RITE AID CORP
Form DEF 14A
May 19, 2014

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant ý

Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement

o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

ý Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material under §240.14a-12

RITE AID CORPORATION

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

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RITE AID CORPORATION

P.O. BOX 3165
HARRISBURG, PENNSYLVANIA 17105

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To Be Held on June 19, 2014

To Our Stockholders:

What: Our 2014 Annual Meeting of Stockholders
When: June 19, 2014 at 10:30 a.m., local time
Where: Holiday Inn Harrisburg-East
4751 Lindle Road
Harrisburg, PA 17111
Why: At this Annual Meeting, stockholders will be asked to:

1. Elect eight directors to hold office until the 2015 Annual Meeting of Stockholders and until their respective successors are duly elected and qualified;
2. Ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm;
3. Approve, on an advisory basis, the compensation of our named executive officers as presented in the proxy statement;
4. Approve the adoption of the Rite Aid Corporation 2014 Omnibus Equity Incentive Plan;
5. Consider and vote on a stockholder proposal, if properly presented at the Annual Meeting; and
6. Transact such other business as may properly come before the Annual Meeting or any adjournment or postponement of the Annual Meeting.

The close of business on April 28, 2014 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

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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 19, 2014

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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 19, 2014

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to be Held on June 19, 2014:

The proxy statement and annual report, as well as the Company's proxy card, are available at *www.proxyvote.com*.

This proxy statement is being furnished to you by the Board of Directors (the "Board" or "Board of Directors") of Rite Aid Corporation (the "Company" or "Rite Aid") to solicit your proxy to vote your shares at our 2014 Annual Meeting of Stockholders (the "Annual Meeting"). The Annual Meeting will be held on June 19, 2014 at 10:30 a.m., local time, at the Holiday Inn Harrisburg-East, 4751 Lindle Road, Harrisburg, PA 17111. This proxy statement, the foregoing notice and the accompanying proxy card are first being mailed on or about May 19, 2014 to all holders of our common stock, par value $1.00 per share, entitled to vote at the Annual Meeting. At Rite Aid and in this proxy statement, we refer to our employees as associates.

QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING

Who is entitled to vote at the Annual Meeting?

Holders of Rite Aid common stock as of the close of business on the record date, April 28, 2014, 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 975,433,737 shares of common stock. 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 five proposals that are scheduled to be considered and voted on at the Annual Meeting:

Proposal No. 1: Elect eight directors to hold office until the 2015 Annual Meeting of Stockholders and until their respective successors are duly elected and qualified;

Proposal No. 2: Ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm;

Proposal No. 3: Conduct an advisory vote to approve the compensation of our named executive officers as presented in this proxy statement;

Proposal No. 4: Approve the adoption of the Rite Aid Corporation 2014 Omnibus Equity Incentive Plan; and

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Proposal No. 5: Consider a stockholder proposal requiring an independent chairman.

Stockholders also will 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 nominees of the Board in the election of directors, "FOR" the ratification of Deloitte & Touche LLP as the Company's independent registered public accounting firm, "FOR" the approval, on an advisory basis, of the compensation of our named executive officers as presented in this proxy statement, "FOR" the approval of the adoption of the Rite Aid Corporation 2014 Omnibus Equity Incentive Plan and "AGAINST" the stockholder proposal.

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, bank 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 18, 2014, 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 for your shares via the Internet until 11:59 p.m. Eastern Daylight Time on June 18, 2014, by accessing the website listed on the enclosed proxy card, *www.proxyvote.com*, and following the instructions you will find on the website. 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 for your shares 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

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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 bank, broker 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; otherwise, you will not be able to vote in person 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 brokers grant your broker discretionary authority to vote your shares without receiving your instructions on certain matters. Your broker has discretionary voting authority under NYSE rules to vote your shares on the ratification of Deloitte & Touche LLP as our independent registered public accounting firm. However, unless you provide voting instructions to your broker, your broker does not have discretionary authority to vote on the election of directors, the advisory vote on the compensation of our named executive officers, the adoption of the Rite Aid Corporation 2014 Omnibus Equity Incentive Plan and the stockholder proposal. **Accordingly, it is particularly important that beneficial owners instruct their brokers how they wish to vote their shares.**

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 nominees of the Board in the election of directors, "FOR" the ratification of Deloitte & Touche LLP as the Company's independent registered public accounting firm, "FOR" the approval, on an advisory basis, of the compensation of our named executive officers, "FOR" the approval of the adoption of the Rite Aid Corporation 2014 Omnibus Equity Incentive Plan and "AGAINST" the stockholder proposal.

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; otherwise, you will not be able to vote in person at the Annual Meeting.

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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 18, 2014; 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 nor a vote cast "against" the nominee and, therefore, will have no effect on the outcome of the vote. Abstentions with respect to the ratification of Deloitte & Touche LLP as our independent registered public accounting firm, the advisory vote on compensation of our named executive officers, the adoption of the Rite Aid Corporation 2014 Omnibus Equity Incentive Plan and the stockholder 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 the beneficial owner is unable to vote those shares for the beneficial owner because the broker or other nominee does not have discretionary voting power for the proposal and has not received voting instructions from the beneficial owner of the shares. Brokers will have discretionary voting power to vote shares for which no voting instructions have been provided by the beneficial owner only with respect to the ratification of Deloitte & Touche LLP as our independent registered public accounting firm. Brokers will not have such discretionary voting power to vote shares with respect to the election of directors, the advisory vote on the compensation of our named executive officers, the adoption of the Rite Aid Corporation 2014 Omnibus Equity Incentive Plan or 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 cast and will not be counted as a vote represented at the meeting and entitled to vote and, consequently, will have no effect on the outcome of the vote. Accordingly, it is particularly important that beneficial owners of Rite Aid shares instruct their brokers how to vote their shares.

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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. In order to take action on the proposals, a quorum, consisting of the holders of 487,716,869 shares (a majority of the aggregate number of shares of Rite Aid common stock) 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 will be treated as shares that are present for purposes of determining the presence of a quorum.

Proposal No. 1 Election of Directors

The affirmative vote of a majority of the total number of votes cast is required for the election of each director nominee named in Proposal No. 1. This means that the votes cast "for" that nominee must exceed the votes cast "against" that nominee. Any shares not voted (whether by abstention, broker non-vote 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 "Board of Directors Corporate Governance Majority Voting Standard and Policy."

Proposal No. 2 Ratification of Independent Registered Public Accounting Firm

The affirmative vote of a majority of the shares represented at the meeting and entitled to vote is required for the ratification of Deloitte & Touche LLP as our independent registered public accounting firm in Proposal No. 2. Any shares represented and entitled to vote at the meeting and not voted (whether by abstention or otherwise) will have the same effect as a vote "against" the proposal.

Proposal No. 3 Advisory Vote on Compensation of Named Executive Officers

The affirmative vote of a majority of the shares represented at the meeting and entitled to vote is required for the approval of the advisory vote on the compensation of our named executive officers in Proposal No. 3. Any shares represented and entitled to vote at the meeting and not voted (whether by abstention or otherwise) will have the same effect as a vote "against" the proposal. Any broker non-votes with respect to the advisory vote on the compensation of our named executive officers will not be counted as shares represented at the meeting and entitled to vote and, consequently, will have no effect on the outcome of the vote.

Proposal No. 4 Adoption of the Rite Aid Corporation 2014 Omnibus Equity Incentive Plan

The affirmative vote of a majority of the shares represented at the meeting and entitled to vote is required for the approval of the adoption of the Rite Aid Corporation 2014 Omnibus Equity Incentive Plan in Proposal No. 4. Any shares represented and entitled to vote at the meeting and not voted (whether by abstention or otherwise) will have the same effect as a vote "against" the proposal. Any broker non-votes with respect to the adoption of the Rite Aid Corporation 2014 Omnibus Equity Incentive Plan will not be counted as shares represented at the meeting and entitled to vote and, consequently, will have no effect on the outcome of the vote.

Proposal No. 5 Stockholder Proposal Independent Chairman

The affirmative vote of a majority of the shares represented at the meeting and entitled to vote is required for the approval of the stockholder proposal in Proposal No. 5. Any shares represented and entitled to vote at the meeting and not voted (whether by abstention or otherwise) will have the same effect as a vote "against" the proposal. Any broker non-votes with respect to the stockholder proposal will not be counted as shares represented at the meeting and entitled to vote and, consequently, will have no effect on the outcome of the vote.

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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?

Representatives of Broadridge Financial Services will tabulate the votes and act as 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 associates 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 Innisfree M&A Incorporated ("Innisfree"), a proxy solicitation firm, to assist us in the solicitation of proxies for the Annual Meeting. Rite Aid will pay Innisfree a fee of approximately $12,000 and reimburse the firm for approximately $2,000 of 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

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 eight and there are eight nominees for director at our Annual Meeting.

Director Nominees

The Board of Directors, based on the recommendation of the Nominating and Governance Committee, has nominated Joseph B. Anderson, Jr., Bruce G. Bodaken, David R. Jessick, Kevin E. Lofton, Myrtle S. Potter, Michael N. Regan, John T. Standley and Marcy Syms to be elected directors at the Annual Meeting. Each of the nominees for director to be elected at the Annual Meeting currently serves as a director of the Company.

Each director elected at the Annual Meeting will hold office until the 2015 Annual Meeting of Stockholders. Each director elected at the Annual Meeting will serve until his or her successor is duly elected and qualified.

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.

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BOARD OF DIRECTORS

The following table sets forth certain information with respect to our director nominees as of April 28, 2014. If elected, each of the following person's terms will expire at the 2015 Annual Meeting of Stockholders.

Name	Age	Position with Rite Aid	Year First Became Director
John T. Standley	51	Chairman and Chief Executive Officer	2009
Joseph B. Anderson, Jr.	71	Director	2005
Bruce G. Bodaken	62	Director	2013
David R. Jessick	60	Director	2009
Kevin E. Lofton	59	Director	2013
Myrtle S. Potter	55	Director	2013
Michael N. Regan	66	Director	2007
Marcy Syms	63	Director	2005

Board Composition

The Board is committed to ensuring that it is composed of a highly capable and diverse group of directors who are well-equipped to oversee the success of the business and effectively represent the interests of stockholders. In addition, the Board believes that having directors with a mix of tenure on the Board helps transition the knowledge of the more experienced directors while providing a broad, fresh set of perspectives and a Board with a diversity of experiences and viewpoints.

Director Tenure

Board Gender Diversity

In assessing Board composition and selecting and recruiting director candidates, the Board seeks to maintain an engaged, independent Board with broad experience and judgment that is committed to representing the long-term interests of our stockholders. The Nominating and Governance Committee considers a wide range of factors, including the size of the Board, the experience and expertise of existing Board members, other positions the director candidate has held or holds (including other board memberships), and the candidate's independence. In addition, the Nominating and Governance Committee takes into account a candidate's ability to contribute to the diversity of background and experience represented on the Board, and it reviews its effectiveness in balancing these considerations when assessing the composition of the Board.

Following the 2013 Annual Meeting, the Nominating and Governance Committee sought to recruit additional Board members whose qualifications align with the Company's long-term growth strategy. After considering a number of candidates and comprehensively reviewing these candidates' abilities and qualifications, the Nominating and Governance Committee recommended and the Board appointed Mr. Lofton, on November 8, 2013, and Ms. Potter, on November 29, 2013, for election to the Board.

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Mr. Lofton and Ms. Potter bring to the Board extensive experience in senior management and leadership roles and in-depth knowledge and experience in the healthcare industry.

The chart below summarizes the qualifications, attributes, and skills for each of our directors. The fact that we do not list a particular experience or qualification for a director nominee does not mean that nominee does not possess that particular experience or qualification.

Skills and Experience	Standley	Anderson	Bodaken	Jessick	Lofton	Potter	Regan	Syms
Current/Former CEO	X	X	X		X			X
Management/Business Operations	X	X	X	X	X	X	X	X
Retail Industry	X			X				X
Healthcare Industry			X		X	X		
Finance/Accounting	X	X		X			X	
Board/Corporate Governance	X	X	X	X	X	X		X

Director Biographies

Following are the biographies for our director nominees, including information concerning the particular experience, qualifications, attributes or skills that led the Nominating and Governance Committee and the Board to conclude that such person should serve on the Board:

John T. Standley. Mr. Standley, Chairman and Chief Executive Officer, has been Chairman of the Board since June 21, 2012, Chief Executive Officer since June 2010 and was President from September 2008 until June 2013. Mr. Standley served as the Chief Operating Officer from September 2008 until June 2010. He also served as a consultant to Rite Aid from July 2008 to September 2008. From August 2005 through December 2007, Mr. Standley served as Chief Executive Officer and was a member of the Board of Directors of Pathmark Stores, Inc. 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 1997 and as Chief Financial Officer of Smitty's Supervalue, Inc. from December 1994 to May 1996. Mr. Standley is Chairman of the National Association of Chain Drug Stores' Board of Directors and also serves on the SUPERVALU INC. Board of Directors.

As the Company's Chief Executive Officer, with more than 20 years of retail, financial and executive experience, Mr. Standley brings to the Board an in-depth understanding of all aspects of the Company, including its customers, operations and key business drivers. In addition, his experience serving as a chief financial officer of a number of companies, including the Company, provides the Board with additional insights into financial and accounting matters relevant to the Company's operations.

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 and

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Meritor, Inc. Mr. Anderson previously served as a director of NV Energy Inc. until December 2013 and Valassis Communications, Inc. until February 2014.

Mr. Anderson has a broad base of experience, including 19 years of chief executive officer experience at manufacturing, service and technology companies. From this experience, Mr. Anderson brings an array of skills, including in the areas of strategic, business and financial planning and corporate development. In addition, his service on the boards of directors of a number of publicly-traded companies provides the Board with insights into how boards at other companies have addressed issues similar to those faced by the Company.

