

RITE AID CORP  
Form DEF 14A  
May 21, 2004

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SCHEDULE 14A  
(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

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

Filed by the Registrant  
Filed by a Party other than the Registrant  
Check the appropriate box:

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

RITE AID CORPORATION

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(Name of Registrant as Specified in its Charter)

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

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Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1) Title of each class of securities to which transaction applies:

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2) Aggregate number of securities to which transaction applies:

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3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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1) Amount previously paid:

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2) Form, Schedule or Registration Statement No.:

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3) Filing Party:

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4) Date Filed:

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

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Notice of Annual Meeting of Stockholders  
To Be Held on June 24, 2004

To Our Stockholders:

**What:** Our Annual Meeting of Stockholders for Fiscal Year 2004

**When:** June 24, 2004 at 10:30 a.m., local time

**Where:** The Century Plaza Hotel  
2025 Avenue of the Stars  
Los Angeles, California 90067

**Why:** At this Annual Meeting, we plan to:

1. Elect two directors to hold office until the 2007 Annual Meeting of Stockholders and until their respective successors are duly elected and qualified;
2. Approve, ratify and adopt the Rite Aid Corporation 2004 Omnibus Equity Plan;
3. Consider and vote upon a stockholder proposal, if properly presented, requesting Rite Aid Corporation's management to prepare and make public an employment diversity report; and
4. Transact such other business as may properly come before the Annual Meeting of Stockholders or any adjournments or postponements thereof.

Only Stockholders of record at the close of business on May 3, 2004 will receive notice of, and be eligible to vote at, the Annual Meeting and any adjournment or postponement thereof. The foregoing items of business are more fully described in the Proxy Statement accompanying this notice.

Your vote is important. Please read the Proxy Statement and the voting instructions on the enclosed proxy and then, whether or not you plan to attend the Annual Meeting in person, and no matter how many shares you own, please complete and promptly return your proxy in the envelope provided. This will not prevent you from voting in person at the meeting. It will, however, help to assure a quorum and to avoid added proxy solicitation costs. If you are a Stockholder of record, you may also authorize the individuals named on the enclosed proxy to vote your shares by calling a specially designated telephone number (TOLL FREE 877-785-2637) or via the Internet at [www.computershare.com/us/proxy](http://www.computershare.com/us/proxy). These telephone and Internet voting procedures are designed to authenticate your vote and to confirm that your voting instructions are followed. Specific instructions for Stockholders of record who wish to use telephone or Internet voting procedures are set forth on the enclosed proxy. You may revoke your proxy at

any time before the vote is taken by (a) 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 (b) voting your shares in person at the Annual Meeting.

By order of the Board of Directors  
 Robert B. Sari  
 Secretary  
 Camp Hill, Pennsylvania  
 May 21, 2004

TABLE OF CONTENTS

	Page
<b>General Information</b>	1
Purpose of the Meeting	1
Record Date	1
Quorum and Voting	1
Required Votes	2
Voting Procedures	2
Proxies	2
<b>Proposal No. 1 — Election of Directors</b>	4
General	4
Director Nominees	4
<b>Board of Directors</b>	4
Corporate Governance	6
Committees of the Board of Directors	7
Executive Sessions of Non-Management Directors	9
Communications with the Board of Directors	9
Directors' Attendance at Board, Committee and Annual Meetings	9
Directors' Compensation	9
<b>Proposal No. 2 — Adoption, Ratification and Approval of 2004 Omnibus Equity Plan</b>	10
Introduction	10
General	10
Description of Principal Features of the 2004 Plan	11
Certain Federal Income Tax Consequences	13
New Plan Benefits	14
<b>Equity Compensation Plan Information</b>	15
<b>Proposal No. 3 — Stockholder Proposal — Employment Diversity Report</b>	15
<b>Executive Officers</b>	18
Executive Officer Compensation	19
Option Grants in the Fiscal Year	22
Option Exercises and Fiscal Year-End Values	22
<b>Employment and Employment-Related Agreements and Termination of Employment</b>	22
Executive Employment Agreements	22
Employment Agreement with Mr. Miller as Chairman	25
Supplemental Executive Retirement Plans	26

Officer Retirement Plan	26
<b>Report of the Compensation Committee on Executive Compensation</b>	27
<b>Compensation Committee Interlocks and Insider Participation</b>	28
<b>Audit Committee Report</b>	29
<b>Stock Performance Graph</b>	31
<b>Section 16(a) Beneficial Ownership Reporting Compliance</b>	32
<b>Security Ownership of Certain Beneficial Owners and Management</b>	32
<b>Certain Relationships and Related Transactions</b>	34
<b>Stockholder Proposals</b>	34
<b>Incorporation by Reference</b>	34
<b>Other Matters</b>	34
<b>Independent Auditors</b>	35
<b>Solicitation of Proxies</b>	35
<b>Important Notice Regarding Delivery of Stockholder Documents</b>	35
<b>Annual Report</b>	35

i

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

PROXY STATEMENT

FOR ANNUAL MEETING OF STOCKHOLDERS  
To Be Held on June 24, 2004

#### GENERAL INFORMATION

The Board of Directors of Rite Aid Corporation, a Delaware corporation ("Rite Aid" or the "Company"), seeks your proxy for use in voting at our 2004 Annual Meeting of Stockholders to be held at The Century Plaza Hotel, 2025 Avenue of the Stars, Los Angeles, California 90067, on June 24, 2004 at 10:30 a.m., local time, or any adjournment or postponement thereof (the "Meeting"). This proxy statement, the foregoing notice and the enclosed proxy are first being mailed on or about May 21, 2004 to all holders of our common stock, par value \$1.00 per share ("Common Stock") and 8% Series D Cumulative Convertible Pay-in-Kind Preferred Stock ("Series D Preferred Stock") (collectively, the "Stockholders") entitled to vote at the Meeting.

