trust and Savings Bank, to the Indenture dated December 21, 1998, between Rite Aid Corporation and Harris Trust and Savings Bank, related to the Company's 5.50% Notes due 2000, 6% Notes due 2005, 6.125% Notes due 2008 and 6.875% Notes due 2028	Exhibit 4.4 to Form 8-K, filed on February 7, 2000
4.5	Indenture, dated as of April 22, 2003, between Rite Aid Corporation, as issuer, and BNY Midwest Trust Company, as trustee, related to the Company's 8.125% Senior Secured Notes due 2010	Exhibit 4.11 to Form 10-K, filed on May 2, 2003

Exhibit Numbers	Description	Incorporation By Reference To
4.6	Supplemental Indenture, dated as of June 4, 2007, between Rite Aid Corporation, the subsidiaries named therein and The Bank of New York Trust Company, N.A. to the Indenture dated as of April 22, 2003 between Rite Aid Corporation and BNY Midwest Trust Company, related to the Company's 8.125% Senior Secured Notes due 2010	Exhibit 4.6 to Form 10-Q, filed on January 9, 2008
4.7	Second Supplemental Indenture, dated as of June 17, 2008, between Rite Aid Corporation, the subsidiaries named therein and The Bank of New York Trust Company, N.A., to the Indenture dated as of April 22, 2003 between Rite Aid Corporation and BNY Midwest Trust Company, related to the Company's 8.125% Senior Secured Notes due 2010	Exhibit 4.7 to Form 10-Q, filed on July 10, 2008
4.8	Indenture, dated as of May 20, 2003, between Rite Aid Corporation, as issuer, and BNY Midwest Trust Company, as trustee, related to the Company's 9.25% Senior Notes due 2013	Exhibit 4.12 to Form 10-Q, filed on July 3, 2003
4.9	Supplemental Indenture, dated as of June 4, 2007, between Rite Aid Corporation, the subsidiaries named therein and The Bank of New York Trust Company, N.A. to the Indenture dated as of May 20, 2003 between Rite Aid Corporation and BNY Midwest Trust Company, related to the Company's 9.25% Senior Secured Notes due 2013	Exhibit 4.8 to Form 10-Q, filed on January 9, 2008
4.10	Second Supplemental Indenture, dated as of June 17, 2008, between Rite Aid Corporation, the subsidiaries named therein and The Bank of New York Trust Company, N.A., as successor trustee, to the Indenture dated as of May 20, 2003 between Rite Aid Corporation and BNY Midwest Trust Company, related to the Company's 9.25% Senior Secured Notes due 2013	Exhibit 4.10 to Form 10-Q, filed on July 10, 2008
4.11	Indenture, dated as of February 15, 2007, between Rite Aid Corporation, as issuer, the subsidiary guarantors named therein and The Bank of New York Trust Company, N.A., as trustee, related to the Company's 7.5% Senior Secured Notes due 2017	Exhibit 99.1 to Form 8-K, filed on February 26, 2007
4.12	Supplemental Indenture, dated as of June 4, 2007, between Rite Aid Corporation, the subsidiaries named therein and The Bank of New York Trust Company, N.A. to the Indenture dated as of February 21, 2007 between Rite Aid Corporation and The Bank of New York Trust Company, N.A., related to the Company's 7.5% Senior Secured Notes due 2017	Exhibit 4.12 to Form 10-Q, filed on January 9, 2008

Exhibit Numbers	Description	Incorporation By Reference To
4.13	Second Supplemental Indenture, dated as of July 9, 2008, among Rite Aid Corporation, the subsidiaries named therein and The Bank of New York Mellon Trust Company, N. A., as successor trustee, to the Indenture, dated as of February 15, 2007, between Rite Aid Corporation and The Bank of New York Trust Company, N.A., related to the Company's 7.5% Senior Secured Notes due 2017	Exhibit 4.13 to Form 10-Q, filed on July 10, 2008
4.14	Indenture, dated as of February 15, 2007, between Rite Aid Corporation, as issuer, and The Bank of New York Trust Company, N.A., as trustee, related to the Company's 8.625% Senior Notes due 2015	Exhibit 99.2 to Form 8-K, filed on February 26, 2007
4.15	Supplemental Indenture, dated as of June 4, 2007, between Rite Aid Corporation, the subsidiaries named therein and The Bank of New York Trust Company, N.A. to the Indenture dated as of February 21, 2007 between Rite Aid Corporation and The Bank of New York Trust Company, N.A., related to the Company's 8.625% Senior Secured Notes due 2015	Exhibit 4.14 to Form 10-Q, filed on January 9, 2008
4.16	Second Supplemental Indenture, dated as of July 9, 2008, among Rite Aid Corporation, the subsidiaries named therein and The Bank of New York Mellon Trust Company, N. A., as successor trustee, to the Indenture, dated as of February 15, 2007, between Rite Aid Corporation and The Bank of New York Trust Company, N. A., related to the Company's 8.625% Senior Notes due 2015	Exhibit 4.16 to Form 10-Q, filed on July 10, 2008
4.17	Amended and Restated Indenture, dated as of June 4, 2007 among Rite Aid Corporation (as successor to Rite Aid Escrow Corp.), the subsidiary guarantors named therein and The Bank of New York Trust Company, N.A., as Trustee, related to the Company's 9.375% Senior Notes due 2015	Exhibit 4.1 to Form 8-K, filed on June 6, 2007
4.18	First Supplemental Indenture, dated as of July 9, 2008, among Rite Aid Corporation, the subsidiaries named therein and The Bank of New York Mellon Trust Company, N. A. to the Amended and Restated Indenture, dated as of June 4, 2007, among Rite Aid Corporation (as successor to Rite Aid Escrow Corp.), the subsidiary guarantors named therein and The Bank of New York Trust Company, N.A., related to the Company's 9.375% Senior Notes due 2015	Exhibit 4.18 to Form 10-Q, filed on July 10, 2008

Exhibit Numbers	Description	Incorporation By Reference To
4.19	Amended and Restated Indenture, dated as of June 4, 2007 among Rite Aid Corporation (as successor to Rite Aid Escrow Corp.), the subsidiary guarantors named therein and The Bank of New York Trust Company, N.A., as Trustee, related to the Company's 9.5% Senior Notes due 2017	Exhibit 4.2 to Form 8-K, filed on June 6, 2007
4.20	First Supplemental Indenture, dated as of July 9, 2008, among Rite Aid Corporation, the subsidiaries named therein and The Bank of New York Mellon Trust Company, N. A., as successor trustee, to the Amended and Restated Indenture, dated as of June 4, 2007, among Rite Aid Corporation (as successor to Rite Aid Escrow Corp.), the subsidiary guarantors named therein and The Bank of New York Trust Company, N.A., related to the Company's 9.5% Senior Notes due 2017	Exhibit 4.20 to Form 10-Q, filed on July 10, 2008
4.21	Indenture, dated as of May 29, 2008, between Rite Aid Corporation, as issuer, and The Bank of New York Trust Company, N.A., as trustee, related to the Company's Senior Debt Securities	Exhibit 4.1 to Form 8-K, filed on June 2, 2008
4.22	First Supplemental Indenture, dated as of May 29, 2008, between Rite Aid Corporation, the subsidiaries named therein and The Bank of New York Trust Company, N.A. to the Indenture dated as of May 29, 2008 between Rite Aid Corporation and The Bank of New York Trust Company, N.A., related to the Company's 8.5% Convertible Notes due 2016 Securities	Exhibit 4.2 to Form 8-K, filed on June 2, 2008
4.23	Indenture, dated as of July 9, 2008, between Rite Aid Corporation, as issuer, and The Bank of New York Mellon Trust Company, N.A., as trustee, related to the Company's 10.375% Senior Secured Notes due 2016	Exhibit 4.23 to Form 10-Q, filed on July 10, 2008
4.24	Amendment and Restatement Agreement, dated as of July 9, 2008, relating to the Credit Agreement dated as of June 27, 2001, as amended and restated as of June 4, 2007, among Rite Aid Corporation, the lenders from time to time party thereto, Citicorp North America, Inc., as administrative agent and collateral processing agent and Bank of America, N.A., as syndication agent and the Credit Agreement, dated as of June 27, 2001, as amended and restated as of July 9, 2008, among Rite Aid Corporation, the lenders party thereto, Citicorp North America, Inc., as administrative agent and collateral processing agent, and Bank of America, N.A., as syndication agent.	Exhibit 10.1 to Form 10-Q, filed on July 10, 2008

Exhibit Numbers	Description	Incorporation By Reference To
4.25	Amendment No. 7 to Receivables Financing Agreement and Consent, dated as of September 18, 2007, by and among Rite Aid Funding II, CAFCO, LLC, CRC Funding, LLC, Falcon Asset Securitization Company LLC, Variable Funding Capital Company LLC, Citibank, N.A., JPMorgan Chase Bank, NA., Wachovia Bank, National Association, Citicorp North America, Inc., Rite Aid Hdqtrs. Funding, Inc., as collection agent, and certain other parties thereto as originators	Exhibit 10.3 to Form 10-Q, filed on October 10, 2007
4.26	Amendment No. 8 to Receivables Financing Agreement and Consent, dated as of September 16, 2008, by and among Rite Aid Funding II, CAFCO, LLC, CRC Funding, LLC, Falcon Asset Securitization Company LLC, Variable Funding Capital Company LLC, Citibank, N.A., JPMorgan Chase Bank, NA., Wachovia Bank, National Association, Citicorp North America, Inc., Rite Aid Hdqtrs. Funding, Inc., as collection agent, and certain other parties thereto as originators	Exhibit 99.1 to Form 8-K, filed on September 22, 2008
4.27	Amendment No. 9 to Receivables Financing Agreement and Consent, dated as of January 15, 2009, by and among Rite Aid Funding II, CAFCO, LLC, CRC Funding, LLC, Falcon Asset Securitization Company LLC, Variable Funding Capital Company LLC, Citibank, N.A., JPMorgan Chase Bank, NA., Wachovia Bank, National Association, Citicorp North America, Inc., Rite Aid Hdqtrs. Funding, Inc., as collection agent, and certain other parties thereto as originators	Exhibit 99.1 to Form 8-K, filed on January 16, 2009
4.28	Amendment No. 10 to Receivables Financing Agreement and Consent, dated as of January 22, 2009, by and among Rite Aid Funding II, CAFCO, LLC, CRC Funding, LLC, Falcon Asset Securitization Company LLC, Variable Funding Capital Company LLC, Citibank, N.A., JPMorgan Chase Bank, NA., Wachovia Bank, National Association, Citicorp North America, Inc., Rite Aid Hdqtrs. Funding, Inc., as collection agent, and certain other parties thereto as originators	Exhibit 99.1 to Form 8-K, filed on January 23, 2009

Exhibit Numbers	Description	Incorporation By Reference To
4.29	Amendment No. 11 to Receivables Financing Agreement and Consent, dated as of February 18, 2009, by and among Rite Aid Funding II, CAFCO, LLC, CRC Funding, LLC, Falcon Asset Securitization Company LLC, Variable Funding Capital Company LLC, Citibank, N.A., JPMorgan Chase Bank, NA., Wachovia Bank, National Association, Citicorp North America, Inc., Rite Aid Hdqtrs. Funding, Inc., as collection agent, and certain other parties thereto as originators	Exhibit 10.3 to Form 8-K, filed on February 20, 2009
4.30	Definitions Annex to the Senior Loan Documents and the Second Priority Debt Documents	Filed herewith
4.31	Fourth Amendment, dated as of June 4, 2007, to the Amended and Restated Collateral Trust and Intercreditor Agreement, dated as of June 27, 2001, as amended and restated as of May 28, 2003, among Rite Aid Corporation and its subsidiaries that are a party thereto, the collateral trustees, the collateral processing co-agents and the trustees of various indentures covered by this agreement	Filed herewith
4.32	Amended and Restated Collateral Trust and Intercreditor Agreement dated as of May 28, 2003, among Rite Aid Corporation, each Subsidiary of Rite Aid named therein or which becomes a party hereto, Wilmington Trust Company, as collateral trustee for the holders from time to time of the Second Priority Debt Obligations, Citicorp North America, Inc., as senior collateral processing co-agent, JPMorgan Chase Bank, as senior collateral processing co-agent for the Senior Secured Parties under the Senior Loan Documents, U.S. Bank and Trust, as trustee under the 12.5% Note Indenture, BNY Midwest Trust Company, as trustee under the 9.5% Note Indenture and as trustee under the 8.125% Note Indenture, and each other Second Priority Representative which becomes a party thereto	Exhibit 10.2 to Form 8-K, filed on May 30, 2003
4.33	Senior Subsidiary Guarantee Agreement, dated as of June 27, 2001, as amended and restated as of May 28, 2003, and as supplemented as of September 27, 2004, among the Subsidiary Guarantors and Citicorp North America, Inc., as collateral processing agent	Filed herewith

Exhibit Numbers	Description	Incorporation By Reference To
4.34	Senior Subsidiary Security Agreement, dated as of June 27, 2001, as amended and restated as of May 28, 2003, as supplemented by Supplement No. 1 dated as of June 27, 2004, and as amended and restated as of September 22, 2004 by the Subsidiary Guarantors in favor of the Citicorp North America, Inc. and JPMorgan Chase Bank, N.A., as collateral processing co-agents	Filed herewith
4.35	Senior Indemnity, Subrogation and Contribution Agreement, dated as of June 27, 2001, as amended and restated as of May 28, 2003, and supplemented as of September 27, 2004, among Rite Aid Corporation, the Subsidiary Guarantors, and Citicorp North America, Inc. and JPMorgan Chase Bank, N.A., as collateral processing co-agents	Exhibit 4.27 to Form 10-K, filed on April 29, 2008
4.36	Second Priority Subsidiary Guarantee Agreement, dated as of June 27, 2001, as amended and restated as of May 28, 2003, and as supplemented as of January 5, 2005, among the Subsidiary Guarantors and Wilmington Trust Company, as collateral agent	Filed herewith
4.37	Second Priority Subsidiary Security Agreement, dated as of June 27, 2001, as amended and restated as of May 28, 2003, as supplemented as of January 5, 2005, and as amended in the Reaffirmation Agreement and Amendment dates as of January 11, 2005, by the Subsidiary Guarantors in favor of Wilmington Trust Company, as collateral trustee.	Filed herewith
4.38	Second Priority Indemnity, Subrogation and Contribution Agreement, dated as of June 27, 2001, as amended and restated as of May 28, 2003, and as supplemented as of January 5, 2005, among the Subsidiary Guarantors and Wilmington Trust Company, as collateral agent	Exhibit 4.33 to Form 10-K, filed on April 29, 2008.

Exhibit Numbers	Description	Incorporation By Reference To
4.39	The Receivables Financing Agreement, dated as of September 21, 2004, by and among Rite Aid Funding I, as borrower, Rite Aid Hdqtrs. Funding, Inc., as collection agent, Citicorp North America, Inc., as program agent and as an investor agent, Citibank, N.A., as a bank, Wachovia Bank, National Association, as an investor agent and as a bank, JPMorgan Chase Bank, N.A. (as successor to Bank One, NA), as an investor agent and as a bank, CAFCO, LLC, as an investor, Falcon Asset Securitization Company LLC (as successor to Jupiter Securitization Corporation), as an investor, Variable Funding Capital Company LLC (as successor to Blue Ridge Asset Funding Corporation), as an investor, and Rite Aid Corporation and the companies named therein, as originators	Exhibit 10.3 to Form 10-Q, filed on September 28, 2004
4.40	Credit Agreement, dated as of February 18, 2009, among Rite Aid Funding II as the Borrower and the Lenders party thereto and Citicorp North America, Inc. as the Administrative Agent and Rite Aid Hdqtrs. Funding, Inc. as Collection Agent and each of the parties named on Schedule III thereto as Originators and Citigroup Global Markets Inc. as the Sole Lead Arranger and Sole Bookrunning Manager	Exhibit 10.1 to Form 8-K, filed on February 20, 2009
4.41	Intercreditor Agreement, dated as of February 18, 2009, by and among Citicorp North America, Inc. and Citicorp North America, Inc., and acknowledged and agreed to by Rite Aid Funding II	Exhibit 10.2 to Form 8-K, filed on February 20, 2009
10.1	1999 Stock Option Plan*	Exhibit 10.1 to Form 10-K, filed on May 21, 2001
10.2	2000 Omnibus Equity Plan*	Included in Proxy Statement dated October 24, 2000
10.3	2001 Stock Option Plan*	Exhibit 10.3 to Form 10-K, filed on May 21, 2001
10.4	2004 Omnibus Equity Plan*	Exhibit 10.4 to Form 10-K, filed on April 28, 2005
10.5	2006 Omnibus Equity Plan*	Exhibit 10 to Form 8-K, filed on January 22, 2007
10.6	Employment Agreement by and between Rite Aid Corporation and John T. Standley, dated as of September 24, 2008*	Exhibit 10.2 to Form 10-Q, filed on October 8, 2008
10.7	Employment Agreement by and between Rite Aid Corporation and Frank G. Vitrano, dated as of September 24, 2008*	Exhibit 10.3 to Form 10-Q, filed on October 8, 2008