Bruce G. Bodaken. From 2000 through December 2012, Mr. Bodaken served as Chairman and Chief Executive Officer of Blue Shield of California. Mr. Bodaken also previously served as President and Chief Operating Officer of Blue Shield of California from 1995 to 2000 and Executive Vice President and Chief Operating Officer from 1994 to 1995. Prior to joining Blue Shield of California, Mr. Bodaken served as Senior Vice President and Associate Chief Operating Officer of F.H.P., Inc., a managed care provider, from 1990 to 1994 and held various positions at F.H.P. from 1980 to 1990, including Regional Vice President. Mr. Bodaken is currently a director and audit committee chairman of WageWorks, Inc. He is also a member of the Institute of Medicine's Roundtable on Value and Science-Driven Health Care.

Mr. Bodaken brings to the Board an in-depth knowledge of the health insurance and managed care industries and more than 20 years of executive leadership skills.

David R. Jessick. Self-employed since 2005, Mr. Jessick served as a consultant to Rite Aid's Chief Executive Officer and senior financial staff from July 2002 until February 2005 and was Senior Executive Vice President, Chief Administrative Officer of Rite Aid from December 1999 to July 2002. From July 1998 to June 1999, Mr. Jessick was Executive Vice President, Finance and Investor Relations of Fred Meyer, Inc., and from February 1997 to July 1998, Mr. Jessick was Chief Financial Officer of Fred Meyer, Inc. From 1979 to 1996, he held various financial positions including Executive Vice President and Chief Financial Officer at Thrifty Payless Holdings, Inc. Mr. Jessick began his career as a Certified Public Accountant for Peat, Marwick, Mitchell & Co. Mr. Jessick is currently a director and audit committee chairman of DFC Global Corp. and Big 5 Sporting Goods Corporation. In addition, he previously served as a director of Source Interlink, Inc. from 2005 to 2009.

Mr. Jessick brings over 33 years of retail, executive and financial experience to the Board. His familiarity with our business and his experience as a chief financial officer provide useful insights into operational and financial matters relevant to the Company's business. In addition, his service on other boards of directors enables Mr. Jessick to share insights with the Board regarding corporate governance best practices.

Kevin E. Lofton. Mr. Lofton has served as the Chief Executive Officer of Catholic Health Initiatives ("CHI"), a healthcare system operating the full continuum of services from hospitals to home health agencies nationwide since 2002 and as President of CHI from 2002 through January 2014. Mr. Lofton previously served as Chief Executive Officer of the University of Alabama at Birmingham Hospital and Howard University Hospital in Washington, D.C. Mr. Lofton is also a director and member of the audit committee of Gilead Sciences, Inc.

Mr. Lofton brings to the Board an in-depth knowledge and understanding of the healthcare industry and valuable executive leadership skills from senior management and leadership roles in healthcare systems and hospitals.

Myrtle S. Potter. Ms. Potter has served since 2005 as the Chief Executive Officer of Myrtle Potter & Company, LLC, a private consulting firm she founded, and since 2009 as the Chief Executive Officer of Myrtle Potter Media, Inc., a consumer healthcare content company she founded. Ms. Potter

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previously served at Genentech, Inc., as President of Commercial Operations from 2004 to 2005 and as Executive Vice President, Commercial Operations and Chief Operating Officer from 2000 to 2004. Ms. Potter serves as a director of Liberty Mutual Holding Company, Inc., Everyday Health, Inc. and Proteus Digital Health, Inc. and as a trustee of The University of Chicago. Ms. Potter served on the board of Medco Health Solutions, Inc. from December 2007 until its acquisition by Express Scripts, Inc. in April 2012. She continued on the board at Express Scripts until June 2012.

Ms. Potter brings to the Board extensive experience in senior management and leadership roles in the healthcare industry and valuable experience as a consultant to life science, biopharmaceutical and biotechnical companies regarding corporate strategy, customer engagement, commercialization, product development and business development and as a board member of a pharmacy benefits management company.

Michael N. Regan. Mr. Regan has been a special situations senior executive since January 2012; serving as the Hold Separate Manager on behalf of the Federal Trade Commission, operating the Lumiere Place Casino and Hotel in St. Louis, Missouri from August 2013 through its expected sale in spring 2014 and prior to that as Chief Financial Officer of Indianapolis Downs LLC, a casino and horse track complex located near Indianapolis, Indiana during its bankruptcy from January 2012 through its sale in February 2013. Beginning May 2007 through December 2011, Mr. Regan was a self-employed private equity investor. Prior thereto, 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 The St. Joe Company, he served in various financial management functions at Harrah's Entertainment from 1980 through 1997, including as Vice President and controller from 1991 to 1997.

Mr. Regan's over 30 years of experience, including serving as a chief financial officer and as a senior vice president of finance, provides the Board with additional perspectives on financial, operational and strategic planning, and real estate matters relevant to the Company.

Marcy Syms. Marcy Syms served as a director of Syms Corp., a chain of retail clothing stores, from 1983, when she was named President and COO, until 2012. Marcy Syms became CEO of Syms Corp. in 1998 and was named Chair in 2010. In November 2011, Syms Corp. and its subsidiaries filed voluntary petitions for relief under Chapter 11 of the United States Bankruptcy Code and ceased all retail operations. Marcy Syms is also a founding member of the Board of Directors of the Syms School of Business at Yeshiva University. Currently, Marcy Syms serves as President of the Sy Syms Foundation and Founder and President of the TPD Group LLC, a multi-generational succession planning company.

Marcy Syms brings to the Board over 18 years of experience as a chief executive officer of a chain of retail stores, including an array of skills in strategic planning, marketing and human resources matters similar to those faced by the Company.

Board Leadership

Mr. Standley serves as Chairman of the Board and Chief Executive Officer. Mr. Regan has served as our Lead Independent Director since 2011 and will continue in that role.

The Company's governance framework provides the Board with flexibility to select the appropriate leadership structure for the Company. In connection with the 2012 Annual Meeting, the Board reviewed its leadership structure in light of the Company's operating and governance environment and determined that Mr. Standley should serve as the Chairman of the Board effective as of the 2012 Annual Meeting, based on the Board's belief that Mr. Standley's in-depth knowledge of the Company, keen understanding of the Company's operations and proven leadership and vision positioned him to provide strong and effective leadership to the Board. The Board has determined to maintain its current leadership structure, taking into account the foregoing factors as well as the evaluation of Mr. Standley's performance as Chief Executive Officer, his very positive relationships with other members of the Board and the leadership and strategic vision he has brought to the Chairman position.

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The Board has no policy mandating the combination or separation of the Chairman of the Board and Chief Executive Officer positions and believes that, given the dynamic and competitive environment in which we operate, the right leadership structure may vary from time to time based on changes in circumstances. The Board makes this determination based on what it believes best serves the needs of the Company and its stockholders at any particular time. For the reasons described above, the Board continues to believe that Mr. Standley provides excellent leadership of the Board in the performance of its duties and that a unified structure provides decisive and effective leadership both within and outside the Company.

In addition, the Board continues to maintain the position of Lead Independent Director that it created in 2009. Under our Corporate Governance Guidelines, in the event that the Chairman of the Board is also the Chief Executive Officer or otherwise is not an independent director, the independent members of the Board will choose an independent director to serve as Lead Independent Director. The Lead Independent Director, who is expected to serve at least one year, has the following responsibilities, which are described in our Corporate Governance Guidelines:

- presides at all meetings of the Board at which the Chairman of the Board is not present, including executive sessions of the non-management directors;
- has the authority to call meetings of the non-management directors;
- serves as a liaison between the Chairman of the Board and/or Chief Executive Officer and independent directors and facilitates communications between other members of the Board and the Chairman and/or Chief Executive Officer (any director is free to communicate directly with the Chairman and/or Chief Executive Officer; the lead director's role is to attempt to improve such communications if they are not entirely satisfactory);
- works with the Chairman and/or Chief Executive Officer in the preparation of, and approves, Board meeting agendas and schedules and the information to be provided to the Board;
- chairs the annual review of the performance of the Chief Executive Officer;
- otherwise consults with the Chairman and/or Chief Executive Officer on matters relating to corporate governance and Board performance; and
- if requested by major stockholders, ensures that he/she is available, when appropriate, for consultation and direct communication.

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 Corporate Governance Guidelines, current charters for each of the Audit Committee, Compensation Committee, Nominating and Governance Committee and Executive Committee, our Code of Ethics for the CEO and Senior Financial Officers, our Code of Ethics and Business Conduct, our Stock Ownership Guidelines and our Related Person Transaction Policy, are posted on our website at *www.riteaid.com* under the headings "Corporate Info 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.

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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 "Corporate Info Governance Codes of Ethics."

Director Independence. For a director to be considered independent under the NYSE 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., Bruce G. Bodaken, David R. Jessick, Kevin E. Lofton, Myrtle S. Potter, Michael N. Regan and Marcy Syms. The Board also had determined that John M. Baumer, François J. Coutu, Michel Coutu and James L. Donald, each of whom served as a director for a portion of the last fiscal year, were independent during the time he was a director. 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, Jr. served as a director of Valassis Communications, Inc., which does business with Rite Aid, until February 2014. Because Mr. Anderson served 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.

There is no family relationship between any of the nominees and executive officers of Rite Aid.

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 14^{th} 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, 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.

Board Oversight of Risk Management

The Board of Directors, as a whole and through the various committees of the Board, oversees the Company's management of risk, focusing primarily on five areas of risk: operational, financial performance, financial reporting, legal and regulatory, and strategic and reputational.

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Management of the Company is responsible for developing and implementing the Company's plans and processes for risk management. The Board believes that its leadership structure, described above, supports the risk oversight function of the Board. The Board of Directors, at least annually, reviews with management its plans and processes for managing risk. The Board also receives periodic updates from the Company's Chief Compliance Officer with regard to the overall effectiveness of the Company's risk management program and significant areas of risk to the Company, focusing on the five primary areas of risk set forth above as well as other areas of risk identified from time to time by either the Board, a Board committee or management.

In addition, other Board committees consider risks within their respective areas of responsibility and advise the Board of any significant risks. For example, the Compensation Committee considers risks relating to the Company's compensation programs and policies and the Audit Committee focuses on assessing and mitigating financial reporting risks, including risks related to internal control over financial reporting and legal and compliance risks.

Compensation-Related Risk Assessment

The Compensation Committee reviews all incentive plans relative to established criteria and conducts an assessment to ensure that none of our incentive plans encourage excessive risk-taking by our executives or associates. Together with executive management, the Compensation Committee has considered the risks arising from the Company's compensation programs for its executives and associates and has concluded that the compensation policies are not reasonably likely to have a material adverse effect on the Company.

The Compensation Committee reviews the risk profile and the relationship between the Company's compensation programs to the overall risk profile of the Company. Some of the features of our incentive programs that limit risk include:

- Delivery of compensation through an appropriate mix of base salary, cash incentive bonuses, long-term awards, and benefits.

- Use of a mix of long-term incentive vehicles that reward both stock price appreciation and financial operating performance and have different risk profiles.

- Incorporation of additional measures in the performance awards to assess how efficiently we use capital (leverage ratio) and to compare our stock performance against the Russell 2000 Index (total stockholder return).

- Stock ownership guidelines that promote executive stock ownership.

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 "Corporate Info Governance Corporate Governance Committees Committee Charters."

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The current members of the committees are identified in the following table.

Director	Audit	Compensation	Nominating and Governance	Executive
John T. Standley				Chair
Joseph B. Anderson, Jr.			Chair	
Bruce G. Bodaken		X	X	
David R. Jessick	Chair			X
Kevin E. Lofton	X			
Myrtle S. Potter			X	
Michael N. Regan	X	X		X
Marcy Syms		Chair		

Audit Committee. The Audit Committee, which held eight meetings during fiscal year 2014, currently consists of David R. Jessick (Chair), Kevin E. Lofton and Michael N. Regan. François J. Coutu served on the Audit Committee until November 8, 2013, when his resignation from the Board became effective. 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 David R. Jessick qualifies as an "audit committee financial expert" as that term is defined under applicable SEC rules.

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 "Corporate Info Governance Corporate Governance Committees Committee Charters."

Compensation Committee. The Compensation Committee, which met five times during fiscal year 2014, currently consists of Marcy Syms (Chair), Bruce G. Bodaken and Michael N. Regan. Michel Coutu served on the Compensation Committee until April 17, 2013, when he resigned from the Board. James L. Donald served on the Compensation Committee until his term expired in June 2013 and David R. Jessick served on the Compensation Committee from June 19, 2013 until November 29, 2013. 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.

The functions of the Compensation Committee include the following:

Administering Rite Aid's stock option and other equity incentive plans;

Reviewing and approving the base salaries of the Company's executive officers and reviewing and recommending to the Board the base salary of the CEO;

Reviewing and approving the Company's goals and objectives relevant to the incentive-based compensation of the Company's executive officers (including the CEO), evaluating the

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performance of the Company's executive officers (including the CEO) in light of these goals and objectives and determining and approving the incentive-based compensation of the Company's executive officers (including the CEO) based on such evaluation;

Setting corporate performance targets under all annual bonus and long-term incentive compensation plans as appropriate and determining annually the individual bonus award opportunities for the Company's executive officers; and

Reviewing and approving all executive officers' employment agreements and severance arrangements.

The Compensation Committee reviews the performance of the Company's executive personnel, including the Company's named executive officers, 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 and stock-based awards. The details of the processes and procedures for the consideration and determination of the compensation of our named executive officers are described in the section entitled "Executive Compensation Compensation Discussion and Analysis." 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, reward performance and to fix a portion of compensation to the outcome of the Company's performance.

As provided in its charter, the Compensation Committee has the authority to engage an external compensation consultant and to determine the scope of services. The Compensation Committee may terminate the engagement at any time. The external compensation consultant reports to the Compensation Committee Chair.