#### Purpose of the Meeting

At the Meeting, the Stockholders will be asked to vote on the following proposals:

- Proposal No. 1: To elect two directors to hold office until the 2007 Annual Meeting of Stockholders and until their respective successors are duly elected and qualified;
- Proposal No. 2 To approve, ratify and adopt the Rite Aid Corporation 2004 Omnibus Equity Plan; and
- Proposal No. 3:

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To consider and vote upon a stockholder proposal, if properly presented, requesting Rite Aid Corporation's management to prepare and make public an employment diversity report.

In addition, the holders of the Series D Preferred Stock, voting separately as a class, will vote to elect one director (the "Series D Preferred Director") to hold office until the 2007 Annual Meeting of Stockholders and until his successor is duly elected and qualified.

### Record Date

Only Stockholders of record at the close of business on May 3, 2004 (the "Record Date") will receive notice of, and be entitled to vote at, the Meeting. At the close of business on the Record Date, the Company had outstanding and entitled to vote 517,213,069 shares of Common Stock and 4,261,593.0632 shares of Series D Preferred Stock (each of which is entitled to approximately 18.18 votes per share, or an aggregate of approximately 77,475,761 votes).

### Quorum and Voting

The presence at the Meeting, in person or by proxy, of the holders of 297,344,415 shares (a majority of the aggregate number of shares of Common Stock and Series D Preferred Stock (on an as-if-converted

1

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basis) issued and outstanding and entitled to vote as of the Record Date) is necessary to constitute a quorum to transact business. Proxies marked "Abstain" and broker proxies that have not voted on a particular proposal because the broker does not have authority to vote on that proposal and has not received voting instructions ("Broker Non-Votes"), if any, will be counted in determining the presence of a quorum. In deciding all matters that come before the 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 Series D Preferred Stock as of the Record Date is entitled to approximately 18.18 votes per share of Series D Preferred Stock (one vote per share of Common Stock issuable upon conversion of the Series D Preferred Stock). As of the Record Date, the Series D Preferred Stock was convertible into an aggregate of approximately 77,475,761 shares of Common Stock. The holders of the Common Stock and Series D Preferred Stock vote together as a single class, except that the holders of the Series D Preferred Stock, voting separately as a class, will vote to elect the Series D Preferred Director.

### Required Votes

Election of the director nominees named in Proposal No. 1 requires the affirmative vote of a plurality of the total number of votes cast at the Meeting by the holders of shares of Common Stock and Series D Preferred Stock, voting together as a single class. Votes may be cast in favor of or withheld with respect to all of the director nominees, or any of them. Abstentions and Broker Non-Votes, if any, will not be counted as having been voted and will have no effect on the outcome on the vote on the election of directors, except to the extent the failure to vote for a nominee results in another nominee receiving a larger number of votes. Stockholders may not cumulate votes in the election of directors.

The affirmative vote of a majority of the total number of votes of the Common Stock and the Series D Preferred Stock represented and entitled to vote at the meeting, voting together as a single class, is necessary for (a) the approval, ratification and adoption of the Rite Aid Corporation 2004 Omnibus Equity Plan, as specified in Proposal No. 2, and (b) the approval of the stockholder proposal as specified in Proposal No. 3. In determining whether Proposal Nos. 2 and 3 have received the requisite number of affirmative votes, abstentions will be counted and will have the same

effect as votes against the proposal, and Broker Non-Votes, if any, will have no effect on the votes for Proposal Nos. 2 and 3.

#### Voting Procedures

Stockholders of record can choose one of the following three ways to vote:

1. By mail: Sign, date and return the proxy in the enclosed pre-paid envelope.
2. By telephone: Call (TOLL FREE 877-785-2637) and follow the instructions.
3. Via the Internet: Access [www.computershare.com/us/proxy](http://www.computershare.com/us/proxy) and follow the instructions.

By casting your vote in any of the three ways listed above, you are authorizing the individuals listed on the proxy to vote your shares in accordance with your instructions. If you want to vote in person at the Meeting and you hold Common Stock in street name, you must obtain a proxy from your broker and bring that proxy to the meeting.

#### Proxies

If the enclosed proxy card is properly signed and returned prior to voting at the Meeting, the shares represented thereby will be voted at the Meeting in accordance with the instructions specified thereon. If the proxy card is signed and returned without instructions, the shares will be voted as follows:

- Proposal No. 1: FOR the nominees of the Board in the election of directors;
- Proposal No. 2: FOR the approval, ratification and adoption of the Rite Aid Corporation 2004 Omnibus Equity Plan; and
- Proposal No. 3: AGAINST the stockholder proposal.