Exhibit Numbers	Description	Incorporation By Reference To
10.8	Employment Agreement by and between Rite Aid Corporation and Marc A. Strassler, dated as of March 9, 2009*	Filed herewith
10.9	Employment Agreement by and between Rite Aid Corporation and Robert G. Miller, dated as of April 9, 2003*	Exhibit 10.7 to Form 10-K, filed on May 2, 2003
10.10	Amendment No. 1 to Employment Agreement by and between Rite Aid Corporation and Robert G. Miller, dated as of April 28, 2005*	Exhibit 10.8 to Form 10-K, filed on April 28, 2005
10.11	Amendment No. 2 to Employment Agreement by and between Rite Aid Corporation and Robert G. Miller, dated as of April 28, 2008*	Exhibit 10.8 to Form 10-K, filed on April 29, 2008
10.12	Amendment No. 3 to Employment Agreement by and between Rite Aid Corporation and Robert G. Miller, dated as of December 23, 2008*	Exhibit 10.5 to Form 10-Q, filed on January 7, 2009
10.13	Side Agreement to Employment Agreement between Rite Aid Corporation and Robert G. Miller, dated as of November 28, 2006*	Exhibit 10.9 to Form 10-K, filed on April 29, 2008
10.14	Rite Aid Corporation Restricted Stock and Stock Option Award Agreement, made as of December 5, 1999, by and between Rite Aid Corporation and Robert G. Miller*	Exhibit 4.31 to Form 8-K, filed on January 18, 2000
10.15	Employment Agreement by and between Rite Aid Corporation and Mary F. Sammons, dated as of December 5, 1999*	Exhibit 10.2 to Form 8-K, filed on January 18, 2000
10.16	Amendment No. 1 to Employment Agreement by and between Rite Aid Corporation and Mary F. Sammons, dated as of May 7, 2001*	Exhibit 10.12 to Form 10-Q, filed on May 21, 2001
10.17	Amendment No. 2 to Employment Agreement by and between Rite Aid Corporation and Mary F. Sammons, dated as of September 30, 2003*	Exhibit 10.3 to Form 10-Q, filed on October 7, 2003
10.18	Amendment No. 3 to Employment Agreement by and between Rite Aid Corporation and Mary F. Sammons, dated as of December 30, 2008*	Exhibit 10.6 to Form 10-Q, filed on January 7, 2009
10.19	Side Agreement to Employment Agreement by and between Rite Aid Corporation and Mary F. Sammons, dated as of October 11, 2006*	Exhibit 10.14 to Form 10-K, filed on April 29, 2008
10.20	Rite Aid Corporation Restricted Stock and Stock Option Award Agreement, made as of December 5, 1999, by and between Rite Aid Corporation and Mary F. Sammons*	Exhibit 4.32 to Form 8-K, filed on January 18, 2000

Exhibit Numbers	Description	Incorporation By Reference To
10.21	Employment Agreement by and between Rite Aid Corporation and Douglas E. Donley, dated as of August 1, 2000*	Exhibit 10.1 to Form 10-Q, filed on December 22, 2005
10.22	Amendment No. 1 to Employment Agreement by and between Rite Aid Corporation and Douglas E. Donley, dated as of December 18, 2008*	Exhibit 10.4 to Form 10-Q, filed on January 7, 2009
10.23	Rite Aid Corporation Special Executive Retirement Plan*	Exhibit 10.15 to Form 10-K, filed on April 26, 2004
10.24	Employment Agreement by and between Rite Aid Corporation and Brian Fiala, dated as of June 26, 2007*	Exhibit 10.1 to Form 10-Q, filed on July 12, 2007
10.25	Amendment No. 1 to Employment Agreement by and between Rite Aid Corporation and Brian Fiala, dated as of December 18, 2008*	Exhibit 10.3 to Form 10-Q, filed on January 7, 2009
10.26	Employment Agreement by and between Rite Aid Corporation and Ken Martindale, dated as of December 3, 2008*	Exhibit 10.7 to Form 10-Q, filed on January 7, 2009
10.27	Supply Agreement by and between Rite Aid Corporation and McKesson Corporation, dated as of December 22, 2003**	Exhibit 10.25 to Form 10-K, filed on April 29, 2008
10.28	First Amendment to Supply Agreement by and between Rite Aid Corporation and McKesson Corporation, dated as of December 8, 2007**	Exhibit 10.26 to Form 10-K, filed on April 29, 2008
10.29	Second Amendment to Supply Agreement by and between Rite Aid Corporation and McKesson Corporation, dated as of November 7, 2008**	Exhibit 10.1 to Form 10-Q, filed on January 7, 2009
10.30	Third Amendment to Supply Agreement by and between Rite Aid Corporation and McKesson Corporation, dated as of February 1, 2009**	Filed herewith
10.31	Management Services Agreement by and between Rite Aid Corporation and Leonard Green & Partners, L.P., dated as of January 1, 2003	Exhibit 10.27 to Form 10-K, filed on April 29, 2008
10.32	Fourth Amendment to Management Services Agreement by and between Rite Aid Corporation and Leonard Green & Partners, L.P., dated as of February 12, 2007	Exhibit 10.28 to Form 10-K, filed on April 29, 2008
11	Statement regarding computation of earnings per share	Filed herewith (see note 3 to the consolidated financial statements)
12	Statement regarding computation of ratio of earnings to fixed charges	Filed herewith
21	Subsidiaries of the Registrant	Filed herewith

Exhibit Numbers	Description	Incorporation By Reference To
23	Consent of Independent Registered Public Accounting Firm	Filed herewith
31.1	Certification of CEO pursuant to Rule 13a-14(a) /15d-14 (a) under the Securities Exchange Act of 1934	Filed herewith
31.2	Certification of CFO pursuant to Rule 13a-14 (a) /15d-14 (a) under Securities Exchange Act of 1934	Filed herewith
32	Certification of CEO and CFO pursuant to 18 U.S.C., Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Filed herewith

* Constitutes a compensatory plan or arrangement required to be filed with this Form 10-K.

** Confidential portions of these Exhibits were redacted and filed separately with the Securities and Exchange Commission pursuant to requests for confidential treatment.

In reviewing the agreements included as exhibits to this Annual Report on Form 10-K please remember they are included to provide you with information regarding their terms and are not intended to provide any other factual or disclosure information about Rite Aid Corporation, its subsidiaries or the other parties to the agreements. The agreements contain representations and warranties by each of the parties to the applicable agreement. These representations and warranties have been made solely for the benefit of the other parties to the applicable agreement and:

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

Accordingly, these representations and warranties may not describe the actual state of affairs as of the date they were made or at any other time. Additional information about Rite Aid Corporation may be found elsewhere in this report and the Company's other public filings, which are available without charge through the SEC's website at http://www.sec.gov.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Rite Aid Corporation
Camp Hill, Pennsylvania

We have audited the accompanying consolidated balance sheets of Rite Aid Corporation and subsidiaries (the "Company") as of February 28, 2009 and March 1, 2008, and the related consolidated statements of operations, stockholders' (deficit) equity, and cash flows for each of the three years in the period ended February 28, 2009. Our audits also included the financial statement schedule listed in the Index at Item 15(a)(2). These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Rite Aid Corporation and subsidiaries as of February 28, 2009 and March 1, 2008, and the results of their operations and their cash flows for each of the three years in the period ended February 28, 2009, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of February 28, 2009, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated April 16, 2009 expressed an unqualified opinion on the Company's internal control over financial reporting.

Deloitte & Touche LLP

Philadelphia, Pennsylvania
April 16, 2009

RITE AID CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, except per share amounts)

	February 28, 2009	March 1, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	$ 152,035	$ 155,762
Accounts receivable, net	526,742	665,971
Inventories, net	3,509,494	3,936,827
Prepaid expenses and other current assets	176,661	163,334
Total current assets	4,364,932	4,921,894
Property, plant and equipment, net	2,587,356	2,873,009
Goodwill	—	1,783,372
Other intangibles, net	1,017,011	1,187,327
Deferred tax assets	—	384,163
Other assets	357,241	338,258
Total assets	$ 8,326,540	$11,488,023
LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY		
Current liabilities:		
Current maturities of long-term debt and lease financing obligations	$ 40,683	$ 185,609
Accounts payable	1,256,982	1,425,768
Accrued salaries, wages and other current liabilities	1,004,762	1,110,288
Deferred tax liabilities	—	76,374
Total current liabilities	2,302,427	2,798,039
Long-term debt, less current maturities	5,801,230	5,610,489
Lease financing obligations, less current maturities	169,796	189,426
Other noncurrent liabilities	1,252,739	1,178,884
Total liabilities	9,526,192	9,776,838
Commitments and contingencies	—	—
Stockholders' (deficit) equity:		
Preferred stock—series G, par value $1 per share; liquidation value $100 per share; 2,000 shares authorized; shares issued .006 and 1,393	1	139,253
Preferred stock—series H, par value $1 per share; liquidation value $100 per share; 2,000 shares authorized; shares issued 1,435 and 1,352	143,498	135,202
Preferred stock—series I, par value $1 per share; liquidation value $25 per share; 5,200 shares authorized; shares issued 0 and 4,820	—	116,415
Common stock, par value $1 per share; 1,500,000 shares authorized; shares issued and outstanding 886,113 and 830,209	886,113	830,209
Additional paid-in capital	4,265,211	4,047,499
Accumulated deficit	(6,452,696)	(3,537,276)
Accumulated other comprehensive loss	(41,779)	(20,117)
Total stockholders' (deficit) equity	(1,199,652)	1,711,185
Total liabilities and stockholders' (deficit) equity	$ 8,326,540	$11,488,023

The accompanying notes are an integral part of these consolidated financial statements.

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share amounts)

	Year Ended		
	February 28, 2009 (52 Weeks)	March 1, 2008 (52 Weeks)	March 3, 2007 (52 Weeks)
Revenues	$26,289,268	$24,326,846	$17,399,383
Costs and expenses:			
Cost of goods sold	19,253,616	17,689,272	12,710,609
Selling, general and administrative expenses	6,985,367	6,366,137	4,338,462
Goodwill impairment charge	1,810,223	—	—
Lease termination and impairment charges	293,743	86,166	49,317
Interest expense	477,627	449,596	275,219
Loss on debt modifications and retirements, net	39,905	12,900	18,662
Loss (gain) on sale of assets, net	11,581	(3,726)	(11,139)
	28,872,062	24,600,345	17,381,130
(Loss) income before income taxes	(2,582,794)	(273,499)	18,253
Income tax expense (benefit)	329,257	802,701	(11,609)
Net (loss) income from continuing operations	$(2,912,051)	$(1,076,200)	$ 29,862
Loss from discontinued operations, net of gain on disposal and income tax benefit	(3,369)	(2,790)	(3,036)
Net (loss) income	$(2,915,420)	$(1,078,990)	$ 26,826
Computation of loss applicable to common stockholders:			
Net (loss) income	$(2,915,420)	$(1,078,990)	$ 26,826
Accretion of redeemable preferred stock	(102)	(102)	(102)
Cumulative preferred stock dividends	(21,768)	(32,533)	(31,455)
Preferred stock beneficial conversion	—	(556)	—
Loss applicable to common stockholders	$(2,937,290)	$(1,112,181)	$ (4,731)
Basic and diluted loss per share:			
Basic loss per share	$ (3.49)	$ (1.54)	$ (0.01)
Diluted loss per share	$ (3.49)	$ (1.54)	$ (0.01)

The accompanying notes are an integral part of these consolidated financial statements.

RITE AID CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' (DEFICIT) EQUITY
For the Years Ended February 28, 2009, March 1, 2008 and March 3, 2007
(In thousands)

	Preferred Stock Series E		Preferred Stock-Series G		Preferred Stock-Series H		Preferred Stock-Series I		Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Amount			
BALANCE March 4, 2006	2,500	$ 120,000	1,212	$ 121,207	1,200	$120,020	4,820	$ 116,074	527,667	$527,667	$3,114,997	$(2,489,023)	$(24,021)	$ 1,606,921
Net income												26,826		26,826
Other comprehensive income:														
Minimum pension liability													6,802	6,802
Tax provision from minimum pension liability adjustment													(2,813)	(2,813)
Comprehensive income														30,815
Adjustment to initially apply FAS No. 158, net of tax benefit of $2,560 (see Note 15)													(3,627)	(3,627)
Exchange of restricted shares for taxes									(723)	(723)	(2,421)			(3,144)
Issuance of restricted stock									4,790	4,790	(4,790)			—
Cancellation of restricted stock									(972)	(972)	972			—
Amortization of restricted stock balance											10,702			10,702
Stock-based compensation expense											11,630			11,630
Stock options exercised									5,924	5,924	14,462			20,386
Tax benefit from exercise of stock options											4,202			4,202
Dividends on preferred stock			87	8,710	74	7,365					(16,075)			—
Adjustment to issuance costs of Series I preferred stock								341						341
Cash dividends paid on preferred shares											(15,380)			(15,380)
BALANCE MARCH 3, 2007	2,500	$ 120,000	1,299	$ 129,917	1,274	$127,385	4,820	$ 116,415	536,686	$536,686	$3,118,299	$(2,462,197)	$(23,659)	$ 1,662,846
Net loss												(1,078,990)		(1,078,990)
Other comprehensive income:														
Changes in Defined Benefit Plans													6,285	6,285
Tax provision from minimum pension liability adjustment													(2,743)	(2,743)
Comprehensive loss														(1,075,448)
Adjustment to initially apply FIN 48												4,467		4,467
Issuance of shares to Jean Coutu Group									250,000	250,000	840,000			1,090,000
Exchange of restricted shares for taxes									(1,423)	(1,423)	(7,080)			(8,503)
Issuance of restricted stock									7,179	7,179	(7,179)			—
Cancellation of restricted stock									(1,382)	(1,382)	1,382			—
Amortization of restricted stock balance											21,224			21,224
Stock-based compensation expense											19,215			19,215
Stock options exercised									4,135	4,135	8,629			12,764
Dividends on preferred stock			94	9,336	78	7,817					(17,153)			—
Preferred stock beneficial conversion											556	(556)		—
Conversion of Series E preferred stock	(2,500)	(120,000)							35,014	35,014	84,986			—
Cash dividends paid on preferred shares											(15,380)			(15,380)
BALANCE MARCH 1, 2008	—	$ —	1,393	$ 139,253	1,352	$135,202	4,820	$ 116,415	830,209	$830,209	$4,047,499	$(3,537,276)	$(20,117)	$ 1,711,185
Net loss												(2,915,420)		(2,915,420)
Other comprehensive income:														
Changes in Defined Benefit Plans													(21,662)	(21,662)
Comprehensive loss														(2,937,082)
Exchange of restricted shares for taxes									(1,741)	(1,741)	(1,113)			(2,854)
Issuance of restricted stock									2,646	2,646	(2,646)			—
Cancellation of restricted stock									(967)	(967)	967			—
Amortization of restricted stock balance											17,913			17,913
Stock-based compensation expense											13,535			13,535
Stock options exercised									516	516	601			1,117
Dividends on preferred stock			100	10,006	83	8,296					(18,302)			—
Conversion of Series G and I preferred stock			(1,493)	(149,258)			(4,820)	(116,415)	55,450	55,450	210,223			—
Cash dividends paid on preferred shares											(3,466)			(3,466)
BALANCE FEBRUARY 28, 2009	—	$ —	—	$ 1	1,435	$143,498	—	$ —	886,113	$886,113	$4,265,211	$(6,452,696)	$(41,779)	$(1,199,652)

The accompanying notes are an integral part of these consolidated financial statements.

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Year Ended		
	February 28, 2009 (52 Weeks)	March 1, 2008 (52 Weeks)	March 3, 2007 (52 Weeks)
OPERATING ACTIVITIES:			
Net (loss) income	$(2,915,420)	$(1,078,990)	$ 26,826
Adjustments to reconcile to net cash provided by operating activities:			
Depreciation and amortization	586,208	472,473	270,307
Goodwill impairment charge	1,810,223	—	—
Lease termination and impairment charges	293,743	86,166	49,317
LIFO charges	184,569	16,114	43,006
Loss (gain) on sale of assets, net	11,629	(11,826)	(11,139)
Stock-based compensation expense	31,448	40,439	22,331
Loss on debt modifications and retirements, net	39,905	12,900	18,662
Changes in deferred taxes	307,789	805,204	(13,362)
Proceeds from sale of inventory	—	16,811	—
Proceeds from insured loss	—	8,550	593
Changes in operating assets and liabilities:			
Net proceeds from accounts receivable securitization	104,881	85,000	20,000
Accounts receivable	33,784	36,820	(39,543)
Inventories	196,517	(306,360)	(37,275)
Accounts payable	(140,258)	(115,624)	14,219
Other assets and liabilities, net	(185,108)	11,691	(54,797)
Net cash provided by operating activities	359,910	79,368	309,145
INVESTING ACTIVITIES:			
Payments for property, plant and equipment	(460,857)	(687,529)	(334,485)
Intangible assets acquired	(80,489)	(52,846)	(29,243)
Acquisition of Jean Coutu, USA, net of cash acquired	(112)	(2,306,774)	(18,369)
Proceeds from sale-leaseback transactions	161,553	48,985	55,563
Proceeds from dispositions of assets and investments	33,547	58,470	9,348
Proceeds from insured loss	—	5,950	4,406
Net cash used in investing activities	(346,358)	(2,933,744)	(312,780)
FINANCING ACTIVITIES:			
Proceeds from issuance of long-term debt	900,629	2,307,867	1,145,000
Net (payments to) proceeds from revolver	(11,000)	549,000	(234,000)
Proceeds from financing secured by owned property	31,266	44,267	26,527
Principal payments on long-term debt	(870,054)	(15,939)	(901,297)
Change in zero balance cash accounts	(16,298)	79,606	15,662
Net proceeds from the issuance of common stock	1,117	12,764	20,386
Payments for preferred stock dividends	(3,466)	(15,380)	(15,380)
Excess tax deduction on stock options	—	—	1,587
Deferred financing costs paid	(49,473)	(58,195)	(24,769)
Net cash (used in) provided by financing activities	(17,279)	2,903,990	33,716
(Decrease) increase in cash and cash equivalents	(3,727)	49,614	30,081
Cash and cash equivalents, beginning of year	155,762	106,148	76,067
Cash and cash equivalents, end of year	$ 152,035	$ 155,762	$ 106,148

The accompanying notes are an integral part of these consolidated financial statements.