Since June 2010, the Committee has utilized Exequity LLP as its independent consultant. With respect to fiscal year 2014, Exequity LLP reviewed recommendations and analysis prepared by management and provided advice and counsel to the Committee. Exequity LLP does not provide any other services to the Company. The Compensation Committee has assessed the independence of Exequity LLP, taking into consideration the factors set forth in the NYSE listing standards and SEC rules, and determined that the engagement of Exequity LLP does not raise any conflicts.

Nominating and Governance Committee. The Nominating and Governance Committee, which held two meetings during fiscal year 2014, currently consists of Joseph B. Anderson, Jr. (Chair), Bruce G. Bodaken and Myrtle S. Potter. François J. Coutu served on the Nominating and Governance Committee until November 8, 2013, when his resignation from the Board became effective. 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.

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 and approving or ratifying related person transactions in which the Company is a participant.

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Executive Committee. The members of the Executive Committee currently are John Standley (Chair), David R. Jessick and Michael N. Regan. The Executive Committee did not meet during fiscal year 2014. 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 assesses its achievement of diversity through the review of Board composition as part of the Board's annual self-assessment process.

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. Mr. Lofton and Ms. Potter were recommended for consideration by the Nominating and Governance Committee by Cook Associates, Inc., an executive search firm.

The Nominating and Governance Committee may review publicly available information, conduct an interview and/or check references to assess the person's accomplishments and qualifications in light of the needs of the Board and the accomplishments and qualifications of any other candidates that the

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committee might be considering. 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.

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. Mr. Regan, our Lead Independent Director, presides at our executive sessions. The non-management directors met in executive session five times during fiscal year 2014.

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 "Corporate Info Governance Board of Directors Contact the Board of Directors" you will find an on-line form , as well as an email address, 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 website 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 eight meetings during fiscal year 2014. 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. Six of our eight directors attended the 2013 Annual Meeting of Stockholders.

Directors' Compensation

Each non-management director receives an annual payment of $100,000 in cash, payable quarterly in arrears. In addition, (i) the Lead Independent Director receives an additional annual payment of $25,000; (ii) the Chair of the Audit Committee receives an additional annual payment of $20,000; (iii) the Chairs of the Compensation Committee and the Nominating and Governance Committee each receive an additional annual payment of $10,000; and (iv) each member of the Audit Committee (other than the Chair) receives an additional annual payment of $10,000. Non-management directors also receive an annual award of restricted stock or restricted stock units valued at $90,000. The annual grant

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vests 80% on the first anniversary of the grant and 10% on each of the second and third anniversaries of the grant. Directors who are officers and/or Rite Aid associates 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 and Board Committee meetings.

During fiscal year 2014, for the period of the year she was on the Board, Ms. Sammons received the same compensation arrangements generally available to Rite Aid's non-management directors in addition to post-termination medical benefits for the life of her and her spouse, which applied upon the expiration of Ms. Sammons' employment agreement in June 2012.

Non-management directors are subject to our Stock Ownership Guidelines discussed on pages 51-52.

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DIRECTOR COMPENSATION TABLE FOR FISCAL YEAR 2014

The following Director Compensation Table sets forth fees, awards and other compensation paid to or earned by our non-management directors who served during the fiscal year ended March 1, 2014:

Name	Fees Paid in Cash ($)	Stock Awards ($)(3)(4)	Option Awards ($)(5)	Non-Equity Incentive Plan Compensation ($)	Change In Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
Joseph B. Anderson, Jr.	110,000	90,000					200,000
John M. Baumer(1)	75,000	90,000					165,000
Bruce G. Bodaken	63,462	90,000					153,462
François J. Coutu(1)	94,157	90,000					184,157
Michel Coutu(1)	25,000						25,000
James L. Donald(1)	51,978						51,978
David R. Jessick	120,000	90,000					210,000
Kevin E. Lofton(2)	16,141	58,002					74,143
Myrtle S. Potter(2)	8,967	53,002					61,969
Michael N. Regan	135,000	90,000					225,000
Mary F. Sammons(1)	47,253						47,253
Marcy Syms	105,000	90,000					195,000

(1) The following directors served as directors in fiscal year 2014 until the dates opposite their names: Mr. Baumer September 20, 2013; Mr. François J. Coutu November 8, 2013; Mr. Michel Coutu April 17, 2013; Mr. Donald June 20, 2013; and Ms. Sammons June 20, 2013.

(2) The following directors were appointed as directors in fiscal year 2014 on the dates opposite their names: Mr. Lofton November 8, 2013; and Ms. Potter November 29, 2013.

(3) Represents the grant date fair value of awards in fiscal year 2014 in accordance with FASB ASC Topic 718. For information regarding the assumptions used in determining the fair value of an award, please refer to Note 13 to our financial statements contained in our Annual Report on Form 10-K for the fiscal year ended March 1, 2014. We recognize expense ratably over the three-year vesting period.

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(4)
The number of unvested restricted stock units outstanding as of March 1, 2014 for each individual who served as a director during fiscal year 2014 is detailed in the table below.

Name	Grant Date	Number of Stock Awards (#)
Joseph B. Anderson, Jr.	June 20, 2013	31,250
	June 21, 2012	15,384
	June 23, 2011	7,692
John M. Baumer.		
Bruce G. Bodaken	June 20, 2013	31,250
François J. Coutu		
Michel Coutu		
James L. Donald		
David R. Jessick	June 20, 2013	31,250
	June 21, 2012	15,384
	June 23, 2011	7,692
Kevin E. Lofton	November 8, 2013	11,048
Myrtle S. Potter	November 29, 2013	8,953
Michael N. Regan	June 20, 2013	31,250
	June 21, 2012	15,384
	June 23, 2011	7,692
Mary F. Sammons		
Marcy Syms	June 20, 2013	31,250
	June 21, 2012	15,384
	June 23, 2011	7,692

(5)
The number of unexercised options outstanding as of March 1, 2014 for each individual who served as a director during fiscal year 2014 is detailed in the table below.

Name	Grant Date	Exercise Price($)	Outstanding(#)	Number of Securities Underlying Unexercised Options(#) Exercisable	Number of Securities Underlying Unexercised Options(#) Unexercisable
Joseph B. Anderson, Jr.	9/21/2005	3.65	100,000	100,000	
	6/21/2006	4.55	50,000	50,000	
	6/27/2007	6.15	50,000	50,000	
John M. Baumer					
Bruce G. Bodaken					
François J. Coutu	6/4/2007	6.55	100,000	100,000	
Michel Coutu	6/4/2007	6.55	100,000	100,000	
James L. Donald	5/13/2008	2.40	100,000	100,000	
David R. Jessick					
Kevin E. Lofton					
Myrtle S. Potter					
Michael N. Regan	6/27/2007	6.15	100,000	100,000	
Mary F. Sammons	6/24/2004	5.38	292,208	292,208	
	6/26/2007	6.07	247,117	247,117	
Marcy Syms	9/21/2005	3.65	100,000	100,000	
	6/21/2006	4.55	50,000	50,000	
	6/27/2007	6.15	50,000	50,000	

PROPOSAL NO. 2

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 28, 2015. 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 Audit Committee will consider the appointment of another independent registered public accounting firm. A representative of Deloitte & Touche will be present at the Annual Meeting, will have the opportunity to make a statement and will be available to respond to appropriate questions.

RECOMMENDATION

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE "FOR" THE RATIFICATION OF DELOITTE & TOUCHE LLP AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR FISCAL YEAR 2015.

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PROPOSAL NO. 3

ADVISORY VOTE ON THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS

In accordance with the requirements of Section 14A of the Exchange Act, we are including in this proxy statement a resolution, subject to stockholder vote, to approve, on a non-binding, advisory basis, the compensation of our Named Executive Officers (as defined in the section entitled "Executive Compensation Compensation Discussion and Analysis").

Prior to voting, stockholders may wish to carefully review our discussion of the compensation of our Named Executive Officers, as presented in the Compensation Discussion and Analysis, tables and narrative disclosure, on pages 38-63, as well as the discussion regarding the Compensation Committee on pages 15-16.

The Company's primary compensation goals for our Named Executive Officers are to attract, motivate and retain the most talented and dedicated executives and to align the interests of our Named Executive Officers with the interests of our stockholders. The Company's compensation programs are designed to reward our Named Executive Officers for the achievement of annual and long-term strategic and operational goals and the achievement of increased total stockholder return, while at the same time avoiding the encouragement of unnecessary or excessive risk-taking. The Company encourages stockholders to review the executive compensation disclosure in the Compensation Discussion and Analysis section and executive compensation tables in this proxy statement for complete details of how its compensation policies and procedures for its Named Executive Officers operate and are designed to achieve the Company's compensation objectives.

We believe that the Company's compensation programs for its Named Executive Officers have been effective at promoting the achievement of positive results, appropriately aligning pay and performance and in enabling the Company to attract and retain very talented executives within our industry, while at the same time avoiding the encouragement of unnecessary or excessive risk taking.

We are asking our stockholders to indicate their support for the compensation of our Named Executive Officers as described in this proxy statement. This proposal, commonly known as a "say-on-pay" proposal, gives you as a stockholder the opportunity to express your views on our fiscal year 2014 compensation for our Named Executive Officers. This vote is not intended to address any specific item of compensation; rather, the vote relates to the overall compensation of our Named Executive Officers as described in this proxy statement in accordance with the compensation disclosure rules of the SEC.

Accordingly, the following resolution is submitted for a stockholder vote at the 2014 Annual Meeting of Stockholders:

> "RESOLVED, that the stockholders approve, on an advisory basis, the compensation paid to the Company's named executive officers, as disclosed in the Company's Proxy Statement for the 2014 Annual Meeting of Stockholders pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, the compensation tables and the narrative discussion."

Although this is an advisory vote which will not be binding on the Compensation Committee or the Board, the Compensation Committee and the Board will carefully review the results of the stockholder vote. The Compensation Committee will consider stockholders' concerns and take them into account in future determinations concerning compensation of its Named Executive Officers. The Board therefore recommends that you indicate your support for the compensation of the Company's Named Executive Offices in fiscal year 2014, as outlined in the above resolution.

RECOMMENDATION

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE "FOR"
THE APPROVAL OF THE COMPENSATION OF ITS NAMED EXECUTIVE OFFICERS,
AS DISCLOSED IN THIS PROXY STATEMENT.**

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PROPOSAL NO. 4

APPROVAL OF THE ADOPTION OF THE RITE AID CORPORATION 2014 OMNIBUS EQUITY INCENTIVE PLAN

Introduction

The Compensation Committee views equity ownership as a significant motivation for its executives and associates to maximize value for its stockholders. The Compensation Committee believes that grants of stock options and other stock-based awards provide a long-term incentive for associates and executives to contribute to the growth of Rite Aid. In addition, the Compensation Committee values performance-based awards that 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-conditioned stock awards (which require the attainment of specified performance goals in order for the recipient to realize value).

The Compensation Committee also feels that it is important for equity and equity-based awards to be made to key managers and associates across the entire Rite Aid organization. Consequently, the Compensation Committee feels that it is important to ensure that it will be able to continue to provide equity and equity-based compensation to Rite Aid associates in the future. The Compensation Committee believes that the new plan will help ensure that Rite Aid has a reasonable number of additional shares available for future equity-based incentive awards to attract and retain Rite Aid's associates, key personnel and officers, as well as reward such individuals for the attainment of long-term achievements, provide awards in connection with our continued expansion through corporate acquisitions, and compensate non-employee directors for service on the Board.

Reasons for Seeking Stockholder Approval

We use equity compensation as a key tool for the attraction, retention and motivation of the best available talent. We anticipate that our future equity program design is likely to utilize a larger number of full value awards than has historically been the case. Some of those full value awards will be performance-based and need to be counted against the Equity Plans at the maximum payout level in order to ensure the Equity Plans have sufficient shares to cover payouts of such awards. Based on these expected changes to our equity grant program, we anticipate that the number of shares available for issuance as full value awards under our 2010 Omnibus Equity Incentive Plan and 2012 Omnibus Equity Incentive Plan (the "Equity Plans"), which is limited to only 5.1 million of the remaining 11.4 million shares in our Equity Plans at the end of fiscal year 2014, will have been granted prior to the time of our 2015 Annual Meeting of Stockholders. Accordingly, approval of the 2014 Omnibus Equity Incentive Plan (referred to herein as the "2014 Plan") is critical to ensuring that we have adequate shares available to continue to attract, retain and motivate top talent.

In addition, we are seeking approval of the 2014 Omnibus Equity Incentive Plan in order, among other things, to: (i) comply with NYSE rules requiring stockholder approval of equity compensation plans; (ii) allow the Compensation Committee to be more effective with the mix of equity awards through utilization of the fungible design; (iii) allow the Compensation Committee to grant incentive stock options (ISOs) to participants who are associates in the 2014 Plan; and (iv) allow the Compensation Committee the ability to grant stock awards intended to qualify as "performance-based compensation" under Section 162(m) of the Code.

Historical Overhang and Annual Share Usage

While the use of equity is an important part of our compensation program, we are mindful of our responsibility to our stockholders to exercise judgment in the granting of equity awards. As a result, we

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evaluated both our "overhang percentage" and annual share usage, or "burn rate," in considering the advisability of the 2014 Plan and its potential impact on our stockholders.

Overhang. As of the end of the 2014 fiscal year, we had 66.2 million shares of common stock subject to outstanding equity awards of which 55.9 million shares are for stock options and 10.3 million shares are for unvested awards other than stock options. Additionally, 11.4 million shares are available for future equity awards under the Equity Plans, of which only 5.1 million were available for awards other than stock options. The 77.6 million share overhang represents approximately 8.0% of fully diluted common stock outstanding (or, the "overhang percentage"). The 58 million new shares proposed to be included in the share reserve under the 2014 Plan would increase the overhang percentage by an additional 6.0% to approximately 14.0%.