Management does not intend to bring any matter before the Meeting other than as indicated in the notice and does not know of anyone else who intends to do so. If any other matters properly come before

2

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the Meeting, however, the persons named in the enclosed proxy, or their duly constituted substitutes acting at the Meeting, will be deemed authorized to vote or otherwise act thereon in accordance with their judgment on such matters.

You may revoke your proxy by doing any of the following:

- Delivering a written notice of revocation to the Secretary of Rite Aid, dated later than the proxy, before the vote is taken at the Meeting;
- Delivering a duly executed proxy to the Secretary of Rite Aid bearing a later date (including proxy by telephone or via the Internet) before the vote is taken at the Meeting; or
- Voting in person at the Meeting (your attendance at the Meeting, in and of itself, will not revoke the proxy).

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

Rite Aid Corporation  
30 Hunter Lane  
Camp Hill, Pennsylvania 17011

Attention: Robert B. Sari, Secretary

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

3

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## PROPOSAL NO. 1

### ELECTION OF DIRECTORS

#### General

Rite Aid's Board of Directors is divided into three classes, with each class to be composed as equally as possible. The Board of Directors currently consists of three directors whose terms expire this year, two directors whose terms expire in 2005 and three directors whose terms expire in 2006. The term of one class of directors expires at each annual meeting of Stockholders and each class serves a three-year term. Although the Board of Directors has a Nominating and Governance Committee, the nominees for directors (other than the Series D Preferred Director) were nominated by the entire Board and the nominee for the Series D Preferred Director was nominated by the holder of the Series D Preferred Stock.

The Company's 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 of Directors. The Board of Directors has fixed the number of directors for the year commencing at the Meeting at eight.

#### Director Nominees

The Board of Directors has nominated Mary F. Sammons and George G. Golleher to be elected directors at the Meeting. The holder of the Series D Preferred Stock has informed the Company that it will elect John G. Danhaki as the Series D Preferred Director. Each of the nominees for director to be elected at the Meeting currently serves as a director of the Company. Each director elected at the Meeting will hold office until 2007. 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 the Company's directors and the director nominees as of the Record Date:

Name	Age	Position with Rite Aid	Year First Became Director	Term as Director will Expire (1)
Robert G. Miller	60	Chairman	1999	2005
Mary F. Sammons	57	Director, President and Chief Executive Officer	1999	2004
John G. Danhaki	48	Director	2003	2004
Alfred M. Gleason	74	Director	2000	2005
George G. Golleher	56	Director	2002	2004
Colin V. Reed	56	Director	2003	2006
Stuart M. Sloan	60	Director	2000	2006
Jonathan D. Sokoloff	46	Director	1999	2006

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

4

Robert G. Miller. Mr. Miller has been Chairman of the Board of the Company since December 5, 1999. Mr. Miller was also the Chief Executive Officer from December 1999 until June 2003. Previously, Mr. Miller served as Vice Chairman and Chief Operating Officer of The Kroger Company, a retail food company. Mr. Miller joined Kroger in March 1999, when The Kroger Company acquired Fred Meyer, Inc., a food, drug and general merchandise chain. From 1991 until the acquisition, he served as Chief Executive Officer of Fred Meyer, Inc. Mr. Miller also serves as a director of Harrah's Entertainment, Inc.

Mary F. Sammons. Ms. Sammons has been President and a member of Rite Aid's Board of Directors since December 5, 1999 and Chief Executive Officer since June 2003. She had been the Chief Operating Officer from December 1999 until June 2003. 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 also serves as Chairman of the Board of the National Association of Chain Drugstores and is a director of First Horizon National Corporation and of The Rite Aid Foundation.

John G. Danhaki. Mr. Danhaki has been a Managing Partner of Leonard Green & Partners, L.P. since 1995. 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. Prior to that, he served as a Managing Director in the Los Angeles office of Donaldson, Lufkin & Jenrette, which he joined in 1990. He presently serves on the Board of Directors of Big 5 Sporting Goods Corporation; Diamond Triumph Auto Glass, Inc.; Leslie's Poolmart, Inc.; Liberty Group Publishing, Inc.; MEMC Electronic Materials Inc.; Petco Animal Supplies, Inc.; VCA Antech, Inc.; Arden Group, Inc. and several private companies. Mr. Danhaki 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.

Alfred M. Gleason. Mr. Gleason is currently a self-employed consultant. Mr. Gleason served as the President of the Port of Portland Commission in Portland, Oregon, from 1996 until June 1999. From 1985 until 1995, Mr. Gleason held several positions with PacifiCorp, including Chief Executive Officer, President and Director. PacifiCorp was the parent company of Pacific Power & Light, Utah Power & Light and Pacific Telecom, Inc.