1. Summary of Significant Accounting Policies

Description of Business

The Company is a Delaware corporation and through its wholly-owned subsidiaries, operates retail drugstores in the United States of America. It is one of the largest retail drugstore chains in the United States, with 4,901 stores in operation as of February 28, 2009. The Company's drugstores' primary business is pharmacy services. The Company also sells a full selection of health and beauty aids and personal care products, seasonal merchandise and a large private brand product line.

The Company's operations consist solely of the retail drug segment. Revenues are as follows:

	Year Ended		
	February 28, 2009 (52 Weeks)	March 1, 2008 (52 Weeks)	March 3, 2007 (52 Weeks)
Pharmacy sales	$17,604,284	$16,179,170	$11,042,183
Front-end sales	8,581,115	8,049,446	6,272,333
Other revenue	103,869	98,230	84,867
	$26,289,268	$24,326,846	$17,399,383

Sales of prescription drugs represented approximately 67.2%, 66.7%, and 63.7% of the Company's total sales in fiscal years 2009, 2008 and 2007, respectively. The Company's principal classes of products in fiscal 2009 were the following:

Product Class	Percentage of Sales
Prescription drugs	67.2%
Over-the-counter medications and personal care	8.7%
Health and beauty aids	5.3%
General merchandise and other	18.8%

Fiscal Year

The Company's fiscal year ends on the Saturday closest to February 29 or March 1. The fiscal years ended February 28, 2009, March 1, 2008 and March 3, 2007 included 52 weeks.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and all of its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and highly liquid investments, which are readily convertible to known amounts of cash and which have original maturities of three months or less when purchased.

1. Summary of Significant Accounting Policies (Continued)

Allowance for Uncollectible Receivables

Approximately 96% of prescription sales are made to customers that are covered by third-party payors, such as insurance companies, government agencies and employers. The Company recognizes receivables that represent the amount owed to the Company for sales made to customers or employees of those payors that have not yet been paid. The Company maintains a reserve for the amount of these receivables deemed to be uncollectible. This reserve is calculated based upon historical collection activity adjusted for current conditions.

Inventories

Inventories are stated at the lower of cost or market. Inventory balances include the capitalization of certain costs related to purchasing, freight and handling costs associated with placing inventory in its location and condition for sale. The Company uses the last-in, first-out (“LIFO”) method of accounting for substantially all of its inventories. At February 28, 2009 and March 1, 2008, inventories were $746,467 and $562,728, respectively, lower than the amounts that would have been reported using the first-in, first-out (“FIFO”) method. The Company calculates its FIFO inventory valuation using the retail method for store inventories and the cost method for distribution facility inventories. The LIFO charge was $184,569, $16,114 and $43,006 for fiscal years 2009, 2008, and 2007, respectively.

Impairment of Long-Lived Assets

Asset impairments are recorded when the carrying value of assets are not recoverable. For purposes of recognizing and measuring impairment of long-lived assets, the Company categorizes assets of operating stores as “Assets to Be Held and Used” and assets of stores that have been closed as “Assets to Be Disposed Of”. The Company evaluates assets at the store level because this is the lowest level of identifiable cash flows ascertainable to evaluate impairment. Assets being tested for recoverability at the store level include tangible long-lived assets and identifiable, finite-lived intangibles that arose in purchase business combinations. Corporate assets to be held and used are evaluated for impairment based on excess cash flows from the stores that support those assets.

The Company reviews long-lived assets to be held and used for impairment annually or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If the sum of the undiscounted expected future cash flows is less than the carrying amount of the asset, the Company recognizes an impairment loss. Impairment losses are measured as the amount by which the carrying amount of the asset exceeds the fair value of the asset. When fair values are not available, the Company estimates fair value using the expected future cash flows discounted at a rate commensurate with the risks associated with the recovery of the asset.

Property, Plant and Equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and amortization. The Company provides for depreciation using the straight-line method over the following useful lives: buildings—30 to 45 years; equipment—3 to 15 years.

1. Summary of Significant Accounting Policies (Continued)

Leasehold improvements are amortized on a straight-line basis over the shorter of the estimated useful life of the asset or the term of the lease. When determining the amortization period of a leasehold improvement, the Company considers whether discretionary exercise of a lease renewal option is reasonably assured. If it is determined that the exercise of such option is reasonably assured, the Company will amortize the leasehold improvement asset over the minimum lease term, plus the option period. This determination depends on the remaining life of the minimum lease term and any economic penalties that would be incurred if the lease option is not exercised.

Capitalized lease assets are recorded at the lesser of the present value of minimum lease payments or fair market value and amortized over the estimated useful life of the related property or term of the lease.

The Company capitalizes direct internal and external development costs and direct external application development costs associated with internal-use software. Neither preliminary evaluation costs nor costs associated with the software after implementation are capitalized. For fiscal years 2009, 2008 and 2007, the Company capitalized costs of approximately $4,990, $3,399 and $4,956, respectively.

Intangible Assets

The Company has certain finite-lived intangible assets that are amortized over their useful lives. The value of favorable and unfavorable leases on stores acquired in business combinations are amortized over the terms of the leases on a straight-line basis. Prescription files acquired in business combinations are amortized over an estimated useful life of ten years on an accelerated basis, which approximates the anticipated prescription file retention and related cash flows. Purchased prescription files acquired in other than business combinations are amortized over their estimated useful lives of five years on a straight line basis.

Revenue Recognition

For all sales other than third party pharmacy sales, the Company recognizes revenue from the sale of merchandise at the time the merchandise is sold. For third party pharmacy sales, revenue is recognized at the time the prescription is filled, which is or approximates when the customer picks up the prescription. The Company records revenue net of an allowance for estimated future returns. Return activity is immaterial to revenues and results of operations in all periods presented.

Cost of Goods Sold

Cost of goods sold includes the following: the cost of inventory sold during the period, including related vendor rebates and allowances, LIFO charges, costs incurred to return merchandise to vendors, inventory shrink costs, purchasing costs and warehousing costs which include inbound freight costs from the vendor, distribution payroll and benefit costs, distribution center occupancy costs and depreciation expense and delivery expenses to the stores.

1. Summary of Significant Accounting Policies (Continued)

Vendor Rebates and Allowances

Rebates and allowances received from vendors relate to either buying and merchandising or promoting the product. Buying and merchandising related rebates and allowances are recorded as a reduction of cost of goods sold as product is sold. Buying and merchandising rebates and allowances include all types of vendor programs such as cash discounts from timely payment of invoices, purchase discounts or rebates, volume purchase allowances, price reduction allowances and slotting allowances. Certain product promotion related rebates and allowances, primarily related to advertising, are recorded as a reduction in selling, general and administrative expenses when the advertising commitment has been satisfied.

Rent

The Company records rent expense on operating leases on a straight-line basis over the minimum lease term. The Company begins to record rent expense at the time that the Company has the right to use the property. From time to time, the Company receives incentive payments from landlords that subsidize lease improvement construction. These leasehold incentives are deferred and recognized on a straight-line basis over the minimum lease term.

Selling, General and Administrative Expenses

Selling, general and administrative expenses include store and corporate administrative payroll and benefit costs, occupancy costs which include retail store and corporate rent costs, facility and leasehold improvement depreciation and utility costs, advertising, repair and maintenance, insurance, equipment depreciation and professional fees.

Repairs and Maintenance

Routine repairs and maintenance are charged to operations as incurred. Improvements and major repairs, which extend the useful life of an asset, are capitalized and depreciated.

Advertising

Advertising costs, net of specific vendor advertising allowances, are expensed in the period the advertisement first takes place. Advertising expenses, net of vendor advertising allowances, for fiscal 2009, 2008 and 2007 were $375,790, $375,025 and $295,232, respectively.

Insurance

The Company is self-insured for certain general liability and workers' compensation claims. For claims that are self-insured, stop-loss insurance coverage is maintained for workers' compensation occurrences exceeding $750 and general liability occurrences exceeding $2,000. The Company utilizes actuarial studies as the basis for developing reported claims and estimating claims incurred but not reported relating to the Company's self-insurance. Workers' compensation claims are discounted to present value using a risk-free interest rate.

1. Summary of Significant Accounting Policies (Continued)

A majority of the Company-sponsored associate medical plans are self-insured. The remaining Company-sponsored associate medical plans are covered through guaranteed cost contracts.

Benefit Plan Accruals

The Company has several defined benefit plans, under which participants earn a retirement benefit based upon a formula set forth in the plan. The Company records expense related to these plans using actuarially determined amounts that are calculated under the provisions of SFAS No. 87, "Employer's Accounting for Pensions". Key assumptions used in the actuarial valuations include the discount rate, the expected rate of return on plan assets and the rate of increase in future compensation levels.

Stock-Based Compensation

The Company has several stock option plans, which are described in detail in Note 15. The Company accounts for stock-based compensation under SFAS No. 123(R), "Share-Based Payment", which requires companies to account for share-based payments to associates using the fair value method of expense recognition. Fair value for stock options can be calculated using either a closed form or open form calculation method. SFAS No. 123(R) requires companies to recognize option expense over the requisite service period of the award, net of an estimate for the impact of award forfeitures.

The Company adopted SFAS No. 123(R) effective March 5, 2006 using the modified prospective transition method. The Company had previously adopted the provisions of SFAS No. 123, "Accounting for Stock-Based Compensation" effective March 2, 2003 and had been recognizing expense on a ratable basis related to share-based payments to associates using the fair value method. The adoption of SFAS No. 123(R) did not have a material impact on its financial position and results of operations.

SFAS No. 123(R) also requires the company to reclassify tax benefits realized upon the exercise of stock options in excess of that which is associated with the expense recognized for financial reporting purposes. These amounts are presented as a financing cash inflow rather than as a reduction of income taxes paid in the consolidated statement of cash flows.

Store Pre-opening Expenses

Costs incurred prior to the opening of a new or relocated store, associated with a remodeled store or related to the opening of a distribution facility are charged against earnings when incurred.

Litigation Reserves

The Company is involved in litigation on an ongoing basis. The Company accrues its best estimate of the probable loss related to legal claims. Such estimates are developed in consultation with in-house and outside counsel, and are based upon a combination of litigation and settlement strategies.

Store Closing Costs and Lease Exit Charges

When a store is closed, the Company records an expense for unrecoverable costs and accrues a liability equal to the present value at current credit adjusted risk-free interest rates of the remaining

1. Summary of Significant Accounting Policies (Continued)

lease obligations and anticipated ancillary occupancy costs, net of estimated sublease income. Other store closing and liquidation costs are expensed when incurred.

Income Taxes

Deferred income taxes are determined based on the difference between the financial reporting and tax bases of assets and liabilities. Deferred income tax expense (benefit) represents the change during the reporting period in the deferred tax assets and deferred tax liabilities, net of the effect of acquisitions and dispositions. Deferred tax assets include tax loss and credit carryforwards and are reduced by a valuation allowance if, based on available evidence, it is more likely than not that some portion of the deferred tax assets will not be realized. Changes in valuation allowances from period to period are included in the tax provision in the period of change.

The Company has net operating loss (“NOL”) carryforwards that can be utilized to offset future income for federal and state tax purposes. These NOLs generate a significant deferred tax asset. The Company regularly reviews the deferred tax assets for recoverability considering historical profitability, projected taxable income, the expected timing of the reversals of existing temporary differences and tax planning strategies.

The Company recognizes tax liabilities in accordance with FIN 48 and management adjusts these liabilities with changes in judgement as a result of the evaluation of new information not previously available. Due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from the current estimate of the tax liabilities.

Sales Tax Collected

Sales taxes collected from customers and remitted to various governmental agencies are presented on a net basis (excluded from revenues) in the Company’s statement of operations.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Significant Concentrations

The Company’s pharmacy sales were primarily to customers covered by health plan contracts, which typically contract with a third party payor that agrees to pay for all or a portion of a customer’s eligible prescription purchases. During fiscal 2009, the top five third party payors accounted for approximately 37.3% of the Company’s total sales. The largest third party payor represented 12.6%, 11.3%, and 9.4% of total sales during fiscal 2009, 2008, and 2007, respectively. Third party payors are entities such as an insurance company, governmental agency, health maintenance organization or other managed care provider, and typically represent several health care contracts and customers. During fiscal 2009, state sponsored Medicaid agencies accounted for approximately 6.6% of the Company’s

1. Summary of Significant Accounting Policies (Continued)

total sales, the largest of which was less than 2.0% of the Company's total sales. Any significant loss of third-party payor business could have a material adverse effect on the Company's business and results of operations.

During fiscal 2009, the Company purchased brand pharmaceuticals and some generic pharmaceuticals which amounted to approximately 93.7% of the dollar volume of its prescription drugs from a single wholesaler, McKesson Corp. ("McKesson"), under a contract expiring April 2010. With limited exceptions, the Company is required to purchase all of its branded pharmaceutical products from McKesson. If the Company's relationship with McKesson was disrupted, the Company could have temporary difficulty filling prescriptions until a replacement wholesaler agreement was executed, which would negatively impact the business.

Certain Business Risks and Management's Plans

The U.S. economy is currently in a recession and a period of unprecedented volatility, and the future economic environment may continue to be less favorable than that of recent years. The Company is highly leveraged and its substantial indebtedness could limit cash flow available for operations and could adversely affect its ability to service debt or obtain additional financing. As a result of the current condition of the credit markets, the Company may not be able to obtain additional financing on favorable terms, or at all. If the Company's operating results, cash flow or capital resources prove inadequate, or if interest rates rise significantly, the Company could face substantial liquidity problems and might be required to dispose of material assets or operations to meet its debt and other obligations or otherwise be required to delay its planned activities.

Management believes that the Company has adequate sources of liquidity to meet its anticipated requirements for working capital, debt service and capital expenditures through fiscal 2010. The Company's $1,750,000 revolving credit facility, of which $838,000 was outstanding at February 28, 2009, and the Company's $145,000 Tranche 1 term loan mature on September 30, 2010. The Company intends to refinance these facilities prior to their maturity dates and expects these efforts to be successful. However, there can be no assurance that the Company will be able to refinance these facilities on terms acceptable to it.

If the Company does not meet the New York Stock Exchange continued listing requirements, its common stock may be delisted. Upon such an event, the Company may be required to repurchase or refinance its 8.5% convertible note due 2015. The senior secured credit facility and accounts receivable securitization facilities provide that the triggering of this repurchase right constitutes a default under such facilities. To avoid such a scenario, the Company may seek to refinance the Convertible Notes or affect a reverse stock split. See Note 11 for more information on the continued listing requirement of the Company's common stock and management's plans with respect thereto.

Derivatives

The Company may enter into interest rate swap agreements to hedge the exposure to increasing rates with respect to its variable rate debt, when the Company deems it prudent to do so. Upon inception of interest rate swap agreements, or modifications thereto, the Company performs a comprehensive review of the interest rate swap agreements based on the criteria as provided by SFAS

1. Summary of Significant Accounting Policies (Continued)

No. 133, "Accounting for Derivative Instruments and Hedging Activities", as amended by SFAS No. 138. As of February 28, 2009 and March 1, 2008, the Company had no interest rate swap arrangements or other derivatives.

Discontinued Operations

For purposes of determining discontinued operations, the Company has determined that the store level is a component of the entity within the context of SFAS 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". A component of an entity comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Company. The Company routinely evaluates its store base and closes non-performing stores. The Company evaluates the results of operations of these closed stores both quantitatively and qualitatively to determine if appropriate for reporting as discontinued operations. Stores sold where the Company retains the prescription files are excluded from the analysis as the Company retains direct cash flows resulting from the migration of revenue to existing stores.

Recent Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements". This standard establishes a standard definition for fair value, establishes a framework under generally accepted accounting principles for measuring fair value and expands disclosure requirements for fair value measurements. This standard is effective for financial statements issued for fiscal years beginning after November 15, 2007. In December 2007, a FASB Staff Position (FSP) was proposed, and subsequently approved, to delay the effective dates of SFAS No. 157 as it relates to all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis, or at least annually. The Company has adopted SFAS No. 157 as of March 2, 2008 as it relates to financial assets and liabilities and there was no impact on the financial statements. The Company will adopt SFAS No. 157 as it relates to nonfinancial assets and liabilities in the quarter ending May 30, 2009 and does not expect the adoption to have a material impact on its financial position or results of operations.