Annual Share Usage. The annual share usage, or burn rate, under the Company's equity compensation program for the last three fiscal years was as follows:

	Fiscal Year 2014	**Fiscal Year 2013**	**Fiscal Year 2012**	**Three-Year Average**
A Stock Options Granted	4,828,100	12,020,400	23,201,044	13,349,848
B Restricted Stock Awards and Units Granted	2,743,051	5,450,341	8,525,646	5,573,013
C Total Options and Shares Granted (A+B)	7,571,151	17,470,741	31,726,690	18,922,861
D Basic Weighted Average Common Shares Outstanding	922,199,000	889,562,000	885,819,000	899,193,333
E ***Annual Share Usage (C/D)***	0.8%	2.0%	3.6%	2.1%

Although our future annual share usage will depend upon and be influenced by a number of factors, such as the number of plan participants, the price per share of our common stock and the methodology used to establish the equity award mix, the 58,000,000 shares of common stock reserved for issuance under the 2014 Plan will enable us to continue to utilize equity awards as an important component of our compensation program and help meet our objectives to attract, retain and incentivize talented personnel. The calculation of the share reserve took into account, among other things, our stock price and volatility, our share burn rate and overhang, the existing terms of our outstanding awards, and our proposed fungible share rate of 1.45:1 for full-share awards under the 2014 Plan. The results of this analysis were presented to our Compensation Committee of our Board for their consideration. In addition, we anticipate that the fungible design will permit a more efficient and effective use of those shares for future equity awards. Upon approval of the proposal, based on the factors described above, we estimate that the pool of available shares would last for approximately 4 to 6 years.

Highlights of the 2014 Plan

On April 16, 2014, the Board, upon the recommendation of the Compensation Committee, unanimously approved the 2014 Plan, subject to stockholder approval.

The 2014 Plan is intended to promote the interests of Rite Aid and its stockholders by providing officers and other key associates with equity-based incentives and rewards to encourage them to enter into and continue in the employ of Rite Aid and to acquire a proprietary interest in the long-term success of Rite Aid, thereby aligning their interests with those of Rite Aid's stockholders, to compensate non-employee directors for their services while further aligning their interests with the interests of stockholders, and to reward the performance of individual officers, other key associates and consultants in fulfilling their personal responsibilities for long-range achievements. The number of persons eligible to participate in the 2014 Plan will be approximately 900.

The 2014 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 annual deduction

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that Rite Aid may take for compensation of its covered officers, which consist of its CEO and three other most highly compensated executive officers (other than its CFO) who are serving at the end of the year. Under Section 162(m), certain compensation, including compensation based on the attainment of performance goals, will not be subject to this limitation if certain requirements are met. Among these requirements is a requirement that the material terms pursuant to which the performance-based compensation is to be paid be disclosed to and approved by the stockholders. Accordingly, if the 2014 Plan is approved by stockholders and the other conditions of Section 162(m) relating to performance-based compensation are satisfied, qualified performance-based compensation paid to covered officers pursuant to the 2014 Plan will not fail to be deductible due to the operation of Section 162(m).

If this proposal is approved at the Annual Meeting, the maximum number of shares reserved for issuance under the 2014 Plan will be 58,000,000 plus (i) the number of shares that remain available for issuance as of the effective date of the 2014 Plan under the Equity Plans and (ii) the number of shares that are subject to awards as of the effective date of the 2014 Plan that, in the future, are forfeited, cancelled, exchanged, surrendered or terminate under the terms of the Equity Plans, without a distribution of shares to the recipient. If the 2014 Plan is approved at the Annual Meeting, the Company will not grant any new awards under our existing Equity Plans.

Additional considerations which demonstrate Rite Aid's commitment to governance best practices and which are relevant to the adoption of the 2014 Plan are highlighted below:

No Repricing. The 2014 Plan prohibits repricing and exchange of underwater options and stock appreciation rights for cash or shares without stockholder approval. The 2014 Plan also prohibits use of reload options and discounted options.

Minimum Vesting Periods for Awards. The 2014 Plan prescribes minimum vesting periods which are designed to support retention of our officers and other key associates. Vesting periods of one year for performance-based awards and three-years for awards vesting solely on continued service are prescribed for the majority of awards granted under the 2014 Plan.

Fungible Share Counting Provision. The 2014 Plan provides for fungible share counting. Pursuant to this provision, each grant of a full value award such as restricted stock or phantom units will reduce the number of shares available for issuance by 1.45 shares.

No Single-Trigger Vesting Upon a Change in Control. The 2014 Plan does not provide for vesting of equity awards based solely on the occurrence of a change in control, without an accompanying job loss, or unless awards are not assumed or substituted in connection with the change in control.

Company Intends to Utilize Performance-Based Awards. Although the 2014 Plan permits a number of types of equity and cash long-term incentives, the Company intends to continue to have a long-term incentive program with a strong focus on our performance. We deliver the majority of long-term incentive value to our executives through stock options, which serve to align executive and shareholder interests by rewarding executives for appreciation in stock price, and performance awards, which only vest if certain performance targets are met.

Dividends and Dividend Equivalents Subject to Same Vesting as Underlying Award. Dividend or dividend equivalents on awards are subject to the same vesting restrictions as the underlying awards.

Stock Ownership Guidelines Apply to Senior Executives. Rite Aid senior executives are also subject to stock ownership guidelines as described on pages 51-52.

A form of the 2014 Plan is attached as Appendix A to this proxy statement and the following description of the material terms of the 2014 Plan is qualified in its entirety by the complete text of the plan.

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Description of Principal Features of the 2014 Plan

Types of Awards. The following types of awards may be granted under the 2014 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 units, stock bonus awards, and other equity-based awards valued in whole or in part by reference to, or otherwise based on, Rite Aid's common stock.

Shares Available; Certain Limitations. The number of shares of common stock in the aggregate that are reserved for issuance under the 2014 Plan include 58,000,000 shares plus any shares remaining available for grant under the Equity Plans as of the effective date of the 2014 Plan, in each case, subject to equitable adjustment upon the occurrence of any extraordinary dividend or other distribution, recapitalization, stock split, reorganization, merger, consolidation, combination, repurchase, or share exchange, or other similar corporate transaction or event. As of April 28, 2014, there were 10,959,457 shares of common stock in the aggregate, with a restriction that only 4,651,203 of those shares can be used for awards other than Stock Options, that remained available for grant under the Equity Plans. In addition, the number of shares of common stock that are subject to awards as of the effective date of the 2014 Plan under our existing Equity Plans that, in the future, are forfeited, cancelled, exchanged or surrendered or terminate (in each case, other than due to the expiration of stock options on the options' expiration date) under the Equity Plans without a distribution of shares to the Participant, will be added to the number of shares available for grant under the 2014 Plan. As of April 28, 2014, there were 50,362,617 shares of common stock subject to outstanding options and 10,685,126 shares of common stock subject to other types of awards under our existing Equity Plans. The options outstanding as of April 28, 2014 have a weighted average exercise price of $1.68 and a weighted average remaining life of 6.42 years.

Shares of common stock subject to an award under the 2014 Plan that remain unissued upon the cancellation or termination of the award will again become available for award under the 2014 Plan. However, shares of common stock that are exchanged by a participant or withheld by Rite Aid as full or partial payment in connection with any award under the 2014 Plan, as well as any shares of common stock exchanged by a participant or withheld by Rite Aid to satisfy the tax withholding obligations related to any award, will not be available for subsequent awards under the 2014 Plan. To the extent an award is paid or settled in cash, the number of shares of common stock previously subject to the award will again be available for grants pursuant to the 2014 Plan. To the extent that an Award can only be settled in cash, such Award will not be counted against the total number of shares of common stock available for grant under the 2014 Plan.

All shares underlying stock appreciation rights (as opposed to only the net number of shares issued to settle an award) will be counted against the various limits under the 2014 Plan. Under the 2014 Plan, in any fiscal year, no participant who is likely to be a covered associate for purposes of Section 162(m) may be granted (i) options or stock appreciation rights with respect to more than 6,000,000 shares of common stock, (ii) restricted stock, phantom stock or other equity-based awards with respect to more than 6,000,000 shares of common stock, or (iii) with respect to any award denominated in cash, $10,000,000 for such single fiscal year, including with respect to each fiscal year within a performance period of more than one year (subject in each case to equitable adjustment). The market price of Rite Aid's common stock on April 28, 2014 was $6.95 per share.

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Administration. The 2014 Plan will be administered by the Compensation Committee. Each member of the Compensation Committee is a "non-employee director" (within the meaning of Rule 16b-3 promulgated under Section 16 of the Securities Exchange Act of 1934), an "outside director" (within the meaning of Section 162(m) of the Internal Revenue Code) and an "independent director" (within the meaning of the New York Stock Exchange listed company manual).

Eligibility. Officers of Rite Aid, including the named executive officers listed in the summary compensation table in this proxy statement, associates, non-employee directors and consultants to Rite Aid are eligible to receive awards under the 2014 Plan at the discretion of the Compensation Committee (or, in the case of non-employee directors, the board of directors).

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 an applicable agreement. In general, options, stock appreciation rights, restricted stock and phantom units which vest solely based on continued employment may not fully vest prior to the third anniversary of the grant date (except with respect to awards made to non-employee directors and except with respect to no more than 5% of the aggregate number of shares of common stock authorized under the 2014 Plan). 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.

Performance Goals. The vesting of awards that are intended to qualify as performance-based compensation for purposes of Section 162(m) of the Code 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; prescription counts; customer service or customer service satisfaction; associate satisfaction; clinics opened; stores remodeled or constructed; cost of capital; Accountable Care Organization results; medical services delivered; leverage ratio; or any combination of the foregoing. The business criteria may be expressed in terms of attaining a specified level of the particular criteria or the attainment of a percentage increase or decrease in the particular criteria, and may be applied to Rite Aid, an affiliate, a division or strategic business unit of Rite Aid, or may be applied to the performance of Rite Aid relative to a market index, a group of other companies or a combination thereof, all as determined by the Compensation Committee. The business criteria may also be subject to a threshold level of performance below which no payment will be made, levels of performance at which specified payments will be made, and a maximum level of performance above which no additional payment will be made. Where applicable, business criteria will be determined in accordance with generally accepted accounting principles (with such adjustments as the Compensation Committee may prescribe) and achievement of the criteria will require certification by the Compensation Committee.

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 2014 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 in cash of the full option price, by tendering shares of common stock with a fair market value equal to the option price or by other methods in the discretion of the Compensation Committee. Options granted under the 2014 Plan may not be re-priced to lower the exercise price or be cancelled in exchange for another type of award or cash payment without stockholder approval, nor

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may they provide for automatic "re-load" grants upon the exercise of an option with shares of common stock.

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 shares of 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 for a period of no more than ten years. Stock appreciation rights granted under the 2014 Plan may not be re-priced to lower the exercise price or be cancelled in exchange for another type of award or cash payment without stockholder approval.

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.

Phantom Units. A phantom unit 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, or if the award is denominated in cash, the right to receive an amount of cash per unit that is determined by the Compensation Committee.

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, including but not limited to dividend equivalents, may be granted either alone or in addition to other awards under the 2014 Plan. For example, the 2014 Plan will permit the grant of performance-based awards denominated in cash, and 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 2014 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.

Change in Control. Unless otherwise set forth in an agreement or provided by the Compensation Committee, following a change in control of Rite Aid (as described below), (i) each outstanding award that is assumed or substituted in connection with the change in control will become fully vested and exercisable, free of all applicable restrictions, and all applicable performance criteria will be deemed to be achieved at target levels if the participant's employment or service is terminated pursuant to a qualifying termination (as defined in the 2014 Plan) within the 24 month period following the change in control; and (ii) each outstanding award that is not assumed or substituted in connection with the change in control will become fully vested and exercisable, free of all applicable restrictions, and all applicable performance criteria will be deemed to be achieved at target levels immediately upon the occurrence of the change in control. In addition, the Compensation Committee may, in its discretion, cancel outstanding awards in exchange for a payment in cash, shares of common stock, or any combination thereof, equal to the value of the award based on the price per share received by other Rite Aid stockholders.

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For purposes of the 2014 Plan a "change in control" means, in general: (i) a person or entity acquires securities of Rite Aid representing 50% or more of the combined voting power of Rite Aid; (ii) an unapproved change in the majority membership of the Board; (iii) consummation of a merger or consolidation of Rite Aid or any subsidiary of Rite Aid, other than a merger or consolidation that results in the Rite Aid voting securities continuing to represent at least 60% of the combined voting power of the surviving entity or its parent, or a merger or consolidation effected to implement a recapitalization or similar transaction involving Rite Aid in which no person or entity acquires at least 35% of the combined voting power of Rite Aid; or (iv) stockholder approval of a plan of complete liquidation or dissolution of Rite Aid or the consummation of an agreement for the sale or disposition of all or substantially all of Rite Aid's assets, other than a sale or disposition to an entity, at least 60% of the combined voting power of which is owned by Rite Aid stockholders in substantially the same proportions as their ownership of Rite Aid immediately prior to such sale.

Amendment and Termination of the Plan. The 2014 Plan may be amended by the Board, subject to stockholder approval where necessary to satisfy legal or regulatory requirements.

The 2014 Plan will terminate not later than the tenth anniversary of its effective date. However, awards granted before the termination of the 2014 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 2014 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 2014 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, then, generally (i) the participant will not realize ordinary income with respect to the exercise of the option, (ii) upon sale of the underlying shares acquired upon the exercise of an ISO, any amount realized in excess of the exercise price paid for the shares will be taxed to the participant as capital gain and (iii) Rite Aid will not be entitled to a deduction. 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. However, if the participant disposes of the shares acquired on exercise before the later of the second anniversary of the date of grant or one year after the receipt of the shares by the participant (a "disqualifying disposition"), the participant generally would include in ordinary income in the year of the disqualifying 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. If ordinary income is recognized due to a disqualifying disposition, Rite Aid would generally be entitled to a deduction in the same amount. 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, it will be treated for tax purposes as a nonqualified stock option, or "NQSO," as discussed below.