George G. Golleher. From June 1999 to present, Mr. Golleher has worked as a business consultant and a private equity investor following his retirement after 28 years of experience in the Southern California food industry. From March 1998 to May 1999, Mr. Golleher served as President, Chief Operating Officer and director of Fred Meyer, Inc. Prior to joining Fred Meyer, Inc., Mr. Golleher served for 15 years with Ralphs Grocery Company as Chief Executive Officer when Ralphs merged with Fred Meyer, Inc. in March 1998. Mr. Golleher is Chairman of the Board of Directors of American Restaurant Group, Inc., which operates Black Angus Restaurants, and also serves on the board of directors of General Nutrition Centers. In May 2003, Mr. Golleher was named the Chief Executive Officer of Simon Worldwide Inc., a promotional marketing firm, and has served as a director of Simon Worldwide since November 1999.

Colin V. Reed. Mr. Reed has been President, Chief Executive Officer and a director of Gaylord Entertainment Company, a diversified entertainment corporation headquartered in Nashville, Tennessee, since April 2001. The company includes among its businesses Gaylord Hotels, Grand Ole Opry, The Ryman Auditorium, WSM Radio and Resort Quest International. Before joining Gaylord, Mr. Reed was Chief Financial Officer of Harrah's Entertainment, Inc. from April 1997 until 2001, a member of the three-executive Office of the President of Harrah's from May 1999 until 2001 and a director of Harrah's from 1998 to 2001. Joining Harrah's in 1977, he served in various executive capacities including Senior Vice President of Development where he oversaw the growth of Harrah's Casinos and was named Executive Vice President and Chief Financial Officer in 1997. He also served in various management positions for Holiday Corporation, former parent company of Harrah's, including Executive Assistant to

5

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the Chairman and Chief Financial Officer for Holiday Inn for the Europe, Middle East and Africa division. Mr. Reed serves on the board of directors of Bass Pro, Inc. and is a fellow in the British Association of Hotel Accountants.

Stuart M. Sloan. Mr. Sloan has been a principal of Sloan Capital Companies, a private investment company, since 1984. Mr. Sloan was also the Chairman of the Board from 1986 to 1998 and the Chief Executive Officer from 1991 to 1996 of Quality Food Centers, Inc., a supermarket chain. He currently serves on the boards of directors of Anixter International, Inc. and J. Crew.

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 is also a director of Diamond Triumph Auto Glass, Inc., Dollar Financial Group, Inc. and The Sports Authority. Mr. Sokoloff 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.

Corporate Governance

The Board of Directors recognizes that good corporate governance is an important means of protecting the interests of the Company's stockholders, associates, customers, and the community. The Company has 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 Securities and Exchange Commission (the "SEC") interpreting and implementing Sarbanes-Oxley, and the corporate governance listing standards of the New York Stock Exchange (the "NYSE").

**Website Access to Corporate Governance Materials.** The Company's corporate governance information and materials, including our Certificate of Incorporation, By-Laws, Corporate Governance Guidelines, committee charters, Code of Ethics for the Chief Executive Officer and Senior Financial Officers and Code of Ethics and Business Conduct are posted on the corporate governance section of the Company's website at [www.riteaid.com](http://www.riteaid.com) and are available in print upon request to Rite Aid Corporation, 30 Hunter Lane, Camp Hill, Pennsylvania 17011, Attention: Corporate Secretary. The Board will regularly review corporate governance developments and modify these materials and practices 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 associates, officers and directors. Any amendment to either code or any waiver of either code for executive officers or directors will be disclosed on the corporate governance section of the Company's website at [www.riteaid.com](http://www.riteaid.com).

**Director Independence.** For a director to be considered independent under the NYSE listing standards, the Board of Directors must 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. To assist it in determining director independence, the Board has established independence guidelines that satisfy the NYSE listing standards. The independence guidelines are set forth in section one of the Company's Corporate Governance Guidelines. The Board considers all relevant facts and circumstances in applying these guidelines and in making independence determinations.

The Board of Directors has determined that all of the directors, other than Mr. Miller and Ms. Sammons, including those who serve on the Nominating and Governance, Audit and Compensation Committees satisfy the NYSE independence requirements and the Company's independence guidelines, and that the members of the Audit Committee satisfy the additional independence requirements of Rule 10A-3 under the Securities Exchange Act of 1934 and the NYSE requirements for audit committee members.

6

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#### Committees of the Board of Directors

**Executive Committee.** The members of the Executive Committee are Robert G. Miller (Chairman), Mary F. Sammons, Stuart M. Sloan and Jonathan D. Sokoloff. The Executive Committee did not meet during fiscal year 2004. However, on five occasions in fiscal year 2004, 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.

**Nominating and Governance Committee.** The Nominating and Governance Committee currently consists of George G. Golleher (Chairman), John G. Danhaki and Colin V. Reed, each of whom is an independent director under the New York Stock Exchange listing standards. See "Corporate Governance—Director Independence" above. The Nominating

and Governance Committee did not meet during fiscal year 2004.

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

- Identifying and recommending to the Board individuals qualified to serve as directors of the Company;
- Recommending to the Board 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 the Company and overseeing corporate governance matters generally; and
- Overseeing the annual evaluation of the Board and the Company's management.

The Nominating and Governance Committee is governed by a charter, a current copy of which is posted on the corporate governance section of the Company's website at [www.riteaid.com](http://www.riteaid.com). A copy of the charter is also available in print to stockholders upon request to Rite Aid Corporation, 30 Hunter Lane, Camp Hill, Pennsylvania 17011, Attention: Corporate Secretary.