In December 2007, the FASB issued SFAS No. 141 (Revised) "Business Combinations". SFAS 141 (Revised) establishes principles and requirements for how the acquirer of a business recognizes and measures in its financial statements the assets acquired and liabilities assumed in a business combination, and makes several changes to the method of accounting for business combinations previously set forth in SFAS No. 141. SFAS No. 141 (Revised) will become effective for acquisitions consummated in fiscal years beginning after December 15, 2008.

2. Acquisition

On June 4, 2007, the Company acquired of all of the membership interests of JCG (PJC) USA, LLC ("Jean Coutu USA"), the holding company for the Brooks Eckerd drugstore chain ("Brooks Eckerd"), from Jean Coutu Group (PJC) Inc. ("Jean Coutu Group"), pursuant to the terms of the Stock Purchase Agreement (the "Agreement") dated August 23, 2006. As consideration for the acquisition of Jean Coutu USA (the "Acquisition"), the Company paid $2,307,747 and issued 250,000

2. Acquisition (Continued)

shares of Rite Aid common stock. The Company financed the cash payment via the establishment of a new term loan facility, issuance of senior notes and borrowings under its existing revolving credit facility. The consideration associated with the common stock was $1,090,000 based on a stock price of $4.36 per share, representing the average closing price of Rite Aid common stock beginning two days prior to the announcement of the Acquisition on August 24, 2006 and ending two days after the announcement.

At February 28, 2009 the Jean Coutu Group owned approximately 27.6% of total Rite Aid voting power. The Company expanded its Board of Directors to 14 members, with four of the seats being held by members designated by the Jean Coutu Group. In connection with the Acquisition, the Company entered into a Stockholder Agreement (the "Stockholder Agreement") with Jean Coutu Group and certain Coutu family members. The Stockholder Agreement contains provisions relating to Jean Coutu Group's ownership interest in the Company, board and board committee composition, corporate governance, stock ownership, stock purchase rights, transfer restrictions, voting arrangements and other matters. The Company 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 issued to Jean Coutu Group or acquired by Jean Coutu Group pursuant to certain stock purchase rights or open market rights under the Stockholder Agreement.

As of February 28, 2009, the Company's financial statements reflect the final purchase accounting adjustments in accordance with SFAS No. 141 "Business Combinations", whereby the purchase price was allocated to the assets acquired and liabilities assumed based upon their estimated fair values on the acquisition date.

The Company's consolidated financial statements for the fiscal year ended March 1, 2008 include Brooks Eckerd results of operations for the thirty-nine week period ended March 1, 2008.

2. Acquisition (Continued)

The following table reflects the final allocation of the purchase price:

Purchase price	
Cash consideration	$2,307,747
Stock consideration	1,090,000
Capitalized acquisition costs	43,376
Total	**$3,441,123**
Purchase price allocation	
Cash and cash equivalents	$ 25,838
Accounts receivable	427,234
Inventories	1,296,984
Other current assets	48,756
Total current assets	1,798,812
Property and equipment	897,640
Intangible assets(1)	1,131,550
Goodwill(2)	1,154,186
Other assets	122,740
Total assets acquired	5,104,928
Accounts payable	579,302
Deferred tax liability	21,301
Other current liabilities(3)	401,522
Total current liabilities	1,002,125
Deferred tax liability—non-current	278,990
Other long-term liabilities(4)	382,690
Total liabilities assumed	1,663,805
Net assets acquired	**$3,441,123**

(1) Included in intangible assets are prescription file intangibles of $693,500 and intangible assets for operating leases with favorable market terms of $438,050.

(2) During the quarter ended February 28, 2009, the goodwill was written off due to the fact that the market value of the Company's stock was less than the carrying value of its net assets as of February 28, 2009. See Note 9.

(3) Included in other current liabilities is an accrual for severance payments to associates of Brooks Eckerd who were involuntarily terminated of $11,137.

(4) Included in other long-term liabilities is an accrual of $29,504 to reserve for the remaining lease liability of Brooks Eckerd stores for which the Company entered into a formal plan to close. Also included in other long-term liabilities is an intangible liability of $143,100 for operating leases with unfavorable market terms.

2. Acquisition (Continued)

In connection with the Acquisition, the Company entered into a transition services agreement with the Jean Coutu Group. Under the terms of this agreement, Jean Coutu Group provided certain information technology, network and support services to the Company. This agreement expired in September 2008. The Company recorded an expense of $894 and $4,085 for services provided under this agreement for the years ended February 28, 2009 and March 1, 2008, respectively.

The following *unaudited* pro forma consolidated financial data gives effect to the Acquisition as if it had occurred as of the beginning of the periods presented.

	Year Ended	
	March 1, 2008 (52 Weeks)	March 3, 2007 (52 Weeks)
Net revenues	$26,747,000	$27,315,600
Net loss	(1,133,300)	(79,800)
Basic loss per share	$ (1.57)	$ (0.14)
Diluted loss per share	$ (1.57)	$ (0.14)

The pro forma combined information assumes the acquisition of Brooks Eckerd occurred at the beginning of each period presented. These results have been prepared by combining the historical results of the Company and historical results of Brooks Eckerd. The pro forma financial data for all periods presented include adjustments to reflect the incremental interest expense that results from the incurrence of the additional debt to finance the acquisition and additional depreciation and amortization expense resulting from the purchase price allocation. The pro forma information for the fiscal year ended March 1, 2008 includes charges of $154,222 resulting from the integration of the Brooks Eckerd stores. Pro forma results for periods prior to the acquisition have not been adjusted to reflect the divestiture of stores required by the FTC.

The pro forma information does not purport to be indicative of the results that actually would have been achieved if the operations were combined during the periods presented and is not intended to be a projection of future results or trends.

3. Loss Per Share

Basic loss per share is computed by dividing loss available to common stockholders by the weighted average number of shares of common stock outstanding for the period. Diluted loss per share reflects the potential dilution that could occur if securities or other contracts to issue common stock

3. Loss Per Share (Continued)

were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the income of the Company subject to anti-dilution limitations.

	Year Ended		
	February 28, 2009 (52 Weeks)	March 1, 2008 (52 Weeks)	March 3, 2007 (52 Weeks)
Numerator for loss per share:			
Net (loss) income	$(2,915,420)	$(1,078,990)	$ 26,826
Accretion of redeemable preferred stock	(102)	(102)	(102)
Cumulative preferred stock dividends	(21,768)	(32,533)	(31,455)
Preferred stock beneficial conversion	—	(556)	—
Loss attributable to common stockholders—basic and diluted	$(2,937,290)	$(1,112,181)	$ (4,731)
Denominator:			
Basic and diluted weighted average shares	840,812	723,923	524,460
Basic and diluted loss per share:			
Basic and diluted loss per share	$ (3.49)	$ (1.54)	$ (0.01)

Due to their antidilutive effect, the following potential common shares have been excluded from the computation of diluted loss per share as of February 28, 2009, March 1, 2008 and March 3, 2007:

	Year Ended		
	February 28, 2009 (52 Weeks)	March 1, 2008 (52 Weeks)	March 3, 2007 (52 Weeks)
Stock options	70,162	64,662	60,596
Convertible preferred stock	26,091	77,163	94,291
Convertible debt	61,045	—	—
	157,298	141,825	154,887

Also excluded from the computation of diluted loss per share as of February 28, 2009, March 1, 2008 and March 3, 2007 are restricted shares of 6,515, 9,395, and 7,355 which are included in shares outstanding.

4. Lease Termination and Impairment Charges

Lease termination and impairment charges consisted of:

	Year Ended		
	February 28, 2009 (52 Weeks)	March 1, 2008 (52 Weeks)	March 3, 2007 (52 Weeks)
Impairment charges	$157,334	$30,823	$31,425
Store and equipment lease exit charges	136,409	55,343	17,892
	$293,743	$86,166	$49,317

Impairment Charges

In fiscal 2009, 2008, and 2007, store closing and impairment charges included non-cash charges of $157,334, $30,823 and $31,425, respectively, for the total or partial impairment of long-lived assets at 814, 420 and 342 stores, respectively. These amounts included the write-down of long-lived assets at stores that were assessed for impairment because of management's intention to relocate or close the store, or because of changes in circumstances that indicate the carrying value of an asset may not be recoverable. The increase in impairment charges in fiscal 2009 was triggered by current and projected operating results primarily at certain of the Company's Brooks Eckerd stores not being sufficient to cover the asset values at these stores.

Store and Equipment Lease Exit Charges

During fiscal 2009, 2008, and 2007, the Company recorded charges for 161, 66 and 49 stores, respectively, to be closed or relocated under long term leases. Charges to close a store, which principally consist of lease termination costs, are recorded at the time the store is closed and all inventory is liquidated, pursuant to the guidance set forth in SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities". The Company calculates its liability for closed stores on a store-by-store basis. The calculation includes the discounted effect of future minimum lease payments and related ancillary costs, from the date of closure to the end of the remaining lease term, net of estimated cost recoveries that may be achieved through subletting properties or through favorable lease terminations. The Company evaluates these assumptions each quarter and adjusts the liability accordingly.

The following table reflects the closed store charges that relate to new closures, changes in assumptions and interest accretion. The table also reflects the increase in the closed store reserve related to the acquisition of 183 closed stores from Jean Coutu USA as well as the additional liability related to 65 stores that Company management planned to close at that time as a result of the acquisition in the fiscal year ended March 1, 2008. These liabilities represent the estimated fair value of

4. Lease Termination and Impairment Charges (Continued)

the respective store lease commitments as of the date of the acquisition and therefore were recorded as part of allocation of the purchase price of Jean Coutu USA.

	Year Ended		
	February 28, 2009 (52 Weeks)	March 1, 2008 (52 Weeks)	March 3, 2007 (52 Weeks)
Balance—beginning of year	$329,682	$195,205	$208,455
Provision for present value of noncancellable lease payments of closed stores	97,667	27,464	14,288
Changes in assumptions about future sublease income, terminations and change of interest rate	20,947	16,482	(4,283)
Reversals of reserves for stores that management has determined will remain open	—	(1,465)	(812)
Interest accretion	19,837	13,874	9,274
Leased properties of Jean Coutu USA closed or designated to be closed	—	133,864	—
Cash payments, net of sublease income	(86,722)	(55,742)	(31,717)
Balance—end of year	$381,411	$329,682	$195,205

The Company's revenues and income before income taxes for fiscal 2009, 2008, and 2007 included results from stores that have been closed or are approved for closure as of February 28, 2009. The revenue and operating losses of these stores for the periods are presented as follows:

	Year Ended		
	February 28, 2009 (52 Weeks)	March 1, 2008 (52 Weeks)	March 3, 2007 (52 Weeks)
Revenues	$538,108	$1,060,858	$897,666
(Loss) income from operations	(67,157)	(35,721)	(6,151)

Included in loss from operations for fiscal 2009, 2008, and 2007 are depreciation and amortization charges of $7,359, $14,350 and $7,750, respectively, and closed store inventory liquidation charges of $9,881, $6,193 and $5,416, respectively. Also included in loss from operations for fiscal 2009 and 2008 are losses on the sale of assets of $13,620 and $2,854, respectively, and for fiscal 2007, the loss from operations includes a gain on the sale of assets of $2,647. Loss from operations does not include any allocation of corporate level overhead costs. The above results are not necessarily indicative of the impact that these closures will have on revenues and operating results of the Company in the future, as the Company often transfers the business of a closed store to another Company store, thereby retaining a portion of these revenues. The amounts indicated above do not include the results of operations for stores closed related to discontinued operations.

5. Discontinued Operations

During the fourth quarter of fiscal 2008, the Company entered into agreements to sell the prescription files of 28 of its stores in the Las Vegas Nevada area. The Company owned four of these stores and the remaining stores were leased. The Company assigned the lease rights of 17 of those stores to other entities and closed the remaining leased stores. The Company has sold two of the owned stores and plans to sell the remaining two owned stores. The sale and transfer of the prescription files has been completed and the inventory at the stores has been liquidated.

The Company has presented the operating results of and the gain on the sale of Las Vegas as a discontinued operation in the statement of operations for all fiscal years presented. The following amounts have been segregated from continuing operations and included in discontinued operations:

	Year Ended		
	February 28, 2009 (52 Weeks)	March 1, 2008 (52 Weeks)	March 3, 2007 (52 Weeks)
	(Dollars in thousands)		
Revenues	$ 267	$90,815	$108,336
Costs and expenses:			
Cost of goods sold	1,652	70,171	80,988
Selling, general and administrative expenses	1,936	33,039	32,019
Loss (gain) on sale of assets	48	(8,100)	—
Total costs and expenses	3,636	95,110	113,007
Loss from discontinued operations before income taxes	(3,369)	(4,295)	(4,671)
Income tax benefit	—	(1,505)	(1,635)
Net loss from discontinued operations	$(3,369)	$ (2,790)	$ (3,036)

The assets and liabilities of the divested stores for the years ended February 28, 2009, March 1, 2008 and March 2, 2007 are not significant and have not been segregated in the consolidated balance sheets.

6. Income Taxes

The provision for income taxes was as follows:

	Year Ended		
	February 28, 2009 (52 Weeks)	March 1, 2008 (52 Weeks)	March 3, 2007 (52 Weeks)
Current tax expense (benefit):			
Federal	$ 165	$ (355)	$ 3,771
State	6,327	1,183	(3,585)
	6,492	828	186
Deferred tax expense (benefit):			
Federal	260,592	726,167	16,056
State	62,173	75,706	(27,851)
	322,765	801,873	(11,795)
Total income tax expense (benefit)	$329,257	$802,701	$(11,609)

A reconciliation of the expected statutory federal tax and the total income tax benefit was as follows:

	Year Ended		
	February 28, 2009 (52 Weeks)	March 1, 2008 (52 Weeks)	March 3, 2007 (52 Weeks)
Expected federal statutory expense at 35%	$(903,974)	$ (95,725)	$ 6,388
Nondeductible expenses	9,445	6,476	3,460
State income taxes, net	(54,921)	(25,789)	(24,140)
Recoverable tax and reduction of previously recorded liabilities	9,737	(999)	(5,376)
Credits generated	0	(1,699)	(1,022)
Goodwill Impairment	595,856	0	0
Valuation allowance	673,114	920,437	9,081
Total income tax expense (benefit)	$ 329,257	$802,701	$(11,609)

The income tax expense for fiscal 2009 included $673,114 related to the increase of the valuation allowance on federal and state net deferred tax assets to offset the remaining net deferred tax asset. Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS No. 109") requires a company to evaluate its deferred tax assets on a regular basis to determine if a valuation allowance against the net deferred tax assets is required. According to SFAS No. 109, a cumulative loss in recent years is significant negative evidence in considering whether deferred tax assets are realizable. Based on the negative evidence, SFAS No. 109 precludes relying on projections of future taxable income to support the recognition of deferred tax assets. As such, except for tax planning strategies, the Company has not utilized projections of future taxable income to support the recognition

6. Income Taxes (Continued)

of deferred tax assets. The ultimate realization of deferred tax assets is dependent upon the existence of sufficient taxable income generated in the carryforward periods.

The income tax expense for fiscal 2008 included $920,437 related to the increase of the valuation allowance on federal and state net deferred tax assets. At March 1, 2008 the Company had a cumulative loss which was primarily due to the recently completed acquisition of Brooks Eckerd and the impact on current year earnings due to planned integration activities, compounded by the weakening economy during the later half of the year.

The income tax benefit for fiscal 2007 included a state tax benefit of $24,140 which primarily related to an increase in the Company's state tax rate applied to the net deferred tax assets.

The tax effect of temporary differences that gave rise to significant components of deferred tax assets and liabilities consisted of the following at February 28, 2009 and March 1, 2008:

	2009	2008
Deferred tax assets:		
Accounts receivable	$ 25,634	$ 31,802
Accrued expenses	303,782	289,033
Liability for lease exit costs	177,837	151,519
Pension, retirement and other benefits	157,867	154,141
Long-lived assets	75,983	(86,546)
Other	5,864	4,892
Credits	74,050	71,920
Net operating losses	1,289,275	1,058,418
Total gross deferred tax assets	2,110,292	1,675,179
Valuation allowance	(1,787,798)	(1,103,973)
Total deferred tax assets	322,494	571,206
Deferred tax liabilities:		
Inventory	322,494	263,417
Total gross deferred tax liabilities	322,494	263,417
Net deferred tax assets	$ —	$ 307,789

6. Income Taxes (Continued)

A reconciliation of the beginning and ending amount of unrecognized tax benefits was as follows:

Unrecognized tax benefits balance at March 1, 2008	$233,014
Increases to prior year tax positions	5,395
Increases to prior year tax positions for Brooks Eckerd Acquisition	40,670
Decreases to tax positions in prior periods	(2,532)
Increases to current year tax positions	5,189
Settlements	(811)
Lapse of statute of limitations	(531)
Unrecognized tax benefits balance at February 28, 2009	$280,394

Effective March 4, 2007, the Company adopted the provisions of FIN 48. As of March 4, 2007, unrecognized tax benefits totaled $37,186, including interest and penalties. As a result of the implementation of FIN 48, the Company's tax contingencies decreased $6,636, and after the deferred tax impact of $2,170, the net effect was accounted for as an increase to retained earnings of $4,466. The decrease in unrecognized tax benefits would have decreased income tax expense in prior periods.