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

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

Restricted Stock. In general, a participant will not recognize any income upon the grant of restricted stock, unless the participant elects under Section 83(b) of the Internal Revenue Code, within thirty days after such grant, to recognize ordinary income in an amount equal to the fair market value of the restricted stock at the time of grant, less any amount paid for the shares. If the election is made, the participant will not be allowed a deduction for amounts subsequently required to be returned to Rite Aid. If the election is not made, the participant will generally recognize ordinary income on the date that the restrictions to which the restricted stock lapse, in an amount equal to the fair market value of such shares on such date, less any amount paid for the shares. At the time the participant recognizes ordinary income, Rite Aid generally will be entitled to a deduction in the same amount. Generally, upon a sale or other disposition of restricted stock with respect to which the participant has recognized ordinary income (i.e., where 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.

Phantom Units. In general, a participant will not recognize any income upon the grant of phantom units. Rather, upon the settlement of the phantom units, the participant will recognize ordinary income equal to the amount of cash or the fair market value of common stock received, as applicable. The Company will generally be entitled to a tax deduction at such time equal to the amount of income recognized by the participant.

Stock Bonus Awards. In general, a participant will recognize ordinary income upon the receipt of a vested stock bonus award granted under the 2014 Plan equal to the fair market value of the shares of common stock received, and Rite Aid will become entitled to a deduction at such time equal to the amount of income recognized by the participant.

Other Awards. In general, a participant will recognize ordinary income upon the receipt of shares or cash with respect to other awards granted under the 2014 Plan and Rite Aid will become entitled to a deduction at such time equal to the amount of income recognized by the participant.

New Plan Benefits

The 2014 Plan was designed by the Compensation Committee, with the assistance of an outside compensation consultant, as part of a comprehensive compensation strategy to provide a long-term broad based incentive for associates and executives to contribute to the growth of Rite Aid and attain specified performance goals.

If approved by the stockholders, participants in the 2014 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 2014 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

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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.

Awards under the 2014 Plan are made in the discretion of the Compensation Committee and therefore are not determinable at this time. Moreover, the ultimate value of any grants that are made will depend on the value of the underlying shares of common stock at the time of settlement, which likewise is not determinable at this time. Please refer to the "Grants of Plan-Based Awards Table for Fiscal 2014" to review equity and equity-based awards made to our named executive officers in 2013.

Vote Required and Board of Directors Recommendation

Approval of the adoption of the 2014 Plan requires the affirmative vote of a majority of the shares represented at the meeting and entitled to vote. Any shares represented and entitled to vote at the meeting and not voted (whether by abstention or otherwise) will have the same effect as a vote "against" the proposal. Any broker non-votes with respect to the adoption of the 2014 Plan will not be counted as shares represented at the meeting and entitled to vote and, consequently, will have no effect on the outcome of the vote. Accordingly, it is particularly important that beneficial owners of Rite Aid shares instruct their brokers or nominees how to vote their shares. If the 2014 Plan is not approved by the stockholders, the 2014 Plan will not become effective.

RECOMMENDATION

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE "FOR" APPROVAL OF THE ADOPTION OF THE RITE AID CORPORATION 2014 OMNIBUS EQUITY INCENTIVE PLAN

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PROPOSAL NO. 5

STOCKHOLDER PROPOSAL INDEPENDENT CHAIRMAN

Steven Krol, who owns 255,325 shares of common stock (based on information provided to us by Mr. Krol) and whose address will be provided by the Company promptly upon oral or written request, has notified us that he intends to present the following proposal at the Annual Meeting. The proposal and supporting statement may contain assertions about Rite Aid or other statements that we believe are incorrect. We have not attempted to refute all of the inaccuracies in the proposal and supporting statement and the Company is not responsible for the content of the proposal.

RESOLVED- Shareholders request the Board adopt as policy and amend the bylaws and governance documents as necessary reflecting that the Chairman, whenever possible, be independent defined as never having served as an executive officer of the company. This policy should not violate any contractual obligations in effect when this resolution is adopted and immediately implemented thereafter.

Currently, John Standley is Chairman **and** Chief Executive Officer (CEO) and devotes considerable time away from his paid duties here on boards of two other organizations.

This often called "Imperial CEO" arrangement can dominate our Board and is immediately accountable to no one, hindering our board's ability to monitor his performance. Additionally, one of the most important roles the Board has is firing and supervising it's management employees. Therefore, the board can't be led by management itself. If the CEO is an employee, he needs a boss, and that boss is the Board. The Chairman runs the Board. How can the CEO be his own boss?

Eventually, an "Imperial CEO" can make imperial mistakes:

Remember our Eckerd acquisition in 2007, dropping our stock from $6 in 2007, to 23 cents in 2009 causing the then near collapse of our company, and still choking debt today, due to empire building. Or our prior near collapse in 1999, then largest accounting scandal in corporate history.

An independent Chairman provides a CEO check , and could have prevented the above. Over 46% of S&P 1500 companies have separation.

GMI Ratings, an independent investment research firm, found companies with combined functions are "more likely to have certain troubling corporate governance characteristics than companies where the roles are separated". Findings:

Excessive salary when combined; separate Chair and CEO function salaries added together cost **less**
Undeserved job security
Abusive personal usage of corporate aircraft
Resistance to change
Shareholder value destroyed over the longer term. Companies with separation provide five year returns nearly 28% higher than when functions combined.
Greater investment risk

We have a lead director. The Chairman's Forum of fifty current and former board Chairmen and Directors indicate, "The lead director is a half measure that does not go far enough to solve the conflict-of-interest problem". "I think it's almost worse than not having one, because it tends to lull people to sleep with the appearance that the board has independent leadership".

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At 2013 proxy press time, ISS, an independent institutional advisory agency, assigned Rite Aid it's worst governance risk quick score "10" rating, and generally recommends in favor of separation resolutions with poor scores.

Rite Aid waited for it's latest financial crisis, announcing January 2010 the separation of the Chairman and CEO function; now it's back together again! Haven't shareholders learned our lesson from our past history? If not now, when?

An independent Chairman, as resolution defined, provides needed "checks and balances" and enhances investor confidence to invest in our Company.

Protect your Investment- Please vote "**FOR**" this Proposal #5

THE BOARD OF DIRECTORS' STATEMENT IN OPPOSITION

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE "AGAINST" THIS PROPOSAL FOR THE FOLLOWING REASONS:

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

Under our Corporate Governance Guidelines the Board has the flexibility to determine whether it is in the best interests of Rite Aid and its stockholders to separate or combine the roles of the Chairman of the Board and the Chief Executive Officer at any point in time. This proposal would remove this flexibility and narrow the governance arrangements that the Board may consider, which could be contrary to the best interests of our stockholders. Given the dynamic and competitive environment in which we operate, the right leadership structure may vary from time to time based on changes in circumstances. Accordingly, the Board believes it should be permitted to use its business judgment to determine the right leadership structure based on what it believes best serves the needs of the Company and its stockholders at any particular time.

The Board believes that its current structure and governance practices allow it to provide effective, independent oversight of the Company and the Chief Executive Officer.

The Board is composed entirely of independent directors, other than the Chief Executive Officer.

We have a Lead Independent Director with significant responsibilities that are described in detail on page 12 of this proxy statement.

Non-management directors meet regularly in executive sessions that are chaired by our Lead Independent Director with no members of management present. Non-management directors use these executive sessions to discuss any matters they deem appropriate, including evaluation of senior management, the Chief Executive Officer and management succession, matters to be included on board agendas, board information needs and board effectiveness.

The Chairs and all members of the Audit, Nominating and Governance and Compensation Committees are independent directors. The committees have oversight responsibilities over critical matters of the Company, such as overseeing our financial and reporting process, including review of the Company's quarterly and annual financial results, the compensation of executive officers, including the Chairman of the Board and Chief Executive Officer, and the nomination of directors and the evaluation of the Board and its committees.

All directors have complete access to members of management and outside advisors.

Our clearly defined Lead Independent Director role, independent key committee chairs, experienced and committed directors and frequent executive sessions provide a framework for effective

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direction and oversight by the Board. In addition, the Board believes that Mr. Standley's in-depth knowledge of the Company, perspective on competitive developments, understanding of stockholder interests and relationships with customers, business partners and the communities in which we do business allow him to provide decisive and effective leadership both within and outside the Company.

In view of our highly independent board structure and the Company's sound governance practices, the Board believes that the proposal is an unnecessary limitation on the Board's flexibility and would not strengthen the Board's independence or oversight functions. Moreover, the Board believes that its current leadership structure provides accountability, allows Rite Aid to present its strategy with a unified voice and serves the best interests of stockholders at this time.

RECOMMENDATION

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

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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
John T. Standley(1)	51	Chairman and Chief Executive Officer
Kenneth Martindale	54	President and Chief Operating Officer
Frank G. Vitrano	58	Senior Executive Vice President, Chief Financial Officer and Chief Administrative Officer
Dedra N. Castle	48	Executive Vice President, Human Resources
Enio Anthony Montini, Jr.	61	Executive Vice President, Merchandising
Marc A. Strassler	66	Executive Vice President, General Counsel and Secretary
Robert I. Thompson	60	Executive Vice President, Pharmacy
Robert K. Thompson	56	Executive Vice President, Store Operations
Douglas E. Donley	51	Senior Vice President and Chief Accounting Officer

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

Kenneth A. Martindale. Mr. Martindale was appointed President as of June 2013, and has served as Rite Aid's Chief Operating Officer since June 2010. From December 2008 until June 2010, he served as Rite Aid's Senior Executive Vice President and Chief Merchandising, Marketing and Logistics Officer. Mr. Martindale served as Co-President, Chief Merchandising and Marketing Officer for Pathmark Stores, Inc. from January 2006 until its acquisition by the Great Atlantic & Pacific Tea Company in 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. from June 1996 until January 1998. Mr. Martindale currently serves on the Board of Directors of the National Association of Chain Drug Stores.

Frank G. Vitrano. Mr. Vitrano has served as our Senior Executive Vice President, Chief Financial Officer and Chief Administrative Officer since 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 until December 2005 and Co-President, Chief Financial Officer and Treasurer from January 2006 until its acquisition by the Great Atlantic & Pacific Tea Company in December 2007.

Dedra N. Castle. Ms. Castle joined Rite Aid as Executive Vice President and Chief Human Resources Officer effective March 24, 2014. Prior to joining Rite Aid, from 2012 until 2014, Ms. Castle was a founding member and managing partner of Castle Partners, LLC, a human resources management services firm, and Level Mediation, LLC, a multi-state mediation firm. From 2008 until 2012, Ms. Castle worked for the Sam's Club Division of Wal-Mart Stores, Inc., where she served as the Vice President of Club/Field Support, People, Inclusion, Diversity and Policy. Prior to joining Sam's Club, she held senior human resources positions at Winn-Dixie Stores, Inc. and Auto Zone Stores, Inc.

Enio Anthony Montini, Jr. Mr. Montini has served as our Executive Vice President, Merchandising since April 2011. From February 2010 to April 2011, he served as Senior Vice President, Category

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Management. Prior to serving in this position, from February 2008 until January 2010 he served as Executive Vice President, Chief Operating Officer with MARC USA, a privately held company. From February 2005 until January 2008, Mr. Montini was Senior Vice President of Operations with MARC USA and from September 2004 until January 2005, he served as Senior Vice President, Channel Marketing with MARC USA.

Marc A. Strassler. Mr. Strassler has served as our Executive Vice President, General Counsel and Secretary since March 2009. 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.

Robert I. Thompson. Mr. Thompson has served as our Executive Vice President, Pharmacy since September 2009. From August 2008 until September 2009, Mr. Thompson served as Senior Vice President, Pharmacy Operations. From February 2008 to August 2008, he served as Senior Vice President, Northeast Division, and from June 2007 to February 2008, Mr. Thompson served as Vice President, Integration. From July 2004 (when he first joined Rite Aid) to June 2007, he served as Vice President, Pharmacy Business Development.

Robert (Bob) K. Thompson. Mr. Thompson has served as our Executive Vice President of Store Operations since July 2011. From November 2007 to July 2011, Mr. Thompson served as Senior Vice President of our Western Division. Prior to joining Rite Aid in 2007, he was a Senior Vice President for the West Region of Target Corporation where he served for nearly 20 years in operations positions of increasing responsibility.

Douglas E. Donley. Mr. Donley has served as our Senior Vice President, Chief Accounting Officer since 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.

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EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

Introduction

We encourage you to read this Compensation Discussion and Analysis for a detailed discussion and analysis of our fiscal year 2014 executive compensation program for the individuals named below. We refer to these individuals throughout this Compensation Discussion and Analysis and the accompanying tables as our "Named Executive Officers."

Name	Title
John T. Standley	Chairman and Chief Executive Officer
Kenneth A. Martindale	President and Chief Operating Officer
Frank G. Vitrano	Senior Executive Vice President, Chief Administrative Officer, and Chief Financial Officer
Robert K. Thompson	Executive Vice President, Store Operations
Marc A. Strassler	Executive Vice President, General Counsel

Executive Summary

Our Company.

Rite Aid Corporation is the third largest retail drugstore chain in the United States based on revenues and number of stores, operating 4,587 stores as of March 1, 2014 in 31 states and the District of Columbia. Our goals are to consistently understand and exceed the expectations of our customers at each of these stores by providing them with the best products, services and advice to meet their unique needs, thereby allowing us to meet our key business objectives and ultimately provide sustainable long-term value to our stockholders.