The Nominating and Governance Committee will consider director candidates recommended by stockholders. In considering candidates submitted by stockholders, 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 Company 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 director of the Company 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: Corporate 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 Corporate Secretary not less than 120 days prior to the anniversary date of the Company's most recent annual meeting of stockholders.

The Nominating and Governance Committee believes that the minimum qualifications for serving as a director of the Company are that a nominee demonstrate, by significant accomplishment in his or her field, an ability to make a meaningful contribution to the Board's oversight of the business and affairs of the Company 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

7

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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 nominees 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.

**Audit Committee.** The Audit Committee, which held seven meetings during fiscal year 2004, currently consists of Alfred M. Gleason (Chairman), George G. Golleher and Colin V. Reed, each of whom is an independent director under the New York Stock Exchange listing standards and satisfies the additional independence requirements of Rule 10A-3 under the Securities Exchange Act of 1934 and the additional NYSE requirements for audit committee members. See "Corporate Governance—Director Independence" above. The Board has determined that Alfred M. Gleason qualifies as an "audit committee financial expert" as that term is defined under SEC rules. The functions of the Audit Committee include the following:

- Appointing, compensating and overseeing the Company's independent auditors,
- Overseeing management's fulfillment of its financial reporting and disclosure responsibilities and its maintenance of appropriate internal control systems, 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 "Audit Committee Report."

**Compensation Committee.** The Compensation Committee, which met five times during fiscal year 2004, currently consists of Stuart M. Sloan (Chairman), Jonathan D. Sokoloff and John G. Danhaki, each of whom is an independent director under the New York Stock Exchange listing standards. See "Corporate Governance—Director Independence" above. The functions of the Compensation Committee include the following:

- Administering the Company's stock option and other equity incentive plans,
- Determining and approving the compensation levels for the Chief Executive Officer, and
- Reviewing and recommending to the Board of Directors other senior officers' compensation levels.

For additional information, see "Report of the Compensation Committee on Executive Compensation."

#### 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. These sessions are presided over by the chair of the Nominating and Governance Committee, chair of the Audit Committee or chair of the Compensation Committee depending on the subject matter to be covered in the meeting. The non-management directors met four times during fiscal year 2004 in executive session.

#### 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 Corporate Secretary, P.O. Box 3165, Harrisburg, PA 17105. To communicate with any of our directors electronically, stockholders should go to our corporate website at [www.riteaid.com](http://www.riteaid.com). Under the headings "Investor Information/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 our website in order to send your message.

All communications received as set forth above will be opened by the Corporate Secretary for the purpose of determining whether the contents represent a message to our 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 Corporate 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 five regular meetings and five special meetings during fiscal year 2004. Each incumbent director of the Company 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 the Company's policy that directors are invited and encouraged to attend the Annual Meeting of Stockholders. Seven of our directors were in attendance at the 2003 Annual Meeting of Stockholders.

#### Directors' Compensation

Except for Robert G. Miller, whose compensation arrangements are discussed below and in the section entitled "Employment and Employment-Related Agreements and Termination of Employment — Employment Agreement with Mr. Miller as Chairman," under the director compensation plan, all non-employee directors who are not affiliated with entities that provide services to the Company receive an annual payment of \$50,000 in cash, payable quarterly in arrears. Directors who are officers and full-time employees of the Company or who are affiliated with entities that provide services to the Company 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.

Non-employee directors who are not affiliated with entities that provide services to the Company are entitled to annually receive non-qualified stock options to purchase 50,000 shares of Common Stock; however, each person who is 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. All of the options received by the directors vest ratably over a three-year period beginning on the first anniversary of the

9

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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 and who has served as a director for eighteen months or more following the date of grant of options, in which case such options will vest immediately upon termination. All of the options vest immediately upon a change in control. No stock option grants were made in fiscal year 2004 to the non-employee directors.

In fiscal year 2004, Rite Aid's non-employee directors also received \$1,000 for each Board of Directors and committee meeting attended or \$1,500 for each meeting attended at which such non-employee director served as the chairman of a committee, except that Jonathan D. Sokoloff and John G. Danhagl received no compensation.

On April 9, 2003, Rite Aid entered into a new employment agreement with the Company's former CEO, Robert G. Miller, pursuant to which, effective as of June 25, 2003, Mr. Miller continued serving solely as Chairman of the Board and will do so through June 30, 2005, or the date of Rite Aid's 2005 Annual Meeting of Stockholders, whichever is earlier. Please see "Employment and Employment-Related Agreements and Termination of Employment — Employment Agreement with Mr. Miller as Chairman" for details regarding Mr. Miller's compensation and other material terms of this agreement.

## PROPOSAL NO. 2

### ADOPTION, RATIFICATION AND APPROVAL OF 2004 OMNIBUS EQUITY PLAN

#### Introduction

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

#### General

On April 7, 2004, the Board of Directors approved the Rite Aid Corporation 2004 Omnibus Equity Plan (the "2004 Plan"), subject to stockholder approval. A copy of the 2004 Plan is attached as Appendix A to this proxy statement

and the following description of the material terms of the 2004 Plan is qualified in its entirety by the complete text of the plan.