As of June 4, 2007, with the acquisition of Brooks Eckerd, a liability and reduction of deferred tax assets of $243,471, including tax, interest and penalties was established for uncertain tax positions. The Company is indemnified by Jean Coutu Group for certain tax liabilities incurred for all years ended up to and including June 4, 2007. Although the Company is indemnified by Jean Coutu Group, the Company remains the primary obligor to the tax authorities with respect to any tax liability arising for the years prior to the acquisition. Accordingly, as of February 28, 2009 the Company had a corresponding recoverable indemnification asset from Jean Coutu Group, included in the "Other Assets" line of the Consolidated Balance Sheets, to reflect the indemnification for such liabilities.

As of February 28, 2009 the total amount of unrecognized tax benefits that would have been recorded as an adjustment to goodwill and not impact the effective tax rate in a future period was $243,471. However, upon the adoption of SFAS 141(R) which applies to our fiscal year 2010, changes in income tax uncertainties recorded in a business combination will also affect income tax expense and will no longer impact goodwill. Additionally, any impact on the effective rate may be mitigated by the valuation allowance that is maintained against the Company's net deferred tax assets. While it is expected that the amount of unrecognized tax benefits will change in the next twelve months, management does not expect the change to have a significant impact on the results of operations or the financial position of the Company.

The Company recognizes interest and penalties related to tax contingencies as income tax expense. Prior to the adoption of FIN 48, the Company included interest as income tax expense and penalties as an operating expense. The Company recognized expense for net interest and penalties in connection with tax matters of $9,527 and $238 for 2009 and 2008, respectively. As of February 28, 2009 and March 1, 2008, the total amount of accrued income tax-related interest and penalties was $46,175 and $33,608, respectively.

6. Income Taxes (Continued)

The Company files U.S. federal income tax returns as well as income tax returns in those states where it does business. The federal income tax returns are closed to examination by the Internal Revenue Service (IRS) through fiscal 2004. However, any net operating losses that were generated in these prior closed years may be subject to examination by the IRS upon utilization. The IRS is currently examining the consolidated U.S. income tax return for Brooks Eckerd for fiscal years 2004 and 2005. In FY09, the IRS completed the examination of the consolidated U.S. income tax return for Rite Aid Corporation and subsidiaries for fiscal years 2006 and 2007. State income tax returns are generally subject to examination for a period of three to five years after filing of the respective return. However, as a result of reporting IRS audit adjustments, the Company has statutes open in some states from fiscal 2003.

Net Operating Losses, Capital Losses and Tax Credits

At February 28, 2009, the Company had federal net operating loss (NOL) carryforwards of approximately $3,099,152, the majority of which will expire, if not utilized, between fiscal 2019 and 2022.

At February 28, 2009, the Company had state NOL carryforwards of approximately $5,572,032, the majority of which will expire between fiscal 2018 and 2026.

At February 28, 2009, the Company had federal business tax credit carryforwards of $54,694, the majority of which will expire between 2012 and 2020. In addition to these credits, the Company has alternative minimum tax credit carryforwards of $9,545.

Valuation Allowances

The valuation allowances as of February 28, 2009 and March 1, 2008 apply to the net deferred tax assets of the Company. The valuation allowance was increased in the third and fourth quarters of fiscal 2009. The increase for 2009 is primarily related to the impact of the current economic conditions on 2009 operating results. In the fourth quarter of 2008, a non-cash tax charge of $920,437 was recorded to establish a valuation allowance against the net deferred tax assets. The Company maintained a valuation allowance of $1,787,798 and $1,103,973 against net deferred tax assets at fiscal year end 2009 and 2008, respectively.

7. Accounts Receivable

The Company maintains an allowance for doubtful accounts receivable based upon the expected collectibility of accounts receivable. The allowance for uncollectible accounts at February 28, 2009 and March 1, 2008 was $37,490 and $41,221, respectively. The Company's accounts receivable are due primarily from third-party payors (e.g., pharmacy benefit management companies, insurance companies or governmental agencies) and are recorded net of any allowances provided for under the respective plans. Since payments due from third-party payors are sensitive to payment criteria changes and legislative actions, the allowance is reviewed continually and adjusted for accounts deemed uncollectible by management.

7. Accounts Receivable (Continued)

The Company maintains securitization agreements (the "first lien facility") with several multi-seller asset-backed commercial paper vehicles ("CPVs"). Under the terms of the first lien facility, the Company sells substantially all of its eligible third party pharmaceutical receivables to a bankruptcy remote Special Purpose Entity (SPE) and retains servicing responsibility. The assets of the SPE are not available to satisfy the creditors of any other person, including any of the Company's affiliates. These agreements provide for the Company to sell, and for the SPE to purchase these receivables. The SPE then transfers an interest in these receivables to various CPVs.

During the thirteen week period ended February 28, 2009, the Company amended certain of the terms of its first lien facility. The effect of the amendment was to make changes to the obligor concentration limits in the borrowing formula, to change the borrowing and liquidity fees charged under the first lien facility and to reduce the amount of interest in receivables that can be transferred to the CPV's to $345,000.

Under the terms of the first lien facility, the total amount of interest in receivables that could be transferred to the CPVs was $345,000 and $650,000 at February 28, 2009 and March 1, 2008, respectively. The amount of transferred receivables outstanding at any one time is dependent upon a formula that takes into account such factors as default history, obligor concentrations and potential dilution ("Securitization Formula"). Adjustments to this amount can occur, at the discretion of the CPV's, on a weekly basis. At February 28, 2009 and March 1, 2008, the total of outstanding receivables that have been transferred to the CPVs were $330,000 and $435,000, respectively. The following table details receivable transfer activity for the years presented:

	Year Ended		
	February 28, 2009 (52 Weeks)	March 1, 2008 (52 Weeks)	March 3, 2007 (52 Weeks)
Average amount of outstanding receivables transferred	$ 471,319	$ 332,115	$ 334,588
Total receivable transfers	$6,940,000	$4,992,000	$4,674,000
Collections made by the Company as part of the servicing arrangement on behalf of the CPVs	$7,045,000	$4,907,000	$4,654,000

The Company is charged a program fee and liquidity fee under the first lien facility. The program fee is LIBOR plus 2.0% of the total amount advanced under the facility. The liquidity fee is 3.5% of the total facility commitment of $345,000. The program and the liquidity fees are recorded as a component of selling, general and administrative expenses. Program and liquidity fees for fiscal 2009, 2008 and 2007 were $24,903, $22,314 and $21,885, respectively.

Rite Aid Corporation guarantees certain performance obligations of its affiliates under the first lien facility, which includes the continued servicing of such receivables, but does not guarantee the collectibility of the receivables and obligor creditworthiness. The CPVs have a commitment to purchase that ends January 2010 with the option to extend to September 14, 2010. Should any of the CPVs fail to renew their commitment under the first lien facility, the Company has access to a backstop credit facility, which is backed by the CPVs and which expires September 14, 2010, to provide liquidity to the Company.

7. Accounts Receivable (Continued)

Proceeds from the collections under the first lien facility are submitted to an independent trustee on a daily basis. The trustee withholds any cash necessary to (1) fund amounts owed to the CPVs as a result of such collections and, (2) fund the CPVs when the Securitization Formula indicates a lesser amount of outstanding receivables transferred is warranted. The remaining collections are swept to the Company's corporate concentration account. At February 28, 2009 and March 1, 2008, the Company had $1,801 and $3,277 of cash respectively that is restricted for the payment of trustee fees.

On February 18, 2009, the Company issued a $225,000 second priority accounts receivable securitization term loan (Second Lien Facility). Net proceeds from the issuance of the Second Lien Facility were used to repay approximately $210,000 outstanding under the Company's securitization agreements and replace the borrowing availability that was decreased under the first lien facility securitization agreements. The Second Lien Facility has a second priority interest in eligible third party receivables. This interest is subordinate to the interest of the securitization banks.

The Second Lien Facility was sold at a discount of 3% and bears interest at a rate of either, at the Company's option, (a) a base rate equal to the higher of (i) Citibank's base rate, (ii) the federal funds rate plus 0.50% per annum or (iii) an adjusted LIBO rate plus 1.0% per annum, in each case plus 11% or (b) LIBOR plus 12% with a LIBOR floor of 3%. The Second Lien Facility will mature on September 14, 2010. The Company incurred one-time issuance fees of approximately $8,800 related to the Second Lien Facility, which are recorded in selling, general and administrative expenses. For fiscal 2009, financing fees related to the Second Lien Facility were $1,161.

The Company has determined that the transactions under the first lien facility and Second Lien Facility meet the criteria for sales treatment in accordance with SFAS No. 140 "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities". Additionally, the Company has determined that it does not hold a variable interest in the CPVs or in the lenders in the Second Lien Facility, pursuant to the guidance in FIN 46R, "Consolidation of Variable Interest Entities", and therefore has determined that the de-recognition of the transferred receivables is appropriate.

At February 28, 2009 and March 1, 2008, the Company's interest in the third party pharmaceutical receivables is as follows:

	February 28, 2009	March 1, 2008
Third party pharmaceutical receivables	$ 955,827	$ 963,683
Allowance for uncollectible accounts	(31,421)	(34,850)
Net third party receivables	924,406	928,833
First lien facility	(330,000)	(435,000)
Second lien facility (net of discount of $6,621)	(218,379)	—
Net retained interest	$ 376,027	$ 493,833

8. Property, Plant and Equipment

Following is a summary of property, plant and equipment, including capital lease assets, at February 28, 2009 and March 1, 2008:

	2009	2008
Land	$ 280,391	$ 358,849
Buildings	798,048	902,281
Leasehold improvements	1,623,136	1,557,125
Equipment	2,239,935	2,021,478
Construction in progress	89,552	239,061
	5,031,062	5,078,794
Accumulated depreciation	(2,443,706)	(2,205,785)
Property, plant and equipment, net	$ 2,587,356	$ 2,873,009

Depreciation expense, which included the depreciation of assets recorded under capital leases, was $383,671, $309,270 and $230,168 in fiscal 2009, 2008 and 2007, respectively.

Included in property, plant and equipment was the carrying amount of assets to be disposed of totaling $33,386 and $23,908 at February 28, 2009 and March 1, 2008, respectively.

9. Goodwill and Other Intangibles

The Company accounts for goodwill under the guidance set forth in SFAS No. 142, which specifies that goodwill should not be amortized. The Company's policy is to evaluate goodwill for impairment on an annual basis at the end of its fiscal year or more frequently if events or circumstances occur that would indicate a reduction in the fair value of the Company. On February 28, 2009, the carrying value of the Company's net assets, before goodwill impairment testing, was $610,571 and the market capitalization of the Company's outstanding shares, assuming conversion of outstanding preferred shares, was $255,417. Accordingly, management performed a goodwill impairment test in accordance with SFAS 142. Management determined the estimated fair value of the Company by using the quoted market value of its common stock for the trading days in the quarterly period ended February 28, 2009. The Company's market value of its common stock, after consideration of a control premium, traded below book value for every trading day in the quarterly period ended February 28, 2009. Based on the length of time that the Company's carrying value has exceeded its market value, management has concluded that the carrying value of the Company exceeds its market value. Management has performed a step two test which values the net assets of the Company as if a purchase combination had occurred. The fair value of the Company's net assets indicates that the entire amount of recorded goodwill should be impaired as of February 28, 2009. Accordingly, goodwill has been written down to zero as of February 28, 2009.

As of February 28, 2009 and March 1, 2008 the Company had goodwill of $0 and $1,783,372, respectively and no other indefinite life intangibles.

9. Goodwill and Other Intangibles (Continued)

The Company's remaining intangible assets are finite-lived and amortized over their useful lives. Following is a summary of the Company's intangible assets as of February 28, 2009 and March 1, 2008.

	2009			2008		
	Gross Carrying Amount	Accumulated Amortization	Remaining Weighted Average Amortization Period	Gross Carrying Amount	Accumulated Amortization	Remaining Weighted Average Amortization Period
Favorable leases and other	$ 693,455	$(279,806)	11 years	$ 738,855	$(240,079)	12 years
Prescription files	1,209,268	(605,906)	7 years	1,152,620	(464,069)	9 years
Total	$1,902,723	$(885,712)		$1,891,475	$(704,148)	

Also included in other non-current liabilities as of February 28, 2009 and March 1, 2008 are unfavorable lease intangibles with a net carrying amount of $124,053 and $147,035, respectively.

Amortization expense for these intangible assets and liabilities was $202,537, $163,201 and $40,139 for fiscal 2009, 2008 and 2007, respectively. The anticipated annual amortization expense for these intangible assets and liabilities is 2010—$178,293; 2011—$164,452; 2012—$130,516; 2013—$105,805 and 2014—$48,599.

10. Accrued Salaries, Wages and Other Current Liabilities

Accrued salaries, wages and other current liabilities consisted of the following at February 28, 2009 and March 1, 2008:

	2009	2008
Accrued wages, benefits and other personnel costs	$ 393,306	$ 392,753
Accrued sales and other taxes payable	101,083	161,820
Accrued store expense	157,047	173,516
Other	353,326	382,199
	$1,004,762	$1,110,288

11. Indebtedness and Credit Agreement

Following is a summary of indebtedness and lease financing obligations at February 28, 2009 and March 1, 2008:

	2009	2008
Secured Debt:		
Senior secured revolving credit facility due September 2010	$ 838,000	$ 849,000
Senior secured credit facility term loan due September 2010	145,000	145,000
Senior secured credit facility term loan due June 2014	1,096,713	1,105,000
Senior secured credit facility term loan due June 2014 ($349,125 face value less unamortized discount of $31,549)	317,576	—
7.5% senior secured notes due January 2015	—	200,000
10.375% senior secured notes due July 2016 ($470,000 face value less unamortized discount of $41,011)	428,989	—
7.5% senior secured notes due March 2017	500,000	500,000
Other secured	4,194	2,740
	3,330,472	2,801,740
Guaranteed Unsecured Debt:		
8.625% senior notes due March 2015	500,000	500,000
9.375% senior notes due December 2015 ($410,000 face value less unamortized discount of $4,754 and $5,458)	405,246	404,542
9.5% senior notes due June 2017 ($810,000 face value less unamortized discount of $10,732 and $12,033)	799,268	797,967
	1,704,514	1,702,509
Unsecured Unguaranteed Debt:		
6.125% fixed-rate senior notes due December 2008	—	150,000
8.125% notes due May 2010	11,117	358,500
9.25% senior notes due June 2013	6,015	148,739
6.875% senior debentures due August 2013	184,773	184,773
8.5% convertible notes due May 2015	158,000	—
7.7% notes due February 2027	295,000	295,000
6.875% fixed-rate senior notes due December 2028	128,000	128,000
	782,905	1,265,012
Lease financing obligations	193,818	216,263
Total debt	6,011,709	5,985,524
Current maturities of long-term debt and lease financing obligations	(40,683)	(185,609)
Long-term debt and lease financing obligations, less current maturities	$5,971,026	$5,799,915

Credit Facility

The Company has a senior secured credit facility that includes a $1,750,000 revolving credit facility. Borrowings under the revolving secured credit facility currently bear interest at LIBOR plus 1.50%, if the Company chooses to make LIBOR borrowings, or at Citibank's base rate plus 0.50%. The interest rate can fluctuate between LIBOR plus 1.25% and LIBOR plus 1.75% depending upon the amount of the revolver availability, as specified in the senior secured credit facility. The Company is required to

11. Indebtedness and Credit Agreement (Continued)

pay fees of 0.25% per annum on the daily unused amount of the revolving credit facility. The final maturity date on our revolving credit facility is September 30, 2010.

The Company's ability to borrow under the revolving credit facility is based upon a specified borrowing base consisting of inventory and prescription files. At February 28, 2009, the Company had $838,000 of borrowings outstanding under the revolving credit facility. At February 28, 2009, the Company also had letters of credit outstanding against the revolving credit facility of $188,345, which gave the Company additional borrowing capacity of $723,655.

In November 2006, the Company entered into an amendment of its senior secured credit facility and borrowed $145,000 under a senior secured term loan (the "Tranche 1 Term Loans"). The Tranche 1 Term Loans currently bear interest at LIBOR plus 1.50%, if the Company chooses to make LIBOR borrowings, or at Citibank's base rate plus 0.50%. The interest rate can fluctuate between LIBOR plus 1.25% and LIBOR plus 1.75% depending on the amount of availability under the Company's revolving credit facility, as specified in the senior secured credit facility. The amounts outstanding under the Tranche 1 Term Loans become due and payable on September 30, 2010, or earlier, if total debt outstanding under the senior secured credit facility exceeds the borrowing base.

On June 4, 2007, the Company amended its senior secured credit facility to establish a new senior secured term loan in the aggregate principal amount of $1,105,000 and borrowed the full amount thereunder. A portion of the proceeds from the borrowings under this senior secured term loan (the "Tranche 2 Term Loans") were used to fund the acquisition of Brooks Eckerd. The Tranche 2 Term Loans will mature on June 4, 2014 and currently bears interest at LIBOR plus 1.75%, if the Company chooses to make LIBOR borrowings, or at Citibank's base rate plus 0.75%. The Company must make mandatory prepayments of the Tranche 2 Term Loans with the proceeds of asset dispositions (subject to certain limitations), with a portion of any excess cash flow generated by the Company and with the proceeds of certain issuances of equity and debt (subject to certain exceptions). If at any time total debt outstanding under the senior secured credit facility exceeds the borrowing base, prepayment of the Tranche 2 Term Loans may also be required.