We believe that accomplishing these goals starts with our ability to attract, retain and appropriately motivate executive officers who have the knowledge, experience and leadership ability to manage our business and promote a culture of teamwork and development that inspires each and every one of our associates to give their best effort every day.

We feel that we have assembled a very strong team of executives, which has in turn resulted in our ability to attract and retain highly talented individuals at all levels of the organization who are committed to our core values of excellence, integrity and respect for people and have the ability to execute our strategic and operational priorities. This combination of strong executive leadership and highly talented and motivated team-driven associates played a key role in our outstanding financial performance in fiscal year 2014, as described below.

Our Fiscal Year 2014 Performance.

We had a very successful year in fiscal 2014, as evidenced by our strong corporate performance in the key areas described below:

- We had net income of $249.4 million, or $0.23 per diluted share. This was our second consecutive fiscal year of positive net income since before the 2008 global financial crisis, and was a substantial increase over fiscal year 2013, in which we had net income of $118.1 million, or $0.12 per diluted share.

- Our Adjusted EBITDA, which is a key measure we use to assess our performance, was a record-setting $1,325 million and represented an increase of almost 18 percent over the fiscal year 2013 Adjusted EBITDA of $1,128 million. See the discussion under the caption "Cash Incentive Bonuses" below for more detail on how we calculate Adjusted EBITDA.

Our EBITDA growth over the last fiscal year was at the top of our peer group based on the most recent data available as of our fiscal year end.

Our leverage ratio, which measures how efficiently we use our available capital, was 4.23 and substantially beat our target of 5.13 (note that lower leverage ratios represent better performance).

Our overall same store sales increased by 0.7%. Revenue was positively impacted by brand drug inflation which was partially offset by a same store prescription count decrease of 0.3% and a front-end same store sales decrease of 0.2% over fiscal year 2013.

Our stock price increased nearly 300% in fiscal year 2014. We believe this increase was a direct result of our performance in the 2013 and 2014 fiscal years.

Our Executive Compensation Philosophy.

We believe strongly that pay should align with performance and this focus is reflected in our executive compensation programs. We seek to provide our Named Executive Officers with opportunities to earn total direct compensation (base salary, annual incentives, and long-term incentives) that are generally aligned with compensation levels provided to peer company executives and executives within similarly sized retailers more broadly.

Because of our desire to reinforce a performance-based culture, the Company emphasizes a pay mix that is comprised primarily of variable pay. As a result, base salary makes up the smallest portion of total direct compensation for the Named Executive Officers, with variable pay in the form of annual and long-term incentives comprising the remaining portion. The mix varies by position, taking into account each position's ability to influence Company results, as well as competitive practice.

Our Fiscal Year 2014 Pay Decisions.

We used Adjusted EBITDA as the primary financial metric in our annual incentive plan and long-term performance awards in fiscal year 2014. We believe this was appropriate because EBITDA growth has historically shown a strong positive correlation with three-year and five-year total stockholder return for Rite Aid and its peer group, and that it represented the best indicator of Rite Aid's operating performance based on our financial situation and corporate structure. With respect to long-term performance awards, the Compensation Committee, like it did in fiscal year 2013, included leverage ratio as an additional performance metric over the three-year performance period. The Compensation Committee believes that leverage ratio is a key indicator of our corporate performance, as it measures how efficiently we use our available capital and focuses management on the need to improve the Company's financial condition over time. Additionally, with respect to our executive officers, including our Named Executive Officers, the Compensation Committee added a provision subjecting the long-term performance award to modification based on our relative stockholder return versus the Russell 2000 Index over the three year measuring period.

As discussed above, our Adjusted EBITDA for fiscal year 2014 was $1,325 million which exceeded our annual operating plan of $1,125 million by approximately 18%. Consequently, and as described in more detail below under "Cash Incentive Bonuses," we paid annual incentives to our Named Executive Officers at the maximum level.

Consideration of Stockholder Votes on Executive Compensation.

In June 2011, our stockholders voted to hold an advisory vote on executive compensation every year. Consistent with that vote, the Board resolved to hold an advisory "say-on-pay" vote every year in connection with its annual meeting of stockholders. At our 2013 Annual Meeting approximately 97% of shares voting on the proposal approved the compensation of our Named Executive Officers on a

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non-binding, advisory basis. As a result of the overwhelming support of our stockholders in respect of the say-on-pay vote conducted at our 2013 Annual Meeting, the Compensation Committee determined that no material changes should be made to our executive compensation program for our Named Executive Officers in fiscal year 2014. As in the past, the Compensation Committee will continue to review the results of future advisory say-on-pay votes and will consider stockholders' concerns and take them into account in future determinations concerning the compensation of our Named Executive Officers.

Objectives of Our Executive Compensation Program

All of our 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. The Compensation Committee also administers the Company's equity incentive compensation plans. In establishing or approving the compensation of our 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 corporate 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 is linked to company performance and stockholder 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 that is related to our corporate performance. Where corporate 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 overall corporate performance, the programs should continue to ensure that successful, high-achieving associates 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 reward performance relative to 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 Compensation 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 assessing the linkage between actual total compensation and performance, the Compensation Committee considers various measures of Company and industry performance, such as comparable store sales growth, EBITDA growth, return on sales, return on average invested capital and assets and total stockholder return. In determining performance relative to the Company's peer group (as discussed further below), 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 performance awards granted under the Company's long-term incentive program.

Assessment of competitive compensation levels. The Compensation Committee, with the help of its independent compensation consultant Exequity LLP, assesses the Company's programs relative to a peer group of retail organizations and published survey data. For the Company's 2014 fiscal year, this peer group consisted of the companies listed below. During the second half of fiscal year 2014, the Company conducted a comprehensive review of its peer group and the Compensation Committee approved a modification to the peer group (which is also shown below under the heading "Fiscal Year 2015 Peer Group") for use beginning in the 2015 fiscal year.

Because the Company has a limited number of publicly-traded direct competitors and because pharmacy sales (which account for over two-thirds of the Company's revenue) have a different cyclicality than the sales of many other retailers, we reviewed potential peers relative to multiple criteria including:

- Competitors for executive talent such as grocery store chains, discount department stores, and companies engaged in pharmaceutical distribution;
- Competitors for investment capital such as companies considered peers by financial analysts, companies with a similar capital structure or companies whose stock price movement correlated most directly with Rite Aid;
- Companies with which Rite Aid competes for customers that have pharmacy operations or offer similar merchandise as Rite Aid; and
- Companies of similar size based on revenue as well as enterprise value.

The Compensation Committee determined that the following group best represented our peers based on the criteria described above at the time it was developed. As described above, following the comprehensive peer group review conducted in the second half of the 2014 fiscal year, the peer group was modified for use beginning in the 2015 fiscal year to consist of the companies listed below under "Fiscal Year 2015 Peer Group," which the Compensation Committee determined represented the most accurate group of our peers based on the criteria described above as of the time the review was conducted.

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Fiscal Year 2014 Peer Group

Peer Company	Revenues ($ Millions)
McKesson Corp.	130,088
CVS Caremark Corp.	126,761
Costco Wholesale Corp.	106,458
The Kroger Co.	99,306
AmerisourceBergen Corp.	96,076
Target Corp.	73,807
Walgreen Co.	73,230
Sears Holding Corp.	37,855
Safeway Inc.	35,809
Dollar General Corp.	17,218
SUPERVALU INC.	17,155
J.C. Penney Company, Inc.	11,961
Office Depot, Inc.	11,242
Harris Teeter Supermarkets, Inc. (acquired by The Kroger Co.)	*not reported*

Fiscal Year 2015 Peer Group

Peer Company	Revenues ($ Millions)
CVS Caremark Corp	126,761
AmerisourceBergen Corp	96,076
The Home Depot, Inc.	79,362
Target Corp.	73,807
Walgreen Co.	73,230
Lowe's Companies, Inc.	52,803
Sears Holding Corp	37,855
Safeway Inc.	35,809
Macy's, Inc.	28,079
The TJX Companies, Inc.	27,338
Staples Inc.	23,809
Dollar General Corp.	17,218
SUPERVALU INC.	17,155
Catamaran Corporation	14,780
Whole Foods Market Inc.	13,330
J.C. Penney Company, Inc.	11,961
Office Depot, Inc.	11,242
Family Dollar Stores, Inc.	10,469
Dollar Tree, Inc.	7,851

Note:

Revenue reflects trailing 12 month data through December 2013 as available per Standard & Poor's Research Insight.

The Compensation Committee compares the compensation levels of Rite Aid's Named Executive Officers to peer company compensation levels in the aggregate, and also compares the pay of individual executives if the jobs are sufficiently similar to make the comparison meaningful.

In addition to the peer group data, the Compensation Committee reviews market data based on specific functional responsibility for each executive from published survey data. The survey analysis targets data from similarly-sized retail organizations based on each executive's functional responsibility. The surveys used in the analysis include Mercer's *Global Premium Executive Remuneration Suite* and Towers Watson's *Survey Report on Top Management Compensation*.

The Compensation Committee uses the peer group and survey data primarily to ensure that the executive compensation program as a whole is competitive, meaning generally within 25% of the median range of comparative pay of the market when Rite Aid achieves the targeted performance levels. The Compensation Committee further designed the incentive plans in such a way that executives can earn above competitive levels for superior performance and below competitive levels if performance is below expectations. The Compensation Committee assesses overall alignment of the compensation program rather than benchmarking a specific target position with consideration of factors such as company and individual performance, how executive roles function within Rite Aid, concerns about executive retention, and availability of equity compensation. The Compensation Committee assesses Rite Aid's performance relative to its peer group on both a one-year and three year basis and observed alignment of performance with actual total direct compensation levels for the executives in the aggregate.

In fiscal year 2014, management engaged Mercer, a compensation consultant, to provide management with compensation information for certain executive officers. Pursuant to the terms of its retention, Mercer reported directly to management, and not to the Compensation Committee, although the Compensation Committee did review recommendations and analysis prepared by management and Mercer in determining fiscal year 2014 compensation for the Named Executive Officers.

Total compensation review. The Compensation Committee reviews each executive's base pay, annual bonus, and long-term incentives annually with the guidance of the Compensation Committee's independent compensation consultant. Following the fiscal year 2014 review, the Compensation Committee determined that the target level and components of compensation for fiscal year 2014 were reasonable in the aggregate.

Components of Executive Compensation for Fiscal Year 2014

For fiscal year 2014, the compensation program for our Named Executive Officers consisted of four primary components base salary, a cash incentive bonus opportunity under the Company's annual incentive bonus plan, long-term incentives consisting of stock options, restricted stock and performance units and a benefits package, including a Supplemental Executive Retirement Program ("SERP"). A significant portion of total compensation is variable, i.e., subject to performance and is comprised of target annual incentives and target long-term incentives.

The Compensation Committee believes that this program appropriately balances 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 best furthers the compensation objectives discussed above. The chart below shows the overall mix of base salary, target annual incentives, target long-term incentives, and contributions under the SERP for each of the Named Executive Officers.

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Target Total Remuneration(1)

Compensation Component as a % of Total Remuneration for Fiscal Year 2014(2)

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(1)
Target Total Remuneration represents the sum of base salary, target annual incentives, target long-term incentives, and SERP contributions. Value of broad-based benefits provided to all employees and components of other compensation (except the SERP) have been excluded.

(2)
Percentages may not total 100% due to rounding.

Base Salary

Base salary is one element of an executive's annual cash compensation during employment. The value of base salary reflects the executive's long-term performance, skill set and the market value of that skill set. In setting base salaries for fiscal year 2014, the Compensation Committee considered the following factors:

Pay levels at comparable companies. As noted above, the Compensation Committee uses the peer group data to test for the reasonableness and competitiveness of base salaries, but it also exercised subjective judgment in view of the Company's compensation objectives.

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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.

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. Mr. Standley's overall compensation, for example, is more heavily weighted toward short- and long-term incentive compensation (82% in the aggregate as shown in the bar chart above) than that of the other Named Executive Officers.

The Compensation Committee reviewed the Named Executive Officers' base salaries in April of fiscal year 2014 (June for Mr. Standley) and considered the principles described above under "The Compensation Committee's Processes" in establishing Named Executive Officers' base salaries for the fiscal year. The table below shows changes in base salaries for the Named Executive Officers in fiscal year 2014, which reflect promotions and changes in role as noted below.

Executive	Base Salary at End of FY 2014	Increase from Prior Fiscal Year	Rationale
John T. Standley	$ 1,050,000	5%	Merit increase
Kenneth A. Martindale	$ 900,000	13%	Merit increase and promotion to President in June 2013
Frank G. Vitrano	$ 819,545	3%	Merit increase
Robert K. Thompson	$ 477,405	3%	Merit increase
Marc A. Strassler	$ 456,968	3.5%	Merit increase

Cash Incentive Bonuses

The Company established an annual incentive plan in order to incentivize the Named Executive Officers to meet the Company's Adjusted EBITDA target for fiscal year 2014. The Compensation Committee establishes a target percentage of salary for each participant at the beginning of the fiscal year and approves the financial goals required for the Company to pay an award. Payouts for the Named Executive Officers are then determined by the Company's financial results for the year relative to the predetermined performance measures. As shown in the Summary Compensation Table under "Non-Equity Incentive Plan Compensation," incentives were paid to Named Executive Officers for fiscal year 2014 performance.