The 2004 Plan is intended to promote the interests of the Company and its stockholders by providing officers and other associates (including directors who are also associates) with incentives and rewards to encourage them to enter into and continue in the employ of the Company and to acquire a proprietary interest in the long-term success of the Company and to reward the performance of individual officers, other associates, consultants and nonemployee directors in fulfilling their personal responsibilities for long-range achievements. Approximately 10,000 persons will be eligible to participate in the 2004 Plan.

The 2004 Plan is intended to permit the grant of performance-based compensation within the meaning of Section 162(m) of the Internal Revenue Code, which generally limits the deduction that the Company may take for compensation of its CEO and four other most highly compensated executive officers who are serving at the end of the year. Under Section 162(m), certain compensation, including compensation based on the attainment of performance goals, will not be subject to this limitation if certain requirements are met. Among these requirements is a requirement that the material terms pursuant to which the performance based compensation is to be paid be disclosed to and approved by the

10

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stockholders. Accordingly, if the 2004 Plan is approved by stockholders and the other conditions of Section 162(m) relating to performance-based compensation are satisfied, performance based compensation paid to covered officers pursuant to the 2004 Plan will not fail to be deductible due to the operation of Section 162(m).

#### Description of Principal Features of the 2004 Plan

**Types of Awards.** The following six types of awards may be granted under the 2004 Plan: stock options (including both incentive stock options ("ISOs") within the meaning of Section 422 of the Internal Revenue Code and nonqualified options ("NQSOs"), which are options that do not qualify as ISOs), stock appreciation rights, restricted stock, phantom stock, stock bonus awards, and other equity-based awards valued in whole or in part by reference to, or otherwise based on, the Company's common stock.

**Shares Available.** There are reserved for issuance under the 2004 Plan a total of 20 million shares of common stock, subject to equitable adjustment upon the occurrence of any stock dividend or other distribution, recapitalization, stock split, subdivision reorganization, merger, consolidation, combination, repurchase, or share exchange, or other similar corporate transaction or event. The maximum number of such shares of common stock that may be the subject of awards other than options and stock appreciation rights is 10 million (also subject to equitable adjustment). Shares subject to an award that remain unissued upon the cancellation or termination of the award will again become available for award under the 2004 Plan, as shall any shares subject to an award that are retained by the Company as payment of the exercise price or tax withholding obligations and previously owned shares surrendered to the Company as payment of the exercise price of an option or to satisfy tax withholding obligations. In addition, to the extent an award is paid or settled in cash, the number of shares previously subject to the award shall again be available for grants pursuant to the 2004 Plan. Under the 2004 Plan, no participant may be granted awards with respect to 1 million or more shares of common stock in any calendar year (subject to equitable adjustment). The market price of the Company's common stock on May 3, 2004 was \$5.07 per share.

**Administration.** The 2004 Plan will be administered by the Compensation Committee of the Company's Board of Directors. Each member of the Compensation Committee is expected to be a "non-employee director" (within the meaning of Rule 16b-3 promulgated under Section 16 of the Securities Exchange Act of 1934), an "outside director" (within the meaning of Section 162(m) of the Internal Revenue Code) and an "independent director" within the meaning of the New York Stock Exchange listed company manual.

**Eligibility.** Officers of the Company, including the executive officers listed on the summary compensation table, associates, non-employee directors and consultants to the Company are eligible to receive awards under the 2004 Plan at the discretion of the Compensation Committee (or, in the case of non-employee directors, the Board).

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

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

11

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combination thereof, all as determined by the Compensation Committee. The business criteria may also be subject to a threshold level of performance below which no payment will be made, levels of performance at which specified payments will be made, and a maximum level of performance above which no additional payment will be made. Where applicable, business criteria will be determined in accordance with generally accepted accounting principles and achievement of the criteria will require certification by the Compensation Committee. The Compensation Committee has the authority to accelerate the vesting and/or exercisability of any outstanding award at such times and under such circumstances as it deems appropriate.

**Stock Options.** Options entitle the participant to purchase shares of common stock during a specified period at a purchase price specified by the Compensation Committee (at a price not less than 100% of the fair market value of the common stock on the day the option is granted). Each option granted under the 2004 Plan will have a maximum term of 10 years from the date of grant, or such lesser period as the Compensation Committee shall determine. Options may be exercised in whole or in part by the payment of cash of the full option price, by tendering shares of common stock with a fair market value equal to the option price (and owned by the participant for at least six months prior to exercise) or by other methods in the discretion of the Compensation Committee. Options granted under the 2004 Plan may not be re-priced to lower the exercise price, nor may they provide for automatic "re-load" grants upon the exercise of an option with shares of common stock. The Compensation Committee has the authority to accelerate the vesting and/or exercisability of any outstanding award at such times and under such circumstances as it deems

appropriate.

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

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

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

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

**Other Awards.** Other forms of awards valued in whole or in part by reference to, or otherwise based on, common stock may be granted either alone or in addition to other awards under the 2004 Plan. For example, the 2004 Plan will permit the grant of performance-based awards denominated in shares and with respect to which participants may earn a range of shares, depending upon the actual level of performance. Subject to the provisions of the 2004 Plan, the Compensation Committee shall have sole and complete authority to determine the persons to whom and the time or times at which such other awards shall be granted, the number of shares of common stock to be granted pursuant to such other awards and all other conditions of such awards.