In July 2008, the Company issued a new senior secured term loan (the "Tranche 3 Term Loan") of $350,000 under the Company's existing senior secured credit facility. The Tranche 3 Term Loan was issued at a discount of 90% of par. The Tranche 3 Term Loan matures on June 4, 2014 and bears interest at LIBOR (with a minimum LIBOR rate of 3.00%) plus 3.00%, if the Company chooses to make LIBOR borrowings, or at Citibank's base rate (with a minimum base rate of 4.00%) plus 2.00%. The Company must make mandatory prepayments of the Tranche 3 Term Loan with the proceeds of asset dispositions (subject to certain limitations), with a portion of any excess cash flow generated by the Company and with the proceeds of certain issuances of equity and debt (subject to certain exceptions). If at any time total debt outstanding under the senior secured credit facility exceeds the borrowing base, prepayment of the Tranche 3 Term Loan may also be required.

The senior secured credit facility allows the Company to have outstanding, at any time, up to $1,500,000 in secured second priority debt and unsecured debt in addition to borrowings under the senior secured credit facility and existing indebtedness, provided that not in excess of $750,000 of such secured second priority debt and unsecured debt shall mature or require scheduled payment of principal prior to three months after June 4, 2014. The senior secured credit facility allows the

11. Indebtedness and Credit Agreement (Continued)

Company to incur an unlimited amount of unguaranteed unsecured debt with a maturity beyond three months after June 4, 2014; however, other debentures limit the amount of unsecured debt that can be incurred if certain interest coverage levels are not met at the time of incurrence of said debt. The senior secured credit facility also allows for the repurchase of any debt with a maturity on or before June 4, 2014, and for the voluntary repurchase of debt with a maturity after June 4, 2014, if the Company maintains availability on the revolving credit facility of at least $100,000 and so long as the senior secured credit facility is not in default.

The senior secured credit facility contains covenants, which place restrictions on the incurrence of debt beyond the restrictions described above, the payments of dividends, sale of assets, mergers and acquisitions and the granting of liens. The senior secured credit facility also requires the Company to maintain a minimum fixed charge coverage ratio, but only if availability on the revolving credit facility is less than $100,000.

The senior secured credit facility provides for events of default including nonpayment, misrepresentation, breach of covenants and bankruptcy. It is also an event of default if the Company fails to make any required payment on debt having a principal amount in excess of $50,000 or any event occurs that enables, or which with the giving of notice or the lapse of time would enable, the holder of such debt to accelerate the maturity or require the repurchase of such debt.

Substantially all of Rite Aid Corporation's wholly-owned subsidiaries guarantee the obligations under the senior secured credit facility. The subsidiary guarantees of the senior secured credit facility are secured by a first priority lien on, among other things the inventory, accounts receivable and prescription files of the subsidiary guarantors. Rite Aid Corporation is a holding company with no direct operations and is dependent upon dividends, distributions and other payments from its subsidiaries to service payments due under the senior secured credit facility. The 7.5% senior secured notes due 2015, the 10.375% senior secured notes due 2016 and the 7.5% senior secured notes due 2017 are guaranteed by substantially all of the Company's wholly-owned subsidiaries, which are the same subsidiaries that guarantee the senior secured credit facility and are secured on a second priority basis by the same collateral as the senior secured credit facility. The 8.625% senior notes due 2015, the 9.375% senior notes due 2015, and the 9.5% senior notes due 2017 are also guaranteed by substantially all of the Company's wholly-owned subsidiaries.

The subsidiary guarantees related to the Company's senior secured credit facility and secured notes and on an unsecured basis the guaranteed indentures are full and unconditional and joint and several, and there are no restrictions on the ability of the parent to obtain funds from its subsidiaries. Also, the parent company has no independent assets or operations, and subsidiaries not guaranteeing the credit facility and applicable indentures are minor. Accordingly, condensed consolidating financial information for the parent and subsidiaries is not presented.

The indentures that govern the Company's secured and guaranteed unsecured notes contain restrictions on the amount of additional secured and unsecured debt that can be incurred by the Company. As of February 28, 2009, the amount of additional secured and unsecured debt that could be incurred under these indentures was $870,045. The amount of additional second priority secured or unsecured debt that the Company could have incurred if we had drawn the maximum amount available on our revolving credit facility as of February 28, 2009 was $146,390.

11. Indebtedness and Credit Agreement (Continued)

Other 2009 Transactions

In July 2008, pursuant to a tender offer and consent solicitation, the Company repurchased substantially all of the outstanding amounts of its 8.125% senior secured notes due May 2010, its 7.5% senior secured notes due January 2015 and its 9.25% senior notes due June 2013. This transaction was done because these notes had restrictions on the incurrence of liens securing the secured debt that prohibited the Company from fully drawing on its revolving credit facility under certain circumstances. The remaining outstanding amounts of such series no longer contain such restrictions and are no longer secured or guaranteed. The Company recorded a loss on debt modification related to these transactions of $36,558 in fiscal 2009.

These transactions were financed via the issuance of a new senior secured term loan (the Tranche 3 Term Loan described above) and the issuance of a $470,000 aggregate principal amount of 10.375% senior secured notes due July 2016. These notes are unsecured unsubordinated obligations of Rite Aid Corporation and rank equally in right of payment with all other unsubordinated indebtedness. The Company's obligations under the notes are guaranteed, subject to certain limitations, by subsidiaries that guarantee the obligations under its senior secured credit facility. The guarantees are secured by shared second priority liens with holders of our 7.5% senior secured notes due 2017. The indenture that governs the 10.375% senior secured notes due 2016 contains covenant provisions that, among other things, include limitations on the Company's ability to pay dividends, make investments or other restricted payments, incur debt, grant liens, sell assets and enter into sale-leaseback transactions. The senior 10.375% secured notes due July 2016 were issued at a discount of 90.588% of par.

In May 2008, the Company issued $158,000 of 8.5% convertible notes due May 2015. These notes are unsecured and are effectively junior to the secured debt of the Company and are structurally subordinated to the guaranteed debt of the Company. The notes are convertible, at the option of the holder, into shares of the Company's common stock at a conversion price of $2.59 per share, subject to adjustments to prevent dilution, at any time. Proceeds from the issuance of these notes were used to fund the redemption of the Company's 6.125% notes due December 2008. The Company recorded a loss on debt modification of $3,347 related to the early redemption of the 6.125% notes due 2008, which included payment of a make whole premium to the noteholders and unamortized debt issue costs on the notes.

2008 Transactions

On June 4, 2007 the Company incurred $1,220,000 aggregate principal amount of senior notes. The issue consisted of $410,000 of 9.375% senior notes due 2015 and $810,000 of 9.5% senior notes due 2017. The Company's obligations under each series of notes are fully and unconditionally guaranteed, jointly and severally, by all of the Company's subsidiaries that guarantee its obligations under the existing senior secured credit facility and other outstanding senior secured notes. The notes are unsecured, unsubordinated obligations of Rite Aid Corporation and rank equally in right of payment with all of the Company's other unsecured, unsubordinated debt. The indentures governing the notes contain covenants that limit the Company's ability and the ability of its restricted subsidiaries to, among other things, incur additional debt, pay dividends or make other restricted payments, purchase, redeem or retire capital stock or subordinated debt, make asset sales, enter into transactions with affiliates,

11. Indebtedness and Credit Agreement (Continued)

incur liens, enter into sale-leaseback transactions, provide subsidiary guarantees, make investments and merge or consolidate with any other persons.

2007 Transactions

In February 2007, the Company issued $500,000 aggregate principal amount of 7.5% senior secured notes due 2017. These notes are unsubordinated obligations of Rite Aid Corporation and rank equally in right of payment with all other unsubordinated indebtedness. The Company's obligations under the notes are guaranteed, subject to certain limitations, by subsidiaries that guarantee the obligations under its senior secured credit facility. The guarantees are secured, subject to the permitted liens, by shared second priority liens, with holders of our 10.375% senior secured notes due July 2016, granted by subsidiary guarantors on all their assets that secure the obligations under the senior secured credit facility, subject to certain exceptions. The indenture governing the 7.5% senior secured notes due 2017 contains covenant provisions that, among other things, include limitations on the Company's ability to pay dividends, make investments or other restricted payments, incur debt, grant liens, sell assets and enter into sale-leaseback transactions. Proceeds from this offering were used to repay outstanding borrowings on the Company's revolving credit facility and to fund the redemption of the Company's 9.5% senior secured notes due 2011, by deposit into an escrow fund with an independent trustee. Per the terms of the indenture that governed the 9.5% senior secured notes due 2011, the Company paid a premium to the noteholders of 104.75% of par. The Company recorded a loss on debt modification of $18,662 related to the early redemption of the 9.5% senior secured notes due 2011, which included the call premium and unamortized debt issue costs on the notes.

In February 2007, the Company issued $500,000 aggregate principal amount of 8.625% senior notes due 2015. These notes are unsecured. The indenture governing the 8.625% senior notes due 2015 contains provisions that, among other things, include limitations on the Company's ability to pay dividends, make investments or other restricted payments, incur debt, grant liens, sell assets and enter into sale-leaseback transactions. The 8.625% senior notes due 2015 are guaranteed, subject to certain limitations, by subsidiaries that guarantee the obligations under the senior secured credit facility. Proceeds from the issuance of the notes were used to repay borrowings under the Company's revolving credit facility.

In January 2007, the Company paid at maturity the remaining outstanding principal amount of $184,074 of the Company's 7.125% notes due January 2007. This payment was funded with borrowings under the revolving credit facility.

In December 2006, the Company paid at maturity the remaining outstanding principal amount of $250,000 of its 4.75% convertible notes due December 2006. This payment was funded with borrowings under the revolving credit facility.

In September 2006, the Company completed the early redemption of all of its outstanding $142,025 of its 12.5% senior secured notes due September 2006. This payment was funded with borrowing under the revolving credit facility, which were subsequently repaid with borrowings of the Tranche 1 term loans.

11. Indebtedness and Credit Agreement (Continued)

Interest Rates and Maturities

The annual weighted average interest rate on the Company's indebtedness was 6.6%, 7.5%, and 7.6% for fiscal 2009, 2008, and 2007, respectively.

The aggregate annual principal payments of long-term debt for the five succeeding fiscal years are as follows: 2010—$16,661; 2011—$1,008,854; 2012—$14,765; 2013—$14,764 and $4,762,847 in 2014 and thereafter. The Company is in compliance with restrictions and limitations included in the provisions of various loan and credit agreements.

Other

On October 16, 2008, Rite Aid was notified by the New York Stock Exchange (NYSE) that the average per share price of its common stock was below the NYSE's continued listing standard relating to minimum average share price. Rule 802.01C of the NYSE's Listed Company Manual requires that a company's common stock trade at a minimum average closing price of $1.00 over a consecutive 30 trading-day period. Also on October 16, 2008, the Company provided a notice to the NYSE of its intention to affect a reverse stock split, subject to stockholder approval, to cure this deficiency. The Company has six months from receipt of the NYSE notice to regain compliance with the NYSE price condition, or it will be subject to suspension and delisting procedures. Subject to the NYSE's rules, during the six-month cure period, the Company's common stock will continue to be listed and trade on the NYSE. At the end of the six-month cure period, the Company will be in compliance if it has at least a $1.00 share price and has maintained a $1.00 average closing price over the preceding 30 consecutive trading days.

At a special meeting of stockholders held on December 2, 2008, the Rite Aid stockholders approved a reverse split of the Company's common stock at a split ratio of 1-for-10, 1-for-15, or 1-for-20, to be selected by the Company's Board of Directors. The exact timing of the split and the ratio selected would be based on the Board's decision as to the most advantageous action.

The Company has outstanding, $158 million of 8.5% convertible notes. Holders of the convertible notes have the right to require Rite Aid to repurchase their notes if Rite Aid's common stock is not listed on the NYSE or Nasdaq Global Select or Nasdaq Global Markets. The Company's senior secured credit facility and the accounts receivable securitization facility provide that the occurrence of this repurchase right constitutes a default under such facilities.

On February 26, 2009, the NYSE announced that the NYSE will suspend the application of the stock-price criteria set forth in Section 802.01C of the Exchange's Listed Company Manual until June 30, 2009. This suspension was made by the Exchange due to the extreme volatility in U.S. and global equities markets and precipitous decline in trading prices of many securities. As a result of the market conditions, the Exchange has experienced an unusually high number of listed companies having stock prices that have fallen below the $1.00 price requirement. Based on the rule suspension, any company, like Rite Aid, that is in a compliance period at the time of the rule suspension can return to compliance during the suspension if at the end of any calendar month during the suspension such company has a $1.00 closing share price on the last trading day of such month and a $1.00 average share price based on the 30 trading days preceding the end of such month. Furthermore, any such company that does not regain compliance during the suspension period will recommence its compliance period upon reinstitution of the stock price continued listing standard and receive the remaining

11. Indebtedness and Credit Agreement (Continued)

balance of its compliance period. For the Company, this means that it can regain compliance at the end of the 6-month compliance period, April 16, 2009, or at the end of any calendar month during the suspension, April 30, 2009, May 29, 2009, or June 30, 2009, or August 17, 2009.

On March 9, 2009, the Company announced that our Board of Directors had determined to delay affecting the reverse stock split in light of the NYSE suspension. The Board will determine the exchange ratio and timing of the reverse split, if implemented, prior to or immediately following the end of the suspension period based on market conditions, our share price and the NYSE rules at such time.

In addition to the Company's plans to regain compliance with the NYSE price condition, management may seek to refinance the Convertible Notes to avoid a repurchase. Management believes that these plans sufficiently mitigate the liquidity risks associated with a potential delisting of the Company's stock.

12. Leases

The Company leases most of its retail stores and certain distribution facilities under noncancellable operating and capital leases, most of which have initial lease terms ranging from five to 22 years. The Company also leases certain of its equipment and other assets under noncancellable operating leases with initial terms ranging from 3 to 10 years. In addition to minimum rental payments, certain store leases require additional payments based on sales volume, as well as reimbursements for taxes, maintenance and insurance. Most leases contain renewal options, certain of which involve rent increases. Total rental expense, net of sublease income of $11,141, $10,331, and $7,725, was $962,840, $863,801 and $586,776 in fiscal 2009, 2008, and 2007, respectively. These amounts include contingent rentals of $31,605, $35,932 and $30,786 in fiscal 2009, 2008, and 2007, respectively.

During fiscal 2009, the Company sold 72 owned stores to several independent third parties. Proceeds from these sales totaled $192,819. The Company entered into agreements to lease these stores back from the purchasers over minimum lease terms of 20 years. Sixty-seven leases are being accounted for as operating leases and five are being accounted for under the financing method as of February 28, 2009, as these lease agreements contain a clause that allows the buyer to force the Company to repurchase the property under certain conditions. Gains on these transactions of $5,157 have been deferred and are being recorded over the related minimum lease terms. Losses of $501, which relate to certain stores in these transactions, were recorded as losses on the sale of assets for the year ended February 28, 2009.

During fiscal 2008, the Company sold 22 owned stores to several independent third parties. Proceeds from these sales totaled $93,252. The Company entered into agreements to lease these stores back from the purchasers over minimum lease terms of 20 years. Fourteen leases were accounted for as operating leases and eight were accounted for under the financing method as of March 1, 2008, as these lease agreements contain a clause that allows the buyer to force the Company to repurchase the property under certain conditions. Subsequent to March 1, 2008, the clause that allowed the buyer to force the Company to repurchase the properties lapsed on five of the eight leases. Therefore, these leases are now accounted for as operating leases. The Company recorded a capital lease obligation of $17,972 related to the remaining leases.

12. Leases (Continued)

During fiscal 2007, the Company sold a total of 29 owned stores to independent third parties. Proceeds from these sales totaled $82,090. The Company entered into agreements to lease the stores back from the purchasers over minimum lease terms of 20 years. Twenty-four leases were accounted for as operating leases and the remaining five leases were accounted for using the financing method, as these lease agreements contained a clause that allowed the buyer to force the Company to purchase the properties under certain conditions. Subsequent to March 3, 2007, the clause that allowed the buyer to force the Company to repurchase the properties lapsed on the five leases. Therefore, these leases are now accounted for as operating leases.