Bonus targets. Targets for each Named Executive Officer were determined based on job responsibilities, internal relativity, and peer group and survey data. The Compensation Committee's objective was to set bonus targets such that total annual cash compensation (including base salary and annual incentive assuming a target payout) was generally aligned with the market with a substantial portion of that compensation linked to corporate performance. Consistent with our executive compensation philosophy, individuals with greater job responsibilities had a greater proportion of their total cash compensation tied to company performance through the incentive plan. Thus, the

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Compensation Committee established the following targets for fiscal year 2014 (expressed as a percentage of base salary):

Annual Incentive Opportunity

Executive	Threshold Payout (as a % of Salary)	Target Payout (as a % of Salary)	Maximum Payout (as a % of Salary)
John T. Standley	50%	200%	400%
Kenneth A. Martindale	38%	150%	300%
Frank G. Vitrano	31%	125%	250%
Robert K. Thompson	19%	75%	150%
Marc A. Strassler	19%	75%	150%

Company performance measures. The Compensation Committee established the following Company performance goals, which applied to all plan participants, in February 2013:

Fiscal Year 2014 Annual Incentive Plan Performance Goals

Performance Level	Adjusted EBITDA Goal (millions)
Maximum	$ 1,238
Target	$ 1,125
Threshold	$ 1,069

The Compensation Committee believes that using Adjusted EBITDA as the primary measure for the annual incentive plan appropriately encourages officers, including the Named Executive Officers, to focus on improving operating results which ultimately drive stockholder value. EBITDA growth has historically shown a strong positive correlation with three-year and five-year total stockholder return for Rite Aid and its peer group. The majority of Rite Aid's peer companies use an EBITDA measure in their annual incentive plans. Based on Rite Aid's current financial situation and capital structure, the Committee believes that Adjusted EBITDA is the best indicator of Rite Aid's operating performance. The measure is tracked regularly, clearly understood by the officers, and the officers can impact the measure by taking actions to improve the operating performance of our stores. In addition, the Company regularly communicates Adjusted EBITDA to the investment community.

Under the plan formula, payouts can range from 0% to 200% of bonus targets depending on company performance. For fiscal year 2014, the target level of Adjusted EBITDA was $1,125 million which was based on our annual operating plan and in line with guidance provided to the investment community.

In fiscal year 2014, Rite Aid's actual Adjusted EBITDA was $1,325 million, which was above the maximum performance level of $1,238 million, resulting in bonus payments at the maximum level. As discussed in greater detail in our Annual Report, we define Adjusted EBITDA as net income (loss) excluding the impact of income taxes, interest expense, depreciation and amortization, LIFO adjustments, charges or credits for facility closing and impairment, inventory write-downs related to store closings, stock- based compensation expense, debt modifications and retirements, sale of assets and investments, revenue deferrals related to customer loyalty programs and other items. We reference this particular non-GAAP financial measure not only as a basis for incentive compensation but also in our corporate decision-making because it provides supplemental information that facilitates internal comparisons to the historical operating performance of prior periods and external comparisons to competitors' historical operating performance.

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Long-Term Incentive Program

Long-term incentive target opportunity. The purpose of the long-term incentive program is to support the long-term perspective necessary for continued success in our business and focus our Named Executive Officers on creating long-term, sustainable stockholder value. Our annual long-term incentive targets for each Named Executive Officer are shown below:

Long-Term Incentive Targets

Executive	Target (as a % of Salary)
John T. Standley	350%
Kenneth A. Martindale	200%
Frank G. Vitrano	220%
Robert K. Thompson	110%
Marc A. Strassler	110%

Because long-term incentive targets have been below the median of our peer companies for the past 7 years, the Committee changed the annual targets of our Named Executive Officers for fiscal year 2014. The Compensation Committee reviewed available peer group data and found that the design of the long-term incentive program is reasonably aligned with 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.

Long-term incentive mix. In fiscal year 2014 we used the following types of awards:

Vehicle	Proportion of 2014 Long-Term Incentive Target Opportunity	Purpose
Stock Options	40%	Provides a vehicle measured by stock price that rewards increases in shareholder value.
Performance Awards	35%	Links compensation to multi-year operating results on key measures tied to shareholder value creation.
Restricted Stock	25%	Supports retention and provides a vehicle with more stability and less risk. Aligns executive and shareholder interests and focuses executives on value creation.

In determining the overall mix of long-term incentive vehicles, the following factors were considered:

Risk/reward tradeoffs: Using multiple long-term incentive vehicles can balance the need for a strong performance-based program against risk to executives.

Performance measurement: Using a combination of vehicles allows the Company to focus executives on both stock price appreciation and achievement of consistent operating results (as indicated by Adjusted EBITDA and other measures) which we believe leads to creation of value for stockholders.

Management of share usage and market practice: Given stockholder concerns about equity usage, Rite Aid considers market practice concerning both share usage and competitive long-term incentive levels. Use of a cash-based performance vehicle allows Rite Aid to deliver a long-term incentive opportunity which is aligned with peer companies and retailers of similar size while managing share usage given the stock price at the time of grant. The target LTI mix has been

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selected to maximize opportunity for executives and associates given a challenging operating environment.

The Compensation Committee's process for setting grant dates is discussed below. Then, on the approval 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 approval for restricted shares and using the Black-Scholes valuation method for stock options. Performance awards are denominated in cash (1 unit = $1).

Grant timing. The Compensation Committee has a policy that annual long-term incentive awards (other than special or new hire grants) will be approved by the Committee once a year at its annual meeting held in connection with the annual stockholders meeting with a grant date of the second business day after release of the Company's first quarter earnings. Grants are made to the Named Executive Officers at the same time as awards are made to all other associates as part of the annual grant process.

Special awards. From time to time, the Company may make grants in addition to the annual equity grant including those to Named Executive Officers. Typically these grants include awards to new hires, promotional awards, or retention awards.

Performance Awards

Performance awards provide the Named Executive Officers with units, which are denominated in a target cash value and payable in cash if the designated Company performance goals are achieved over the prescribed performance period. Payouts can range from 0% to 200% of target. Performance awards are intended to align interests of executives with those of stockholders through the use of measures the Company believes drive its long-term success. Performance awards are normally granted annually and are structured as a targeted number of units based on the Company's achievement of specific performance levels with payout occurring after a three-year period.

Prior to fiscal year 2013, performance awards were based solely on the achievement of Adjusted EBITDA goals. As noted above under "Cash Incentive Bonuses," Adjusted EBITDA is a key measure used to both assess and communicate Rite Aid's performance.

We considered several alternative measures for the fiscal year 2013 performance award grant in response to investor concerns about using Adjusted EBITDA as the sole measure in both our annual incentive and long-term incentive programs. While we believe Adjusted EBITDA continues to be the best measure of Company performance, we decided to base a portion of the 2013-2015 Plan on leverage ratio (net debt / Adjusted EBITDA), which is a key performance metric that measures how efficiently we use our available capital and focuses management on the need to improve the financial condition of the Company over time. We determined that the optimum mix of the performance goals for the 2013-2015 Plan was 80% Adjusted EBITDA and 20% leverage ratio. We believe that the weighting appropriately balances the goals of maximizing profitability and improving of financial condition through the reduction of debt leverage.

For the fiscal year 2014 performance award grant, the Compensation Committee again determined to base 80% of the award on the achievement of Adjusted EBITDA goals and the remaining 20% on leverage ratio goals, in each case to be measured over the 2014-2016 measuring period. In addition, the Compensation Committee also added a provision subjecting the award to modification based on our relative stockholder return versus the Russell 2000 Index over the three year measuring period, which the Compensation Committee believes would further align the interests of our executives with those of our stockholders and add an additional incentive for them to create sustainable long-term value for the Company.

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2012-2014 Plan. Based on concerns related to the predictability of performance targets and executive retention, the plan design was modified in June 2011. Awards granted under the 2012-2014 cycle were earned based on Rite Aid's achievement of a 2012 Adjusted EBITDA goal. These awards are subject to forfeiture if the executive leaves the Company prior to June 27, 2014, except by reason of a change in control or by consent of the Compensation Committee. Based on Rite Aid's actual performance of Adjusted EBITDA of $942.9 million for fiscal year 2012, executives who remain with the Company through June 2014 will receive an award of 167.9% of the target award. The 2012 Adjusted EBITDA targets are shown below:

Performance Level	2012 Performance Award Goal ($ millions)
Maximum	$ 983
Target	$ 855
Threshold	$ 813

2013-2015 Plan. After additional conversations with certain of our institutional shareholders, we decided to make two changes to the 2013-2015 Plan in order to improve alignment between pay and long-term performance. First, the Plan was changed to measure performance based on cumulative performance over the three years. Second, 80% of the payout is based on Adjusted EBITDA performance and 20% on leverage ratio. Adjusted EBITDA is compared to the sum of annual targets over the three years in the performance period. The leverage ratio is compared to the weighted average target over the three years in the performance period. For both fiscal years 2013 and 2014, performance exceeded target levels for both measures. Adjusted EBITDA was $1,128 million compared to a target of $967 million for 2013 and $1,325 million compared to a target of $1,125 million for 2014. Actual leverage ratio was 5.23 compared to a target of 6.28 for 2013 and 4.23 compared to a target of 5.13 for 2014 (note that lower leverage ratios represent better performance).

2014-2016 Plan. As was the case with the 2013-2015 Plan, the 2014-2016 Plan is again based 80% on the Adjusted EBITDA goals and 20% on leverage ratio goals to be determined over the three year performance period, as the Compensation Committee again determined that these goals appropriately balanced maximizing profitability and improving our financial condition through the reduction of debt leverage. In addition, in order to further align the interests of our executives with those of our stockholders and add an additional incentive for them to create sustainable long-term value for the Company, the Compensation Committee also determined to subject the award to modification based on our relative stockholder return versus the Russell 2000 Index over the three year measuring period. For fiscal year 2014, performance exceeded target levels for both measures. Adjusted EBITDA was $1,325 million compared to a target of $1,125 million. Actual leverage ratio was 4.23 compared to a target of 5.13 (note that lower leverage ratios represent better performance). Additionally, our stockholder return is performing in the top one-third of the Russell 2000 Index, which if sustained over the performance period would result in a positive modification of the awards.

Stock Options

Stock options are intended to reward executives for value creation and they only have value if our stock price increases over time, which aligns the interests of our executives with our stockholders. The Company's ten-year options, granted at the market price on the date of grant, help focus executives on long-term growth. In addition, because options vest ratably over a four-year period, they are intended to help retain executives and keep them focused on long-term performance.

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Restricted Stock

Restricted stock grants are intended to support retention of executives and focus them on long-term performance because they generally vest over a multi-year period (three years or longer) and are tied to the value of our stock. The risk profile of restricted stock is aligned with stockholders as it can motivate executives to both increase and preserve stock price.

Post-Retirement Benefits

Supplemental Executive Retirement Program. Each of the Named Executive Officers receive benefits under a defined contribution supplemental executive retirement plan ("SERP"). Under the SERP, Rite Aid credits each participant with a specific sum to an individual account established for the participant, on a monthly basis while the participant is employed. The amount credited is equal to 2% of the executive officer's annual base compensation. The participants are able to select among a choice of earnings indexes, and their accounts are credited with earnings that mirror the investment results of such indexes. Participants vest in their accounts at the rate of 20% per year for each calendar year of participation in the SERP at a five-year rolling rate with the entire account balance for each participant vesting upon termination without cause during the twelve month period following a "change in control" of the Company, as defined in the SERP.

Subject to certain tax rules or deferral elections made by the executive, which may require a delay in payment, 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 SERP; (ii) termination of employment with the Company (including due to death or disability); and (iii) a hardship withdrawal pursuant to the terms of the SERP.

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, including our Named Executive Officers. The terms of the employment agreements are described in more detail under the caption "Executive Employment Agreements." Additional information regarding the severance and change in control benefits provided under the employment agreements is described under the section "Executive Compensation 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 payable to our Chief Executive Officer and three other most highly compensated executives (other than our Chief Financial Officer) as an expense not deductible by the Company for federal income tax purposes. Payments to these individuals 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).

While the Compensation Committee plans to continue taking actions intended to limit the impact of Section 162(m), it also believes that the tax deduction is only one of several relevant considerations in setting compensation. Therefore, in order to maintain the flexibility to provide compensation programs for our Named Executive Officers that will best incentivize them to achieve our key business objectives and create sustainable long-term shareholder value, the Compensation Committee reserves the right to pay compensation that may not be deductible to the Company if it determines that doing so would be in the best interests of the Company. Based on the Company's current tax situation, compliance with Section 162(m) is not a significant concern.

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Policy Regarding Recoupment of Certain Compensation

The Company has adopted a formal compensation recovery or "clawback" policy for its executive officers, including all Named Executive Officers. Pursuant to this policy, the Board of Directors of the Company may seek to recoup certain incentive compensation, including cash bonuses and equity incentive awards paid based upon the achievement of financial performance metrics, from executives in the event that the Company is required to restate its financial statements.

Prohibition on Hedging and Similar Transactions

Our executive officers and directors, including the Named Executive Officers, are subject to an insider trading policy that, among other things, prohibits them from engaging in put or call options, short selling or similar hedging activities involving our stock. We prohibit these transactions because they may reduce the individual's incentive to improve our performance, focus the individual on short-term performance at the expense of long-term objectives and misalign the individual's interests with those of our stockholders generally.

Director and Officer Stock Ownership Guidelines

In September 2008, we adopted Stock Ownership Guidelines in order to further the investment of our non-management directors, executive officers, and Senior Vice Presidents in the success of the Company and to encourage a long-term perspective in managing the Company. The stock ownership requirements are:

Position	Minimum Ownership Requirements (Number of Share Equivalents)
Chairman and Chief Executive Officer	2,500,000
President and Chief Operating Officer	1,000,000
Senior Executive Vice Presidents	1,000,000
Executive Vice Presidents	500,000
Senior Vice Presidents	200,000
Non-Management Directors	100,000

Newly appointed or promoted executives who are or become subject to our Stock Ownership Guidelines and newly elected non-management directors have five years from the time they are appointed, promoted or elected, as the case may be, to meet the stock ownership requirements. Currently, all of those persons subject to the guidelines, including all Named Executive Officers and senior vice presidents, have achieved the minimum holding ownership requirement or have not yet served for five years.