**Amendment and Termination of the Plan.** The 2004 Plan may be amended by the Board of Directors, subject to stockholder approval where necessary to satisfy legal or regulatory requirements.

12

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The 2004 Plan will terminate not later than June 24, 2014. However, awards granted before the termination of the 2004 Plan may extend beyond that date in accordance with their terms.

#### Certain Federal Income Tax Consequences

Set forth below is a discussion of certain United States federal income tax consequences with respect to certain awards that may be granted pursuant to the 2004 Plan. The following discussion is a brief summary only, and reference is made to the Internal Revenue Code and the regulations and interpretations issued thereunder for a complete statement of all relevant federal tax consequences. This summary is not intended to be exhaustive and does not describe state, local or foreign tax consequences of participation in the 2004 Plan.

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

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

**Restricted Stock.** A participant will not recognize any income upon the receipt of restricted stock, unless the participant elects under Section 83(b) of the Internal Revenue Code, within thirty days of such receipt, to recognize ordinary income in an amount equal to the fair market value of the restricted stock at the time of receipt, less any amount paid for the shares. If the election is made, the participant will not be allowed a deduction for amounts subsequently required to be returned to the Company. If the election is not made, the participant will generally recognize ordinary income on the date that the restrictions to which the restricted stock lapse, in an amount equal to the fair market value of such shares on such date, less any amount paid for the shares. At the time the participant recognizes ordinary income, the Company generally will be entitled to a deduction in the same amount. Generally, upon a sale or other disposition of restricted stock with respect to which the participant has recognized ordinary income (i.e., a Section 83(b) election was previously made or the restrictions were previously removed), the participant will recognize capital gain or loss in an amount equal to the difference between the amount realized on such sale or other disposition and the participant's basis in such shares.

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

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**Other Awards.** In general, participants will recognize ordinary income upon the receipt of shares or cash with respect to other awards granted under the 2004 Plan and the Company will become entitled to a deduction at such time

equal to the amount of income recognized by the participant.

#### New Plan Benefits

If approved by the stockholders, participants in the 2004 Plan will be eligible for annual long-term awards which may include performance shares, stock options and restricted stock (or other awards permitted under the 2004 Plan). The level and types of awards will be fixed by the Compensation Committee in light of the participants' targeted long-term incentive level. The Compensation Committee may impose additional conditions or restrictions to the vesting of such awards as it deems appropriate, including, but not limited to, the achievement of performance goals based on one or more business criteria. Although the grant of awards under the 2004 Plan is at the discretion of the Compensation Committee, it is expected that the types of awards described below or a combination thereof will be made shortly after stockholder approval of the 2004 Plan.

- Performance Shares. Performance share awards are payable in Common Stock following a three year performance period, provided that specified targets based on adjusted EBITDA are met. Depending upon the actual adjusted EBITDA, award recipients may receive no shares in respect of these awards (if at least 90% of the three year adjusted EBITDA target is not achieved) or up to 200% of the targeted amount of shares (if 115% or greater of the three year adjusted EBITDA target is achieved). In addition, the awards will contain adjusted EBITDA targets for each of the years during the performance period; if at least 85% of a yearly target is not achieved, the Compensation Committee will have the discretion to reduce the final award by one-third for each year in which the target is not met, regardless of the final adjusted EBITDA achieved.
- Stock Options. Stock options will have an exercise price equal to the value of the Common Stock as of the date of grant, will vest over a four year period (subject to continued employment or service) and will have a maximum ten year term.
- Restricted Stock. Awards of restricted stock will vest over a three year period from the date of grant, subject to the recipient's continued employment or service.

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

The 2004 Plan was designed by the Board of Directors, with the assistance of an outside compensation consultant, as part of a comprehensive compensation strategy to provide a long-term incentive for associates and executives to contribute to the growth of the Company and attain specified performance goals.

#### RECOMMENDATION

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS  
THAT YOU VOTE "FOR" THE APPROVAL, RATIFICATION AND ADOPTION OF  
THE 2004 OMNIBUS EQUITY PLAN

14

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#### EQUITY COMPENSATION PLAN INFORMATION

The following table provides information as of March 1, 2004 with respect to the compensation plans under which the

Company's Common Stock may be issued:

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options Warrants and Rights (a)	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Further Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)
Equity compensation plans approved by stockholders:	26,945,126	\$7.72	1,789,389
Equity compensation plans not approved by stockholders:*	35,049,670	\$3.79	1,533,271
Total:	61,994,796		3,322,660

\*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 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 9,121,666 options are outstanding pursuant to option grants made in accordance with the provisions of individual agreements with certain of the Company's executives.

PROPOSAL NO. 3

#### STOCKHOLDER PROPOSAL – EMPLOYMENT DIVERSITY REPORT

The General Board of Pension and Health Benefits of the United Methodist Church, 1201 Davis Street, Evanston, Illinois 60201, the owner of 73,307 shares of Common Stock (based on information provided to us by The General Board of Pension and Health Benefits of the United Methodist Church), has notified the Company that it intends to present the following proposal at the Annual Meeting:

**WHEREAS:** Equal employment is a key issue for shareholders. The bipartisan Glass Ceiling Commission Study released in 1995 explains that a positive diversity record also has a positive impact on the bottom line. This study is important for shareholders because it shows how many corporations in the United States select for advancement from less than 50 percent of the total talent available in our work force.