The net book values of assets under capital leases and sale-leasebacks accounted for under the financing method at February 28, 2009 and March 1, 2008 are summarized as follows:

	2009	2008
Land	$ 12,793	$ 16,193
Buildings	166,460	193,361
Leasehold improvements	6,491	6,654
Equipment	34,712	29,878
Accumulated depreciation	(97,649)	(90,687)
	$122,807	$155,399

Following is a summary of lease finance obligations at February 28, 2009 and March 1, 2008:

	2009	2008
Obligations under capital leases	$156,625	$170,116
Sale-leaseback obligations	37,193	46,147
Less current obligation	(24,127)	(26,837)
Long-term lease finance obligations	$169,691	$189,426

12. Leases (Continued)

Following are the minimum lease payments for all properties under a lease agreement that will have to be made in each of the years indicated based on non-cancelable leases in effect as of February 28, 2009:

Fiscal year	Lease Financing Obligations	Operating Leases
2010	39,896	1,049,983
2011	24,775	1,029,943
2012	24,660	979,928
2013	24,571	923,423
2014	24,523	871,335
Later years	155,783	6,669,650
Total minimum lease payments	294,208	11,524,262
Amount representing interest	(100,390)	
Present value of minimum lease payments	193,818	

13. Redeemable Preferred Stock

In March 1999 and February 1999, Rite Aid Lease Management Company, a wholly owned subsidiary of the Company, issued 63,000 and 150,000 shares of Cumulative Preferred Stock, Class A, par value $100 per share, respectively. The Class A Cumulative Preferred Stock is mandatorily redeemable on April 1, 2019 at a redemption price of $100 per share plus accumulated and unpaid dividends. The Class A Cumulative Preferred Stock pays dividends quarterly at a rate of 7.0% per annum of the par value of $100 per share when, as and if declared by the Board of Directors of Rite Aid Lease Management Company in its sole discretion. The amount of dividends payable in respect of the Class A Cumulative Preferred Stock may be adjusted under certain events. The outstanding shares of the Class A Preferred Stock were recorded at their estimated fair value of $19,253 for the fiscal 2000 issuances, which equaled the sale price on the date of issuance. Because the fair value of the Class A Preferred Stock was less than the mandatory redemption amount at issuance, periodic accretions to expense using the interest method are made so that the carrying amount equals the redemption amount on the mandatory redemption date. Accretion was $102 in fiscal 2009, 2008 and 2007. The amount of this instrument is $20,277 and $20,174 and is recorded in Other Non-Current Liabilities as of February 28, 2009 and March 1, 2008, respectively.

14. Capital Stock

As of February 28, 2009, the authorized capital stock of the Company consists of 1,500,000 shares of common stock and 20,000 shares of preferred stock, each having a par value of $1.00 per share. Preferred stock is issued in series, subject to terms established by the Board of Directors.

On December 2, 2008, the Company's stockholders approved a decrease in the total number of authorized shares from 1,520,000 shares to 520,000 if the Company implements the reverse stock split.

14. Capital Stock (Continued)

After the stock split, the total authorized shares will be comprised of 500,000 shares of common stock, par value of $1.00 per share and 20,000 shares of preferred stock, par value of $1.00 per share.

In fiscal 2006, the Company issued 4,820 shares of Series I Mandatory Convertible Preferred Stock ("Series I preferred stock") at an offering price of $25 per share. Dividends on the Series I preferred stock were $1.38 per share per year, and were due and payable on a quarterly basis in either cash or common stock or a combination of both at the Company's election. In the first quarter of fiscal 2009 the Company entered into agreements with several of the holders of the Series I preferred stock to convert 2,404 shares into Rite Aid common stock earlier than the mandatory conversion date, November 17, 2008, at a rate of 5.6561 which resulted in the issuance of 14,648 shares of Rite Aid common stock. On the mandatory conversion date, the remaining outstanding 2,416 shares of Series I preferred stock automatically converted at a rate of 5.6561 which resulted in the issuance of 13,665 shares of Rite Aid common stock.

The Company also has outstanding Series G and Series H preferred stock. The Series G preferred stock has a liquidation preference of $100 per share and pays quarterly dividends at 7% of liquidation preference. In the fourth quarter of 2009, at the election of the holder, substantially all of the Series G preferred stock was converted into 27,137 common shares, at a conversion rate of $5.50 per share. The remaining Series G preferred stock can be redeemed at the Company's election after January 2009. The Company has not elected to redeem the remaining Series G preferred stock as of February 28, 2009.

The Series H preferred stock pays dividends of 6% of liquidation preference and can be redeemed at the Company's election after January 2010. All dividends can be paid in either cash or in additional shares of preferred stock, at the election of the Company. Any redemptions are at 105% of the liquidation preference of $100 per share, plus accrued and unpaid dividends. The Series H shares are convertible into common stock of the Company, at the holder's option, at a conversion rate of $5.50 per share.

15. Stock Option and Stock Award Plans

As disclosed in Note 1, effective March 5, 2006, the Company adopted SFAS No. 123(R), "Share-Based Payment" using the modified prospective transition method. Expense is recognized over the requisite service period of the award, net of an estimate for the impact of forfeitures. Operating results for fiscal 2009, 2008 and 2007 include $31,448, $40,439 and $22,331 of compensation costs related to the Company's stock-based compensation arrangements.

The Company reserved 22,000 shares of its common stock for the granting of stock options and other incentive awards to officers and key associates under the 1990 Omnibus Stock Incentive Plan (the 1990 Plan), which was approved by the shareholders. Options may be granted, with or without stock appreciation rights ("SAR"), at prices that are not less than the fair market value of a share of common stock on the date of grant. The exercise of either a SAR or option automatically will cancel any related option or SAR. Under the 1990 Plan, the payment for SARs will be made in shares, cash or a combination of cash and shares at the discretion of the Compensation Committee.

15. Stock Option and Stock Award Plans (Continued)

In November 1999, the Company adopted the 1999 Stock Option Plan (the 1999 Plan), under which 10,000 shares of common stock are authorized for the granting of stock options at the discretion of the Board of Directors.

In December 2000, the Company adopted the 2000 Omnibus Equity Plan (the 2000 Plan) under which 22,000 shares of common stock are reserved for granting of restricted stock, stock options, phantom stock, stock bonus awards and other stock awards at the discretion of the Board of Directors.

In February 2001, the Company adopted the 2001 Stock Option Plan (the 2001 Plan) which was approved by the shareholders under which 20,000 shares of common stock are authorized for granting of stock options at the discretion of the Board of Directors.

In April 2004, the Board of Directors adopted the 2004 Omnibus Equity Plan, which was approved by the shareholders. Under the plan, 20,000 shares of common stock are authorized for granting of restricted stock, stock options, phantom stock, stock bonus awards and other equity based awards at the direction of the Board of Directors.

In January 2007, the stockholders of Rite Aid Corporation approved the adoption of the Rite Aid Corporation 2006 Omnibus Equity Plan. Under the plan, 50,000 shares of Rite Aid common stock are available for granting of restricted stock, stock options, phantom stock, stock bonus awards and other equity based awards at the discretion of the Board of Directors. The adoption of the 2006 Omnibus Equity Plan became effective upon the closing of the Acquisition.

All of the plans provide for the Board of Directors (or at its election, the Compensation Committee) to determine both when and in what manner options may be exercised; however, it may not be more than 10 years from the date of grant. All of the plans provide that stock options may be granted at prices that are not less than the fair market value of a share of common stock on the date of grant. The aggregate number of shares authorized for issuance for all plans is 103,712 as of February 28, 2009.

The Company has issued options to certain senior executives pursuant to their individual employment contracts. These options were not issued out of the plans listed above, but are included in the option tables herein. As of February 28, 2009, 5,463 of these options remain outstanding.

Stock Options

The Company determines the fair value of stock options issued on the date of grant using the Black-Scholes-Merton option-pricing model. The following assumptions were used for options granted in fiscal 2009, 2008 and 2007:

	2009	2008	2007
Expected stock price volatility	50%	52%	56%
Expected dividend yield	0.00%	0.00%	0.0%
Risk-free interest rate	2.76%	4.96%	4.99%
Expected option life	5.25 years	5.5 years	5.5 years

15. Stock Option and Stock Award Plans (Continued)

The weighted average fair value of options granted during fiscal 2009, 2008, and 2007 was $0.42, $3.20, and $2.47, respectively.

Following is a summary of stock option transactions for the fiscal years ended February 28, 2009, March 1, 2008, and March 3, 2007:

	Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at March 4, 2006	62,718	4.72		
Granted	6,793	4.43		
Exercised	(5,916)	3.44		
Cancelled	(2,999)	9.05		
Outstanding at March 3, 2007	60,596	4.60		
Granted	10,744	6.01		
Exercised	(4,135)	3.09		
Cancelled	(2,543)	6.66		
Outstanding at March 1, 2008	64,662	4.85		
Granted	14,632	.90		
Exercised	(516)	2.16		
Cancelled	(8,616)	6.84		
Outstanding at February 28, 2009	70,162	3.80	5.11	$—
Vested or expected to vest at February 28, 2009	64,485	3.80	4.85	$—
Exercisable at February 28, 2009	46,949	4.37	3.24	$—

As of February 28, 2009, there was $21,763 of total unrecognized pre-tax compensation costs related to unvested stock options, net of forfeitures. These costs are expected to be recognized over a weighted average period of 2.27 years.

Cash received from stock option exercises for fiscal 2009, 2008, and 2007 was $1,117, $12,764, and $20,386 respectively. There was no income tax benefit from stock options for fiscal 2009 and fiscal 2008. The income tax benefits from stock option exercises totaled $4,202 for fiscal 2007. The total intrinsic value of stock options exercised for fiscal 2009, 2008, and 2007 was $239, $12,705, and $12,346, respectively.

Restricted Stock

The Company provides restricted stock grants to associates under plans approved by the stockholders. Shares awarded under the plans vest in installments up to three years and unvested shares are forfeited upon termination of employment. Additionally, vesting of 386 shares awarded to certain senior executives is conditional upon the Company meeting specified performance targets. Following is

15. Stock Option and Stock Award Plans (Continued)

a summary of restricted stock transactions for the fiscal years ended February 28, 2009, March 1, 2008, and March 3, 2007:

	Shares	Weighted Average Grant Date Fair Value
Balance at March 4, 2006	5,735	4.00
Granted	5,139	4.37
Vested	(1,899)	4.02
Cancelled	(973)	4.18
Balance at March 3, 2007	8,002	4.21
Granted	7,542	5.94
Vested	(4,004)	4.12
Cancelled	(1,568)	5.25
Balance at March 1, 2008	9,972	5.39
Granted	2,647	0.94
Vested	(4,760)	5.19
Cancelled	(1,160)	4.86
Balance at February 28, 2009	6,699	3.87

Compensation expense related to all restricted stock grants is being recorded over a three year vesting period of these grants. At February 28, 2009, there was $15,334 of total unrecognized pre-tax compensation costs related to unvested restricted stock grants, net of forfeitures. These costs are expected to be recognized over a weighted average period of 1.39 years.

The total fair value of restricted stock vested during fiscal years 2009, 2008, and 2007 was $24,707, $16,488, and $7,632, respectively.

16. Retirement Plans

Defined Contribution Plans

The Company and its subsidiaries sponsor several retirement plans that are primarily 401(k) defined contribution plans covering nonunion associates and certain union associates. The Company does not contribute to all of the plans. Per those plan provisions, the Company matches 100% of a participant's pretax payroll contributions, up to a maximum of 3% of such participant's pretax annual compensation. Thereafter, the Company will match 50% of the participant's additional pretax payroll contributions, up to a maximum of 2% of such participant's additional pretax annual compensation. Total expense recognized for the above plans was $64,111 in fiscal 2009, $56,318 in fiscal 2008 and $34,524 in fiscal 2007.

The Chairman of the Board and Chief Executive Officer and a member of the Board of Directors are entitled to supplemental retirement defined contribution arrangements in accordance with their

16. Retirement Plans (Continued)

employment agreements, which vest immediately. The Company makes investments to fund these obligations. Other officers, who are not participating in the defined benefit nonqualified executive retirement plan, are included in a supplemental retirement plan, which is a defined contribution plan that is subject to a five year graduated vesting schedule. The (income) expense recognized for these plans was $(6,287) in fiscal 2009, $3,180 in fiscal 2008, and $7,294 in fiscal 2007. The income recognized in fiscal 2009 is due to the impact of market conditions on the plan liabilities.

Defined Benefit Plans

The Company and its subsidiaries also sponsor a qualified defined benefit pension plan that requires benefits to be paid to eligible associates based upon years of service and, in some cases, eligible compensation. The Company's funding policy for The Rite Aid Pension Plan (The "Defined Benefit Pension Plan") is to contribute the minimum amount required by the Employee Retirement Income Security Act of 1974. However, the Company may, at its sole discretion, contribute additional funds to the plan. The Company made discretionary contributions of $ 1,174 in fiscal 2009, $10,100 in fiscal 2008, and $10,700 in fiscal 2007.

The Company has established the nonqualified executive retirement plan for certain officers who, pursuant to their employment agreements, are not participating in the defined contribution supplemental retirement plan. Generally, eligible participants receive an annual benefit, payable monthly over fifteen years, equal to a percentage of the average of the three highest annual base salaries paid or accrued for each participant within the ten fiscal years prior to the date of the event giving rise to payment of the benefit. This defined benefit plan is unfunded.

On March 3, 2007, the last day of the 2007 fiscal year, the Company adopted the provisions of SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans—an amendment of FASB Statements No. 87, 88. 106 and 132(R)". This standard requires an employer to recognize the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability on the balance sheet and to recognize changes in the funded status in the year in which the changes occur through other comprehensive income.

The initial incremental recognition of the funded status under SFAS No. 158 is recognized as an adjustment to accumulated other comprehensive loss as of March 3, 2007. The cumulative effect of adopting the provisions of SFAS No. 158 as of March 3, 2007 was not material to the consolidated financial statements. Subsequent changes in the funded status that are not included in net periodic benefit cost will be reflected as a component of other comprehensive loss.

16. Retirement Plans (Continued)

Net periodic pension expense and other changes recognized in other comprehensive income for the defined benefit plans included the following components:

	Defined Benefit Pension Plan			Nonqualified Executive Retirement Plan		
	2009	2008	2007	2009	2008	2007
Service cost	$ 2,819	$ 3,254	$ 3,231	$ 51	$ 49	$ 83
Interest cost	5,741	5,476	5,208	1,199	1,146	1,094
Expected return on plan assets	(5,305)	(5,054)	(4,193)	—	—	—
Amortization of unrecognized net transition obligation	—	—	—	—	87	87
Amortization of unrecognized prior service cost	997	997	728	—	—	—
Amortization of unrecognized net loss (gain)	328	845	1,681	(422)	(445)	776
Net pension expense	$ 4,580	$ 5,518	$ 6,655	$ 828	$ 837	$2,040
Other changes recognized in other comprehensive loss:						
Unrecognized net loss (gain) arising during period	$24,694	$(3,928)		$(2,130)	$ (874)	
Prior service cost arising during period	2	—		—	—	
Amortization of unrecognized net transition obligation	—	—		—	(87)	
Amortization of unrecognized prior service costs	(997)	(997)		—	—	
Amortization of unrecognized net (loss) gain	(328)	(845)		422	445	
Net amount recognized in other comprehensive loss	23,371	(5,770)		(1,708)	(516)	
Net amount recognized in pension expense and other comprehensive loss	$27,951	$ (252)		$ (880)	$ 321	

16. Retirement Plans (Continued)

The table below sets forth reconciliation from the beginning of the year for both the benefit obligation and plan assets of the Company's defined benefit plans, as well as the funded status and amounts recognized in the Company's balance sheet as of February 28, 2009 and March 1, 2008:

	Defined Benefit Pension Plan		Nonqualified Executive Retirement Plan	
	2009	2008	2009	2008
Change in benefit obligations:				
Benefit obligation at end of prior year	$ 92,301	$ 98,680	$ 19,678	$ 21,153
Service cost	2,819	3,255	51	49
Interest cost	5,741	5,476	1,199	1,146
Distributions	(6,017)	(5,456)	(1,708)	(1,797)
Change due to change in assumptions	(6,474)	(9,026)	(439)	(938)
Change due to plan amendment	2	—	—	—
Actuarial (gain) loss	37	(628)	(1,691)	65
Benefit obligation at end of year	$ 88,409	$ 92,301	$ 17,090	$ 19,678
Change in plan assets:				
Fair value of plan assets at beginning of year	$ 87,856	$ 83,883	$ —	$ —
Employer contributions	1,174	10,100	1,708	1,797
Actual return on plan assets	(24,490)	547	—	—
Distributions (including expenses paid by the plan)	(7,353)	(6,674)	(1,708)	(1,797)
Fair value of plan assets at end of year	$ 57,187	$ 87,856	$ —	$ —
Funded status	$(31,222)	$ (4,445)	$(17,090)	$(19,678)
Unrecognized net actuarial loss	—	—	—	—
Unrecognized prior service cost	—	—	—	—
Unrecognized net transition obligation	—	—	—	—
Net amount recognized	$(31,222)	$ (4,445)	$(17,090)	$(19,678)
Amounts recognized in consolidated balance sheets consisted of:				
Prepaid pension cost	$ —	$ —	$ —	$ —
Accrued pension liability	(31,222)	(4,445)	(17,090)	(19,678)
Pension intangible asset	—	—	—	—
Minimum pension liability included in accumulated other comprehensive loss	—	—	—	—
Net amount recognized	$(31,222)	$ (4,445)	$(17,090)	$(19,678)
Amounts recognized in accumulated other comprehensive loss consist of:				
Net actuarial gain (loss)	$(37,240)	$(12,875)	$ 473	$ (1,235)
Prior service cost	(3,423)	(4,418)	—	—
Net transition obligation	—	—	—	—
Amount recognized	$(40,663)	$(17,293)	$ 473	$ (1,235)

16. Retirement Plans (Continued)

The estimated net actuarial loss and prior service cost amounts that will be amortized from accumulated other comprehensive loss into net periodic pension expense in fiscal 2010 are $3,337 and $861, respectively.