For the purposes of determining stock ownership levels, the following forms of equity interests in the Company are included:

- Shares owned outright by the participant or his or her immediate family members residing in the same household;
- Restricted stock and restricted stock units whether or not vested; and
- Shares underlying Rite Aid stock options whether or not vested.

Restricted stock and restricted stock units, whether or not vested and shares owned count as one (1) share equivalent per share beneficially owned and stock options whether or not vested count as one-half (.5) share equivalent per stock option.

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The Compensation Committee is responsible for interpreting and administering the Stock Ownership Guidelines, and may, from time to time, reevaluate and revise the Stock Ownership Guidelines, including when there are changes to the Company's capital structure or where implementation of the Stock Ownership Guidelines would cause a non-management director, executive officer or Senior Vice President to incur a hardship due to his or her unique financial circumstances.

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.

Marcy Syms, Chair
Bruce G. Bodaken
Michael N. Regan

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SUMMARY COMPENSATION TABLE

The following summary compensation table sets forth the cash and non-cash compensation for the fiscal years ended March 1, 2014, March 2, 2013 and March 3, 2012, respectively, paid to or earned by (i) our principal executive officer, (ii) our principal financial officer and (iii) the other three most highly compensated executive officers of the Company who were serving as of the end of the 2014 fiscal year (collectively, the "Named Executive Officers"). Fiscal Year 2012 "Salary" and "Total" reflect the 53 weeks in the fiscal year.

Name and Principal Position	Fiscal Year	Salary ($)	Bonus ($)	Stock Awards ($)(2)	Option Awards ($)(2)	Non-Equity Incentive Plan Compensation ($)(3)	Change In Nonqualified Deferred Compensation Earnings ($)(4)	All Other Compensation ($)(5)	Total ($)
John T. Standley	2014	1,035,000		810,060	1,788,333	4,200,000	240,511	273,325	8,347,229
(CEO)	2013	1,000,000		564,168	1,255,163	4,654,700	100,026	265,225	7,839,282
	2012	1,019,231		2,066,728	3,087,370	4,485,559	38,186	280,483	10,977,556
Kenneth A. Martindale	2014	878,250		396,888	875,926	2,587,500	102,797	308,158	5,149,519
(President & COO)	2013	795,675		303,490	549,276	2,259,299	43,292	284,990	4,236,021
	2012	787,356		774,318	1,161,744	2,107,339	18,582	293,049	5,142,387
Frank G. Vitrano	2014	819,545		397,440	877,454	2,048,862	267,137	303,256	4,713,694
(Senior Executive VP,	2013	795,675		303,490	549,276	2,259,299	86,143	312,235	4,306,118
CAO & CFO)	2012	787,356		774,318	1,161,744	2,113,219	3,405	311,508	5,151,550
Robert K. Thompson (Executive VP, Store Operations)(1)	2014	477,405		115,644	255,558	716,107	118,397	133,626	1,816,737
Marc A. Strassler	2014	456,968		110,676	244,671	685,452		220,883	1,718,649
(Executive VP, General	2013	441,515		105,864	235,508	646,168	27,653	213,452	1,670,160
Counsel)	2012	439,029		660,858	210,658	656,464	29,595	219,450	2,216,055

(1) Mr. Thompson, who has served the Company in his position since fiscal year 2012, first became a Named Executive Officer in fiscal year 2014.

(2) The amounts reported reflect the aggregate grant date fair value of each award computed in accordance with FASB ASC Topic 718. For information regarding the assumptions used in determining the fair value of an award, please refer to Note 13 of the Company's Annual Report on Form 10-K as filed with the SEC on April 23, 2014, Note 15 of the Company's Annual Report on Form 10-K as filed with the SEC on April 23, 2013 and Note 13 of the Company's Annual Report on Form 10-K as filed with the SEC on April 24, 2012, as applicable.

(3) The amounts reported in the "Non-Equity Incentive Plan Compensation" column consist of the annual cash incentive bonus paid to the Named Executive Officer for performance in the applicable fiscal year.

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

(5) The amounts in the "All Other Compensation" column for fiscal year 2014 consist of the following:

Name	Financial Planning ($)	Personal Use of Company Aircraft ($)(A)	Supplemental Executive Retirement Plan Allocations ($)	Housing/ Transportation Expenses ($)(B)	Employer Paid Taxes ($)(C)	Automobile Allowance ($)	401(k) Matching Contributions ($)
Mr. Standley	4,125		247,000			12,000	10,200
Mr. Martindale	3,290		206,841	45,643	30,184	12,000	10,200
Mr. Vitrano	5,000		195,259	48,528	32,269	12,000	10,200

Mr. Thompson		111,426			12,000	10,200
Mr. Strassler	1,300	108,745	47,795	40,842	12,000	10,200

(A) With respect to personal use of aircraft, 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.

(B) Each of Messrs. Martindale, Vitrano and Strassler is reimbursed for certain housing and transportation expenses pursuant to his respective employment agreement. The Company determines the incremental cost of these expenses based on the out-of-pocket amounts paid for rent, utilities and travel.

(C) Figures in this column represent the Company-paid taxes related to housing and transportation expenses reimbursed by the Company for Messrs. Martindale, Vitrano and Strassler pursuant to their respective employment agreements.

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GRANTS OF PLAN-BASED AWARDS TABLE FOR FISCAL 2014

The following table summarizes grants of plan-based awards made to Named Executive Officers during our fiscal year ended March 1, 2014.

			Estimated Future Payouts Under Non-Equity Incentive Plan Awards(1)			Estimated Future Payouts Under Equity Incentive Plan Awards						
Name	Committee Action Date	Grant Date	Threshold 50% ($)	Target 100% ($)	Max 200%($)	Threshold (#)	Target (#)	Max (#)	All Other Stock Awards (#)(2)	All Other Option Awards (#)(3)	Exercise or Base Price of Option Awards ($/Sh)	Grant Date Fair Value of Stock and Option Awards ($)(4)
John T. Standley			1,050,000	2,100,000	4,200,000							
	6/21/2013	6/24/2013	643,150	1,286,300	2,572,600				293,500	936,300	2.76	2,598,393
Kenneth A. Martindale			675,000	1,350,000	2,700,000							
	6/21/2013	6/24/2013	315,000	630,000	1,260,000				143,800	458,600	2.76	1,272,814
Frank G. Vitrano			512,216	1,024,431	2,048,863							
	6/21/2013	6/24/2013	315,500	631,000	1,262,000				144,000	459,400	2.76	1,274,894
Robert K. Thompson			179,027	358,054	716,107							
	6/21/2013	6/24/2013	91,900	183,800	367,600				41,900	133,800	2.76	371,202
Marc A. Strassler			171,363	342,726	685,452							
	6/21/2013	6/24/2013	87,950	175,900	351,800				40,100	128,100	2.76	355,347

(1) The first amount for each Named Executive Officer relates to an annual cash incentive bonus, as discussed in the Compensation Discussion and Analysis under the caption "Cash Incentive Bonuses." On June 24, 2013, each Named Executive Officer received a grant of performance-based units that will be earned based upon cumulative performance against targeted levels of Adjusted EBITDA and average leverage ratio modified by the Company's total stockholder return for fiscal year 2014 through fiscal year 2016. Vesting for the performance units will occur, provided the performance target has been met, on February 27, 2016 (the end of the Company's fiscal year 2016), provided that the Named Executive Officer is continuously employed at the Company through the date of the earnings release for fiscal year 2016. The award payout will be equivalent to $1.00 for each unit earned.

(2) On June 24, 2013, the Named Executive Officers received a grant of restricted stock, as described in the Compensation Discussion and Analysis, under the caption "Components of Executive Compensation for Fiscal Year 2014 Restricted Stock." These restricted shares will vest one-third on each of the first three anniversaries of the grant date based on continued employment:

Name	Restricted Shares (#)
Mr. Standley	293,500
Mr. Martindale	143,800
Mr. Vitrano	144,000
Mr. Thompson	41,900
Mr. Strassler	40,100

(3) On June 24, 2013, the Named Executive Officers received a grant of stock options, as described in the Compensation Discussion and Analysis, under the caption "Components of Executive Compensation for Fiscal Year 2014 Stock Options." These stock options will vest one-fourth on each of the first four anniversaries of the grant date based on continued employment:

Name	Stock Options (#)

Mr. Standley	936,300
Mr. Martindale	458,600
Mr. Vitrano	459,400
Mr. Thompson	133,800
Mr. Strassler	128,100

(4) Represents the grant date fair value, measured in accordance with FASB ASC Topic 718 of stock and option awards made in fiscal year 2014. Grant date fair values are calculated pursuant to assumptions set forth in Note 13 of the Company's 2014 Annual Report on Form 10-K filed with the SEC on April 23, 2014.

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.

- Mr. Standley serves as Chairman of the Board and Chief Executive Officer;
- Mr. Martindale serves as President and Chief Operating Officer;
- Mr. Vitrano serves as Senior Executive Vice President, Chief Financial Officer and Chief Administrative Officer;
- Mr. Thompson serves as Executive Vice President, Store Operations; and
- Mr. Strassler serves as Executive Vice President, General Counsel and Secretary.

Term. The term of each executive's employment commenced on the effective date of his employment agreement, as follows: Mr. Standley, September 24, 2008 (as amended and restated as of January 21, 2010); Mr. Martindale, December 3, 2008; Mr. Vitrano, September 24, 2008; Mr. Thompson, July 11, 2011; and Mr. Strassler, March 9, 2009. Unless earlier terminated, the initial term of each employment agreement will expire on its second anniversary, other than in the case of Mr. Standley, whose agreement will terminate on the date that is three years following June 23, 2010 (each such period, the "Initial Term"). Each agreement will automatically renew for successive one-year terms (each, a "Renewal Term"), unless either the executive or Rite Aid provides the other with notice of non-renewal at least 180 days 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 an incentive compensation target (which may be reviewed periodically for increase by the Compensation Committee). The current base salary and incentive compensation amounts are set forth below:

- Mr. Standley is currently entitled to an annual base salary of $1,050,000. 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 200% of his annual base salary then in effect.
- Mr. Martindale is currently entitled to an annual base salary of not less than $900,000. If Rite Aid's performance meets certain targets in the future, Mr. Martindale may receive an annual incentive bonus that, if awarded at 100% of target, will equal or exceed 150% of his annual base salary then in effect.
- Mr. Vitrano is currently entitled to an annual base salary of not less than $819,545. If Rite Aid's performance meets certain targets in the future, Mr. Vitrano may receive an annual incentive bonus that, if awarded at 100% of target, will equal 125% of his annual base salary then in effect.
- Mr. Thompson is currently entitled to receive an annual base salary of not less than $477,405. If Rite Aid's performance meets certain targets in the future, Mr. Thompson may receive an annual incentive bonus that, if awarded at 100% of target, will equal 75% of his annual base salary then in effect.
- Mr. Strassler is currently entitled to an annual base salary of not less than $456,968. If Rite Aid's performance meets certain targets in the future, Mr. Strassler may receive an annual incentive bonus that, if awarded at 100% of target, will equal 75% of his annual base salary then in effect.

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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 one year, or with respect to Mr. Strassler, two years, 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.

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OUTSTANDING EQUITY AWARDS AT FISCAL 2014 YEAR-END

The following table summarizes the number of securities underlying outstanding equity awards for the Named Executive Officers as of March 1, 2014:

		Option Awards					Stock Awards			
Name	Date of Grant	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable(1)(2)(4)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock that Have Not Vested (#)(1)(2)(4)	Market Value of Shares or Units of Stock That Have Not Vested ($)(3)	Equity Incentive Plan Awards: # of Unearned Shares or Units That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares or Units of Stock That Have Not Vested ($)
John T. Standley	9/24/2008	1,700,000			0.96	9/24/2018				
	10/2/2008	168,800			0.89	10/2/2018				
	6/25/2009	580,600			1.24	6/25/2019				
	1/21/2010	2,555,000			1.52	1/21/2020				
	6/23/2010	1,071,450	357,150		1.07	6/23/2020				
	6/27/2011	701,750	3,063,335		1.24	6/27/2021	1,366,382	9,004,457		
	6/25/2012	344,825	1,034,475		1.32	6/25/2022	284,933	1,877,708		
	6/24/2013		936,300		2.76	6/24/2023	293,500	1,934,165		
Kenneth A. Martindale	12/3/2008	67,000			0.47	12/3/2018				
	6/25/2009	387,100			1.24	6/25/2019				
	6/23/2010	1,491,975	497,325		1.07	6/23/2020				
	6/27/2011	271,050	1,145,711		1.24	6/27/2021	508,450	3,350,686		
	6/25/2012	150,900	452,700		1.32	6/25/2022	153,277	1,010,095		
	6/24/2013		458,600		2.76	6/24/2023	143,800	947,642		
Frank G. Vitrano	6/23/2010	1,491,975	497,325		1.07	6/23/2020				
	6/27/2011	271,050	1,145,711		1.24	6/27/2021	508,450	3,350,686		
	6/25/2012	150,900	452,700		1.32	6/25/2022	153,277	1,010,095		
	6/24/2013		459,400		2.76	6/24/2023	144,000	948,960		
Robert K. Thompson	12/18/2007	210,811			4.04	12/18/2017				
	10/2/2008	117,200			0.89	10/2/2018				
	6/23/2010	143,475	47,825		1.07	6/23/2020				
	6/27/2011	95,850	95,850		1.24	6/27/2021				
	7/11/2011		250,000		1.28	7/11/2021	20,500	135,095		
	6/25/2012	67,925	203,775		1.32	6/25/2022	56,133	369,916		
	6/24/2013		133,800		2.76	6/24/2023	41,900	276,121		
Marc A. Strassler	6/25/2009									