- Women and minorities comprise 57 percent of the work force, yet represent only 3 percent of executive management positions.
- Women who were awarded more than half of all master degrees represent less than 5 percent of senior-level management positions.

These statistics show the limits placed on selecting the most talented people for top management positions.

Not attending to diversity impacts the bottom line because of the real costs of discrimination cases, the potential loss of government contracts and the financial ramifications of a damaged corporate image.

- a) In 1996 Texaco settled the largest racial discrimination lawsuit in U.S. history, costing a reported \$170 million to the company and shareholders. Texaco's public image was tarnished and the company faced a consumer boycott.

15

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- b) In 1996 the Wall Street Journal reported that Shoney's earnings for fiscal year 1992 posted a direct loss of \$16.6 million as a result of settling a racial discrimination suit for \$134.5 million.
  - c) In 1997 Denny's reported it was still trying to win back its minority customers, dating back to the 1992 discrimination complaints against Denny's.
  - d) In 1998 Smith Barney agreed to spend \$15 million on diversity programs to settle a case brought by plaintiffs charging sexual harassment.

More than 150 major employers publicly report on work force diversity to their shareholders. Primary examples are Disney/ABC Commitment Report, USAir Affirming Workplace Diversity Report, Intel Diversity Report, Monsanto Diversity Report, and Texaco Diversity Report. These companies and many others regularly provide reports describing diversity progress and challenges. Often companies will also include this information in their annual reports.

**RESOLVED:** The shareholders request our company prepare a report at reasonable cost that may omit confidential information on the issues described below.

- 1) An updated Diversity Report to be available to shareholders four months from the date of the annual meeting, that includes:
  - a. the EEO-1 Report in standard federal government categories according to gender and race in each of the nine major EEOC-defined categories for the previous three years;
  - b. a description of any policies and programs oriented specifically toward increasing the number of managers who are qualified females and/or ethnic minorities;
  - c. a description of the company's efforts to increase its business with female and minority suppliers and service-providers; and
  - d. any federal audit, corporate management review, and letter of compliance with corrective measures enacted to protect any government contracts.
- 2) A report on any material litigation in which the company is involved concerning race, gender and the physically challenged.

THE BOARD OF DIRECTORS' STATEMENT IN OPPOSITION:

The Board of Directors recommends a vote "against" Proposal No. 3.

The Board of Directors urges a vote against this stockholder proposal. This stockholder proposal is substantially the same as the proposal that was submitted by this same stockholder to the Company for consideration at the Company's 2003 annual meeting of stockholders. At the 2003 meeting, the proposal was overwhelmingly rejected by stockholders, with 85% of the votes cast against the proposal and 4.9% abstentions. The Board of Directors' view, reiterated here, is essentially unchanged from that included in the proxy statement for the Company's 2003 annual meeting.

The Company is fully committed to providing equal employment opportunity and complying with all applicable equal employment opportunity laws and regulations. It is the Company's policy not to discriminate against any associate or applicant because of race, color, religion, sex, national origin, age or disability. The Company also maintains appropriate diversity plans. The Company already complies with federal, state and local governmental reporting requirements regarding compliance with equal employment opportunity laws and regulations. The preparation and distribution of an additional report will not enhance the Company's commitment to the worthy goal of equal employment opportunity. Moreover, the Board of Directors believes that requiring preparation and distribution of another report would not be a beneficial use of Company resources.

The proposal seeks publication of a report that the Company prepares and files on a confidential basis with governmental authorities. While these reports in fact illustrate the Company's commitment to equal opportunity, the Board of Directors does not believe that public dissemination of these reports will promote the goal of equal employment opportunity in any meaningful way. Furthermore, in order to obtain consistent statistical information across all categories of employers, the government requires the

16

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Company to report the information in categories that may not accurately reflect the practices of the Company. As a result, the information in the reports is potentially susceptible to misinterpretation. Accordingly, disclosure of this sensitive information, which is protected by federal law, would not be in the interests of stockholders of the Company.

In addition, the proposal requests disclosure of material employment-related litigation. The Company already is obligated under SEC rules to make disclosure of material litigation of all kinds. Employment-related litigation is not excluded from this disclosure and already is subject to reporting as required. For this reason, the Board of Directors believes that the proposal is duplicative and unnecessary.

The goal of equal employment opportunity is worthy and is also one to which the Company has always been committed. In the Board of Directors' judgment, however, providing reports is not the appropriate approach and would not enhance the Company's efforts to provide equal opportunity. The Board of Directors strongly believes that the proposal is unnecessary in most respects and, in other respects, is potentially harmful to the Company and not in the best interest of the stockholders.

We urge you to vote against Proposal No. 3

#### RECOMMENDATION

THE BOARD OF DIRECTORS RECOMMENDS A VOTE  
"AGAINST" THE STOCKHOLDER PROPOSAL

## 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.