The accumulated benefit obligation for the defined benefit pension plan was $87,932 and $91,786 as of February 28, 2009 and March 1, 2008, respectively. The accumulated benefit obligation for the nonqualified executive retirement plan was $16,931 and $19,555 as of February 28, 2009 and March 1, 2008, respectively.

The significant actuarial assumptions used for all defined benefit plans to determine the benefit obligation as of February 28, 2009, March 1, 2008, and March 3, 2007 were as follows:

	Defined Benefit Pension Plan			Nonqualified Executive Retirement Plan		
	2009	2008	2007	2009	2008	2007
Discount rate	7.00%	6.50%	5.75%	7.00%	6.50%	5.75%
Rate of increase in future compensation levels	5.00	5.00	5.00	3.00	3.00	3.00

Weighted average assumptions used to determine net cost for the fiscal years ended February 28, 2009, March 1, 2008 and March 3, 2007 were:

	Defined Benefit Pension Plan			Nonqualified Executive Retirement Plan		
	2009	2008	2007	2009	2008	2007
Discount rate	6.50%	5.75%	5.50%	6.50%	5.75%	5.50%
Rate of increase in future compensation levels	5.00	5.00	5.00	3.00	3.00	3.00
Expected long-term rate of return on plan assets	7.75	7.75	7.75	N/A	N/A	N/A

To develop the expected long-term rate of return on assets assumption, the Company considered the historical returns and the future expectations for returns for each asset class, as well as the target asset allocation of the pension portfolio. This resulted in the selection of the 7.75% long-term rate of return on plan assets assumption for fiscal 2009, 2008 and 2007.

The Company's pension plan asset allocations at February 28, 2009 and March 1, 2008 by asset category were as follows:

	February 28, 2009	March 1, 2008
Equity securities	56%	59%
Fixed income securities	44%	41%
Total	100%	100%

The investment objectives of the Defined Benefit Pension Plan, the only defined benefit plan with assets, are to:

- Achieve a rate of return on investments that exceeds inflation over a full market cycle and is consistent with actuarial assumptions;

16. Retirement Plans (Continued)

- Balance the correlation between assets and liabilities by diversifying the portfolio among various asset classes to address return risk and interest rate risk;
- Balance the allocation of assets between the investment managers to minimize concentration risk;
- Maintain liquidity in the portfolio sufficient to meet plan obligations as they come due; and
- Control administrative and management costs.

The asset allocation established for the pension investment program reflects the risk tolerance of the Company, as determined by:

- The current and anticipated financial strength of the Company;
- the funded status of the plan; and
- plan liabilities.

Investments in both the equity and fixed income markets will be maintained, recognizing that historical results indicate that equities (primarily common stocks) have higher expected returns than fixed income investments. It is also recognized that the correlation between assets and liabilities must be balanced to address higher volatility of equity investments (return risk) and interest rate risk.

The following targets are to be applied to the allocation of plan assets.

Category	Target Allocation
U.S. equities	45%
International equities	15%
U.S. fixed income	40%
Total	100%

The Company expects to contribute $8,000 to the Defined Benefit Pension Plan and $1,864 to the nonqualified executive retirement plan during fiscal 2010.

Following are the future benefit payments expected to be paid for the Defined Benefit Pension Plan and the nonqualified executive retirement plan during the years indicated:

Fiscal Year	Defined Benefit Pension Plan	Nonqualified Executive Retirement Plan
2010	$ 5,418	$ 1,864
2011	5,672	1,515
2012	5,741	1,559
2013	6,055	1,667
2014	6,262	1,649
2015-2019	34,636	6,667
Total	$63,784	$14,921

16. Retirement Plans (Continued)

Other Plans

The Company participates in various multi-employer union pension plans that are not sponsored by the Company. Total expenses recognized for the multi-employer plans were $10,924 in fiscal 2009, $13,341 in fiscal 2008 and $13,326 in fiscal 2007.

17. Commitments, Contingencies and Guarantees

Legal Proceedings

The Company entered into a memorandum of understanding to settle a class action lawsuit brought against it in the U.S. District Court for the Northern District of California for alleged violations of California wage-and-hour law. The plaintiff alleged that the Company improperly classified store managers in California as exempt under the law, making them ineligible for overtime wages. The plaintiff sought to require the Company to pay overtime wages to the class of more than 1,200 current and former store managers since May 9, 2001. Management believes that store managers were and are properly classified as exempt from the overtime provisions of California law. On March 27, 2009, the Company entered into a memorandum of understanding to settle with the plaintiff under which, subject to approval of the court, the Company will resolve this lawsuit for $6.9 million. Management anticipates obtaining final court approval of the settlement in the fall of 2009.

The Company is subject from time to time to various claims and lawsuits and governmental investigations arising in the ordinary course of business including lawsuits alleging violations by the Company of state and/or federal wage and hour laws pertaining to overtime pay and pay for missed meals and rest periods. Some of these suits purport or have been determined to be class actions and/or seek substantial damages. While the Company's management cannot predict the outcome of these claims with certainty, the Company's management does not believe that the outcome of any of these legal matters will have a material adverse effect on its consolidated results of operations, financial position or cash flows.

Guaranteed Lease Obligations

In connection with certain business dispositions, the Company continues to guarantee lease obligations for 126 former stores. The respective purchasers assume the Company's obligations and are, therefore, primarily liable for these obligations. Assuming that each respective purchaser became insolvent, an event which the Company believes to be highly unlikely, management estimates that it could settle these obligations for amounts substantially less than the aggregate obligation of $231,395 as of February 28, 2009. The obligations are for varying terms dependent upon the respective lease, the longest of which lasts through February 17, 2024.

In the opinion of management, the ultimate disposition of these guarantees will not have a material effect on the Company's results of operations, financial position or cash flows.

18. Supplementary Cash Flow Data

	Year Ended		
	February 28, 2009	March 1, 2008	March 3, 2007
Cash paid for interest (net of capitalized amounts of $1,434, $2,069 and $1,474)	$ 462,847	$ 353,711	$ 267,807
Cash payments (refunds) from income taxes, net	$ 5,793	$ 2,404	$ (2,676)
Equipment financed under capital leases	$ 8,117	$ 11,667	$ 9,387
Equipment received for noncash consideration	$ 23,878	$ 3,411	$ 3,471
Preferred stock dividends paid in additional shares	$ 18,302	$ 17,153	$ 16,075
Reduction in lease financing obligation	$ 40,221	$ 18,406	$ 13,629
Accrued capital expenditures	$ 16,529	$ 37,344	$ 54,300
Gross borrowings from revolver	$5,522,000	$5,006,000	$3,711,000
Gross repayments to revolver	$5,533,000	$4,457,000	$3,945,000

19. Related Party Transactions

There were receivables from related parties of $314 and $507 at February 28, 2009 and March 1, 2008, respectively.

In connection with the acquisition of Jean Coutu, USA, the Company entered into a transition services agreement with the Jean Coutu Group. Under the terms of this agreement, Jean Coutu Group provided certain information technology, network and support services to the Company. The agreement expired in September 2008. The Company recorded an expense of $894 for services provided under this agreement for the year ended February 28, 2009.

During fiscal 2009, 2008 and 2007, the Company paid Leonard Green & Partners, L.P., fees of $227, $276 and $334, for financial advisory services, respectively. These amounts include expense reimbursements of $90, $89 and $59 for the fiscal years 2009, 2008 and 2007, respectively. Jonathan D. Sokoloff, director, is an equity owner of Leonard Green & Partners, L.P. The Company has entered into a month-to-month agreement with Leonard Green & Partners, L.P., as amended whereby the Company has agreed to pay Leonard Green & Partners, L.P., a monthly fee of $12.5, paid in arrears, for its consulting services. The consulting agreement also provides for the reimbursement of out-of-pocket expenses incurred by Leonard Green & Partners, L.P.

Prior to being employed by the Company, the Company paid Mr. John Standley a fee of $32.5 per week for consulting services rendered in July, August and September 2008. The consulting agreement was on a week-to-week basis, which also provided for the reimbursement of out-of-pocket expenses incurred by Mr. Standley. During fiscal year 2009 and prior to his employment as President and Chief Operating Officer, Rite Aid paid Mr. Standley a consulting fee of $294.

20. Interim Financial Results (Unaudited)

	Fiscal Year 2009				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
Revenues	$6,612,856	$6,500,244	$6,468,601	$ 6,707,567	$26,289,268
Cost of goods sold	4,804,610	4,722,070	4,743,089	4,983,847	19,253,616
Selling, general and administrative expenses	1,792,974	1,780,631	1,711,873	1,699,889	6,985,367
Goodwill impairment charge	—	—	—	1,810,223	1,810,223
Lease termination and impairment charges	36,262	51,825	101,635	104,021	293,743
Interest expense	118,240	118,565	126,615	114,207	477,627
Loss on debt modifications and retirements, net	3,708	36,197	—	—	39,905
Loss (gain) on sale of assets and investments, net	5,340	7,607	(1,008)	(358)	11,581
	6,761,134	6,716,895	6,682,204	8,711,829	28,872,062
Loss before income taxes	(148,278)	(216,651)	(213,603)	(2,004,262)	(2,582,794)
Income tax expense	4,993	5,346	29,522	289,396	329,257
Net loss from continuing operations	(153,271)	(221,997)	(243,125)	(2,293,658)	(2,912,051)
Loss from discontinued operations, net of gain on disposal and income tax benefit	(3,369)	—	—	—	(3,369)
Net loss	$ (156,640)	$ (221,997)	$ (243,125)	$(2,293,658)	$(2,915,420)
Basic loss per share(1)	$ (0.20)	$ (0.27)	$ (0.30)	$ (2.67)	$ (3.49)
Diluted loss per share(1)	$ (0.20)	$ (0.27)	$ (0.30)	$ (2.67)	$ (3.49)

20. Interim Financial Results (Unaudited) (Continued)

	Fiscal Year 2008				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
Revenues	$4,430,413	$6,573,699	$6,497,912	$ 6,824,822	$24,326,846
Cost of goods sold	3,214,834	4,783,888	4,754,057	4,936,493	17,689,272
Selling, general and administrative expenses	1,119,642	1,742,146	1,730,053	1,774,296	6,366,137
Lease termination and impairment charges	4,030	16,587	21,836	43,713	86,166
Interest expense	68,725	123,250	130,306	127,315	449,596
Loss on debt modifications and retirements, net	—	12,900	—	—	12,900
(Gain) Loss on sale of assets and investments, net	(4,230)	1,651	(2,105)	958	(3,726)
	4,403,001	6,680,422	6,634,147	6,882,775	24,600,345
Income (loss) before income taxes	27,412	(106,723)	(136,235)	(57,953)	(273,499)
Income tax (benefit) expense	(900)	(38,570)	(52,739)	894,910	802,701
Net income (loss) from continuing operations	28,312	(68,153)	(83,496)	(952,863)	(1,076,200)
(Loss) income from discontinued operations, net of gain on disposal and income tax benefit	(678)	(1,443)	(1,352)	683	(2,790)
Net income (loss)	$ 27,634	$ (69,596)	$ (84,848)	$ (952,180)	$(1,078,990)
Basic income (loss) per share(1)	$ 0.04	$ (0.10)	$ (0.12)	$ (1.20)	$ (1.54)
Diluted income (loss) per share(1)	$ 0.04	$ (0.10)	$ (0.12)	$ (1.20)	$ (1.54)

(1) Income (loss) per share amounts for each quarter may not necessarily total to the yearly income (loss) per share due to the weighting of shares outstanding on a quarterly and year-to-date basis.

During the second quarter of 2009, the Company recorded a loss on debt modification related to the repurchase of several notes as discussed in Note 11. During the fourth quarter of fiscal 2009, the Company recorded a charge for goodwill impairment of $1,810,223 and store closing and impairment charges of $85,839. The Company recorded income tax expense of $280,700 related to the establishment of additional valuation allowance against deferred tax assets. The Company recorded LIFO expense of $94,569 as inflation was higher than anticipated.

During the fourth quarter of fiscal 2008, the Company recorded an income tax expense of $894,910 related primarily to the establishment of a valuation allowance against deferred tax assets. The Company recorded store closing and impairment charges of $43,713. The Company recorded a credit of $25,259 to record an adjustment to the LIFO reserve, as inflation on pharmacy products was less than

20. Interim Financial Results (Unaudited) (Continued)

estimated in previous quarters. The Company recorded a gain on the sale of assets in Las Vegas of $8,100.

During the second quarter of fiscal 2008, the Company recorded a charge of $12,900 related to commitment fees for bridge financing of the Acquisition that was never utilized.

21. Financial Instruments

The carrying amounts and fair values of financial instruments at February 28, 2009 and March 1, 2008 are listed as follows:

	2009		2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Variable rate indebtedness	$2,397,288	$1,674,069	$2,099,000	$1,896,705
Fixed rate indebtedness	$3,420,603	$1,076,476	$3,670,262	$2,902,318

Cash, trade receivables and trade payables are carried at market value, which approximates their fair values due to the short-term maturity of these instruments.

The following methods and assumptions were used in estimating fair value disclosures for financial instruments:

LIBOR-based borrowings under credit facilities:

The carrying amounts for LIBOR-based borrowings under the credit facilities, term loans and term notes are estimated based on the quoted market price of the financial instruments.

Long-term indebtedness:

The fair values of long-term indebtedness are estimated based on the quoted market prices of the financial instruments. If quoted market prices were not available, the Company estimated the fair value based on the quoted market price of a financial instrument with similar characteristics.

RITE AID CORPORATION AND SUBSIDIARIES
SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS
For the Years Ended February 28, 2009, March 1, 2008 and March 3, 2007
(dollars in thousands)

Allowances deducted from accounts receivable for estimated uncollectible amounts:	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Deductions	Allowances Related to the Purchase of Jean Coutu, USA	Balance at End of Period
Year ended February 28, 2009	$41,221	$31,269	$35,000	—	$37,490
Year ended March 1, 2008	$30,246	$34,598	$34,015	10,392	$41,221
Year ended March 3, 2007	$32,336	$26,603	$28,693	—	$30,246

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

RITE AID CORPORATION

By: /s/ MARY F. SAMMONS

Mary F. Sammons
Chairman of the Board and
Chief Executive Officer

Dated: April 17, 2009

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in their respective capacities on April 17, 2009.

Signature	Title
/s/ MARY F. SAMMONS Mary F. Sammons	Chairman of the Board and Chief Executive Officer
/s/ MICHEL COUTU Michel Coutu	Non-Executive Co-Chairman of the Board
/s/ FRANK G. VITRANO Frank G. Vitrano	Chief Financial Officer, Chief Administration Officer and Senior Executive Vice President
/s/ DOUGLAS E. DONLEY Douglas E. Donley	Chief Accounting Officer and Senior Vice President
/s/ JOSEPH B. ANDERSON, JR Joseph B. Anderson, Jr	Director
/s/ ANDRE BELZILE Andre Belzile	Director
/s/ FRANCOIS J. COUTU Francois J. Coutu	Director

Signature	Title
/s/ JAMES L. DONALD James L. Donald	Director
/s/ MICHAEL A. FRIEDMAN, MD Michael A. Friedman, MD	Director
David R. Jessick	Director
/s/ ROBERT G. MILLER Robert G. Miller	Director
/s/ MICHAEL N. REGAN Michael N. Regan	Director
/s/ PHILIP G. SATRE Philip G. Satre	Director
/s/ JONATHAN D. SOKOLOFF Jonathan D. Sokoloff	Director
/s/ MARCY SYMS Marcy Syms	Director
/s/ DENNIS WOOD Dennis Wood	Director

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Mary F. Sammons, Chairman and Chief Executive Officer, certify that:

1. I have reviewed this annual report on Form 10-K of Rite Aid Corporation (the "Registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended ("the Exchange Act")) and internal controls over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) for the Registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors:

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: April 17, 2009

By: /s/ MARY F. SAMMONS

Mary F. Sammons
Chairman and Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Frank G. Vitrano, Senior Executive Vice President, Chief Financial Officer and Chief Administration Officer, certify that:

1. I have reviewed this annual report on Form 10-K of Rite Aid Corporation (the "Registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended ("the Exchange Act")) and internal controls over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) for the Registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors:
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: April 17, 2009

By: /s/ FRANK G. VITRANO

Frank G. Vitrano
Senior Executive Vice President, Chief Financial Officer and Chief Administration Officer

Exhibit 32

Certification of CEO and CFO Pursuant to
18 U.S.C. Section 1350,
as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report on Form 10-K of Rite Aid Corporation (the "Company") for the annual period ended February 28, 2009 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Mary F. Sammons, as Chief Executive Officer of the Company, and Frank G. Vitrano, as Senior Executive Vice President and Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of her/his knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ MARY F. SAMMONS

Name: Mary F. Sammons
Title: *Chairman and Chief Executive Officer*
Date: April 17, 2009

/s/ FRANK G. VITRANO

Name: Frank G. Vitrano
Title: *Senior Executive Vice President, Chief Financial Officer and Chief Administration Officer*
Date: April 17, 2009

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